
SALUTEM LD TOPCO II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023



SALUTEM LD TOPCO II LIMITED

COMPANY INFORMATION

Directors	J S Godden K J G Hillen P R Lawes
Registered number	11217743
Registered office	Minton Place Victoria Street Windsor SL4 1EG
Independent auditor	CLA Evelyn Partners Limited Statutory Auditor and Chartered Accountants 45 Gresham Street London EC2V 7BG

SALUTEM LD TOPCO II LIMITED

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SALUTEM LD TOPCO II LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the consolidated financial statements of Salutem LD Topco II Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2023.

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 and education industries. The Company continues to appraise new business acquisition opportunities to grow its operations and to pursue refinancing of its long-term debt facilities to raise further capital for future growth.

No ordinary dividends were paid or proposed during or in respect of the year (2022: £nil).

Group

The Group's principal activity is the provision of residential & day care and education 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 £42,080,000 (2022: £37,667,000), an increase of 11.7%. This was due to further growth in Education services and higher inflationary fee increases achieved.

Government grant income of £116,000 (2022: £622,000) 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 Grant Fund. The reduction in government grant income is aligned with the reduction in available government support relating to COVID-19.

The Group's profit before tax for the year was £70,000, an improvement of 108.2% compared to a loss before tax of £849,000 in 2022. An improved operating performance was achieved through increased revenues from the launch of new education services coupled with greater inflationary fee uplifts in adult services. The Group's loss includes amortisation on intangible assets of £2,463,000 (2022: £2,440,000) and finance costs of £574,000 (2022: £382,000). For this reason, the directors primarily monitor adjusted EBITDA as a measure of profitability, details of which are disclosed below.

As at 31 March 2023, the Group had net current liabilities of £2,393,000 (2022: £410,000) and a net asset position of £12,193,000 (2022: £12,252,000). The net current liabilities increased due to the Group's senior debt term loan of £3,770,000 (see note 19) being presented as a current liability because, as at the balance sheet date, the final payment of this loan was due on 29 April 2023 (and was repaid in full in November 2023 - see note 30 for more details). The worsening of net assets of £59,000 is primarily due to the Group's loss for the year.

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

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Key performance indicators ("KPIs")

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

Revenue

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

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")

The Group's adjusted EBITDA for the year was £5,585,000 (2022: £4,399,000). Adjusted EBITDA is a non-statutory measure of profitability that the Group uses to present normalised operational profitability before financing, investment and other discretionary expenditure incurred to grow the Group's operations, or is otherwise non-recurring in nature. This metric better represents the Group's long-term performance and the underlying profitability of its core business activities.

Adjusted EBITDA is calculated as follows:

	2023 £000	2022 £000
Operating profit/(loss)	644	(467)
Depreciation of property, plant and equipment	1,011	829
Amortisation of intangible assets, including goodwill	2,463	2,440
Adjustments:		
Non-recurring employee costs, including staff restructuring and discretionary cost of living allowances	690	95
Investment appraisals and professional advisory fees (including contract novations)	441	806
Specific one-off provision for bad debt charges	214	-
Other non-recurring items, including items not attributable to current year results	122	696
Adjusted EBITDA	5,585	4,399

SALUTEM LD TOPCO II LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Improved adjusted EBITDA was due to the growth in education services detailed above.

Average Occupancy

The Group's average residential occupancy for the year was 85.8% (2022: 85.7%). There is still significant capacity for this to grow as the assets are optimised.

Quality Ratings

The Group is regularly inspected by a number of regulatory bodies, the main ones being the Care Quality Commission ("CQC") and Ofsted in England, and the Care Inspectorate for Wales ("CIW") and Estyn in Wales. All of these 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), while CIW and Estyn use Pass/Fail rating. At 31 March 2023, 88.6% (2022: 97.3%) of the rated factors for the Group's services were good or outstanding.

We continue 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. 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.

SALUTEM LD TOPCO II LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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:

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 agency staff 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. This has included international recruitment outside of the European Union under current government operated schemes. 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 or been impacted by 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 increase in the National Minimum Wage means the Group continues to improve the range of pay available to its current workforce and the directors have set minimum pay rates above the National Minimum Wage to ensure the Group attracts employees. 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.

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 2023, the provision in place for potential bad debt was £271,000 (2022: £196,000).

Interest rate risk

The Group had financing in place which attracted interest at a variable rate which was based on a compounded reference rate linked to Sterling Overnight Index Average (SONIA) (see notes 17 and 18 for more details). Had SONIA been 1% higher or lower during the year, the Group's net interest charge would have increased or decreased respectively by £76,000 (2022: £80,000).

After the year-end, the Group entered into a Mezzanine loan facility of £35,000,000, of which £12,000,000 was drawn down on 2 November 2023. The interest on the loan is 13% per annum, with the annual option to capitalise this interest into the principal of the loan. £6,340,000 was loaned to the Topco group on the same date at an interest rate of 13.5% which mitigates the Group's exposure to interest rate risk in this regard.

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 sister Group's debt facility.

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 Group's operations on the community and the environment;
- The desirability of the Group 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 supplier partners.

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.

