

Registration number: 08621705

SONNET CARE HOMES HOLDCO LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



SONNET CARE HOMES HOLDCO LIMITED

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SONNET CARE HOMES HOLDCO LIMITED

COMPANY INFORMATION

Directors	C Beck J M Clinton J Moore
Registered office	The New Deanery Deanery Hill Braintree Essex CM7 5SR
Bankers	HSBC Bank Plc Coventry DCS Harry Weston Road Binley Coventry CV3 2TQ
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT

SONNET CARE HOMES HOLDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activity

The principal activity of the group is that of the provision of a care home for the elderly and providing care for people with dementia.

The principal activity of the company is that of a non-trading holding company.

Fair review of the business

The results for the year to 31 March 2019, which are set out in the profit and loss account, show a group operating profit before exceptional costs of £756,803 (2018 - £792,306). At 31 March 2019, the group had intangible and tangible fixed assets valued in the financial statements at cost less amortisation/depreciation amounting to £15,655,498 (2018 - £15,727,070). During the year, £521,596 (2018 - £547,163) has been spent on capital expenditure for building improvements, refurbishments and IT infrastructure improvements.

As at the reporting date, the business was operating 2 homes (2018 – 2 homes) in Braintree in Essex. Provision of quality, person-centred care is of utmost importance and central to the philosophy and values of the business.

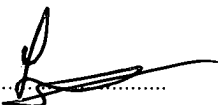
The business produces monthly management information including Key Performance Indicators ("KPI"s) which are an integral part of the reporting. KPIs include quality indicators, occupancy, average fees and wage costs, including agency use. During the year, the group has experienced revenue growth of 13% due to occupancy improvement. Average occupancy in the year was 80% (2018 – 73%). Indicators are reviewed and altered to meet changes both in the internal and external environments.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to relate to compliance with current and future regulations and legislation affecting the sector. This is managed through the recruiting of highly experienced managers and undertaking regular reviews of operational performance and KPIs.

Approved by the Board on 16/7/19 and signed on its behalf by:

.....
J Moore
Director



SONNET CARE HOMES HOLDCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the consolidated financial statements for the year ended 31 March 2019.

Directors of the group

The directors who held office during the year were as follows:

C Beck

J M Clinton

J Moore

Financial instruments

Objectives and policies

The board constantly monitors the group's trading results and revise projections as appropriate to ensure that the group can meet its future obligations as they fall due.

Price risk, credit risk, liquidity risk and cash flow risk

The group is exposed to the usual credit and cash flow risks associated with selling on credit and manages this through credit control procedures. The group's bank loans and loan stock are subject to price and liquidity risk as disclosed in note 18 to the financial statements.

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', the directors of all companies are now required to provide disclosures regarding the adoption of the going concern basis of accounting.

The group has sufficient resources available and the directors have prepared forecasts for the next 12 months that indicate that this will continue to be the case and that these cashflows will be sufficient for the group to meet its financing commitments as they fall due. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

Future developments

The external environment is expected to remain competitive going forward, however, the directors are confident that the group to which the company belongs will continue to improve the current level of performance in the future.

Important non adjusting events after the financial period

Following the year end, the group refinanced its bank debt on extended terms, but with an additional £10,026,600 facility, of which £9,000,000 was used to fund a buy back of 9,000,000 Ordinary C shares at £1 per share.

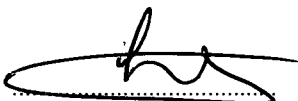
Disclosure of information to the auditor

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

Hazlewoods LLP have expressed their willingness to continue in office.

