

CLEVELAND HEALTHCARE GROUP LIMITED

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2021

Cleveland Healthcare Group Limited

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Cleveland Healthcare Group Limited

Company Information

Directors	Mr M Dumble Mrs M J Auckland Mrs J D Thomas
Company secretary	Ms M Summerson
Registered office	1st Floor Valley View Care Centres Back Lane Penshaw Houghton-Le-Spring DH4 7ER
Solicitors	Endeavour Partnership Tobias House St Mark's Court Teesdale Business Park Teesside TS17 6QW
Bankers	Santander Corporate Banking 11 Halegrove Court Cygnet Drive Stockton on Tees TS18 3DB
Auditor	Azets Audit Services Chartered Accountants & Statutory Auditor 1 Massey Road Thornaby Stockton-on-Tees TS17 6DY

Cleveland Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity and review of the business

The group operates two main trading subsidiaries, namely Roseberry Care Centres GB Limited and Roseberry Care Centres (England) Limited, both of which are care home operators providing residential and nursing care, primarily across the north of England. At the date of the accounts both companies were caring for approximately 1,100 residents in 26 care settings.

In addition the group also trades individual care homes under Roseberry Care Centres (Yorkshire) Ltd and Roseberry Care Centres Wakefield Ltd. These two services care for approximately 80 residents and contributed a total profit before tax to the group of £135k (2020 profit £108k).

Results

The Group's profit on ordinary activities before tax for the year ended 31st December 2021 amounted to £4,267k (2020: £3,317k profit).

The group had net assets of £3,692k (2020 £1,029k).

Key performance indicators (for comparable, continuing operations)

The key financial performance indicators monitored by management include

Occupancy percentage, which at 31st December 2021 was 86.4% (2020 87.4%)

Average weekly fee, which at 31st December 2021 was £748* (2020 £681)

Staffing costs as a percentage of fee income, which for the year ended 31st December 2021 were 64.0%* (2020 61.0%)

Home running costs as a percentage of fee income, which for the year ended 31st December 2021 were 15.3%* (2020 15.7%)

Rent cover ratios, which were 1.5* times for the year ended 31st December 2020 (2020 1.66)

EBITDAR as a percentage of fee income, which for the year ended 31st December 2021 was 20.4%* (2020 23.3%)

*Note the above ratios exclude grant income and Covid-19 support payments.

In addition to the above, the group also closely monitors and acts upon inspections by the regulator and its two dedicated quality inspection managers which has clearly resulted in an improvement to its CQC (Care Quality Commission) ratings.

Cleveland Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Going concern and Covid-19

The Directors have reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. The Directors therefore believe it is appropriate to prepare the financial statements on a going concern basis.

At 31 December 2021 the group reported net current assets of £2,275,962 and net assets of £3,691,885.

Throughout 2021 the Covid-19 pandemic continued to have an impact on the group's operations. Thankfully, as a result of a high uptake in vaccinations, death rates amongst our residents were significantly down on those seen in 2020. However there were increased costs brought about by a reduction in admissions and costs associated with covering staff absences and restricting the movement of staff. Government and some local councils continued to recognise these pressures and provided appropriate levels of financial support by way of awarding temporary increases in fees, paying for void beds, providing PPE and making available infection control and workforce grants.

At the date of these financial statements we have seen a significant reduction in Covid-19 infections amongst residents and staff, and life in our homes seems to be returning to a more usual feel. The group has traded strongly throughout the pandemic and has been robust during the biggest challenge ever faced by the care sector. As at the balance sheet date, it has a strong balance sheet and cash reserves.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Forecasts for the next 12 months have been prepared which assume a certain level of occupancy and taking into account reasonable possible changes in trading performance, the company is expected to have sufficient level of financial resource available through the next 12 months. Therefore after making enquiries, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Cleveland Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and risk management

Principal risks and risk management

Credit risk

The group's main financial assets are bank balances, cash and trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The group's largest customers are primarily local councils with social services responsibilities and NHS clinical commissioning groups.

Liquidity risk

The group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments.

Operational risks

The group's activities expose it to a number of operational risks including reputation and of a regulatory nature.

Reputational risk

In order to mitigate this risk the group delivers a comprehensive package of employee training as well as performance management via formal and informal meetings with all of its employees. In addition the management team continue to aim to improve and strengthen the collaborative working relationships with local authorities and NHS commissioners.