SALUTEM LD TOPCO II LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

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: <ul style="list-style-type: none"> • Individuals we support • Families / friends • Commissioners 	<p>Client relationships managed at multiple levels, from individual home managers and principals through to the CEO.</p> <p>Support and education plans regularly reviewed with the people we support and their social workers.</p> <p>Support workers and education staff give daily input on activities and actions within support and education plans.</p>	<p>Transparent and collaborative relationship to safely achieve defined outcomes.</p> <p>Support with practical, emotional and health related matters.</p> <p>Appropriate developmental and educational outcomes.</p>	<p>The people we support achieve positive outcomes and lead a meaningful and happy life.</p> <p>People are enabled to transition through a "Pathway of Care" and achieve their desired level of independence.</p> <p>Introduction of children's homes and schools in same locality provides further avenues for continued care and support.</p>
Regulators	<p>Discussion of any relevant matters with regulators in a timely and open fashion.</p> <p>Engagement in improvement plans agreed with inspectors.</p> <p>Regular circulation of regulatory requirements, including updates, to key affected staff.</p>	<p>Full, accurate and timely disclosure of information.</p> <p>Adherence to regulatory standards.</p> <p>Prompt resolution of identified issues.</p>	<p>Maximised quality within our services, to the benefit and reassurance of the people we support and their families.</p> <p>Improved relationships with commissioners and reputation within the industry.</p> <p>Growth opportunities, both from easier approval of new services and from taking over as provider for failing services managed by other providers.</p> <p>Systems developed to better enable the Group to track the quality and compliance levels of our services.</p>

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**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

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

SALUTEM LD TOPCO II LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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;
- 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; and
- Investment in further education facilities to widen the offering of education services in different geographical areas.

The directors acknowledge their responsibility to act fairly as between members of the Group and the Salutem LD Topco Limited group, with which the Group and Company shares many contracts. All contracts affecting these parties are reviewed by directors of 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: 28/03/2024

SALUTEM LD TOPCO II LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Dividends

No dividend is proposed in respect of the year (2022: £nil).

Directors

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

J S Godden
K J G Hillen
P R Lawes

Future developments

The directors intend to continue to seek investment opportunities within the care and education industries 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.

Engagement with employees

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* and *Business relationships statement* sections of the Group 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.

SALUTEM LD TOPCO II LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 groupwide 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 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.

Energy and carbon reporting

The Group's energy usage for the year is set out below. This was calculated based on a full carbon footprint report commissioned by the Group, for the period from 1 April 2022 to 31 March 2023.

2023

Category	Thousands of kilowatt hours (KwH)	Tonnes of carbon dioxide
Combustion of gas	5,714	1,213
Consumption of fuel for transport	238	57
Purchase of electricity	2,389	502
Consumption per £1m of revenue	198	42

The prior year energy usage was calculated based on an ESOS baseline energy review carried out for the period from 1 April 2018 to 31 March 2019, which was the most accurate information available for measurement and 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	5,843	1,203
Consumption of fuel for transport	461	123
Purchase of electricity	4,664	1,320
Consumption per £1m of revenue	291	70

The Group continues with its initiatives to improve energy and carbon efficiency including the installation of smart energy monitoring equipment to allow dynamic and remote control of energy usage across the Group's services. The Group has also commissioned surveys to establish the viability of solar array installations at key sites. These are expected to be commissioned during 2024. The Group is working with specialist advisors to produce an annual carbon footprint report over the next 3 years to monitor progress in improving our energy and carbon efficiency.

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.

SALUTEM LD TOPCO II LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Disclosure of information to auditor

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 auditor is 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 auditor is 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 30 for details of events affecting the Group and Company since the balance sheet date.

Going concern

Information regarding the Group and Company's going concern status is disclosed in note 2.3.


Auditor

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

Directors' indemnity insurance

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

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


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P R Lawes
Director

Date: 28/03/2024

SALUTEM LD TOPCO II LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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.

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

Opinion

We have audited the financial statements of Salutem LD Topco II Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 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, the Consolidated Analysis of Net Debt 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 2023 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 related 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 are jointly and severally liable for certain costs with a related entity, Salutem LD Topco Limited, that has in turn reported a material uncertainty relating to going concern due to their need to refinance material debt. 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.

SALUTEM LD TOPCO II LIMITED

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

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 Group 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 Group 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 Group 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 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.

SALUTEM LD TOPCO II LIMITED

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

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 and Parent Company'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:

- Regular, unannounced mock inspections of the care homes and schools by internal experts to complement the independent inspections conducted by the Care Quality Commission (CQC), Ofsted, the Care Inspectorate for Wales (CIW) and Estyn.
- 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 Senior Leadership Team 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), Ofsted, the Care Inspectorate for Wales, and Estyn.

SALUTEM LD TOPCO II LIMITED

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

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.
- We discussed existing litigation and claims with the Group's internal Senior Leadership Team and obtained supporting documentation in respect of the status of the claims open as at the balance sheet date to assess the completeness of provisions made by management.

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.
- Incorrect recognition of revenue, particularly surrounding the year-end.
- Manipulation of key accounting estimates, to overstate results.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation.
- Assessing accounting estimates in accordance with ISA540, including testing the appropriateness of the estimates by obtaining evidence from events post year end or testing how the accounting estimates were made.
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the Group's processes and controls surrounding manual journal entries.