Approved by the Board on 16/7/19 and signed on its behalf by:



J Moore
Director

SONNET CARE HOMES HOLDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SONNET CARE HOMES HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SONNET CARE HOMES HOLDCO LIMITED

Opinion

We have audited the financial statements of Sonnet Care Homes Holdco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SONNET CARE HOMES HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SONNET CARE HOMES HOLDCO LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors


As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Simon Worsley (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

Date: 23/7/19

SONNET CARE HOMES HOLDCO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Turnover	3	7,464,696	6,596,695
Cost of sales		<u>(4,458,021)</u>	<u>(3,736,379)</u>
Gross profit		3,006,675	2,860,316
Administrative expenses		<u>(2,249,872)</u>	<u>(2,068,010)</u>
Group operating profit before exceptional costs		756,803	792,306
Exceptional costs	5	<u>(85,109)</u>	<u>(97,255)</u>
Operating profit	4	671,694	695,051
Other interest receivable and similar income	9	2,911	1,163
Interest payable and similar charges	10	<u>(456,656)</u>	<u>5,055,171</u>
Profit before tax		217,949	5,751,385
Taxation	11	<u>(114,062)</u>	<u>(106,059)</u>
Profit for the financial year and total comprehensive income		<u>103,887</u>	<u>5,645,326</u>

The above results were derived from continuing operations.

The group has no other comprehensive income for the year.

The notes on pages 13 to 27 form an integral part of these financial statements.

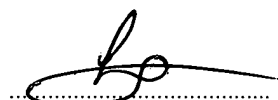
SONNET CARE HOMES HOLDCO LIMITED

(REGISTRATION NUMBER: 08621705)

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	6,190,818	6,623,333
Tangible assets	13	<u>9,464,680</u>	<u>9,103,737</u>
		<u>15,655,498</u>	<u>15,727,070</u>
Current assets			
Stocks	15	794	7,495
Debtors	16	406,300	325,914
Cash at bank and in hand		<u>892,279</u>	<u>923,779</u>
		1,299,373	1,257,188
Creditors: Amounts falling due within one year	17	<u>(6,528,206)</u>	<u>(1,066,885)</u>
Net current (liabilities)/assets		<u>(5,228,833)</u>	<u>190,303</u>
Total assets less current liabilities		<u>10,426,665</u>	<u>15,917,373</u>
Creditors: Amounts falling due after more than one year	17	<u>-</u>	<u>5,708,657</u>
Deferred tax liabilities	11	<u>206,063</u>	<u>92,001</u>
Capital and reserves			
Called up share capital	20	228,550	228,550
Share premium reserve		20,998,859	20,998,859
Retained earnings		<u>(11,006,807)</u>	<u>(11,110,694)</u>
Equity attributable to owners of the company		<u>10,220,602</u>	<u>10,116,715</u>
Total capital, reserves and long term liabilities		<u>10,426,665</u>	<u>15,917,373</u>

Approved and authorised by the Board on 16/7/19 and signed on its behalf by:



J Moore
Director

The notes on pages 13 to 27 form an integral part of these financial statements.

SONNET CARE HOMES HOLDCO LIMITED

**(REGISTRATION NUMBER: 08621705)
BALANCE SHEET AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	17,184	27,639
Investments	14	<u>455,000</u>	<u>455,000</u>
		<u>472,184</u>	<u>482,639</u>
Current assets			
Debtors: Amounts falling due within one year	16	77,368	28,541
Debtors: Amounts falling due after one year	16	<u>22,058,172</u>	<u>21,108,299</u>
		22,135,540	21,136,840
Creditors: Amounts falling due within one year	17	<u>(25,446)</u>	<u>(410,993)</u>
Net current assets		<u>22,110,094</u>	<u>20,725,847</u>
Total assets less current liabilities		<u>22,582,278</u>	<u>21,208,486</u>
Creditors: Amounts falling due after more than one year	17	<u>876,271</u>	<u>242,157</u>
Capital and reserves			
Called up share capital	20	228,550	228,550
Share premium reserve		20,998,859	20,998,859
Retained earnings		<u>478,598</u>	<u>(261,080)</u>
Total equity		<u>21,706,007</u>	<u>20,966,329</u>
Total capital, reserves and long term liabilities		<u>22,582,278</u>	<u>21,208,486</u>

Approved and authorised by the Board on 16/7/19 and signed on its behalf by:



J Moore
Director

The notes on pages 13 to 27 form an integral part of these financial statements.

