Registered number: 10652314

SALUTEM LD TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SALUTEM LD TOPCO LIMITED

COMPANY INFORMATION

Directors	J S Godden P R Lawes K J G Hillen
Registered number	10652314
Registered office	Minton Place Victoria Street Windsor SL4 1EG
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors 45 Gresham Street London EC2V 7BG

SALUTEM LD TOPCO LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The directors present their report and the consolidated financial statements of Salutem LD Topco Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2022.

Business overview and review of year

Company
The principal activity of the Company is that of acting as an investment vehicle, holding investments in companies in the complex care industry.

No ordinary dividends were paid or proposed during or in respect of the year (2021: £nil).

Group
The Group's principal activity is that of providing residential, supported living and day care for individuals with learning and other disabilities, and other specific medical needs.

In assessing the performance of the Group, the directors principally review revenues and profitability.

The Group made total revenues of £42,790,000, which is an increase of 5.8% on the total revenue achieved in the prior year of £40,447,000. This was due to positive fee churn, obtaining inflationary fee increases from local authorities and a move towards higher acuity service users. The Group also launched a new children's service in Harwich and took on two existing supporting living services in Cornwall from an existing provider in the year which contributed to the overall increase in revenues.

Government grant income of £849,000 (2021: £1,654,000) was received in the year as the Group made use of available schemes provided by the UK Government in response to the impact of COVID-19, such as the infection control grants. In the year, the Group successfully managed to protect the people we support, having minimised the cases in our services through strict enforcement of social distancing and hygiene measures and sourcing additional suppliers of personal protective equipment ("PPE") and testing kits in order to ensure resilience to supply chain disruption and price increases. The reduction in government grant income is due to the Coronavirus Job Retention Scheme no longer being used as the Group's homes were fully operational during the year and no staff were furloughed. The scheme also came to an end in September 2021.

The Group's loss before tax for the year was £9,170,000, an increase of 59.4% compared to a loss before tax of £5,752,000 in 2021. This was primarily due to the increase in staffing costs particularly in agency costs for temporary staff together with costs incurred on growth activities which were delayed during the year due to staffing constraints. One-off costs were also incurred relating to the Group's financing negotiations. These issues are seen as temporary by the directors.

As at 31 March 2022, the Group had net current liabilties of £10,730,000 (2021: net current assets of £1,210,000) and a net liability position of £15,300,000 (2021: £6,013,000). This worsening of £9,287,000 is primarily due to the Group's loss for the year. The Group continues to experience high losses due to the amortisation of goodwill that arose through the initial acquisition of the Group's subsidiaries. This loss does not reflect the underlying profitability of the Group which the directors consider is better represented by the recurring EBITDA as presented below. The Group's senior debt liability of £11,284,000 (see note 19) has been presented as a current liability because, as at the balance sheet date, the final payment of this loan was due on 21 October 2022. However, as per note 19, after the year-end, the repayment date has been extended to 31 October 2023 (see further details in note 2.3 regarding the Company's ongoing refinancing negotiations).

Throughout the year, the Group shared management and support services with Salutem LD Topco II Limited, a group of companies registered in England and Wales providing care services and sharing several controlling parties with the Group.

Key performance indicators ("KPIs")

The directors use the following KPIs in assessing the performance of the Company:

Revenue
A discussion of revenue is included in the *Business overview and review of year* section above.

Recurring Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")
The Group's recurring EBITDA for the year was £5,522,000 (2021: £7,011,000). Recurring EBITDA is a non-statutory measure of profitability that the Group uses to present profitability before financing, investment and one-off charges due to the fact that it is in a transformational period of growth.

Recurring EBITDA is calculated as follows:

	2022	*2021*
	£000	*£000*
Operating loss	**(4,874)**	*(1,904)*
Depreciation	**1,819**	*1,368*
Amortisation	**6,492**	*6,480*
Impairment	**41**	-
Share based payment charge	**133**	-
Non-recurring items	**1,911**	*1,067*
Recurring EBITDA	**5,522**	*7,011*

Recurring EBITDA declined due to the fall in occupancy and the increase in staff costs explained above. This is viewed by the directors as a temporary issue following changes to the labour market experienced after the end of national lockdowns caused by the COVID-19 pandemic. In the prior year, non-recurring items related to rationalisation and restructuring efforts within the Group's support services which were completed during that year, allowing for continued cost saving and economies of scale in future years as the business grows. In the current year, non-recurring items relate to the Group's ongoing financing negotiations, improvements made to cyber security, and costs associated with the launch of new children's services.

Average Occupancy
The Group's average occupancy for the year was 88% (2021: 90%). There is still significant capacity for this to grow as the assets are optimised.

Quality Ratings
The Group is regularly inspected by the Care Quality Commission ("CQC") and Ofsted. Both regulators have various requirements, or factors, against which the Group's services are rated. CQC and Ofsted rate the Group's services according to a 4-point scale (Outstanding, Good, Requires Improvement, or Inadequate). At 31 March 2022, 89.4% (2021: 90%) of the rated factors for the Group's services were good or outstanding.

As we came out of the COVID-19 lockdown and inspections started, the regulators focused on services that were rated Requires Improvement or Inadequate across the country and also inspected for assurance in regard to infection control procedures. In adults, this was welcomed, and we were able to demonstrate effectiveness. We continued to work alongside partners in local authorities and health in a social and economic environment of uncertainty and record amounts of vacancies of staffing which had an effect on the quality ratings, especially in children services in this period. We have consolidated this as an organisation and have moved forward alongside the regulator.

Where any of the Group's care homes have been rated inadequate during the period or post year-end, the directors have put in place service improvement plans to address issues identified and these are monitored and updated through to the services being re-inspected and returning to a minimum of a Good rating.

Principal risks and uncertainties

The directors consider the following to be the principal risks and uncertainties facing the Company and Group at the time of this report:

Operational and financial impacts of COVID-19
It has been over 3 years since the pandemic hit in March 2020. The Group has proved financially robust to the pandemic with ongoing additional Covid related payments being made from local authorities (Infection Control Grants, Rapid Testing Grants & Working Capacity Grants).

With very high level of vaccination rates amongst staff and the individuals we support, we have found very limited impact from COVID-19 since December 2022. Despite an increase in staff absence due to infections over the winter, the Group and the sector as a whole is now moving to treating COVID-19 in the same way we treat flu. We have thankfully not experienced any further deaths from the disease since winter 2020. We continue to ask our staff to be vigilant and targeted testing still takes place where outbreaks occur.

In light of the above we now feel that COVID-19 no longer represents a significant risk to the Group, and we now treat it as part of the business-as-usual activities for Salutem.

The UK's departure from the European Union ("Brexit") and its impact on the labour market
Brexit continues to operationally impact the Group as the reduced pool of available employees, particularly in the care home sector, leads to increases in salary expenditure and additional use of contractors to fill short-term gaps in staffing shortages. The directors have diversified the Group's recruitment practices and implemented a new pay spine structure to reward and retain its employees. To the greatest extent possible, the directors have factored the prevailing uncertainty into the Group's financial planning.

Public sector financial constraints
In an environment of tighter fiscal policy the directors are acutely aware of the risks to any company, such as the Group, that trades primarily with public sector bodies. The Group has a diverse mix of public sector funders for its service users and this mix is monitored to ensure there is no one customer to which the Group has a potentially problematic level of exposure. Exposure to specific high-risk funders, such as local authorities with funding shortages, is monitored and limited where possible. To the date of the authorisation of these financial statements, the Group has not experienced funding issues amongst public sector bodies as a result of the impact of COVID-19 or the rise in interest rates. The directors will continue to monitor this position closely.

Regulatory changes
The directors pride themselves on provision of a high quality of care for the Group's service users and always aim to proactively respond to, and exceed, any regulatory requirements affecting the Group's operations. Major changes to these regulatory requirements can result in significant cost to the Group, and the Group therefore seeks to maintain a dialogue with regulators to properly plan for any such changes. No regulatory changes having a materially adverse effect on the Group's activities are anticipated at this time.

Inflation and rises in energy prices
The UK is currently experiencing high levels of inflation which impacts the Group's variable and fixed costs and could possibly reduce the Group's operating margin. Specifically, energy prices have risen significantly above the rate of inflation for residential properties. The directors have mitigated the impact of this by locking into long-term fixed price energy agreements and are negotiating higher fee increases with local authority partners. The directors will continue to assess the impact of inflation on the business on a regular basis.