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 (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Statutory Auditor and Chartered Accountants

45 Gresham Street

London

EC2V 7BG

Date: 28/03/2024

SALUTEM LD TOPCO II LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £000	2022 £000
Revenue	4	42,080	37,667
Cost of sales		(27,975)	(25,899)
Gross profit		14,105	11,768
Administrative expenses		(13,577)	(12,857)
Government grant income	5	116	622
Operating profit/(loss)	6	644	(467)
Finance costs	10	(574)	(382)
Profit/(loss) before taxation		70	(849)
Tax on profit/(loss)	11	(130)	(824)
Loss for the financial year		(60)	(1,673)

The notes on pages 25 to 51 form part of these financial statements.

There was no other comprehensive income for 2023 (2022: £nil).

SALUTEM LD TOPCO II LIMITED
REGISTERED NUMBER: 11217743

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	289	2,593
Property, plant & equipment	14	15,146	14,552
		<u>15,435</u>	<u>17,145</u>
Current assets			
Trade and other receivables	16	8,147	5,461
Cash at bank and in hand		5,907	5,153
		<u>14,054</u>	<u>10,614</u>
Trade and other payables	17	(16,447)	(11,024)
Net current liabilities		<u>(2,393)</u>	<u>(410)</u>
Total assets less current liabilities		<u>13,042</u>	<u>16,735</u>
Non-current trade and other payables	18	-	(3,764)
Deferred taxation	20	(849)	(719)
Net assets		<u><u>12,193</u></u>	<u><u>12,252</u></u>
Capital and reserves			
Called up share capital	21	24,501	24,500
Profit and loss account	22	(12,370)	(12,310)
Other reserves	22	62	62
		<u>12,193</u>	<u>12,252</u>

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

P R Lawes

Director

Date: 28/03/2024

The notes on pages 25 to 51 form part of these financial statements.

SALUTEM LD TOPCO II LIMITED
REGISTERED NUMBER:11217743

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Investments	15	-	-
Non-current trade and other receivables	16	35,967	31,276
		<u>35,967</u>	<u>31,276</u>
Current assets			
Trade and other receivables		3,591	4,612
Cash at bank and in hand		186	324
		<u>3,777</u>	<u>4,936</u>
Trade and other payables	17	(413)	(480)
Net current assets		<u>3,364</u>	<u>4,456</u>
Net assets		<u><u>39,331</u></u>	<u><u>35,732</u></u>
Capital and reserves			
Called up share capital	21	24,501	24,500
Profit and loss account	22	14,768	11,170
Other reserves	22	62	62
		<u>39,331</u>	<u>35,732</u>

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

P R Lawes
Director

Date: 28/03/2024

The notes on pages 25 to 51 form part of these financial statements.

SALUTEM LD TOPCO II LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	24,500	39	(10,637)	13,902
Loss for the year	-	-	(1,673)	(1,673)
Share based payment charge	-	23	-	23
At 1 April 2022	24,500	62	(12,310)	12,252
Loss for the year	-	-	(60)	(60)
Other movements in shares (refer note 21)	1	-	-	1
At 31 March 2023	24,501	62	(12,370)	12,193

The notes on pages 25 to 51 form part of these financial statements.

SALUTEM LD TOPCO II LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	24,500	39	7,231	31,770
Profit for the year	-	-	3,939	3,939
Share based payment charge	-	23	-	23
At 1 April 2022	24,500	62	11,170	35,732
Profit for the year	-	-	3,598	3,598
Purchase of own shares	-	-	-	-
Other movements in shares (refer note 21)	1	-	-	1
At 31 March 2023	24,501	62	14,768	39,331

The notes on pages 25 to 51 form part of these financial statements.

SALUTEM LD TOPCO II LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023**

	2023	<i>2022</i>
	£000	<i>£000</i>
Loss for the financial year	(60)	(1,673)
Adjustments for:		
Amortisation of intangible assets	2,463	2,440
Depreciation of property, plant and equipment	1,011	829
Loss on disposal of property, plant and equipment	10	-
Finance costs	574	382
Taxation charge	130	824
Increase in trade and other receivables	(2,686)	(1,728)
Increase in trade and other payables	1,673	1,042
Net cash generated from operating activities	3,115	<i>2,116</i>
Purchase of intangible assets	(159)	(78)
Purchase of property, plant and equipment	(1,615)	(1,257)
Proceeds from sale of property, plant and equipment	-	320
Net cash used in investing activities	(1,774)	<i>(1,015)</i>
Bank loans repaid	(234)	(469)
Interest paid	(353)	(292)
Net cash used in financing activities	(587)	<i>(761)</i>
Net increase in cash at bank and in hand	754	<i>340</i>
Cash at bank and in hand at beginning of year	5,153	4,813
Cash at bank and in hand at end of year	5,907	<i>5,153</i>

The notes on pages 25 to 51 form part of these financial statements.

SALUTEM LD TOPCO II LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2023**

	At 1 April 2022 £000	Cash flows £000	Non-cash changes £000	At 31 March 2023 £000
Cash at bank and in hand	5,153	754	-	5,907
Debt due within 1 year	(3,937)	587	(4,275)	(7,625)
Debt due after 1 year	(3,770)	-	3,770	-
Unamortised debt fees	85	-	(85)	-
	<u>(2,469)</u>	<u>1,341</u>	<u>(590)</u>	<u>(1,718)</u>

Non-cash changes relate to:

- The reclassification of debt to bank loans falling due within 1 year totalling £3,770,000, the reclassification of interest accruals of £66,000 from accruals to debt due within 1 year and interest charges of £439,000 accumulating on the loan, resulting in a total £4,275,000 increase in debt due within 1 year.
- The amortisation of debt fees to the Statement of Income and Retained Earnings of £85,000.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. General information

Salutem LD Topco II 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 care and education industries. The Company's registered office is Minton Place, Victoria Street, Windsor SL4 1EG and its registered number is 11217743.

