

OPTIMA HCI LIMITED
Strategic Report, Directors' Report and
Financial Statements
for the Year Ended 31 May 2022

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for the year ended 31 May 2022**

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OPTIMA HCI LIMITED

**Company Information
for the year ended 31 May 2022**

Directors:

Edward Mark Coombes
Hema Sivalingam
Michael Robert Lingens

Registered office:

New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

Registered number:

11940296 (England and Wales)

Auditors:

Haines Watts
Chartered Accountants and Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

**Strategic Report
for the year ended 31 May 2022**

The directors present their strategic report for the year ended 31 May 2022.

The purpose of the Strategic Report is to inform shareholders and help them assess how the directors have performed their duties to promote the success of the Company. The report, together with the further information in the Directors' Report, provides:

A fair and balanced review of the Company's business including;

- the development and performance of the Company's business during the financial year
- the position of the Company at the end of the year

A description of the principal risks and uncertainties facing the Company.

Review of business

The Company's principal activity during the year continues to be that of a provider of specialist healthcare for intellectual disabilities in residential and community homes.

Principal risks and uncertainties

The Board considers the primary risk to be associated with continued funding pressures from the commissioning authorities, specifically Local Authorities who are under the greatest budgetary constraints. However, the Board are confident of the Company's reputation and market position to take advantage of increasing market demand for its services in specialist service areas.

Overall, the organisation continues to trade as expected through service reconfigurations as well as difficult economic environments.

The Board remains optimistic that the organisation provides key service offerings in Intellectual Disability and Mental Health Services to both health and social care commissioners, continuing to meet demand.

Development and financial performance during the period

The results for the year which are set out in the Income Statement, show a loss before tax of £311,705 (2021: profit of £819,021).

The organisation continues to meet all of its financial and statutory obligations; this is achieved through strong financial controls, specifically around cashflow and working capital. This will continue to be the prevailing position over the coming years as Health and Social Care funders look to reduce their budgets under central government austerity measures. The Board will continue to operate an integrated governance framework to ensure it continues to meet its quality of care and maintain this as a primary objective during the next financial period.

The Company has appointed Michael Robert Lingens on the Board of Directors. His extensive background and experience within the care homes sector has helped the directors with key decisions being made.

The financial position of the Company at the period end

At the period end the Company had a post-tax loss for the year of £289,350 (2021: profit of £684,029) and surplus on shareholders' funds of £381,803 (2021: £671,153). The Company generated cash deficit from operations of £588,891 (2021: surplus of £210,604) and invested £154,156 (2021: £177,309) in fixed assets.

Strategic Report
for the year ended 31 May 2022

Key performance indicators

Management use a range of performance measures to monitor and manage the business.

Given the nature of the business the directors are of the opinion that a detailed analysis using KPI's is not necessary for the understanding of the development, performance or position of the business.

The key financial highlights are as follows:

	Year to 2022	Year to 2021 £
Turnover	5,567,829	6,605,509
Gross profit margin	31.08%	33.07%
EBITDA	(192,406)	894,395
Profit/(loss) before taxation	(311,705)	819,021
Shareholders' funds	<u>381,803</u>	<u>671,153</u>

Future developments

The external environment is expected to remain competitive going forward and the directors remain determined to maintain profitability to acceptable levels.

Financial instruments

Financial instruments comprise of cash and working capital, i.e. the trade debtors and trade creditors that arise during the course of the day to day business. This can result in a liquidity risk. The liquidity risk is controlled by maintaining a healthy balance between the debtors and creditors. The debtors risk is controlled through a stringent credit control policy and regular monitoring of any outstanding amounts for both time and credit limits. Trade creditor liquidity risks are managed by ensuring that sufficient funds are available to meet amounts as and when they fall due and in accordance with payment terms agreed. The Company has banking facilities in place with Coutts Bank and operates within its facility limits.

On behalf of the board:

Edward Mark Coombes - Director

2 March 2023

**Directors' Report
for the year ended 31 May 2022**

The directors present their report with the financial statements of the Company for the year ended 31 May 2022.