Regulatory risk

In order to mitigate this risk the group employs a dedicated quality inspection manager who carries out mock inspections and provides action plans where appropriate. The group also employs regional support managers who's role is to support the regional operations managers and the homes within that region, in order to maintain and improve regulatory compliance and to develop improved commercial business strategies as directed by senior management.

Other risk

The group employs dedicated regional administrators who carry out unannounced financial audits in the homes. This establishes that financial procedures are being carried out in line with group policies and helps to mitigate the risk of potential financial fraud.

Future developments

The group will continue to seek to add growth by challenging and reviewing its current operations and carefully considering any potential acquisition opportunities.

Approved and authorised by the Board on 30 June 2022 and signed on its behalf by:

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Mr M Dumble

Director

Cleveland Healthcare Group Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the for the year ended 31 December 2021.

Directors of the group

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

Mr J Murphy (resigned 22 September 2021)

Mr M Dumble

Mrs M J Auckland

The following director was appointed after the year end:

Mrs J D Thomas (appointed 10 May 2022)

Financial instruments

Objectives and policies

The group finances its activities with a combination of cash and short term deposits, working capital and loans from related parties. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the group's operating activities.

See disclosures in the Strategic Report in respect of the financial risk management of the group.

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

During the year, the policy of providing employees with information about the group has continued through internal media methods in which employees are encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow free flow of information and ideas.

Future developments

See disclosures within the Strategic Report regarding future developments of the group.

Going concern

The impact of COVID-19 upon the group is disclosed in the Strategic Report and Note 2.

Disclosure of information to the auditor

Each director has taken 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.

Cleveland Healthcare Group Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Reappointment of auditors

Azets Audit Services Limited, trading as Azets Audit Services, were appointed auditor to the company following their acquisition of the trade of Tait Walker LLP, trading as MHA Tait Walker, on 1 May 2022.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Azets Audit Services as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved and authorised by the Board on 30 June 2022 and signed on its behalf by:

.....
Mr M Dumble
Director

Cleveland Healthcare Group Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 parent 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cleveland Healthcare Group Limited

Independent Auditor's Report to the Members of Cleveland Healthcare Group Limited

Opinion

We have audited the financial statements of Cleveland Healthcare Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of its 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 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Cleveland Healthcare Group Limited

Independent Auditor's Report to the Members of Cleveland Healthcare Group Limited (continued)

We have nothing to report in this regard.

Opinions on other matters 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 parent company and their 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 in relation to which 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 7], 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 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 company or to cease operations, or have no realistic alternative but to do so.

Cleveland Healthcare Group Limited

Independent Auditor's Report to the Members of Cleveland Healthcare Group Limited (continued)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness;
- enquiries of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- challenging assumptions and judgements made by management in their significant accounting estimates;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- reviewing financial statement disclosures and testing to support documentation.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Social Care Act 2008, Health and Safety, employment law (including the Working Time Directive), and compliance with the UK Companies Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

Cleveland Healthcare Group Limited

Independent Auditor's Report to the Members of Cleveland Healthcare Group Limited (continued)

Use of our report

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.

.....
Christopher Potter BA(Hons) ACA (Senior Statutory Auditor)

For and on behalf of Azets Audit Services

Statutory Auditor

Chartered Accountants

1 Massey Road

Thornaby

Stockton-on-Tees

TS17 6DY

30 June 2022

Azets Audit Services is a trading name of Azets Audit Services Limited

Cleveland Healthcare Group Limited

Consolidated Income Statement for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	<u>3</u>	43,988,824	36,500,524
Cost of sales		<u>(31,606,403)</u>	<u>(26,430,558)</u>
Gross profit		12,382,421	10,069,966
Administrative expenses		(11,044,981)	(10,362,001)
Other operating income	<u>4</u>	<u>2,932,797</u>	<u>3,668,166</u>
Operating profit	<u>5</u>	4,270,237	3,376,131
Interest payable and similar expenses	<u>7</u>	<u>(2,930)</u>	<u>(58,807)</u>
Profit before tax		4,267,307	3,317,324
Taxation	<u>11</u>	<u>(666,373)</u>	<u>(635,638)</u>
Profit for the financial year		<u><u>3,600,934</u></u>	<u><u>2,681,686</u></u>

The group has no recognised gains or losses for the year other than the results above.