Cyber risk
The risk of infiltration and unauthorised access to the Group's systems and data remains high and subject to change. The Group has invested in cloud based services which significantly increase the robustness of the computer network and mitigates the risk of cyber attack including data leakage, ransomware attacks and malware. The Group remains vigilant to these threats and is working with expert outsourced providers to continually upgrade and build the Group IT infrastructure to ensure high levels of security are maintained at all times. This includes the introduction of multi-factor authentication for logins to the Group's Network, locking down of hardware to prevent access to websites that present a threat, tighter administration rights to prevent installation of unauthorised software, a full review of all access right across the Group's Sharepoint sites and improved reporting of firewall performance across all access points.

Financial risks

Credit risk
The Group has a diversified customer base across local authority entities, and enjoys good relationships with its customers. However, from time to time some debts are not recoverable, often for reasons of documentation or rate discrepancies. In order to manage this, the Group is investing in systems and processes to better track its documentation and contractual obligations, and is ensuring that good communication is maintained with its customers. The directors are aware of financial difficulties within some local authorities, particularly arising after the year-end, but does not consider these difficulties have had, or will have, a material impact on credit risk since funds for social care have been ring-fenced and the Group continues to receive regular receipts from affected local authorities. As at 31 March 2022, the provision in place for potential bad debt was £758,000 (2021: £752,000).

Interest rate risk
The Group has long-term financing in place in the form of Senior and Mezzanine loans (see note 19), and a finance lease arrangement (see note 20), which attracts interest at variable rates. The rent on the finance leases is subject to compounding inflationary increases but are capped at a 5% increase per annum. The interest on the Group's Senior and Mezzanine loans is linked to SONIA. Had SONIA been 1% higher or lower during the year, the Group's net interest charge would have increased or decreased respectively by £115,000 (2021: £146,000).

Liquidity and cash flow risk
The Group continues to invest heavily in its operations and therefore has to closely monitor its liquidity in order to ensure working capital requirements are met in addition to the cost of this investment. Cash forecasts are maintained which include a range of possible outcomes and scenarios, with the outputs discussed at operational and board levels such that any operational or financing requirements are agreed in advance of any large spend.

Re-financing of the business
See note 2.3 for details of the risks arising from the ongoing re-financing of the Group's debt facility.

Stakeholder engagement - Section 172(1) Statement

Each individual director must act in the way they consider, in good faith, would be the most likely to promote the success of the Company and Group for the benefit of its members as a whole, and in doing so, the directors have had regard to the matters set out in Section 172 (1) of the Companies Act when performing their duty under this section of the act.

The directors confirm the long-term success of the business has been promoted for the benefit of its members as a whole by having regard (amongst others) to the following matters when performing their duty:

- The likely consequences of any decision in the long-term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Group.

With regard to maintaining high standards of business conduct, the Group has a strong framework of key policies and procedures that all employees and contractors are expected to maintain and adhere to. These policies include a modern slavery policy supported by yearly training for all employees alongside reviews of the Group's supply chain. The Group has retained an external party to receive all whistleblowing notifications and have a robust whistleblowing policy which all staff have access to, alongside being provided with the details of the Group's whistleblowing phone line at all of its locations.

The Group takes its data protection responsibilities seriously and provides privacy notices to all staff and individuals it supports (including in easy read format where required). The Group has data protection and confidentiality, information security and records management policies in place supported by annual training. Consent is also obtained and recorded as needed when working with personal and sensitive data. As an additional tool, the Group has a Caldicott Guardian who oversees and embeds the adherence to the Eight Caldicott Principals of good information sharing across the organisation.

Staff are expected to adhere to a code of conduct which aligns with the Salutem values and the Group has a robust grievance policy and procedure for employees. Recently, the Group has launched the "Salutem Voices Group" for the individuals it supports to provide a communications channel where staff can discuss and raise issues of importance. To assist with corporate decision making, the directors maintain a corporate risk register which is owned and updated by the Senior Leadership Team on a quarterly and ad-hoc basis as new items are identified or risk mitigation is changed.

Stakeholder engagement - Section 172(1) Statement (continued)

The directors are conscious that the Group's operations affect a range of stakeholders, and they take care to consider and engage, to the greatest extent possible, all affected stakeholders in their decision making.

The following matrix sets out the Group's various stakeholders and the ways with which the Group engages with those stakeholders to influence decision making:

Stakeholder group	Key engagement methods	Stakeholder expectations	Long-term value creation
Clients: • Individuals we support • Families / friends • Commissioners	Client relationships managed at multiple levels, from individual home managers through to the CEO. Support plans regularly reviewed with the people we support and their social workers. Support workers give daily input on activities and actions within support plans.	Transparent and collaborative relationship to safely achieve defined outcomes. Support with practical, emotional and health related matters. Appropriate developmental outcomes.	The people we support achieve positive outcomes and lead a meaningful and happy life. People are enabled to transition through a "Pathway of Care" and achieve their desired level of independence. Introduction of children's homes and schools (provided by a related party) in same locality provides further avenues for continued care and support.
Regulators	Discussion of any relevant matters with regulators in a timely and open fashion. Engagement in improvement plans agreed with inspectors. Regular circulation of regulatory requirements, including updates, to key affected staff.	Full, accurate and timely disclosure of information. Adherence to regulatory standards. Prompt resolution of identified issues.	Maximised quality within our services, to the benefit and reassurance of the people we support and their families. Improved relationships with commissioners and reputation within the industry. Growth opportunities, both from easier approval of new services and from taking over as provider for failing services managed by other providers. Systems developed to better enable the Group to track the quality and compliance levels of our services.

Stakeholder group	Key engagement methods	Stakeholder expectations	Long-term value creation
Environment	Efforts to minimise wastage e.g. of food, water and power. Adopting remote working practices wherever possible outside of frontline services. Paperless working to the greatest extent possible.	Minimal power usage. Reducing travel as far as possible, and using efficient methods for travel. Only consuming what we need.	Protection of resources. Sustainable cloud-based methods of working available securely in any location providing real time information so employees can focus on care provision..
Public	Maintaining clear corporate governance with effective controls in place to ensure business is conducted to high ethical standards.	Stakeholders are treated fairly and the business acts to promote high standards of business efficacy.	Improved business reputation. Higher levels of staff and customer retention.

Business relationships statement

Consideration of stakeholders has had particular influence on the following decisions:

- Ongoing review of the pay structures with further increases in the national living wage demanding that the Group provides progressive incentives over and above national living wage to encourage training, retention and development across all employee grades and relative to competitor providers;
- Investment in training schemes to develop our employees and drive excellence in care and quality delivery;
- Development of the care planning system on hand-held devices to move towards becoming a paperless business;
- Further investment in systems to provide group-wide communication through multiple channels;
- Investment in an electronic care planning and audit system to increase accuracy and to reduce manual paperwork for our employees. The system also captures direct feedback from the individuals we support to ensure their voice is heard as well as providing access to information for their families and friends if the individual wishes to; and
- Measures to reduce the use of agency staff in favour of full-time payrolled staff through incentive schemes for employment referrals, wider recruitment channels including international recruitment, which will begin to have an operational and financial benefit to the business in future years.

The directors acknowledge their responsibility to act fairly as between members of the Group and the Salutem LD Topco II Limited group, with which the Company shares many contracts. All contracts affecting these parties are reviewed by directors of all affected companies, and before entering into any such contracts due consideration is given to the needs of all parties.

This report was approved by the board and signed on its behalf.

P R Lawes
Director

Date: 18/09/2023

Stakeholder group	Key engagement methods	Stakeholder expectations	Long-term value creation
Employees	Regular employee pulse surveys and annual feedback cycle. Introduction of Blink app available to all employees allowing real-time communications and feedback. Quarterly newsletters regarding new developments and key messages. Annual service manager conference. Whistleblowing facilities.	All employees treated fairly and equally. Employee views taken into consideration when decisions made that affect them. Meaningful development and career progression opportunities. Fair remuneration.	Improved recruitment, retention and quality. Promotion of an innovative and efficient environment through teamwork and communication. Creating an attractive workplace for culture and benefits.
Suppliers	Dedicated accounts payable team, engaging with suppliers daily. Specialist support teams engage directly with suppliers in their respective areas.	Open dialogue. Prompt payment upon invoices falling due.	Higher quality of service delivery due to good relationships with quality suppliers. Improved payment terms and credit limits.
Shareholders	Monthly reporting. Regular board meetings with investor representation. Open dialogue.	Meeting agreed financial and operational targets. Transparent, reliable and timely information.	Shared understanding of and support for long-term business goals. Support for future growth activities.
Banking partners	Monthly and quarterly reporting. Open dialogue.	Meeting agreed financial targets. Transparent, reliable and timely information.	Ensuring a financial platform to support growth, developments or acquisitions.
Local communities	Community events. Dialogue with local groups and community leaders.	Hiring local people where possible. Meaningful opportunities to participate in the community to the benefit of all. Considerate, neighbourly behaviour.	Sustainable employment base. Positive outcomes for people we support. More support with growth activities in area.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Directors

The directors who served during the year and to the date of signing this report were:

J S Godden
P R Lawes
K J G Hillen

Future developments

The directors intend to continue to seek investment opportunities within the complex care industry and to grow the Group's activities organically through further improvements to care provision. No changes to the Company or Group's principal activities are foreseen at the time of writing.