Dividends

No dividends will be distributed for the year ended 31 May 2022.

Directors

The directors shown below have held office during the whole of the period from 1 June 2021 to the date of this report.

Edward Mark Coombes
Hema Sivalingham

Other changes in directors holding office are as follows:

Michael Robert Lingens - appointed 1 April 2022

Disclosure in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report. These matters relate to financial instruments and future developments.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Directors' Report
for the year ended 31 May 2022**

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board:

Edward Mark Coombes - Director

2 March 2023

Independent Auditors' Report to the Members of Optima HCI Limited

Opinion

We have audited the financial statements of Optima HCI Limited (the 'Company') for the year ended 31 May 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2022 and of its 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusions relating to going concern

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.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditors' Report to the Members of Optima HCI Limited

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 Auditors' 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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We discussed with the directors the policies and procedures in place regarding compliance with laws and regulations. We discussed amongst the audit team the identified laws and regulations, and remained alert to any indications of non-compliance.

During the audit we focussed on laws and regulations which could reasonably be expected to give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management.

Our procedures in relation to fraud included but were not limited to: inquires of management whether they have any knowledge of any actual, suspected or alleged fraud, and discussions amongst the audit team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements. We determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements in accounting estimates. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' Report to the Members of Optima HCI Limited

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Andrew Jepson FCCA (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants and Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

2 March 2023

OPTIMA HCI LIMITED (REGISTERED NUMBER: 11940296)

Income Statement
for the year ended 31 May 2022

		2022	2021
	Notes	£	£
Turnover	3	5,567,580	6,605,509
Cost of sales		<u>(3,808,128)</u>	<u>(4,420,942)</u>
Gross profit		1,759,452	2,184,567
Administrative expenses		<u>(2,290,456)</u>	<u>(1,853,273)</u>
		(531,004)	331,294
Other operating income		<u>252,603</u>	<u>523,631</u>
Operating (loss)/profit		(278,401)	854,925
Interest receivable and similar income		<u>68</u>	<u>112</u>
		(278,333)	855,037
Interest payable and similar expenses	6	<u>(33,372)</u>	<u>(36,016)</u>
(Loss)/profit before taxation	7	(311,705)	819,021
Tax on (loss)/profit	8	<u>22,355</u>	<u>(134,992)</u>
(Loss)/profit for the financial year		<u>(289,350)</u>	<u>684,029</u>

The notes form part of these financial statements

OPTIMA HCI LIMITED (REGISTERED NUMBER: 11940296)

Other Comprehensive Income
for the year ended 31 May 2022

	Notes	2022 £	2021 £
(Loss)/profit for the year		(289,350)	684,029
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(289,350)</u>	<u>684,029</u>

The notes form part of these financial statements

OPTIMA HCI LIMITED (REGISTERED NUMBER: 11940296)

**Balance Sheet
31 May 2022**

	Notes	£	2022 £	£	2021 £
Fixed assets					
Tangible assets	9		266,594		198,433
Current assets					
Debtors	10	1,021,023		885,240	
Cash at bank and in hand		<u>805,191</u>		<u>1,567,101</u>	
		1,826,214		2,452,341	
Creditors					
Amounts falling due within one year	11	<u>1,221,428</u>		<u>1,220,593</u>	
Net current assets			<u>604,786</u>		<u>1,231,748</u>
Total assets less current liabilities			871,380		1,430,181
Creditors					
Amounts falling due after more than one year	12		(450,000)		(759,028)
Provisions for liabilities	17		<u>(39,577)</u>		<u>-</u>
Net assets			<u>381,803</u>		<u>671,153</u>
Capital and reserves					
Called up share capital	18		1		1
Retained earnings	19		<u>381,802</u>		<u>671,152</u>
Shareholders' funds			<u>381,803</u>		<u>671,153</u>

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2023 and were signed on its behalf by:

Edward Mark Coombes - Director

Statement of Changes in Equity
for the year ended 31 May 2022

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 June 2020	1	(12,877)	(12,876)
Changes in equity			
Total comprehensive income	-	684,029	684,029
Balance at 31 May 2021	<u>1</u>	<u>671,152</u>	<u>671,153</u>
Changes in equity			
Total comprehensive income	-	(289,350)	(289,350)
Balance at 31 May 2022	<u>1</u>	<u>381,802</u>	<u>381,803</u>

The notes form part of these financial statements

Cash Flow Statement
for the year ended 31 May 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	(555,519)	246,620
Interest paid		<u>(33,372)</u>	<u>(36,016)</u>
Net cash from operating activities		<u>(588,891)</u>	<u>210,604</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(154,156)	(177,309)
Interest received		<u>68</u>	<u>112</u>
Net cash from investing activities		<u>(154,088)</u>	<u>(177,197)</u>
Cash flows from financing activities			
Loan repayments in year		(309,028)	(215,972)
Amounts paid to group undertakings		37,494	(116,686)
Government grants		<u>252,603</u>	<u>523,631</u>
Net cash from financing activities		<u>(18,931)</u>	<u>190,973</u>
(Decrease)/increase in cash and cash equivalents		<u>(761,910)</u>	<u>224,380</u>
Cash and cash equivalents at beginning of year	2	1,567,101	1,342,721
Cash and cash equivalents at end of year	2	<u><u>805,191</u></u>	<u><u>1,567,101</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the year ended 31 May 2022**

1. Reconciliation of (loss)/profit before taxation to cash generated from operations

	2022	2021
	£	£
(Loss)/profit before taxation	(311,705)	819,021
Depreciation charges	85,995	39,470
Government grants	(252,603)	(523,631)
Finance costs	33,372	36,016
Finance income	(68)	(112)
	<u>(445,009)</u>	<u>370,764</u>
(Increase)/decrease in trade and other debtors	(169,982)	186,155
Increase/(decrease) in trade and other creditors	<u>59,472</u>	<u>(310,299)</u>
Cash generated from operations	<u>(555,519)</u>	<u>246,620</u>

2. Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 May 2022

	31/5/22	1/6/21
	£	£
Cash and cash equivalents	<u>805,191</u>	<u>1,567,101</u>

Year ended 31 May 2021

	31/5/21	1/6/20
	£	£
Cash and cash equivalents	<u>1,567,101</u>	<u>1,342,721</u>

3. Analysis of changes in net funds/(debt)

	At 1/6/21	Cash flow	At 31/5/22
	£	£	£
Net cash			
Cash at bank and in hand	<u>1,567,101</u>	<u>(761,910)</u>	<u>805,191</u>
	<u>1,567,101</u>	<u>(761,910)</u>	<u>805,191</u>
Debt			
Debts falling due within 1 year	(300,000)	-	(300,000)
Debts falling due after 1 year	<u>(759,028)</u>	<u>309,028</u>	<u>(450,000)</u>
	<u>(1,059,028)</u>	<u>309,028</u>	<u>(750,000)</u>
Total	<u>508,073</u>	<u>(452,882)</u>	<u>55,191</u>

**Notes to the Financial Statements
for the year ended 31 May 2022**

1. Statutory information

Optima HCI Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The financial statements are presented in Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest £.

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Set out below is a summary of principal accounting policies, all of which have been consistently applied throughout the year and the preceding year (except as otherwise stated).

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

The Company makes a number of assessments which require judgement in preparing the accounts and can have a significant effect upon the financial statements. However due to the straight forward nature of the Company's business, management does not believe that there are any judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Impairment of tangible assets

Annually, the Company considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the future cash flows from the assets along with selection of appropriate discount rates to calculate the net present value of those cash flows.

Turnover

Turnover relates to services providing residential care activities for those with intellectual disabilities. It is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is recognised in line with the services rendered during the period and the contractual agreement between the Company and the customer.