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

(Registration number: 10523656)

Consolidated Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	<u>12</u>	1,708,618	1,272,660
Current assets			
Stocks	<u>14</u>	56,194	52,348
Debtors	<u>15</u>	2,484,618	2,314,119
Cash at bank and in hand		7,594,860	4,460,879
		<u>10,135,672</u>	<u>6,827,346</u>
Creditors: Amounts falling due within one year	<u>17</u>	<u>(7,859,710)</u>	<u>(6,939,697)</u>
Net current assets/(liabilities)		<u>2,275,962</u>	<u>(112,351)</u>
Total assets less current liabilities		3,984,580	1,160,309
Creditors: Amounts falling due after more than one year	<u>17</u>	-	(292)
Provisions for liabilities	<u>19</u>	<u>(292,695)</u>	<u>(131,146)</u>
Net assets		<u>3,691,885</u>	<u>1,028,871</u>
Capital and reserves			
Called up share capital	<u>21</u>	896	896
Profit and loss account		<u>3,690,989</u>	<u>1,027,975</u>
Total equity		<u>3,691,885</u>	<u>1,028,871</u>

Approved and authorised by the Board on 30 June 2022 and signed on its behalf by:

.....
Mr M Dumble
Director

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

(Registration number: 10523656)

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	<u>13</u>	305	305
Current assets			
Cash at bank and in hand		41,402	300,009
Creditors: Amounts falling due within one year	<u>17</u>	<u>(8,505)</u>	<u>(1,973,640)</u>
Net current assets/(liabilities)		<u>32,897</u>	<u>(1,673,631)</u>
Net assets/(liabilities)		<u>33,202</u>	<u>(1,673,326)</u>
Capital and reserves			
Called up share capital		896	896
Profit and loss account		<u>32,306</u>	<u>(1,674,222)</u>
Total equity		<u>33,202</u>	<u>(1,673,326)</u>

The company made a profit after tax for the financial year of £2,644,448 (2020 - loss £1,660,930).

Approved and authorised by the Board on 30 June 2022 and signed on its behalf by:

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Mr M Dumble

Director

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

Equity attributable to the parent company

	Share capital	Profit and loss account	Total	Total equity
	£	£	£	£
At 1 January 2020	896	(1,653,711)	(1,652,815)	(1,652,815)
Profit for the year	-	2,681,686	2,681,686	2,681,686
Total comprehensive income	-	2,681,686	2,681,686	2,681,686
At 31 December 2020	896	1,027,975	1,028,871	1,028,871

	Share capital	Profit and loss account	Total	Total equity
	£	£	£	£
At 1 January 2021	896	1,027,975	1,028,871	1,028,871
Profit for the year	-	3,600,934	3,600,934	3,600,934
Total comprehensive income	-	3,600,934	3,600,934	3,600,934
Dividends	-	(937,920)	(937,920)	(937,920)
At 31 December 2021	896	3,690,989	3,691,885	3,691,885

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	896	(1,670,343)	(1,669,447)
Loss for the year	-	(3,879)	(3,879)
Total comprehensive income	-	(3,879)	(3,879)
At 31 December 2020	896	(1,674,222)	(1,673,326)

	Share capital £	Profit and loss account £	Total £
At 1 January 2021	896	(1,674,222)	(1,673,326)
Profit for the year	-	2,644,448	2,644,448
Total comprehensive income	-	2,644,448	2,644,448
Dividends	-	(937,920)	(937,920)
At 31 December 2021	896	32,306	33,202

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		3,600,934	2,681,686
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	615,853	503,848
Finance costs	7	2,930	58,807
Income tax expense	11	666,373	635,638
		<u>4,886,090</u>	<u>3,879,979</u>
Working capital adjustments			
Increase in stocks	14	(3,846)	(18,809)
Increase in debtors	15	(170,499)	(965,646)
Increase in creditors	17	1,172,898	2,774,589
		<u>5,884,643</u>	<u>5,670,113</u>
Cash generated from operations			
Income taxes paid	11	(756,836)	-
		<u>5,127,807</u>	<u>5,670,113</u>
Cash flows from investing activities			
Acquisitions of tangible assets		(1,052,104)	(600,312)
Proceeds from sale of tangible assets		294	-
		<u>(1,051,810)</u>	<u>(600,312)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid	7	(2,930)	(58,807)
Repayment of other borrowing		(1,166)	(1,286,484)
Dividends paid		(937,920)	-
		<u>(942,016)</u>	<u>(1,345,291)</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents		3,133,981	3,724,510
Cash and cash equivalents at 1 January		<u>4,460,879</u>	<u>736,369</u>
Cash and cash equivalents at 31 December		<u><u>7,594,860</u></u>	<u><u>4,460,879</u></u>

The notes on pages 18 to 36 form an integral part of these financial statements.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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 1st Floor Valley View Care Centres, Back Lane, Penshaw, Houghton-Le-Spring, DH4 7ER.