Research and development activities

The Group undertakes various activities, such as investment in system architecture and development of care plans and care home features, that constitute research and development. The directors consider the pursuit of increasingly effective ways to improve the lives of the people we support as central to our purpose and offering.

Employee involvement

It is the Group's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements that are relevant to the job, regardless of their sex, race, religion or disability.

The Group recognises the value of its employees and places importance on communications with employees which take place at many levels throughout the organisation on both a formal and informal basis. The personal development of employees is closely monitored so that appropriate training programmes can be designed with a view to assisting employees to achieve their own objectives as well as those of the Group.

The *Stakeholder engagement* section of the Strategic Report includes further details of how the directors have engaged with employees, had regard to employees' interests, and how this consideration has influenced their principal decisions during the year.

Disabled employees

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for development exist for each disabled person. Arrangements are made wherever possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Safeguarding

The Group has two safeguarding policies: one for adults and one for children. The policies are reviewed by a Designated Safeguarding Lead and scrutinised annually via a Policies and Practices committee. The annual review allows for the reflection of changing good practice and regulation to be incorporated swiftly into policy.

Each revised policy is then subject to group-wide dissemination, and is informed by external consultant advice and the ongoing training of the Designated Lead especially around advice from the Child Exploitation and Online Safety Protection (CEOP) department, a police agency. A key element of the policy is the expectation that each service learns and complies with their local stakeholders' reporting procedures.

Qualifying third party indemnity provisions

The Company has in place third-party indemnity insurance for the benefit of its directors which were in place throughout the year and remain in place at the date of this report.

Energy and carbon reporting

The Group's energy usage for the year is set out below. This was calculated based on a baseline energy review carried out for the period from 1 April 2018 to 31 March 2019, which is the most accurate information available for measurement of these amounts. The baseline review was adjusted for material changes in the Group's activity since the period of that review.

2022

Category	Thousands of kilowatt hours (KwH)	Tonnes of carbon dioxide
Combustion of gas	6,046	1,142
Consumption of fuel for transport	401	107
Purchase of electricity	1,894	536
Consumption per £1m of revenue	195	42

2021

Category	Thousands of kilowatt hours (KwH)	Tonnes of carbon dioxide
Combustion of gas	5,876	1,111
Consumption of fuel for transport	401	107
Purchase of electricity	1,794	508
Consumption per £1m of revenue	200	43

The Group is in the process of implementing various projects to improve its energy and carbon efficiency, such as replacement of lighting with LEDs, improvements to heating systems and insulation, and sharing best practice across services.

Matters covered in the Group Strategic Report

The following items are included within the Group Strategic Report:

- Reviews of the Company and Group's results, including details of any dividends proposed;
- Details of the Group's principal activities;
- The Group's principal risks and uncertainties, including details of financial risk management; and
- The Group's Business Relationships Statement and Stakeholder Engagement Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This information is given, and should be interpreted in accordance with, section 418 of the Companies Act 2006.

Post balance sheet events

See note 31 for details of significant events affecting the Group since the year end.

Going concern

Information regarding the Company and Group's going concern status is included within note 2.3.

Auditors

The auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18/09/2023 and signed on its behalf.

P R Lawes
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group 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 for the Group's financial statements and then 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 will continue in business.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALUTEM LD TOPCO LIMITED

Opinion

We have audited the financial statements of Salutem LD Topco Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the 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 FRS 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 March 2022 and of the Group's loss 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 and Parent Company 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.

Material uncertainty relating to going concern

We draw attention to note 2.3 of the financial statements which indicates that to continue as a going concern the Group and Parent Company is reliant on refinancing material debt, which is currently expected to fall due within twelve months of the date of the authorisation of these financial statements. At the date of reporting, no refinancing has been agreed.

As stated in note 2.3, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and our opinion is not modified in respect of this matter. Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is *appropriate.*

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 and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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.

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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 directors' responsibilities statement set out on page 13, 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.

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:

We obtained a general understanding of the Group and Parent Company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the Group's policies and procedures regarding compliance and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Group and Parent Company's industry and regulation.

We understand that the Group and Parent Company complies with requirements of the framework through:

- Conducting regular, unannounced mock inspections of the care homes to complement the independent inspections conducted by the Care Quality Commission and Ofsted.
- Implementation of quality care systems to allow management to collect, analyse, monitor and manage evidence across multiple sites in a standardised and controlled manner.
- Subscribing to relevant updates from external experts and updating operating procedures, manuals and internal controls as legal and regulatory requirements change, including requiring employees to read these and follow the policies and procedures of the business. Employees are also required to attend training on a regular basis and when requirements change.
- Outsourcing tax compliance and advice to external experts.
- The close involvement of the Group Executive and Senior Leadership Teams in the day-to-day running of the business, meaning that any litigation or claims would be expected to come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group and Parent Company's ability to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group and Parent Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- The UK regulatory principles for social care providers, including those governed by the Care Quality Commission (CQC) and Ofsted.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- We obtained written management representations regarding the adequacy of procedures in place.
- We reviewed board minutes of the Group to identify if there were any litigation or claims being discussed that had not been disclosed to us by management.
- We inspected correspondence with the Group's regulators including inspection reports conducted by these third parties to consider if any material penalties were likely to arise against the business based on these inspections.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALUTEM LD TOPCO LIMITED

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- Manipulation of the financial statements via the posting of fraudulent journal entries and incorrect recognition of revenue, particularly surrounding the period-end; and
- Manipulation of accounting estimates to overstate results.

These areas were communicated to the other members of the engagement team not present at the discussion. The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation.
- Challenging management regarding the assumptions used in the estimates identified above and reviewing the estimates to ensure they were within a reasonable range of estimation and derived from appropriate supporting data; and
- Testing of a sample of manual journal entries, particularly those posted around the period-end and other entries selected through applying specific risk assessments based on the Group and Parent Company's processes and controls surrounding manual journal entries.

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities.

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bond
Andrew Bond (Sep 18, 2023 23:46 GMT+1)

Andrew Bond (Senior Statutory Auditor)

for and on behalf of
CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditor

45 Gresham Street
London
EC2V 7BG
Date: 18/09/2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	*2021* *£000*
Turnover	4	**42,790**	*40,447*
Cost of sales		**(29,345)**	*(27,503)*
Gross profit		**13,445**	*12,944*
Administrative expenses		**(19,168)**	*(16,502)*
Government grant income	5	**849**	*1,654*
Operating loss	6	**(4,874)**	*(1,904)*
Finance costs	10	**(4,296)**	*(3,848)*
Loss before taxation		**(9,170)**	*(5,752)*
Tax on loss	11	**-**	*(385)*
Loss for the financial year		**(9,170)**	*(6.137)*

There was no other comprehensive income for 2022 (2021:£nil).

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £000		2021 £000
Fixed assets					
Intangible assets	13		**2,950**		*9,372*
Property, plant and equipment	14		**38,580**		*37,744*
			41,530		*47,116*
Current assets					
Trade and other receivables	16	**5,504**		*4,987*	
Cash at bank and in hand		**5,696**		*5,441*	
		11,200		*10,428*	
Trade and other payables	17	**(21,930)**		*(9,218)*	
Net current (liabilities)/assets			**(10,730)**		*1,210*
Total assets less current liabilities			**30,800**		*48,326*
Non-current trade and other payables	18		**(44,824)**		*(53,353)*
Provisions for liabilities					
Deferred taxation	21		**(1,276)**		*(986)*
Net liabilities			**(15,300)**		*(6,013)*
Capital and reserves					
Called up share capital	22		**21,121**		*21,121*
Other reserves	23		**307**		*174*
Profit and loss account	23		**(36,728)**		*(27,308)*
			(15,300)		*(6,013)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P R Lawes
Director

Date: 18/09/2023

The notes on pages 25 to 55 form part of these financial statements.