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.

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

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.

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 Consolidated 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.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.3 Going concern

The directors have prepared forecasts for the Group and Company 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 loan covenants.

At 31 March 2023, the Group had net current liabilities of £2,393,000 which was primarily due to loans owed to banks of £7,625,000. Following the balance sheet date, these loans were fully repaid (further details on this can be found in note 30) and the Group has no loans due for repayment until 30 April 2025.

However, as explained further in note 3, the Group shares many resources and contracts with its sister group, Salutem LD Topco Limited ("Topco"), and the Group has undertaken to provide support to Topco (if required). Topco has reported a material uncertainty relating to going concern due to its requirement to refinance senior banking debt. Whilst the refinancing of the Topco senior banking debt is in advanced stages of negotiations, as the Group is jointly and severally liable with Topco for many contracts and operates a shared services function with Topco where the Group is equally responsible for making salary payments to the employees employed by that function. The directors consider that these conditions give rise to a material uncertainty that may cast significant doubt upon the Group and Company's ability to continue as a going concern.

The material uncertainty gives rise to a risk that the Group and Company is unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would be required if the Group and Company were unable to continue as a going concern.

The directors have sought to further mitigate the risk of this by providing support to Salutem LD Topco Limited to pool cash balances. Despite the existence of a material uncertainty in relation to going concern, the directors have a reasonable expectation that the Group and Company are a going concern given the outstanding banking debt of Topco, net of cash held as a result of the cash pooling, amounts to £1,630,000 surplus at the balance sheet date which is also exceeded by the expected ongoing yearly EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of Topco, and accordingly, the financial statements have been prepared on that basis.

2.4 Revenue

The Group's revenue is derived from the provision of care and education services, which are typically priced on the basis of an agreed daily, weekly or annual fee. Revenue is recognised according to the number of days' care provided, multiplied by the applicable rate for that care user, regardless of whether that fee has been billed by the end of the period. Term fees for education services are recognised evenly over the academic year. 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 or term time expended and bills raised are recognised or derecognised as applicable within accrued or deferred income in the Consolidated Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 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 Group 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.

2.7 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.

2.8 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.

2.9 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 Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

In addition to the above, the Group makes contributions to the Teachers' Pension Scheme at rates set by the Government actuary and as advised by the scheme administrator. The scheme is a multi-employer defined benefit scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to the Group, and hence contributions are charged in the period they are incurred as if they were to a defined contribution scheme as required by FRS 102.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.10 Share based payments

Where equity instruments with variable returns are awarded to employees, the fair value 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 shares that eventually vest. The share based payments do not have any market vesting conditions.

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

2.11 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 balance sheet, 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 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 company taking relief at the value of the losses.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.12 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 profit or loss 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 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.

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:

Computer software	-	over 3 years
Goodwill	-	over 3 to 5 years

For intangible assets recognised at fair value on acquisition, such as goodwill, a full year's amortisation is charged in the period of acquisition of the target business.

2.13 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.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.13 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.

The estimated useful lives range as follows:

Freehold property	- over 50 years
Long-term leasehold property	- over 50 years
Motor vehicles	- over 4 years
Fixtures, fittings & equipment	- over 3 to 10 years
Computer equipment	- over 3 to 4 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.

2.14 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 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.

2.16 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.

2.17 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.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.18 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 Consolidated Statement of Financial Position.

2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and trade and other debtors and creditors, 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 profit or loss.

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 Consolidated 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.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 a material lease arrangement for the provision of motor vehicles where the Group pays a provider a regular fee for the use of motor vehicles. The classification of this arrangement is a material judgement. 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 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 Limited indicate that the two groups are managed on a unified basis. The directors concluded that as at the reporting date, this was not the case, primarily due to the following factors:

- In the financial year, separate board meetings were held for each separate group, and had different members;
- No company within the Group controlled another company in the Salutem LD Topco Limited group, and had no control over their dividend policies or gearing ratios;
- The directors made strategic and financing decisions which had different operational impacts on each of the two groups;
- Operational management was not completely unified across the two groups, with services being managed in most cases by employees of only one of the groups.

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

See note 30 for details of how the directors' conclusion has evolved since the period-end.

Treatment of preference shares in the Company as equity

The Company's shareholder agreement confirms the preference shares in issue are only redeemable at the Company's discretion, but the agreement is silent on the timing of the cash outflows on the dividends which are accumulating on these preference shares. The directors have received confirmation from each of the preference shareholders that it is their understanding these dividends are only payable on a liquidation or exit event taking place, and if the Company has sufficient distributable reserves to declare these dividends. Accordingly, the directors have treated the preference shares as equity and no liability has been recognised in these financial statements for the dividends accumulating on these preference shares.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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. An estimate of the recoverability of trade receivables is derived from an extrapolation of receipt patterns since the end of the year but before the signing of these accounts. A provision of £271,000 (2022: £196,000) has been made for any trade receivables where there is considered sufficient doubt not to meet this criteria, with a balance of £2,768,000 (2022: £3,101,000) remaining unprovided. The provision for bad debt charge recognised in profit or loss for the year was £165,000 (2022: credit of £78,000).