SONNET CARE HOMES HOLDCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 April 2018	228,550	20,998,859	(11,110,694)	10,116,715
Profit for the year	-	-	103,887	103,887
At 31 March 2019	<u>228,550</u>	<u>20,998,859</u>	<u>(11,006,807)</u>	<u>10,220,602</u>

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 April 2017	5,550	471,950	(16,756,020)	(16,278,520)
Profit for the year	-	-	5,645,326	5,645,326
New share capital subscribed	<u>223,000</u>	<u>20,526,909</u>	-	<u>20,749,909</u>
At 31 March 2018	<u>228,550</u>	<u>20,998,859</u>	<u>(11,110,694)</u>	<u>10,116,715</u>

The notes on pages 13 to 27 form an integral part of these financial statements.

SONNET CARE HOMES HOLDCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 April 2018	228,550	20,998,859	(261,080)	20,966,329
Profit for the year	-	-	739,678	739,678
At 31 March 2019	<u>228,550</u>	<u>20,998,859</u>	<u>478,598</u>	<u>21,706,007</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 April 2017	5,550	471,950	(530,310)	(52,810)
Profit for the year	-	-	269,230	269,230
New share capital subscribed	<u>223,000</u>	<u>20,526,909</u>	-	<u>20,749,909</u>
At 31 March 2018	<u>228,550</u>	<u>20,998,859</u>	<u>(261,080)</u>	<u>20,966,329</u>

The notes on pages 13 to 27 form an integral part of these financial statements.

SONNET CARE HOMES HOLDCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the year		103,887	5,645,326
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	599,168	536,292
Finance income	9	(2,911)	(1,163)
Finance costs	10	456,656	(5,055,171)
Income tax expense	11	114,062	106,059
		<u>1,270,862</u>	<u>1,231,343</u>
Working capital adjustments			
Decrease/(increase) in inventories	15	6,701	(1,037)
Increase in trade and other receivables	16	(80,386)	(95,117)
(Decrease)/increase in trade and other payables	17	<u>(258,364)</u>	<u>31,436</u>
Net cash flow from operating activities		<u>938,813</u>	<u>1,166,625</u>
Cash flows from investing activities			
Interest received		2,911	1,163
Acquisitions of property plant and equipment		(521,596)	(547,163)
Acquisition of intangible assets	12	<u>(6,000)</u>	<u>(8,097)</u>
Net cash flows from investing activities		<u>(524,685)</u>	<u>(554,097)</u>
Cash flows from financing activities			
Interest paid	10	(342,428)	(195,834)
Repayment of bank borrowing		<u>(103,200)</u>	<u>(103,200)</u>
Net cash flows from financing activities		<u>(445,628)</u>	<u>(299,034)</u>
Net (decrease)/increase in cash and cash equivalents		(31,500)	313,494
Cash and cash equivalents at 1 April		<u>923,779</u>	<u>610,285</u>
Cash and cash equivalents at 31 March		<u><u>892,279</u></u>	<u><u>923,779</u></u>

The notes on pages 13 to 27 form an integral part of these financial statements.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The New Deanery
Deanery Hill
Braintree
Essex
CM7 5SR

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2019.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' the directors of all groups are now required to provide disclosures regarding the adoption of the going concern basis of accounting.

Details of the group's business activities, performance and position can be found in the Strategic Report on page 2 and Directors' Report on page 3 of these financial statements. This also includes disclosures regarding risks and uncertainties, including an assessment of credit risk and liquidity risk.

The group has adequate financial resources available. The forecasts for the year ending 31 March 2021 and the management accounts prepared for the post year end period confirmed this to be the case up to the date the financial statements were approved. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

Judgements and estimation uncertainty

The directors consider that there are no key areas of judgement or estimation uncertainty to be disclosed in these financial statements.