SALUTEM LD TOPCO LIMITED
REGISTERED NUMBER:10652314

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £000		2021 £000
Fixed assets					
Investments	15		**750**		*750*
Non-current trade and other receivables	16		**23,892**		*25,581*
			24,642		*26,331*
Current assets					
Trade and other receivables	16	**1,777**		*1,498*	
Cash at bank and in hand		**813**		*1,257*	
		2,590		*2,755*	
Trade and other payables	17	**(2,382)**		*(1,412)*	
Net current assets			**208**		*1,343*
Total assets less current liabilities			**24,850**		*27,674*
Net assets			**24,850**		*27,674*
Capital and reserves					
Called up share capital	22		**21,121**		*21,121*
Other reserves	23		**307**		*174*
Profit and loss account brought forward		**6,379**		*3,816*	
(Loss)/profit for the year		**(2,707)**		*2,563*	
Purchase of own shares in the year		**(250)**		*-*	
Profit and loss account carried forward			**3,422**		*6,379*
			24,850		*27,674*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

18/09/2023

P R Lawes
Director

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2020	**21,121**	**174**	**(21,171)**	**124**
Loss for the year	-	-	(6,137)	(6,137)
At 1 April 2021	**21,121**	**174**	**(27,308)**	**(6,013)**
Loss for the year	-	-	(9,170)	(9,170)
Purchase of own shares	-	-	(250)	(250)
Share based payment charge	-	133	-	133
At 31 March 2022	**21,121**	**307**	**(36,728)**	**(15,300)**

The notes on pages 25 to 55 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2020	**21,121**	**174**	**3,816**	**25,111**
Profit for the year	-	-	2,563	2,563
At 1 April 2021	**21,121**	**174**	**6,379**	**27,674**
Loss for the year	-	-	(2,707)	(2,707)
Purchase of own shares	-	-	(250)	(250)
Share based payment charge	-	133	-	133
At 31 March 2022	**21,121**	**307**	**3,422**	**24,850**

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £000	2021 £000
Loss for the financial year	**(9,170)**	*(6,137)*
Adjustments for:		
Amortisation of intangible assets	**6,492**	*6,480*
Depreciation of tangible assets	**1,819**	*1,368*
Impairments of fixed assets	**41**	*-*
Loss on disposal of tangible assets	**148**	*25*
Share based payment charge	**133**	*-*
Finance costs	**4,000**	*3,848*
Taxation charge	**-**	*385*
Increase in debtors	**(516)**	*(917)*
Increase in creditors	**2,606**	*1,078*
Corporation tax received	**-**	*130*
Net cash generated from operating activities	**5,553**	*6,260*
Purchase of intangible fixed assets	**(70)**	*(89)*
Purchase of tangible fixed assets	**(2,844)**	*(2,801)*
Net cash used in investing activities	**(2,914)**	*(2,890)*
New bank loans	**-**	*280*
Repayment of loans	**(1,042)**	*(765)*
Repayment of finance leases	**(896)**	*(862)*
Capital redemption payments	**(100)**	*-*
Interest paid	**(346)**	*(328)*
Net cash used in financing activities	**(2,384)**	*(1,675)*
Net increase in cash at bank and in hand	**255**	*1,695*
Cash at bank and in hand at beginning of year	**5,441**	*3,746*
Cash at bank and in hand at the end of year	**5,696**	*5,441*
Cash at bank and in hand at the end of year comprise:		
Cash at bank and in hand	**5,696**	*5,441*
	5,696	*5,441*

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2022

	At 1 April 2021 £000	Cash flows £000	Non-cash changes £000	At 31 March 2022 £000
Cash at bank and in hand	5,441	255	-	5,696
Bank loans due after 1 year	(30,724)	-	8,659	(22,065)
Bank loans due within 1 year	(1,020)	1,042	(11,326)	(11,304)
Finance leases due after 1 year	(23,942)	-	(68)	(24,010)
Finance leases due within 1 year	(870)	896	(925)	(899)
Unamortised debt fees	1,588	-	(328)	1,260
	(49,527)	2,193	(3,988)	(51,322)

Other non-cash changes relate to:

- the capitalisation of £2,667,000 of interest into bank loans due after one year and the reclassification of debt to falling due within one year of £11,326,000 leading to a net decrease of £8,659,000 in bank loans falling due after one year;
- the unwinding of discounting on finance leases of £993,000, the reclassification of debt to falling due within one year of £925,000 leading to a net increase of £68,000 in finance leases due after 1 year;
- the amortisation of debt fees of £328,000 to the Consolidated Statement of Comprehensive Income.

1. General information

Salutem LD Topco Limited (the "Company") is a private company limited by shares, incorporated and registered in England and Wales under the Companies Act to act as an investment vehicle holding investments in companies in the complex care industry. The Company's registered office is Minton Place, Victoria Street, Windsor SL4 1EG and its registered number is 10652314.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company has taken advantage of the exemption allowed under FRS 102 and has not presented its own Statement of Cash Flows in these financial statements.

Unless otherwise stated, all amounts presented in the financial statements are rounded to the nearest thousand in the Company and Group's functional currency, sterling.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.3 Going concern

The directors have prepared forecasts for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. These forecasts show profitable growth and the Group operating within agreed banking covenants.

During the year, the Group experienced losses of £9,170,000 and at the balance sheet date, had net current liabilities of £10,730,000. The losses are primarily due to non-cash amortisation charges relating to the goodwill which arose on original acquisition of the Group's subsidiaries and non-cash interest charges associated with the Group's financing structure. The net current liabilities are due to £11,284,000 of banking debt being repayable in November 2022 as of the balance sheet date which has since been extended to fall due on 31 October 2023.

The directors have identified the Group's requirement to refinance debt of £33,110,000 as an event that could cast significant doubt upon the Group's ability to continue as a going concern. £21,826,000 of this relates to a Mezzanine loan that falls due for repayment in April 2024 and £11,284,000 of this relates to banking debt that is currently expected to fall due for repayment in October 2023. Further information regarding the terms of these loans can be found in note 19. The total of these two loans has increased to £36,145,000 as at 18 September 2023 due to interest compounding into the principal of the loan.

The directors have been working with the Group's shareholders to identify alternative financing arrangements. The directors currently expect to re-finance the existing banking debt with new banking debt and aim for this to be concluded in time to repay the loans falling due for repayment on 31 October 2023. The Mezzanine debt is likely to be repaid through an exit event, such as an equity sale.

Should either of these negotiations not conclude prior to each loan's respective repayment dates, then the directors will seek to conclude negotiations with shareholders, which are currently at an advanced stage, to obtain a new Mezzanine financing facility which would aim to bridge the gap until the re-financing is complete.

As at the date of approval of the financial statements, no refinancing has been agreed and therefore the directors consider that a material uncertainty in relation to going concern exists for the Group.

The material uncertainty identified may cast significant doubt upon the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite the existence of a material uncertainty in relation to going concern, the directors consider there to be sufficient assurance that the Group is a going concern, and accordingly, the financial statements have been prepared on that basis.

2.4 Revenue

The Group's revenue is derived from provision of care services, which are typically priced on the basis of an agreed daily or weekly fee. Revenue is recognised according to the number of days' care provided in the period, multiplied by the applicable rate for that care user, regardless of whether that fee has been billed by the end of the period. This is considered to be the point at which probable economic benefits are reliably estimable and due to the Group. Any timing differences between care hours provided and bills raised are recognised or derecognised as applicable within accrued or deferred income in the Consolidated Statement of Financial Position.

2. Accounting policies (continued)

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance leases: the Group as lessee

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

2.8 Research and development

The Group's research and development activities allow the Group to better serve the people we support and to continually improve the efficiency and effectiveness of our operations, but do not result in identifiable and separable assets. Although the improvements achieved may result in increased sales and improved pricing, the resultant cash flows are not separable. As such the Company expenses the entire cost of its research and development activities as they are incurred, except to the extent that development work results in an otherwise identifiable asset such as software.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure when reasonable assurance is gained that the Group will comply with the conditions attached to the grant and the grant will be received. The Group does not receive any grants of a capital nature.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Share based payments

Where shares with variable returns are awarded to employees, the fair value of the awards at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of awards that eventually vest. Market vesting conditions are factored into the fair value of the award granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of the award are modified before they vest, the increase in the fair value of the award, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2. Accounting policies (continued)

2.13 Current and deferred taxation

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

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 Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Group relieved losses are paid for by the subsidiary taking relief at the value of the losses.

2. Accounting policies (continued)

2.14 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	5	years
Brand	-	15	years
Computer software	-	5	years

For intangible assets recognised at fair value on acquisition, such as Brand and Goodwill, a full year's amortisation is charged in the year of acquisition of the target company.