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 United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

The group has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned..

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2021.

No Income Statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £2,644,448 (2020 - loss of £3,879).

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 Income Statement 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.

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.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Going concern

The Directors have reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. The Directors therefore believe it is appropriate to prepare the financial statements on a going concern basis.

At 31 December 2021 the group reported net current assets of £2,275,962 and net assets of £3,691,885.

Throughout 2021 the Covid-19 pandemic continued to have an impact on the group's operations. Thankfully, as a result of a high uptake in vaccinations, death rates amongst our residents were significantly down on those seen in 2020. However there were increased costs brought about by a reduction in admissions and costs associated with covering staff absences and restricting the movement of staff. Government and some local councils continued to recognise these pressures and provided appropriate levels of financial support by way of awarding temporary increases in fees, paying for void beds, providing PPE and making available infection control and workforce grants.

At the date of these financial statements we have seen a significant reduction in Covid-19 infections amongst residents and staff, and life in our homes seems to be returning to a more usual feel. The group has traded strongly throughout the pandemic and has been robust during the biggest challenge ever faced by the care sector. As at the balance sheet date, it has a strong balance sheet and cash reserves.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Forecasts for the next 12 months have been prepared which assume a certain level of occupancy and taking into account reasonable possible changes in trading performance, the company is expected to have sufficient level of financial resource available through the next 12 months. Therefore after making enquiries, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Assessing nature of lease - The Company has entered into commercial leases and as a lessee it obtains use of property, plant and equipment. The classification as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation - Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £3,091,007 (2020 - £2,475,062).

Impairment of debtors - The company makes an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtor, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. The carrying amount is £Nil (2020 - £937,920).

Revenue recognition

Revenue from the provision of nursing and care services is measured by reference to period of occupancy.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the assets expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the assets carrying amount.

Government grants included within other operating income includes the UK Government assistance provided through Coronavirus Job Retention Scheme and the Adult Social Care Infection Control Fund during the Covid-19 pandemic.

Tax

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

The current income 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 in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position 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.

Depreciation

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

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Asset class	Depreciation method and rate
Freehold property	50 years straight line
Leasehold property improvements	3 - 10 years straight line
Fixtures and fittings	4 - 5 years straight line
Plant and machinery	2 - 10 years straight line
Office equipment	3 - 5 years straight line

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 merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 receivables.

Stocks

Stock, consisting of food, cleaning supplies and consumables, are measured at cost.

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.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 income statement 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 are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

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.

Dividends

Dividend distribution to the group's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

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.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Revenue

The analysis of the group's revenue for the year is as follows:

	2021	2020
	£	£
Provision of residential and nursing care services	<u>43,988,824</u>	<u>36,500,524</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2021	2020
	£	£
Government grants	2,932,797	3,167,600
Management charges receivable	-	455,549
Rent receivable	-	3,000
Other income	-	42,017
	<u>2,932,797</u>	<u>3,668,166</u>

Government grants consist of the Coronavirus Job Retention Scheme and the Adult Social Care Infection Control Fund grants.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

5 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	615,853	503,848
Bad debt provision written back	(937,920)	-

Bad debt provision written back relates to a loan owed to Cleveland Healthcare Group Limited by its parent company, Ceres Holdings Ltd, which was repaid during the year. Full provision was made against this loan in a prior year.

6 Other interest receivable and similar income

	2021 £	2020 £
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7 Interest payable and similar expenses

	2021 £	2020 £
Interest on obligations under finance leases and hire purchase contracts	161	209
Interest expense on other finance liabilities	2,769	58,598
	<u>2,930</u>	<u>58,807</u>

8 Staff costs

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

	2021 £	2020 £
Wages and salaries	27,830,232	23,307,793
Social security costs	1,660,945	1,514,205
Pension costs, defined contribution scheme	378,504	336,471
	<u>29,869,681</u>	<u>25,158,469</u>