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 £1,011,000 (2022: £829,000) as disclosed in note 14.

Recoverability of amounts owed by group undertakings to the Company

The Company holds an investment in its subsidiary, Salutem LD Bidco IV Limited, which is structured in the form of equity and debt. The debt arrangement was originally put in place to fund initial growth in the subsidiary and the interest which accumulates on the loan 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. The intention remains that the debt will be settled through an exit event.

An impairment assessment was carried out as at 31 March 2023 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. The assessment was based on the discounted future cash flows of the Group's main trading subsidiary, Salutem LD Bidco IV Limited. In calculating the net present value of these future cash flows, a discount rate of 10.7% and a terminal growth rate of 2% were used. The assessment did not result in any impairments being recognised against the amounts owed to the Company by its subsidiary at the balance sheet date. The discount rate would have to be 20.6%, which the directors do not consider to be an appropriate rate, before a material impairment would be recognised.

4. Revenue

	2023 £000	2022 £000
Revenue in respect of care services rendered	28,386	25,316
Revenue in respect of education services rendered	11,634	10,025
Government grants receivable in respect of education services	2,060	2,326
	<u>42,080</u>	<u>37,667</u>

All revenue arose within the United Kingdom.

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

5. Government grant income

	2023	2022
	£000	£000
Infection control and mass testing grants	116	622

Government grants relate to income received in respect of the Infection Control Grant Fund. This grant was provided by the government to businesses in the UK to help alleviate the financial impact of COVID-19 by assisting them with the cost of improving infection control measures.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2023	2022
	£000	£000
Depreciation of property, plant and equipment	1,011	829
Amortisation of intangible assets, including goodwill	2,463	2,440
Loss on disposal of property, plant and equipment	10	-
Operating lease rentals	869	766
Defined contribution pension cost	677	671
Charge/(credit) for provision against bad and doubtful receivables	165	(78)

7. Auditor's remuneration

	2023	2022
	£000	£000
Fees payable to the Group's auditor in respect of audit services:		
Audit of the Group's consolidated and parent financial statements	203	138
	203	138
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	28	21
All other services	-	9
	28	30

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

8. Employees

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

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Wages and salaries	23,423	23,007	-	-
Social security costs	2,051	1,854	-	-
Cost of pension contributions	677	671	-	-
	26,151	25,532	-	-

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

	2023 No.	<i>2022 No.</i>
Head office	61	60
Care and education staff	1,122	1,121
	1,183	1,181

The services of directors and head office 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 and Salutem Shared Services II Limited are 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, whose remuneration is not recognised within the Company. Disclosures of directors' remuneration from the Group are presented in note 9.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	260	293
Contributions to defined contribution pension schemes	7	7

During the year retirement benefits were accruing to 3 directors (2022 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £120,000 (2022 - £142,000).

The key management personnel of the Group are deemed to be the directors and several senior managers making up the Senior Leadership Team ("SLT"), being the personnel with the greatest authority for the strategic direction and management of the Group. The remuneration cost including social security for key management personnel was £563,000 (2022: £779,000), plus defined contribution pension costs of £12,000 (2022: £16,000).

At the balance sheet date, 3 directors (2022: 3) participated in 70% (2022: 70%) 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' remuneration which in most cases is shared with Salutem LD Topco Limited and its subsidiaries.

10. Finance costs

	2023 £000	2022 £000
Bank interest payable	439	300
Amortisation of debt fees	85	82
Other interest payable	50	-
	<u>574</u>	<u>382</u>

See note 19 for key terms of bank loans.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

11. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	-	2
Total current tax	<u>-</u>	<u>2</u>
Deferred tax		
Origination and reversal of timing differences	430	854
Adjustments to prior periods	(300)	(32)
Total deferred tax	<u>130</u>	<u>822</u>
Taxation on profit on ordinary activities	<u>130</u>	<u>824</u>

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit/(loss) on ordinary activities before tax	70	(849)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	13	(161)
Effects of:		
Fixed asset timing differences	530	476
Expenses not deductible for tax purposes	46	262
Adjustments to tax charge in respect of prior periods - deferred tax	(300)	-
Short term timing differences	(262)	-
Re-measurement of deferred tax for changes in tax rates	103	173
Deferred tax utilised but not previously recognised	-	74
Total tax charge for the year	130	824

Factors that may affect future tax charges

Finance Act 2021 included legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The increase in these rates is reflected in the above deferred tax balances as this was substantively enacted as of the balance sheet date.

12. Parent company 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 profit after tax of the parent Company for the year was £3,598,000 (2022 - £3,939,000).

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

13. Intangible assets

Group

	Computer software £000	Goodwill £000	Total £000
Cost			
At 1 April 2022	490	13,464	13,954
Additions	159	-	159
Disposals	(2)	-	(2)
At 31 March 2023	<u>647</u>	<u>13,464</u>	<u>14,111</u>
Amortisation			
At 1 April 2022	270	11,091	11,361
Charge for the year	90	2,373	2,463
Disposals	(2)	-	(2)
At 31 March 2023	<u>358</u>	<u>13,464</u>	<u>13,822</u>
Net book value			
At 31 March 2023	<u>289</u>	<u>-</u>	<u>289</u>
At 31 March 2022	<u>220</u>	<u>2,373</u>	<u>2,593</u>

The Company holds no intangible assets.