2.15 Property, plant and equipment

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. Accounting policies (continued)

2.15 Property, plant and equipment (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- over 20 to 50 years
Long-term leasehold property	- over 20 to 50 years
Motor vehicles	- over 5 years
Fixtures, fittings and equipment	- over 3 to 10 years
Assets under construction	- not depreciated until ready for use

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

The land element of freehold property and long-term leasehold property is not depreciated. Where the cost of land is not separately identifiable, it is estimated to be 20% of the total cost of the property asset.

2.16 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 Trade and other receivables

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.19 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.20 Trade and other payables

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2. Accounting policies (continued)

2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and in relation to the Company, investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate derivatives.

The Group has applied the practical expedient available in FRS 102 whereby modifications to financial instruments which are necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cashflows is economically equivalent to the previous basis are not considered a normal modification, rather the effective interest rate is amended with no gain or loss on modification.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have necessarily made use of judgements and estimates. This results in a certain degree of uncertainty.

The primary judgements and estimates applied are as follows:

Judgements

Classification of leases
The Group operates two material lease arrangements, and the classification of these leases is a material judgement. The first arrangement is a sale and leaseback transaction whereby freehold interests in land and buildings were sold to a third party and then leased back on 150-year leases. There are no material restrictions on the Group's right of use of these assets, and the Group has the right to buy back the properties at the end of the lease for a nominal sum, and as such the leases have been classified as finance leases.

The second arrangement is for the provision of motor vehicles whereby the Group pays a provider a regular fee in return for the use of motor vehicles. These motor vehicles are to a reasonable extent interchangeable within the arrangement, the lessor retains many of the risks and rewards of ownership such as having responsibility for maintenance, and the Group has no right to purchase the vehicles at the end of the lease. As such the leases have been classified as operating leases.

Management on a unified basis
The Group shares many resources with Salutem LD Topco II Limited and its subsidiaries, including some directors and senior managers. The two groups also have some investors in common but there is no common control. In accordance with s1162 of CA2006, two or more entities are considered 'managed on a unified basis' if the whole of the operations of the undertakings are integrated and they are managed as a single unit. If this is the case, the entities must present consolidated financial statements as if they had common control. It is very rare that two groups would be considered to be managed on a unified basis, and the bar which needs to be reached to meet this definition is very high, with no doubt that the two groups' operations are fully integrated and managed as one group for this to apply.

The directors have given due consideration to whether the Group's resources-sharing arrangements with Salutem LD Topco II Limited indicate that the two groups are managed on a unified basis. The directors concluded that this was not the case, primarily due to the following factors:

- Separate board meetings are held for each separate group, and have different members;
- No company within the Group controls another company in the Salutem LD Topco II Limited group, and has no control over their dividend policies or gearing ratios;
- The directors make strategic and financing decisions which have different operational impacts on each of the two groups;
- Operational management is not completely unified across the two groups, with services being managed in some cases by employees of only one of the groups.

These financial statements present the position and results of Salutem LD Topco Limited and its subsidiaries only. The financial statements of Salutem LD Topco II Limited can be found at Minton Place, Victoria St, Windsor, SL4 1EG.

The directors will continue to review their conclusion in respect of this matter at each period end.

3. Judgements in applying accounting policies (continued)

Estimates

Recoverability of current assets
Trade and other receivables are only recognised to the extent that they are considered recoverable. This estimate is derived from an extrapolation of receipt patterns since the end of the year but before the signing of these accounts. A provision of £758,000 (2021: £752,000) has been made for any amounts, where there is considered sufficient doubt not to meet this criteria, with a balance of £4,594,000 (2021: £3,688,000) remaining unprovided.

Useful economic lives of non-current assets
Useful economic lives have been assessed on the basis of the directors' experience of typical lives of similar assets in comparable use patterns. Occasionally assets will be used past a typical useful economic life, or else damaged or destroyed earlier than predicted. However, the lives applied are considered the directors' best available estimate. The directors consider that any reasonable changes in the useful lives estimated would not lead to a material change in the depreciation charge of £1,819,000 (2021: £1,368,000) as disclosed in note 14.

Valuation of non-current assets such as goodwill and the Company's investment held in its subsidiaries, and including recoverability of amounts owed by group undertakings to the Company
The Company has investments in its subsidiaries which are structured in the form of equity and debt. The debt arrangements were originally put in place to fund the acquisition of the Group's trading subsidiaries and to fund initial growth in these entities. The interest which accumulates on these loans over time allows for a return to be realised on the Company's investment, and creates a mechanism with which distributable reserves can flow up the Group to allow dividend payments to be made to investors.

An impairment assessment was carried out as at 31 March 2022 to assess if an impairment was necessary against the amounts owed by group undertakings to the Company, as disclosed in note 16, at the balance sheet date.

In making their impairment assessment, the directors considered the discounted future cash flows of the Group's trading subsidiaries and an enterprise value of the relevant businesses at this date using an EBITDA multiple approach, recognising that the value in the Company's subsidiaries is in the underlying trading companies which it owns.

The trading subsidiaries have grown in profitability since initial acquisition, but there has been a delay to the Group's original timeframe for an exit event. As such, the carrying value of the loans have continued to increase as interest compounds over time, and has not been settled in cash. In addition, the Group has experienced a temporary rise in agency costs during the financial year which impacts the value of the Group at a point in time. Accordingly, this assessment has led to an impairment of £5,143,000 (2021: £nil) being recognised against one loan due to the Company.

The intention remains that these debts will be settled through an exit event being enacted and the directors have been implementing several measures after the balance sheet date to reduce the Group's agency costs.

In calculating the net present value of the future cash flows, a discount rate of 9.8% and a terminal growth rate of 2% were used. The assessment is most sensitive to the discount rate. If a discount rate of 8% were to be used, the impairment would reduce to £3,243,000, and if a discount rate of 11% were to be used, the impairment would increase to £5,990,000. No impairment was recognised against the loan due to the Company from Salutem LD Bidco Limited.

3. Judgements in applying accounting policies (continued)

Modification and valuation of share based payment schemes

During the year, the Group modified its share based payment arrangement for executive employees by issuing a combination of preference shares and new growth shares to replace the old scheme, as explained further in note 24. Significant judgement was required to determine if this constituted a cancellation or modification of the existing scheme. The directors concluded this was a modification because the participants to the schemes were mostly the same, the transactions to issue and cancel the shares are part of the same arrangement and the cancellation of the existing scheme would not have occurred unless the new scheme was issued. In accounting for this modification, the directors concluded that the preference shares and new growth shares issued should be treated as one unit of account since these were issued in contemplation of one another.

Accordingly, the directors were required to value the former arrangement at the date of modification and value the new arrangement (being a combination of the value of the preference shares and new growth shares issued) and recognise any incremental fair value through profit or loss. The instruments were valued using an 'expected values' method, with a range of scenarios modelled and valued according to their respective probabilities. Through this exercise, the directors concluded there was no incremental fair value to recognise.

4. Turnover

The whole of the turnover is attributable to the provision of residential and day care services, and arose within the United Kingdom.

5. Government grant income

	2022	*2021*
	£000	*£000*
Infection control grants	**849**	*904*
Coronavirus Job Retention Scheme	**-**	*750*
	849	*1,654*

Government grants relate to income received in respect of the Coronavirus Job Retention Scheme ("CJRS") and the Infection Control Grant Fund. These grants were provided by the government to businesses in the UK to help alleviate the financial impact of COVID-19 by placing staff on temporary leave and assisting them with the cost of improving infection control measures.

6. Operating loss

The operating loss is stated after charging:

	2022 £000	2021 £000
Operating lease rentals	621	625
Bad debt provision charged as an expense	6	164
Depreciation of property, plant and equipment	1,819	1,368
Amortisation of intangible assets, including goodwill	6,492	6,480
Impairment charge	41	-
Defined contribution pension cost	535	516

7. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditors and their associates in respect of audit services:		
Audit of the Group's annual financial statements	167	11
Audit of financial statements of subsidiaries	-	129
	167	140
Fees payable to the Group's auditor and its associates for non-audit services:		
Taxation compliance services	64	68
Other non-audit services	7	-
	71	68

In the current year, as explained further in note 15, all of the Group's subsidiaries were individually exempt from audit under s479a or s480 of the Companies Act, and therefore all audit fees were incurred in relation to the audit of the Group financial statements only.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2022 £000	*Group 2021 £000*
Wages and salaries	**25,043**	*24,433*
Social security costs	**2,112**	*1,913*
Cost of defined contribution scheme	**535**	*516*
	27,690	*26,862*

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	*2021 No.*
Care staff	**1,168**	*1,263*
Management and administration	**74**	*57*
	1,242	*1,320*

The services of directors and management & administration staff within the Group are provided under joint service agreements by Salutem Shared Services Limited, Salutem Shared Services II Limited and Salutem Shared Services III Limited. Of these, Salutem Shared Services Limited III is not within the Group. The amounts and employee numbers disclosed above relate to the Group's share of such joint provision, which is believed to give the most true and fair view of where the benefits of the employees' employment is realised.