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

	2021 No.	2020 No.
Care	1,527	1,578
Administration and support	72	66
	<u>1,599</u>	<u>1,644</u>

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£	£
Remuneration	305,349	296,444
Contributions paid to money purchase schemes	4,484	4,415
	<u>309,833</u>	<u>300,859</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021	2020
	No.	No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	<u>156,521</u>	<u>122,569</u>

10 Auditors' remuneration

	2021	2020
	£	£
Audit of these financial statements	5,500	5,175
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>35,000</u>	<u>31,545</u>
	<u>40,500</u>	<u>36,720</u>
Other fees to auditors		
Taxation compliance services	<u>4,450</u>	<u>4,320</u>

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Taxation

Tax charged/(credited) in the consolidated income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	504,824	514,336
Deferred taxation		
Arising from origination and reversal of timing differences	161,549	121,302
Tax expense in the income statement	<u>666,373</u>	<u>635,638</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>4,267,307</u>	<u>3,317,324</u>
Corporation tax at standard rate	810,788	630,292
Increase from effect of different UK tax rates on some earnings	-	1,023
Effect of revenues exempt from taxation	(215,615)	-
Effect of expense not deductible in determining taxable profit (tax loss)	-	6,632
Effect of tax losses	-	(2,309)
UK deferred tax expense relating to changes in tax rates or laws	70,248	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>952</u>	<u>-</u>
Total tax charge	<u>666,373</u>	<u>635,638</u>

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2021		
Accelerated capital allowances	-	305,454
Other timing differences	12,760	-
	<u>12,760</u>	<u>305,454</u>
	Asset £	Liability £
2020		
Accelerated capital allowances	-	138,927
Other timing differences	7,781	-
	<u>7,781</u>	<u>138,927</u>

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Tangible assets Group

	Leasehold property improvements £	Fixtures and fittings £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2021	564,382	1,435,088	1,500,220	238,451	9,680	3,747,821
Additions	108,707	288,086	578,867	76,444	-	1,052,104
Disposals	-	-	(300)	-	-	(300)
At 31 December 2021	673,089	1,723,174	2,078,787	314,895	9,680	4,799,625
Depreciation						
At 1 January 2021	382,005	1,025,591	876,706	181,178	9,680	2,475,160
Charge for the year	90,084	217,266	280,022	28,481	-	615,853
Eliminated on disposal	-	-	(6)	-	-	(6)
At 31 December 2021	472,089	1,242,857	1,156,722	209,659	9,680	3,091,007
Carrying amount						
At 31 December 2021	201,000	480,317	922,065	105,236	-	1,708,618
At 31 December 2020	182,378	409,497	623,514	57,271	-	1,272,660

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Investments

Company

	2021 £	2020 £
Investments in subsidiaries	305	305
Subsidiaries		£
Cost or valuation		
At 1 January 2021		305
At 31 December 2021		305
Provision		
At 1 January 2021		-
At 31 December 2021		-
Carrying amount		
At 31 December 2021		305
At 31 December 2020		305

During the year the company acquired the entire share capital of Roseberry Care Centres (England) Ltd at nominal value.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Roseberry Care Centres GB Limited	1st Floor, Valley View Care Centres, Back Lane, Penshaw, Houghton le Spring, DH4 7ER	Ordinary shares	100%	100%
Roseberry Care Centres (Yorkshire) Limited	1st Floor, Valley View Care Centres, Back Lane, Penshaw, Houghton le Spring, DH4 7ER	Ordinary shares	100%	100%
Roseberry Care Centres Wakefield Limited	1st Floor, Valley View Care Centres, Back Lane, Penshaw, Houghton le Spring, DH4 7ER	Ordinary shares	100%	100%

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
Roseberry Healthcare Management Limited	1st Floor, Valley View Care Centres, Back Lane, Penshaw, Houghton le Spring, DH4 7ER	Ordinary shares	100%	100%
Roseberry Care Centres (England) Limited	1st Floor, Valley View Care Centres, Back Lane, Penshaw, Houghton le Spring, DH4 7ER	Ordinary	100%	100%

Subsidiary undertakings

Roseberry Care Centres GB Limited

The principal activity of Roseberry Care Centres GB Limited is the operation of nursing and care homes.

Roseberry Care Centres (Yorkshire) Limited

The principal activity of Roseberry Care Centres (Yorkshire) Limited is the operation of a nursing and care home.

Roseberry Care Centres Wakefield Limited

The principal activity of Roseberry Care Centres Wakefield Limited is the operation of a nursing and care home.