Revenue recognition

Turnover represents amounts receivable during the year for the provision of care services. Where the amount received relates to a period which covers the balance sheet date, it is apportioned over the period to which it relates.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Depreciation

Depreciation is charged so as to write off the cost of assets, other than freehold land and buildings over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold land and buildings	Nil
Leasehold land	Over term of the lease
Building improvements	10-50 years straight line
Furniture, fittings and equipment	5 years straight line
Motor vehicles	3-5 years straight line

No depreciation is provided on freehold land and buildings as it is the company's policy to maintain these assets so that they keep their previously assessed standard of performance. As the useful economic lives of these assets are of such length and the residual values are such that they are not materially different from the carrying amount any depreciation would not be material.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Trademarks, patents and licenses	5 years straight line

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors.

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The total turnover of the group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating profit

Arrived at after charging:

	2019 £	2018 £
Depreciation expense	160,653	92,936
Amortisation expense	438,515	443,356
Operating lease expense - other assets	-	1,171

5 Exceptional items

	2019 £	2018 £
Non-recurring consultancy costs	85,109	97,255

6 Auditors' remuneration

	2019 £	2018 £
Audit of these financial statements	17,940	20,390
Other fees to auditors		
All other non-audit services	8,626	16,980

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £	2018 £
Wages and salaries	4,056,856	3,487,605
Social security costs	302,302	250,519
Pension costs, defined contribution scheme	77,120	29,104
	<u>4,436,278</u>	<u>3,767,228</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	18	16
Care staff	215	204
	<u>233</u>	<u>220</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration (including benefits in kind)	224,831	230,004
Contributions paid to money purchase schemes	42,212	13,454
	<u>267,043</u>	<u>243,458</u>

In respect of the highest paid director:

	2019 £	2018 £
Remuneration (including benefits in kind)	138,165	150,004
Company contributions to money purchase pension schemes	36,462	7,500

9 Other interest receivable and similar income

	2019 £	2018 £
Other interest receivable	2,911	1,163

10 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank borrowings	222,428	195,834
Waiver of other loan interest	-	(5,511,694)
Finance costs adjacent to interest	234,228	260,689
	<u>456,656</u>	<u>(5,055,171)</u>

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11 Corporation tax

Tax charged/(credited) in the profit and loss account

	2019 £	2018 £
Current taxation		
UK corporation tax adjustment to prior periods	-	(4,221)
Deferred taxation		
Arising from origination and reversal of timing differences	114,062	110,280
Tax expense in the income statement	<u>114,062</u>	<u>106,059</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>217,949</u>	<u>5,751,385</u>
Corporation tax at standard rate	41,410	1,092,763
Effect of interest (receipts)/expense not (taxable)/deductible in determining taxable profit (tax loss)	83,537	(964,877)
Deferred tax expense (credit) relating to changes in tax rates or laws	(13,620)	(17,728)
Tax increase (decrease) from effect of capital allowances and depreciation	2,735	(1,598)
Tax increase (decrease) from other short-term timing differences	-	1,720
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	(4,221)
Total tax charge	<u>114,062</u>	<u>106,059</u>

The group has total tax losses available to carry forward against future taxable profits of £1,294,382 (2018 - £1,878,387). A deferred tax asset of £149,960 (2018 - £249,240) has been recognised at 17% (2018 - 17%) on the element of the losses that are considered recoverable.

SONNET CARE HOMES HOLDCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019****Deferred tax****Group**

Deferred tax assets and liabilities

	Liability £
2019	
Difference between accumulated depreciation and amortisation and capital allowances	357,092
Short term timing differences	(1,069)
Tax losses available	<u>(149,960)</u>
	<u>206,063</u>

	Liability £
2018	
Difference between accumulated depreciation and amortisation and capital allowances	342,310
Short term timing differences	(1,069)
Tax losses available	<u>(249,240)</u>
	<u>92,001</u>