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

14. Property, plant & equipment

Group

	Freehold property £000	Long- term leasehold property £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 April 2022	10,378	1,634	15	3,916	632	22	16,597
Additions	-	73	40	1,279	211	12	1,615
Disposals	-	-	-	(255)	(68)	(10)	(333)
Transfers between classes	-	-	-	12	-	(12)	-
At 31 March 2023	10,378	1,707	55	4,952	775	12	17,879
Depreciation							
At 1 April 2022	663	111	13	1,058	200	-	2,045
Charge for the year	166	26	9	591	219	-	1,011
Disposals	-	-	-	(255)	(68)	-	(323)
At 31 March 2023	829	137	22	1,394	351	-	2,733
Net book value							
At 31 March 2023	9,549	1,570	33	3,558	424	12	15,146
At 31 March 2022	9,715	1,523	2	2,858	432	22	14,552

The Company holds no property, plant and equipment.

As detailed further in note 25, during the year the whole carrying value of property, plant and equipment was pledged as security for bank loans and, after the year-end as detailed further in note 30, is pledged as security for a new Mezzanine loan facility after the underlying bank loan was repaid in full on 6 November 2023.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. Investments

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Salutem LD Bidco IV Limited t/a Ambito Care and Education*	Care & education	Ordinary	100%
Salutem LD Midco II Limited**	Dormant holding company	Ordinary	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Salutem Shared Services III Limited*	Provision of staffing	Ordinary	100%
Salutem ED Bidco Limited**	Dormant	Ordinary	100%
Salutem LD Acer Debtco II Limited**	Dormant	Ordinary	100%

*For the year ended 31 March 2023, this entity has taken advantage of the exemption from audit as conferred by s479A of the Companies Act 2006.

** For the year ended 31 March 2023, this entity has taken advantage of the exemption from audit as conferred by s480 of the Companies Act 2006.

During the year, two new Group companies were incorporated, with £1 Ordinary share capital; Salutem LD Midco II Limited on 24 May 2022 and Salutem LD Acer Debtco II Limited on 26 May 2022. These entities were incorporated with a view to refinance the Group. See note 2.3 and note 30 for more detail.

All investments presented above are held at cost of £1 and the registered office of all of the above subsidiaries is Minton Place, Victoria Street, Windsor, SL4 1EG.

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

16. Trade and other receivables

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Non-current trade and other receivables				
Amounts owed by group undertakings	-	-	35,967	31,276

Non-current amounts owed by group undertakings are unsecured and attract interest at 15%. The principal is repayable in full on 30 April 2028.

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Current trade and other receivables				
Trade debtors	2,768	3,101	-	-
Amounts owed by group undertakings	-	-	3,566	4,612
Other debtors	3,935	1,392	20	-
Prepayments and accrued income	1,444	968	5	-
	8,147	5,461	3,591	4,612

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

Included within other debtors is £3,784,000 (2022: £1,239,000) due from related parties. See note 29 for details.

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

17. Trade and other payables

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Trade payables	1,366	1,294	-	62
Accruals and deferred income	3,873	3,038	413	418
Other taxation and social security	2,203	1,880	-	-
Other payables	1,380	954	-	-
Bank loans	7,625	3,937	-	-
Unamortised debt fees	-	(79)	-	-
	16,447	<i>11,024</i>	413	<i>480</i>

Unamortised debt fees are costs associated with the arrangement of bank loans which are being recognised in finance costs in profit or loss over the remaining course of the debt.

See note 19 for terms of bank loans.

Included within other payables is £419,000 (2022: £237,000) owed to related parties. See note 29 for details.

18. Non-current trade and other payables

	Group 2023 £000	<i>Group 2022 £000</i>
Bank loans	-	3,770
Unamortised debt fees	-	(6)
	-	<i>3,764</i>

Unamortised debt fees are costs associated with the arrangement of bank loans which are being recognised in finance costs in profit or loss over the remaining course of the debt.

See note 19 for terms of bank loans.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

19. Loans

Bank loans consist of:

Senior debt - Term loans

A term loan of £3,770,000 (2022: £4,138,000) which attracted interest of a compounded reference rate linked to SONIA, was secured on assets of the Group and was repayable in instalments with the final payment having fallen due on 29 April 2023. Unpaid accrued interest at the balance sheet date and included within the loan balance was £33,000 (2022: £16,000 included within accruals and deferred income).

Since 29 April 2023, the loan has been repayable on demand while the directors continued alternative financing negotiations. Post year end, in October 2023, the Group secured a Mezzanine loan facility of £35,000,000 of which £12,000,000 was drawn down and the senior term loan was fully settled on 2 November 2023. (Refer to note 30 for further details).

Senior debt - Revolving credit facility

A revolving credit facility of £3,703,000 (2022: £3,569,000) which attracted interest of a compounded reference rate linked to SONIA, was secured on assets of the Group and was repayable on 31 January 2021. Unpaid accrued interest at the balance sheet date and included within the loan balance was £119,000 (2022: £49,000 included within accruals and deferred income). The total available facility was £3,750,000 (2022: £3,750,000).