Notes to the Financial Statements - continued
for the year ended 31 May 2022

2. Accounting policies - continued**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 25% on cost

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the Balance Sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the Income Statement in the period to which they relate.

Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses and in response to such conditions, the directors have carefully considered these risks including an assessment on uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Notes to the Financial Statements - continued
for the year ended 31 May 2022

2. Accounting policies - continued

Based on this and cash flow assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations and external debt liabilities. The directors are exploring opportunities to refinance the bank loan with Coutts to assist with cash flow support which is due to expire in November 2023.

The Company continues to increase its admissions post year-end off the back of gradual growth post pandemic due to regulatory issues. Furthermore, the directors are in discussion with council authority commissioners regarding fee increases for 2023/24 to compensate for higher National Living Wage and cost of living increases. The authorities since confirmed an 8.4% increase in fees, 2% greater than for 2022/23. Overall, trading is anticipated to improve throughout the next financial year as occupancy averages increase and recruitment fulfilment improves.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubts upon the Company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

During the year under review the Company received £252,603 (2021: £523,631) in grant funding under various government and council-led schemes. No further funding is currently expected.

While government guidelines have reduced to a minimum at the year-end in light of the COVID-19 pandemic, the Company are maintaining an active Infection Prevention and Control policy which covers COVID-19 and other air transmissible infections. The directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. The directors have tested their cash flows to take into account the impact on their business of possible scenarios brought on by the impact of pandemic, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Financial instruments

The Company has chosen to adopt Sections 11 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income Statement.

Notes to the Financial Statements - continued
for the year ended 31 May 2022

2. **Accounting policies - continued**

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income Statement.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in , the Income Statement except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from other group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3. **Turnover**

The turnover and loss (2021 - profit) before taxation are attributable to the one principal activity of the Company.

The Company's principal turnover is materially of one class only being the specialist healthcare for intellectual disabilities in residential and community homes and the Company has supplied only one market being the United Kingdom.

Notes to the Financial Statements - continued
for the year ended 31 May 20224. **Employees and directors**

	2022	2021
	£	£
Wages and salaries	2,891,722	3,194,180
Social security costs	232,234	234,139
Other pension costs	44,245	49,674
	<u>3,168,201</u>	<u>3,477,993</u>

The average number of employees during the year was as follows:

	2022	2021
Care	104	129
Ancillary	41	43
Office	7	8
	<u>152</u>	<u>180</u>

5. **Directors' emoluments**

	2022	2021
	£	£
Directors' remuneration	<u>86,000</u>	<u>105,000</u>

6. **Interest payable and similar expenses**

	2022	2021
	£	£
Other interest	5,463	-
Loan interest	27,909	36,016
	<u>33,372</u>	<u>36,016</u>

7. **(Loss)/profit before taxation**

The loss (2021 - profit) is stated after charging:

	2022	2021
	£	£
Hire of plant and machinery	1,080	2,705
Other operating leases	996,293	962,393
Depreciation - owned assets	85,995	39,471
Auditors' remuneration	<u>20,000</u>	<u>20,000</u>

Notes to the Financial Statements - continued
for the year ended 31 May 2022

8. Taxation

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2022 £	2021 £
Current tax:		
UK corporation tax	(61,932)	134,992
Deferred tax	39,577	-
Tax on (loss)/profit	<u>(22,355)</u>	<u>134,992</u>

UK corporation tax was charged at 19% in 2021.