Company

Deferred tax assets and liabilities

	Asset £
2018	
Tax losses available	<u>26,179</u>

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12 Intangible assets

Group

	Goodwill £	Trademarks, patents and licenses £	Total £
Cost			
At 1 April 2018	13,164,566	97,096	13,261,662
Additions	-	6,000	6,000
At 31 March 2019	<u>13,164,566</u>	<u>103,096</u>	<u>13,267,662</u>
Amortisation			
At 1 April 2018	6,568,872	69,457	6,638,329
Amortisation charge	<u>422,060</u>	<u>16,455</u>	<u>438,515</u>
At 31 March 2019	<u>6,990,932</u>	<u>85,912</u>	<u>7,076,844</u>
Carrying amount			
At 31 March 2019	<u>6,173,634</u>	<u>17,184</u>	<u>6,190,818</u>
At 31 March 2018	<u>6,595,694</u>	<u>27,639</u>	<u>6,623,333</u>

Company

	Trademarks, patents and licenses £
Cost	
At 1 April 2018	97,096
Additions	<u>6,000</u>
At 31 March 2019	<u>103,096</u>
Amortisation	
At 1 April 2018	69,457
Amortisation charge for the year	<u>16,455</u>
At 31 March 2019	<u>85,912</u>
Carrying amount	
At 31 March 2019	<u>17,184</u>
At 31 March 2018	<u>27,639</u>

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13 Tangible fixed assets

Group

	Land and buildings £	Building improvements £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2018	10,199,585	259,720	1,398,371	34,170	11,891,846
Additions	12,523	192,326	316,747	-	521,596
At 31 March 2019	10,212,108	452,046	1,715,118	34,170	12,413,442
Depreciation					
At 1 April 2018	1,771,017	-	982,922	34,170	2,788,109
Charge for the year	4,868	8,470	147,315	-	160,653
At 31 March 2019	1,775,885	8,470	1,130,237	34,170	2,948,762
Carrying amount					
At 31 March 2019	8,436,223	443,576	584,881	-	9,464,680
At 31 March 2018	8,428,568	259,720	415,449	-	9,103,737

Freehold land of £733,535 (2018 - £733,535) is not subject to depreciation.

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

14 Investments

Company

	2019 £	2018 £
Investments in subsidiaries	<u>455,000</u>	<u>455,000</u>

Subsidiaries

Cost and net book value

At 1 April 2018 and at 31 March 2019	<u>455,000</u>
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Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Sonnet Care Homes Midco Limited	England and Wales	Ordinary	100%	100%
Sonnet Care Homes Finance Limited	England and Wales	Ordinary	100%	100%
Sonnet Care Homes (Essex) Limited	England and Wales	Ordinary	100%	100%

The principal activity of Sonnet Care Homes Midco Limited is that of an intermediate parent company.

The principal activity of Sonnet Care Homes Finance Limited is that of an intermediate parent company. The investment is held indirectly via Sonnet Care Homes Midco Limited.

The principal activity of Sonnet Care Homes (Essex) Limited is the provision of a home for the elderly and providing care for people with dementia. The investment is held indirectly via Sonnet Care Homes Finance Limited.

15 Stocks

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Stocks	<u>794</u>	<u>7,495</u>	<u>-</u>	<u>-</u>

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

16 Debtors

	Note	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Trade debtors		217,991	233,500	-	-
Other debtors		5,484	12,169	-	-
Prepayments		182,825	80,245	77,368	2,362
Deferred tax assets	11	-	-	-	26,179
Amounts owed by group undertakings		-	-	22,058,172	21,108,299
		<u>406,300</u>	<u>325,914</u>	<u>22,135,540</u>	<u>21,136,840</u>
Less non-current portion		-	-	(22,058,172)	(21,108,299)
Total current trade and other debtors		<u>406,300</u>	<u>325,914</u>	<u>77,368</u>	<u>28,541</u>

Details of non-current trade and other debtors

Company

£22,058,172 (2018 - £21,108,299) of amounts to group undertakings is classified as non-current.