Since 31 January 2021, this revolving credit facility has been repayable on demand. Post year end, in October 2023, the Group secured a Mezzanine loan facility of £35,000,000 of which £12,000,000 was drawn down and the revolving credit facility was fully settled on 2 November 2023. (Refer to note 30 for further details).

	Group 2023 £000	Group 2022 £000
Amounts falling due within one year		
Bank loans	7,625	3,937
Amounts falling due 2-5 years		
Bank loans	-	3,770
	<u>7,625</u>	<u>7,707</u>

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

20. Deferred taxation

Group

	2023 £000
At beginning of year	(719)
Charged to profit or loss	(130)
At end of period	(849)

The provision for deferred taxation is made up as follows:

	Group 2023 £000	Group 2022 £000
Fixed asset timing differences	(870)	(748)
Other short term timing differences	21	29
	(849)	(719)

21. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
17,632 (2022 - 17,632) A1 Ordinary shares of £0.01 each	176	176
1,192 (2022 - 1,192) A2 Ordinary shares of £0.04 each	48	48
3,287 (2022 - 3,287) A3 Ordinary shares of £0.01 each	33	33
1 (2022 - 1) A4 Ordinary share of £0.01	-	-
15,190,900 (2022 - 15,190,900) A Preference shares of £1.00 each	15,190,900	15,190,900
9,308,850 (2022 - 9,308,850) B Preference shares of £1.00 each	9,308,850	9,308,850
500 (2022 - 0) Growth shares of £1.00 each	500	-
0 (2022 - 500) Growth shares of £0.01 each	-	5
	24,500,507	24,500,012

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

21. Share capital (continued)

A1 Ordinary shares each confer one voting right on the holder, while A2 Ordinary shares each confer four voting rights on the holder. All other shares confer no voting rights. The A ordinary shares, as a class, are capped at 49.9% of overall voting rights. A and B preference shares entitle the holders to cumulative 15% dividends.

The preference shares are redeemable only at the option of the Company and dividends do not have to be settled in cash other than in the circumstances of an exit, liquidation or similar event. Accordingly, the preference shares are classified as equity. The total value of undeclared accumulated preference share dividends at 31 March 2023 was £17,880,000 (2022: £14,208,000).

During the year, on 28 February 2023, the Company repurchased 50 Growth shares at £1 per share. These shares are held by the Company as treasury shares.

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

- A Preference shares principal
- B Preference shares principal
- Undeclared accumulated dividends on A and B preference shares
- Ordinary shares
- Growth shares.

See note 30 for changes in shareholding after the balance sheet date.

The Growth shares have been correctly stated in the current year at a nominal value of £1 each. These were incorrectly disclosed at £0.01 in prior years with the difference being immaterial to restate the prior year. No new shares were issued in the current year.

22. Reserves

Profit and loss account

The profit and loss account relates to the cumulative profits or losses of the Company and Group since incorporation.

Other reserves consist of:

- Share-based payment reserve, relating to accumulated charges on Growth shares (see note 24).
- Investment in treasury shares relating to the repurchase transaction in the current year (see note 21).

SALUTEM LD TOPCO II LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

23. Valuation of net assets

The carrying value of property, plant and equipment includes land and building assets that were recognised on acquisition in the period ended 31 March 2019 at fair value.

This fair value reflected the land and buildings' alternative use market valuation (i.e. the market value of the properties in their own right with the existing care and education trade removed) as at the acquisition date. The value attributed to the land and buildings per the Business Purchase Agreement dated 30 April 2018 was £21,990,000, with the difference being recognised within goodwill as required by FRS 102. This valuation was agreed at arm's length between the two parties and values the properties in their current condition for existing use (i.e. including the existing care and education businesses they contain).

The pro forma tables below show how the Consolidated Statement of Financial Position as at 31 March 2023 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 2023 £000	At 31 March 2022 £000
Intangible assets	289	-	289	2,335
Property, plant and equipment	<u>15,146</u>	<u>8,237</u>	<u>23,383</u>	<u>22,334</u>
Non-current assets	15,435	8,237	23,672	24,669
Net current liabilities	(2,393)	-	(2,393)	(1,364)
Non-current liabilities	<u>(849)</u>	<u>-</u>	<u>(849)</u>	<u>(4,216)</u>
Pro forma net assets	<u>12,193</u>	<u>8,237</u>	<u>20,430</u>	<u>19,089</u>

24. Share based payments

The Group had in issue 500 Growth shares as at the balance sheet date that were held by management personnel. These shares confer distribution rights in the event of exit or liquidation, subject to performance thresholds with a service requirement, and vested over 4 years with a vesting date of 31 March 2022. The shares therefore constitute 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 was being recognised in the Consolidated Statement of Comprehensive Income over the vesting period. A charge of £nil (2022: £23,000) in respect of these instruments was recognised in the year.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

25. Other financial commitments

As at 31 March 2023, the loans disclosed in note 19 of £7,625,000 (2022: £7,707,000) were secured with fixed and floating charges over the whole of the assets of the Group.

As detailed further in note 30, after the year-end, on 6 November 2023, this security was released in full as the underlying bank loan was repaid in full and, after the year-end, the new Mezzanine loan facility was secured with fixed and floating charges over the whole of the assets of the Group.