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
(Loss)/profit before tax	<u>(311,705)</u>	<u>819,021</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(59,224)	155,614
Effects of:		
Expenses not deductible for tax purposes	18,996	11,424
Income not taxable for tax purposes	(13)	(21)
Capital allowances in excess of depreciation	(20,666)	(22,475)
Utilisation of tax losses	(1,025)	(9,570)
Other differences	-	20
Deferred tax	39,577	-
Total tax (credit)/charge	<u>(22,355)</u>	<u>134,992</u>

Notes to the Financial Statements - continued
for the year ended 31 May 2022

9. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Cost				
At 1 June 2021	154,397	66,845	27,363	248,605
Additions	84,594	38,890	30,672	154,156
At 31 May 2022	<u>238,991</u>	<u>105,735</u>	<u>58,035</u>	<u>402,761</u>
Depreciation				
At 1 June 2021	31,525	15,181	3,466	50,172
Charge for year	50,025	24,442	11,528	85,995
At 31 May 2022	<u>81,550</u>	<u>39,623</u>	<u>14,994</u>	<u>136,167</u>
Net book value				
At 31 May 2022	<u>157,441</u>	<u>66,112</u>	<u>43,041</u>	<u>266,594</u>
At 31 May 2021	<u>122,872</u>	<u>51,664</u>	<u>23,897</u>	<u>198,433</u>

10. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	686,059	410,494
Amounts owed by group undertakings	15,714	49,913
Other debtors	7,849	16,898
Prepayments and accrued income	311,401	407,935
	<u>1,021,023</u>	<u>885,240</u>

11. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans and overdrafts (see note 13)	300,000	300,000
Trade creditors	275,508	172,192
Amounts owed to group undertakings	3,295	-
Tax	78,523	134,992
Social security and other taxes	53,506	54,342
Other creditors	300,596	324,070
Accruals and deferred income	210,000	234,997
	<u>1,221,428</u>	<u>1,220,593</u>

12. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank loans (see note 13)	<u>450,000</u>	<u>759,028</u>

Notes to the Financial Statements - continued
for the year ended 31 May 202213. **Loans**

An analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year or on demand:		
Bank loans	<u>300,000</u>	<u>300,000</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>300,000</u>	<u>300,000</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>150,000</u>	<u>459,028</u>

14. **Leasing agreements**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022 £	2021 £
Within one year	950,000	950,000
Between one and five years	3,800,000	3,800,000
In more than five years	16,387,500	17,337,500
	<u>21,137,500</u>	<u>22,087,500</u>

15. **Secured debts**

The following secured debts are included within creditors:

	2022 £	2021 £
Bank loans	<u>750,000</u>	<u>1,059,028</u>

The bank loans all relate to loans held with Coutts bank, which expires in September 2024.

During the year the loan agreement with Coutts attracted interest at a rate of between 3% and 3.07925% per annum.

The loan facilities from Coutts were secured by a debenture over all the assets of the Company.

Notes to the Financial Statements - continued
for the year ended 31 May 2022

16. Financial instruments

The Company's financial instruments may be analysed as follows:

	2022	2021
£		
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>1,514,813</u>	<u>2,044,046</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>1,539,813</u>	<u>1,790,287</u>

Financial assets that are debt instruments measured at amortised cost comprise cash, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and bank loans.

Information regarding the Company's exposure to risks are included in the Strategic Report.

17. Provisions for liabilities

	2022	2021
	£	£
Deferred tax	<u>39,577</u>	<u>-</u>
		Deferred tax
		£
Provided during year		<u>39,577</u>
Balance at 31 May 2022		<u>39,577</u>

18. Called up share capital**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2022	2021
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

19. Reserves

	Retained earnings
	£
At 1 June 2021	671,152
Deficit for the year	<u>(289,350)</u>
At 31 May 2022	<u>381,802</u>

Notes to the Financial Statements - continued
for the year ended 31 May 2022

20. Pension commitments

Defined contribution schemes:

	2022	2021
£		
Charge to the Income Statement in respect of defined contribution schemes	<u>42,924</u>	<u>48,360</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

21. Related party disclosures

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

During the year, a total of key management personnel compensation of £ 68,669 (2021 - £ 119,589) was paid.

The above includes all remuneration including the cash equivalent of benefits received, pension payments made and employer national insurance contributions paid on key management personnel salaries during the year.

22. Ultimate controlling party

The immediate parent of the Company is Optima Health Care Group Limited, a company incorporated in England and Wales.

The ultimate controlling party is Mr E Coombes.

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