17 Creditors

	Note	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Due within one year					
Loans and borrowings	18	5,753,400	33,715	-	-
Trade creditors		248,902	221,388	-	-
Social security and other taxes		80,338	58,804	-	-
Other creditors		115,700	79,096	-	-
Accrued expenses		210,018	562,339	25,446	410,993
Deferred income		119,848	111,543	-	-
		<u>6,528,206</u>	<u>1,066,885</u>	<u>25,446</u>	<u>410,993</u>
Due after one year					
Loans and borrowings	18	-	5,708,657	-	-
Amounts owed to group undertakings		-	-	876,271	242,157
		<u>-</u>	<u>5,708,657</u>	<u>876,271</u>	<u>242,157</u>

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

18 Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current loans and borrowings				
Bank borrowings	<u>5,753,400</u>	<u>33,715</u>	<u>-</u>	<u>-</u>
Non-current loans and borrowings				
Bank borrowings	<u>-</u>	<u>5,708,657</u>	<u>-</u>	<u>-</u>

Group

Bank borrowings

The bank loans are secured by a debenture over the assets and undertakings of each company in the group.

Total bank loans outstanding of £5,753,400 (2018 - £5,742,372) (after deducting £nil (2018 - £114,228) of costs associated with the raising of this finance which are being released to the profit and loss account over the term of the debt; i.e. total bank debt was £5,753,400 (2018 - £5,856,600) at 31 March 2019) are repayable in quarterly instalments, the amount of which have been agreed with the bank as a lump sum plus a fixed percentage of the capital amount outstanding. The final repayment date is on 6 November 2019. Interest is levied at a rate of 3% over LIBOR per annum, subject to the group's compliance with banking covenants.

The group has entered into an interest rate cap agreement with its bankers in respect of £4,200,000 of the bank loan. The interest rate applicable to the hedged loan is a 2.5% cap on LIBOR.

19 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	<u>-</u>	<u>1,171</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2018 - £1,171).

SONNET CARE HOMES HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20 Share capital

Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
A Ordinary shares of £0.01 each	420,000	4,200	400,000	4,000
B Ordinary shares of £0.02 each	67,500	1,350	77,500	1,550
C Ordinary shares of £0.01 each	17,500,000	175,000	17,500,000	175,000
D Ordinary shares of £0.02 each	2,400,000	48,000	2,400,000	48,000
	<u>20,387,500</u>	<u>228,550</u>	<u>20,377,500</u>	<u>228,550</u>

Rights, preferences and restrictions

The A ordinary shares and B ordinary shares rank pari passu in relation to distribution on a return of capital (including winding up the company), redemption and dividends. The C ordinary shares and D ordinary shares have the right to participate in dividends, are entitled to the first £17,500,000 and £2,400,000 respectively upon distribution of capital (including on wind up) in proportion to the number of ordinary shares held by the holders, and carry no right of redemption.

The A ordinary shares carry one vote per share at a general meeting and the B ordinary shares carry 1.2 votes per share at a general meeting. The C ordinary shares and D ordinary shares carry no voting rights.

During the year, 10,000 B ordinary shares of £0.02 each were redesignated as 20,000 A ordinary shares of £0.01 each.

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £77,120 (2018 - £29,104).

22 Related party transactions

Group

During the year the group made the following related party transactions:

During the year, £nil (2017 - £2,910,235) of loan note interest was accrued at a rate of 12.5% per annum on the loan notes owed to the company's ultimate controlling party, August Equity LLP, a connected party of August Equity Partners III GP Limited. During the year, the group also accrued monitoring fees of £120,000 (2018 - £120,000) to August Equity LLP, a connected party of August Equity Partners III GP Limited.

23 Parent and ultimate parent undertaking

The ultimate controlling party is August Equity Partners III GP Limited, a company registered in Scotland which is considered to have no single controlling party.

24 Non adjusting events after the financial period

Following the year end, the group refinanced its bank debt on extended terms, but with an additional £10,026,600 facility, of which £9,000,000 was used to fund a buy back of 9,000,000 Ordinary C shares at £1 per share.