As explained in further in note 3, the Group shares many resources and contracts with its sister group, Salutem LD Topco Limited ("Topco"), for which it is jointly committed to, and the Group has undertaken to provide support to Topco (if required). The Group also operates a shared services function with Topco where the Group is equally responsible for making salary payments to the employees employed by that function.

26. Pension commitments

The Group makes contributions to defined contribution pension schemes on behalf of its employees. During the year, contributions totalled £677,000 (2022: £671,000). As at 31 March 2023, the Group's pension liability was £87,000 (2022: £112,000).

The Group participates in the Teacher's Pension Scheme (the "TPS") for its teaching staff. The pension charge for the year disclosed above includes contributions payable to the TPS of £194,000 (2022: £289,000) and as at 31 March 2023, £25,000 (2022: £27,000) was accrued in respect of the contributions to this scheme.

The TPS is a statutory, unfunded, defined benefit occupational pension scheme, governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses. The next valuation was conducted in 2023 and is expected to take effect from 1 April 2024, increasing employer contributions from 23.6% to 28.6%. A copy of the latest valuation report can be found on the Teachers' Pension Scheme website.

SALUTEM LD TOPCO II LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

27. Commitments under operating leases

At 31 March 2023 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £000	<i>Restated Group 2022 £000</i>
Not later than 1 year	768,000	680,000
Later than 1 year and not later than 5 years	1,375,000	1,751,000
Later than 5 years	980,000	1,179,000
	<u>3,123,000</u>	<u>3,610,000</u>

The leases are for vehicles, care homes and education premises and other small equipment, and do not provide options to purchase the assets at the end of their terms.

The prior year commitment values have been restated to include commitments that should have been disclosed at the time. This restatement is on disclosure only and has no impact on the Group's profit or loss and net liabilities for the current or prior year.

The Company has no commitments due under non-cancellable operating leases as of 31 March 2023.

28. Contingent liability

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.

The Group is undertaking a review of certain tax liabilities included within other taxation and social security (see note 17) which is in progress. The directors believe it is unlikely this review will result in a material change to the Group's other taxation and social security liabilities included in note 17 but this assessment is yet to be completed and therefore, the final liability may be higher once the review is complete.

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29. Related party transactions

The Group has taken advantage of the exemption available under FRS 102 in relation to related party transactions which exempts the group from disclosing transactions with 100%-owned group companies.

During the year the Group was charged fees of £30,000 (2022: £30,000) by a company majority-owned and controlled by a director and shareholder of the Group. No amount remains payable at the balance sheet date in respect of these transactions.

During the year the Group was recharged costs by companies owned and controlled by shareholders and directors of the Group, totalling £6,840,000 (2022: £6,163,000), and recharged costs of £3,025,000 (2022: £2,871,000) to the same companies. The Group made a net repayment of £6,179,000 (2022: £5,059,000) to those companies during the year. At 31 March 2023, £419,000 was owed to those companies (2022: £237,000) and is included in other payables, and £3,784,000 was due from these companies (2022: £1,239,000) and is included in other debtors. Both balances are interest-free, unsecured and repayable on demand.

30. Post balance sheet events

As discussed in note 3, the Group shares many resources with Salutem LD Topco Limited ("Topco") and its subsidiaries, including some directors and senior managers. After the balance sheet date, the Group has continued to align operational processes with the Topco group of entities and is moving closer to having unified management with these companies. Specifically, the following post balance sheet re-financing and subsequent Group re-structuring events will have a direct impact on this alignment as the Groups move closer to having common control.

Subsequent to the year end, in October 2023, the Group secured a £35,000,000 Mezzanine loan facility with a shareholder of which £12,000,000 has been drawn down and utilised to settle the external senior loans and revolving credit facilities (including accrued interest) of £4,886,000 (of which £7,625,000 was owed at the balance sheet date).

The new Mezzanine facility is subject to interest at a fixed rate of 13%, with all interest charges rolling up, and was originally due for repayment on 30 April 2024, but in March 2024, was extended to now fall due for repayment on 30 April 2025. The facility can be drawn upon at the lender's discretion until 30 June 2024. The whole carrying value of property, plant and equipment is pledged as security for this liability of the Group.

Furthermore, Topco II has loaned £6,075,000 to Topco to fund the purchase of shares from an existing shareholder of Topco II. On 4 November 2023, Topco purchased 2,610 A1 Ordinary Shares and 3,000,000 B Preference Shares in Topco II, resulting in Topco owning 11.4% of the Topco II Group. The A1 Ordinary shares confer one voting right per share and the B Preference shares confer no voting rights, as such, Topco now owns 11.7% of the voting rights in the Topco II Group. These shares also entitle the holder to receive dividends.

The loan entered into with Topco was originally due for repayment on 30 April 2024, but in March 2024, was extended to now fall due for repayment on 30 April 2025. The loan attracts an interest rate of 13.5% and is unsecured.

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.

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31. Controlling party

The Board of Directors are bound by the terms of a shareholder's agreement which requires investor approval to be given 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.

Whilst Saludem Healthcare Limited has the legal ability to appoint and remove the majority of directors from the Board, due to the above reasons they are not able to exert the power of a controlling entity. Accordingly, it is not considered to be the controlling party of the Group.