Roseberry Healthcare Management Limited

The principal activity of Roseberry Healthcare Management Limited is that of a non trading entity.

Roseberry Care Centres (England) Limited

The principal activity of Roseberry Care Centres (England) Limited is the operation of nursing and care homes.

14 Stocks

	2021	Group	2021	Company
	£	2020	£	2020
	£	£	£	£
Other inventories	56,194	52,348	-	-

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Debtors

	2021 £	Group 2020 £	2021 £	Company 2020 £
Current				
Trade debtors	2,028,259	1,958,017	-	-
Other debtors	202,713	76,774	-	-
Prepayments	253,646	279,328	-	-
	<u>2,484,618</u>	<u>2,314,119</u>	<u>-</u>	<u>-</u>

Included within debtors is an impairment provision of £nil (2020: £937,920).

16 Cash and cash equivalents

	2021 £	Group 2020 £	2021 £	Company 2020 £
Cash on hand	6,925	6,892	-	-
Cash at bank	7,587,935	4,453,987	41,402	300,009
	<u>7,594,860</u>	<u>4,460,879</u>	<u>41,402</u>	<u>300,009</u>

17 Creditors

	Note	2021 £	Group 2020 £	2021 £	Company 2020 £
Due within one year					
Loans and borrowings	18	389	1,263	-	-
Trade creditors		1,544,148	1,101,031	-	-
Amounts due to group undertakings		-	-	225	1,965,640
Social security and other taxes		360,281	384,550	-	-
Outstanding defined contribution pension costs		24,419	12,973	-	-
Other creditors		2,161,150	1,619,021	-	-
Accruals		3,506,999	3,306,523	8,280	8,000
Corporation tax liability	11	262,324	514,336	-	-
		<u>7,859,710</u>	<u>6,939,697</u>	<u>8,505</u>	<u>1,973,640</u>
Due after one year					
Loans and borrowings	18	-	292	-	-

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

	2021	Group	2021	Company
	£	2020	£	2020
		£		£
Current loans and borrowings				
Hire purchase and finance lease liabilities	389	1,263	-	-

	2021	Group	2021	Company
	£	2020	£	2020
		£		£
Non-current loans and borrowings				
Hire purchase and finance lease liabilities	-	292	-	-

	Deferred tax £	Total £
At 1 January 2021	131,146	131,146
Increase in existing provisions	161,549	161,549
At 31 December 2021	292,695	292,695

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 £378,504 (2020 - £336,471). Contributions totalling £24,419 (2020 - £12,973) were payable to the scheme at the end of the year and are included in creditors.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

21 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
A shares of £1 each	475	475	475	475
B shares of £1 each	420	420	420	420
C shares of £1 each	1	1	1	1
	<u>896</u>	<u>896</u>	<u>896</u>	<u>896</u>

Rights, preferences and restrictions

A shares have the following rights, preferences and restrictions:

- the right to receive a dividend that differs from that received by the holders of B shares;
- holders of A shares cannot transfer their shares without first offering such shares to the holders of other A shares;
- the right to receive notice of, attend and vote at any general meeting, one vote for every share held;
- the right to a return of capital or distribution of surplus assets in proportion to the number of shares held.

B shares have the following rights, preferences and restrictions:

- the right to receive a dividend that differs from that received by the holders of B shares;
- holders of B shares cannot transfer their shares without the approval of the holders of A shares;
- holders of B shares are subject to the pre-emption mechanism upon loss of employment in the company or any subsidiary of the company;
- the right to receive notice of, attend and vote at any general meeting, one vote for every share held;
- the right to a return of capital or distribution of surplus assets in proportion to the number of shares held.

C shares have the following rights, preferences and restrictions:

- preferential rights (over A and B shareholders) to receive a dividend;
- preferential rights to a return of capital or distribution of surplus assets in the event of a winding up.

Cleveland Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	6,462,239	5,777,064
Later than one year and not later than five years	27,516,478	26,693,839
Later than five years	64,145,594	68,625,110
	<u>98,124,311</u>	<u>101,096,013</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,981,301 (2020 - £4,659,282).

23 Dividends

Interim dividends paid

	2021 £	2020 £
Interim dividend of £937,920.00 (2020 - £Nil) per each C share of £1 each	937,920	-
	<u> </u>	<u> </u>

24 Parent and ultimate parent undertaking

The company's immediate parent is Ceres Holdings Limited, incorporated in the Cayman Islands.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.