The Company has no employees other than the directors, who are employed under joint service contracts with other companies in the Group, and did not receive any remuneration from the Company in the year (2021: £nil). Disclosures of directors' remuneration from the Group are presented in note 9.

9. Directors' remuneration

	2022 £000	*2021* *£000*
Directors' emoluments	**259**	*298*
Group contributions to defined contribution pension schemes	**7**	*8*
	266	*306*

During the year retirement benefits were accruing to 3 directors *(2021 - 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £125,000 *(2021 - £138,000)*.

The key management personnel of the Group are deemed to be the directors and several senior managers making up the Senior Leadership Team ("SLT"). The cost of remunerating key management personnel in the year amounted to £528,000 (2021: £663,000), including social security costs of £70,000 (2021: £83,000) and contributions to defined contribution schemes of £12,000 (2021: £12,000).

At the balance sheet date, 3 directors (2021: 3) participated in 73.4% (2021: 47.5%) of the share based payment scheme disclosed in note 24. The remainder of the scheme was taken up by other individuals who are current or past members of key management personnel.

As explained further in note 8, the numbers presented above all represent the Group's share of the directors' and key management personnel's remuneration which in most cases is shared with Salutem LD Topco II Limited and its subsidiaries.

10. Finance costs

	2022 £000	*2021* *£000*
Bank interest payable	**2,975**	*2,688*
Amortisation of debt fees	**328**	*313*
Interest on finance leases	**993**	*847*
	4,296	*3,848*

11. Taxation

	2022 £000	*2021 £000*
Corporation tax		
Current tax on profits for the year	-	*257*
Adjustments in respect of previous periods	**(290)**	*43*
	(290)	*300*
Total current tax	**(290)**	*300*
Deferred tax		
Origination and reversal of timing differences	**(30)**	*203*
Changes to tax rates	**110**	-
Adjustments in respect of previous periods	**210**	*(118)*
Total deferred tax	**290**	*85*
Taxation on loss on ordinary activities	-	*385*

11. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Loss on ordinary activities before tax	**(9,170)**	*(5,752)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(1,742)**	*(1,093)*
Effects of:		
Expenses not deductible for tax purposes	**1,428**	*1,255*
Fixed asset timing differences	**302**	*298*
Adjustments to tax charge in respect of prior periods - corporation tax	**(290)**	*43*
Adjustments to tax charge in respect of prior periods - deferred tax	**210**	*(118)*
Research and development expenditure credits	**(18)**	*-*
Changes in tax rates leading to a change in deferred tax	**110**	*-*
Total tax charge for the year	**-**	*385*

Factors that may affect future tax charges

Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. In addition, a temporary 130% super deduction for expenditure on new plant and machinery will apply for two years from 1 April 2021. Deferred tax liabilities continue to be recognised based on a 19% corporation tax rate as this is the rate at which the short-term timing differences are expected to reverse.

The Company has not recognised potential deferred tax assets of £211,000 (2021: £211,000) relating to unrelieved capital losses carried forward of £1,110,000 (2021: £1,110,000), on the basis that recovery is not considered sufficiently probable.

12. Parent company (loss)/profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £2,707,000 *(2021 - profit after tax £2,563,000)*.

13. *Intangible assets*

Group

	Brand £000	Computer software £000	Goodwill £000	Total £000
Cost				
At 1 April 2021	4,117	308	30,776	35,201
Additions	-	70	-	70
At 31 March 2022	4,117	378	30,776	35,271
Amortisation				
At 1 April 2021	1,098	111	24,620	25,829
Charge for the year	274	62	6,156	6,492
At 31 March 2022	1,372	173	30,776	32,321
Net book value				
At 31 March 2022	2,745	205	-	2,950
At 31 March 2021	*3,019*	*197*	*6,156*	*9,372*

The Company holds no intangible fixed assets.

14. Property, plant & equipment

Group

	Freehold property £000	Long-term leasehold property £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2021	**2,960**	**28,565**	**138**	**9,111**	**249**	**41,023**
Additions	-	-	-	2,802	42	2,844
Disposals	-	-	(31)	(456)	(9)	(496)
Transfers between classes	108	(98)	-	236	(246)	-
At 31 March 2022	**3,068**	**28,467**	**107**	**11,693**	**36**	**43,371**
Depreciation						
At 1 April 2021	**216**	**709**	**98**	**2,256**	-	**3,279**
Charge for the year	76	231	18	1,494	-	1,819
Disposals	-	-	(31)	(317)	-	(348)
Transfers between classes	-	(55)	-	55	-	-
Impairment charge	-	-	-	41	-	41
At 31 March 2022	**292**	**885**	**85**	**3,529**	-	**4,791**
Net book value						
At 31 March 2022	**2,776**	**27,582**	**22**	**8,164**	**36**	**38,580**
At 31 March 2021	*2,744*	*27,856*	*40*	*6,855*	*249*	*37,744*

The carrying amount of long-term leasehold properties are all held under finance lease.

The Company holds no property, plant and equipment.

As detailed further in note 29, the whole carrying value of property, plant and equipment is pledged as security for liabilities held by the Group.

15. Investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2021	750
At 31 March 2022	750

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Holding
Salutem LD Bidco Limited*	Holding company	100%
Salutem LD Bidco II Limited*	Holding company	100%
Salutem LD Bidco III Limited**	Dormant holding company	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Holding
Salutem Shared Services Limited*	Employing company	100%
*Salutem Shared Services II Limited**	*Employing company*	*100%*
Pathways Care Group Limited*	Residential care	100%
Pathways Daycare Limited*	Day care	100%
Newlife Care Services Limited*	Residential care	100%
Pathways 4 Care Ltd*	Supported living	100%
Modus Care Limited*	Residential care	100%
Clearwater Care (Hackney) Limited*	Residential care & supported living	100%
Amity Residential Care Limited*	Residential care	100%
Clearwater Specialist Care Group Limited**	Dormant holding company	100%
Clearwater Specialist Care Partners Limited**	Dormant holding company	100%
Clearwater Specialist Care Enterprise Limited**	Dormant holding company	100%
Clearwater Care (Group) Limited**	Dormant holding company	100%
Modus Care (Plymouth) Limited**	Dormant holding company	100%
Swan Village Care Services Limited**	Dormant	100%
Minster Pathways (Colchester) Limited**	Dormant	100%
Hardriding House Limited**	Dormant	100%
Newlife Care Services (Holding Co) Limited**	Dormant holding company	100%
TLCare UK Ltd**	Dormant	100%
Greenfield Close Residential Home Limited**	Dormant	100%

15. Investments (continued)

The registered office of all subsidiaries is Minton Place, Victoria Street, Windsor, England, SL4 1EG and ordinary shares are the only class of shares held in each subsidiary.

*For the year ended 31 March 2022, these entities have taken advantage of the exemption from audit as conferred by s479A of the Companies Act 2006.

**For the year ended 31 March 2022, these entities have taken advantage of the exemption from audit as conferred by s480 of the Companies Act 2006.

Entities incorporated after the year-end
The following subsidiary companies, which are all 100% owned, were incorporated after the year-end with a £1 ordinary share issued in both companies:

- Salutem LD Midco I Limited (directly held subsidiary)
- Salutem Acer Debtco I Limited (indirectly held subsidiary)

The registered office of these subsidiaries is Minton Place, Victoria Street, Windsor, England, SL4 1EG.

16. Trade and other receivables

	Group 2022 £000	*Group 2021 £000*	Company 2022 £000	*Company 2021 £000*
Non-current				
Amounts owed by group undertakings	-	-	23,892	*25,581*
	-	-	23,892	*25,581*

Non-current amounts owed by group undertakings are unsecured and attract interest at 13.5%. The principal is repayable in two instalments on 21 April 2027 and 9 November 2027.

	Group 2022 £000	*Group 2021 £000*	Company 2022 £000	*Company 2021 £000*
Current				
Trade debtors	4,594	*3,688*	-	-
Amounts owed by group undertakings	-	-	1,777	*1,498*
Other debtors	224	*942*	-	-
Prepayments and accrued income	686	*357*	-	-
	5,504	*4,987*	1,777	*1,498*

Current amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included in other debtors is £237,000 (2021: £865,000) due from related parties. See note 30 for details.

17. Trade and other payables

	Group 2022 £000	*Group 2021 £000*	Company 2022 £000	*Company 2021 £000*
Current				
Trade creditors	1,119	*818*	-	-
Amounts owed to group undertakings	-	-	1,718	*1,306*
Corporation tax	5	*296*	-	-
Other taxation and social security	2,127	*969*	-	-
Other creditors	2,637	*1,453*	156	-
Accruals and deferred income	3,848	*4,067*	508	*106*
Obligations under finance leases	899	*870*	-	-
Bank loans	11,304	*1,020*	-	-
Unamortised debt fees	(9)	*(275)*	-	-
	21,930	*9,218*	2,382	*1,412*

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

See note 19 for key terms of bank loans (including post year-end extension to the repayment date of the Senior debt) and note 20 for key terms of finance leases.

Included within other creditors is £1,239,000 (2021: £100,000) owed to related parties. See note 30 for details.

18. Non-current trade and other payables

	Group 2022 £000	*Group 2021 £000*
Bank loans	22,065	*30,724*
Obligations under finance leases	24,010	*23,942*
Unamortised debt fees	(1,251)	*(1,313)*
	44,824	*53,353*

Unamortised debt fees are costs associated with the arrangement of bank loans and finance leases which are being recognised in finance costs in the Consolidated Statement of Comprehensive Income over the remaining course of the debt.

See note 19 for key terms of bank loans and note 20 for key terms of finance leases.

19. Loans

Senior debt - Term loans
A term loan of £10,914,000 (2021: £11,934,000) which attracts interest at 2.5% plus a compounded reference rate linked to SONIA, is secured on assets of the Group and is repayable in instalments. As at the balance sheet date, the final payment of this loan was due on 21 October 2022. After the year-end, in November 2022, the final repayment date of the loan was extended to 21 April 2023 and in July 2023, was extended to 31 October 2023. Unpaid accrued interest at balance sheet date was £48,000 (2021: £37,000).

Senior debt - Revolving credit facility
A revolving credit facility of £1,000,000 of which £300,000 was drawn at the balance sheet date (2021: £300,000). The undrawn facility attracts commitment fees at 1% of the available balance. Amounts drawn under the facility attract interest at 2.75% plus a compounded reference rate linked to SONIA, are secured on assets of the Group and at the balance sheet date, was repayable by 21 October 2022. In November 2022, the repayment date of the loan was extended to 21 April 2023 and in July 2023, was extended to 31 October 2023. Unpaid accrued interest at balance sheet date was £22,000 (2021: £nil).

Mezzanine debt
A mezzanine debt facility of £21,826,000 (2021: £19,230,000) which attracts interest at 13.5% and is unsecured. On 15 February 2022, an agreement was entered into to extend this loan to fall due for repayment on 21 May 2024 and accordingly, is shown as a non-current liability at the balance sheet date. Unpaid interest of £2,596,000 (2021: £2,288,000) has been incorporated into the principal during the year in accordance with the terms of the debt and included in the above.

Mortgage on acquisition of properties
A mortgage loan facility of £258,000 (2021: £280,000) which is repayable in instalments, with the final payment being due in July 2025. The facility attracts interest of 3.5% per annum above the bank's base rate and is secured on the properties which the facility was used to acquire. Unpaid accrued interest at balance sheet date was £1,000 (2021: £nil).

	Group 2022 £000	*Group 2021 £000*
Amounts falling due within one year		
Bank loans	**11,304**	*1,020*
Amounts falling due 1-2 years		
Bank loans	**21,863**	*30,724*
Amounts falling due 2-5 years		
Bank loans	**202**	*-*
	33,369	*31,744*

19. *Loans (continued)*

The Group transitioned the interest rate basis on its loans to SONIA (Sterling Overnight Index Average) away from LIBOR (London Interbank Offered Rate) in the year which was necessary as a direct consequence of interest rate benchmark reform. Since the new basis for determining the contractual cashflows is economically equivalent to the previous basis, the existing loans were not derecognised. Additional interest payments are now made to lenders to compensate for the lower rate provided by SONIA (as it does not include a credit element to compensate banks for the risk of lending over a term period on a forward-looking rate, as provided by LIBOR). With these additional payments made, the overall impact of this transition has not had a material impact on these financial statements.

20. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022 £000	*Group 2021 £000*
Within one year	**899**	*870*
Between 1-5 years	**3,607**	*3,482*
Over 5 years	**127,256**	*123,911*
	131,762	*128,263*

The leases reflected above are on a 150-year term, with initial rent of £836,000 and current rent of £899,000 (2021: £870,000). This rent is subject to a compounding inflationary increase, based on the general retail prices index and subject to a maximum increase of 5%. The arrangement has therefore been calculated at an effective interest rate of 3.6% (2021: 3.5%). Any assets held under the finance lease arrangements, if disposed of, must be replaced with similar valued properties under the terms of the leases.

21. Deferred taxation

Group

	2022 £000	2021 £000
At beginning of year	(986)	(901)
(Charged)/credited to profit or loss	(290)	(85)
At end of year	(1,276)	(986)

	Group 2022 £000	Group 2021 £000
Fixed asset timing differences	(1,543)	(1,056)
Losses and other deductions	245	-
Capital gains	(22)	-
Other short term timing differences	44	70
	(1,276)	(986)

22. Share capital

	2022 £	*2021 £*
Allotted, called up and fully paid		
4,796 *(2021 - 0)* A Ordinary Shares shares of £0.01 each	**48**	-
5,204 *(2021 - 0)* B Ordinary Shares shares of £0.01 each	**52**	-
0 *(2021 - 217)* B1 Ordinary Shares shares of £1.00 each	-	*217*
0 *(2021 - 23)* B2 Ordinary Shares shares of £3.00 each	-	*69*
9,300,000 *(2021 - 9,300,000)* A1 Preference Shares (2021: A Preference Shares) shares of £1.00 each	**9,300,000**	*9,300,000*
560 *(2021 - 560)* A2 Preference Shares (2021: A Ordinary Shares) shares of £1.00 each	**560**	*560*
10,500,000 *(2021 - 10,500,000)* B Preference Shares shares of £1.00 each	**10,500,000**	*10,500,000*
1,320,000 *(2021 - 1,320,000)* C1 Preference Shares (2021: B3 Ordinary Shares) shares of £1.00 each	**1,320,000**	*1,320,000*
4 *(2021 - 4)* C2 Preference Shares (2021: B4 Ordinary Shares) shares of £1.00 each	**4**	*4*
35 *(2021 - 40)* C3 Preference Shares (2021: G Ordinary Shares) shares of £1.00 each	**35**	*40*
40 *(2021 - 0)* Growth A Shares shares of £0.01 each	-	-
40 *(2021 - 0)* Growth B Shares shares of £0.01 each	-	-
	21,120,699	*21,120,890*

Shareholder rights prior to 15 February 2022
A and B1 Ordinary shares each conferred one voting right on the holder, while B2 Ordinary shares conferred two voting rights on the holder. All other shares conferred no voting rights. The A ordinary shares, as a class, were capped at 49.9% of overall voting rights.

A and B Preference shares, and B3 Ordinary shares, entitled the holders to cumulative 13.5% dividends. The shares were redeemable only at the option of the Company and dividends did not have to be settled in cash other than in the circumstances of an exit, liquidation or similar event. Accordingly the shares were classified as equity.

Shares were ranked according to the following priority in an exit or liquidation:

- A1 Preference shares
- A2 Preference shares
- B Preference shares
- C Preference shares
- Growth A Shares (subject to performance thresholds)
- Growth B Shares (subject to performance thresholds)

22. Share capital (continued)

Changes to shares in issue and shareholder rights during the year

On 15 February 2022, the Company issued 4 Growth Shares (G Ordinary Shares) at nominal value. The following shares were then re-purchased by the Company:

- 217 B1 Ordinary Shares for total consideration of £787
- 23 B2 Ordinary Shares for total consideration of £84
- 9 Growth Shares (G Ordinary Shares) for total consideration of £250,000

Immediately following this, the following classes of shares were converted into new classes of shares:

- A Ordinary Shares converted into A2 Preference Shares
- B3 Ordinary Shares converted into C1 Preference Shares
- B4 Ordinary Shares converted into C2 Preference Shares
- Growth Shares converted into C3 Preference Shares
- A Preference Shares converted into A1 Preference Shares

Following the above conversion, the following shares were issued by the Company at nominal value:

- 4,796 A Ordinary Shares (nominal value of £0.01)
- 5,204 B Ordinary Shares (nominal value of £0.01)
- 40 Growth A Shares (nominal value of £0.01)
- 40 Growth B Shares (nominal value of £0.01)

The rights attached to the classes of shares after this capital restructure are that A Ordinary Shares confer one voting right each and all other shares confer no voting rights.

Each of the Preference Shares are now 0% coupon shares with a nominal value of £1 each. The shares continue to be classified as equity as they remain redeemable at the option of the Company and dividends do not have to be settled in cash other than in the circumstances of an exit or liquidation.

Shares are now ranked according to the following priority in an exit or liquidation:

- A1 Preference Shares
- A2 Preference Shares
- B Preference Shares
- C1 Preference Shares
- C2 Preference Shares
- C3 Preference Shares
- Growth A Shares
- Growth B Shares
- A and B Ordinary Shares

There has been no change to the ultimate controlling party of the Group as a result of the above capital restructure, as disclosed in note 32.

23. Reserves

Other reserves

Other reserves consist of:

Share-based payment reserve: relates to accumulated charges on G Ordinary shares (see note 24).

Capital redemption reserve: relates to the repurchase of shares that occurred on 15 February 2022 (see note 22).

Profit and loss account

Accumulated losses relate to the cumulative profits or losses of the Company and Group since incorporation, net of any cumulative adjustments recognised to date.

24. Share based payments

The Company had in issue 40 G Ordinary Shares held by management personnel. These shares conferred distribution rights in the event of exit or liquidation, subject to performance thresholds with a service requirement, and vested over 4 years. The shares constituted equity-settled share based payments. The instruments were valued as at issue date on the basis of discounted expected values, with a range of scenarios modelled and valued according to their respective probabilities, and the difference between their value on issue and the price paid by management recognised in the Consolidated Statement of Comprehensive Income over the vesting period.

On 15 February 2022, the Company issued 4 G Ordinary Shares at nominal value which have the same rights, performance thresholds and service requirements as the previous growth shares in issue. The instruments were valued at this date based on the value of the preference shares they were converted into (see below), with a charge of £133,000 for this being recognised in profit or loss immediately.

The Company then repurchased 9 G Ordinary Shares for total consideration of £250,000.

On that date, the Company then modified the share based payment scheme by converting the 35 G Ordinary Shares in issue to C3 zero coupon preference shares and issuing 40 Growth A and 40 Growth B shares to key management personnel, which have a nominal value of £1.

These shares confer distribution rights in the event of exit or liquidation, subject to performance thresholds with a service requirement and are equity-settled share-based payments.

As this is a modification to the original scheme and there is no incremental fair value of the replacement scheme compared to that of the original scheme immediately prior to the modification, no charge for this has been recognised in profit or loss.

Refer to note 3 for further details.

25. Contingent liabilities

Contingent liabilities sometimes arise in the course of the Group's business. The Group takes legal and professional advice as to the likelihood of success of claims and actions and no provision is made where the directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. At the date of approval of these financial statements, the directors know of no claims or actions which are expected to result in a material liability to the Group.

As disclosed in note 15, the Company has issued a statutory guarantee to certain subsidiaries resulting in their exemption from audit under s479a of the Companies Act 2006. The Company has therefore guaranteed all outstanding liabilities to which the relevant subsidiaries are subject to at the balance sheet date until they are satisfied in full and this guarantee is enforceable against the Company by any person to whom the subsidiary is liable in respect of those liabilities.

26. Pension commitments

The Group makes contributions to a defined contribution pension scheme on behalf of its employees. During the year, contributions totalled £535,000 (2021: £516,000). As at 31 March 2022, the Group's pension liability was £100,000 (2021: £102,000).

27. Commitments under operating leases

At 31 March 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £000	*Group 2021 £000*
Not later than 1 year	**414**	*463*
Later than 1 year and not later than 5 years	**1,324**	*579*
Later than 5 years	**374**	*815*
	2,112	*1,857*

The leases are for vehicles, office space and one care home site, and do not provide options to purchase the assets at the end of their terms.

28. Valuation of consolidated assets

Assets acquired with subsidiaries in prior years have been recognised on consolidation at a fair value that reflects the land and buildings' alternative use market valuation (i.e. the market value of the properties in their own right with the existing care trade removed) as at the acquisition date. The alternative use valuation calculated as at the acquisition date for the land and buildings as trading assets was £24,959,000 lower than the land and buildings' valuation as trading assets at that date, with the difference being recognised within goodwill as required by FRS 102. The trading asset valuation was calculated on an arm's length basis and valued the properties in their current condition for existing use (i.e. including the existing care and education businesses they contain). The directors consider this to be more similar to the valuation of the business when operated in its current form as a going concern.

The pro forma tables below show how the Consolidated Statement of Financial Position as at 31 March 2022 would have appeared had the trading values been recognised.

Pro forma consolidated statement of financial position, at trading values

	As presented £000	Recognition differences £000	At trading values - 31 March 2022 £000	At 31 March 2021 £000
Intangible assets	2,950	(2,744)	**206**	2,185
Property, plant and equipment	38,580	18,323	**56,903**	58,760
Non-current assets	***41,530***	***15,579***	***57,109***	*60,945*
Net current (liabilities)/assets	(10,730)	-	**(10,730)**	1,210
Non-current liabilities	(46,100)	-	**(46,100)**	(54,339)
Pro forma net assets	**(15,300)**	**15,579**	**279**	7,816

29. Other financial commitments

As at 31 March 2022, the senior debt detailed in note 19 was secured with fixed and floating charges over the whole of the assets of the Group.

30. Related party transactions

The Company has taken advantage of an exemption available under FRS 102 not to disclose transactions with 100%-owned group companies.

Disclosure in respect of key management personnel compensation is made in note 9.

During the year the Group was charged fees of £30,000 (2021: £30,000) by a company majority-owned and controlled by a director and shareholder of the Group. No balance remained payable (2021: £nil) at the balance sheet date in respect of these transactions.

During the year, the Group recharged costs to a company owned and controlled by shareholders and directors of the Group, totaling £6,163,000 (2021: £4,101,000), and received recharged costs of £2,871,000 (2021: £715,000) from the same company. The Group received a net payment of £5,059,000 (2021: £2,826,000) from that company during the year. As at 31 March 2022, an amount of £237,000 (2021: £865,000) was due from that company and is included in other debtors, and £1,239,000 (2021: £100,000) was owed to that company and is included in other creditors. Both balances are interest free and repayable on demand.

31. Post balance sheet events

As discussed in note 3, the Group shares many resources with Salutem LD Topco II Limited and its subsidiaries, including some directors and senior managers. After the balance sheet date, the Group has continued to align operational processes with the Salutem LD Topco II Limited group of entities and is moving closer to having unified management with these companies. The directors are continuing to assess whether the hurdles to be "managed on a unified basis" (as defined by the Companies Act 2006) have been met and have not yet determined the financial effect that this would have on the Group.

On 19 November 2022, the Group began to manage 13 care homes and their adult social care provision in place of the existing provider after the Care Quality Commission ('CQC') graded several of the care homes as inadequate under their previous providers ownership. Under the Group's management, significant steps have been taken to improve the quality of service at these homes and these are now waiting to be inspected again by the CQC. As part of the arrangement, the employees under the previous provider have been transferred to the Group under TUPE arrangements. The Group is entitled to receive fees for the provision of care of these service users, and has paid a transitional service fee to the previous provider to facilitate the transfer of services to the Group. This payment represented the property support costs including rent and utility costs for the running of the 13 services. The arrangement can be terminated by the Group with 30 days' notice. The Group is liaising with landlords and suppliers to novate existing contracts or set up new ones to enable the long term transfer of the care homes to the Group.

32. Controlling party

The Board of Directors are bound by the terms of a shareholder's agreement which requires investor approval to be given in governing the financial and operating policies of the Group and for all key strategic decisions made by the Board, and since the Group is owned by a number of investors with a spread of votes among these parties, the directors consider there to be no one ultimate controlling party.

Up until 15 February 2022, Salutem Healthcare Limited had the legal ability to appoint and remove the majority of directors from the Board and thereafter an investor assumed this legal ability. Due to the above reasons neither of these entities were able to exert the power of a controlling entity during the year. Accordingly, they were not considered to be the controlling party of the Group.