

BALHOUSIE HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

BALHOUSIE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr A R Banks Ms T E Banks Ms E Roberts Ms Jill Kerr (appointed 12 September 2019)
Registered number	SC278485
Registered office	Balhousie Care Group Earn House Lamberkine Drive Perth PH1 1RA
Independent auditors	EQ Accountants LLP Chartered Accountants & Statutory Auditors 14 City Quay Dundee DD1 3JA

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Introduction

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activity

The principal activity of the Group is the provision of care services including personal care for frail, elderly, nursing care, dementia care, learning disability support, mental health care, support and care for physically disabled adults, palliative care and Huntington's care.

Financial key performance indicators

The Group has assessed their KPIs as:

- Occupancy Rates
- Average Fee Income per bed
- Care Quality Grades
- EBITDA % of Turnover
- Wages & Salaries % of Income
- Staff Turnover

In relation to KPIs, the Group is performing at or above regional sector averages when benchmarked to the sector.

Results

The Group recorded a profit before tax of £5,461k (2018: £5,938k) and the directors are satisfied with the results for the period.

A more detailed analysis of the performance of the Group is provided in the Business Review below.

Business review

The Group has experienced a 2.5% increase in occupancy from 2018, which contributed towards an increase in turnover of 6.5%.

Recruitment and retention of staff remain critical to the delivery of quality care, and the care sector as a whole is experiencing challenges attracting talent. These challenges have resulted in additional costs associated with staffing, which have reduced margins during 2019.

As reported in prior periods, the sale of a property between Faskally Care Home Limited and Balhousie Care Limited in 2013 resulted in a claim by HMRC in connection with VAT deemed to be over recovered on the sale of the Huntly Care Home property. In May 2016, the First Tier Tribunal found in favour of the Group in connection with the claim of £825,800 and HMRC appealed the ruling to the Second Tier Tribunal which was held on 24 April 2017 and found in favour of HMRC. The Court of Session found in favour of HMRC at an appeal heard on 31 October 2018. The Group has been granted permission to appeal to Supreme Court, and the case will be heard on the 26 and 27 January 2021.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Principal risks and uncertainties

The directors are responsible for risk assessment and management within the Group. The main risks associated with the Group's financial assets and liabilities are set out below:-

Financial Risks

The Group is primarily financed by bank borrowing and therefore is exposed to interest rate fluctuations. The Group aims to mitigate risk by managing cash generated by its operations, and reviews the risk of interest rate fluctuations with input from external interest rate advisors.

Credit risk is managed by invoicing in advance whenever possible to private residents and ensuring that all sales invoices are raised timeously. Appropriate credit control procedures are followed for all operations. Credit risk is also reduced by being in the advantageous position of having a significant level of income generated through local government across a variety of local authorities.

Operational risks

The Group's services are regulated by the Care Inspectorate which has significant enforcement powers against operators who do not comply with statutory requirements. Operational risk is managed by care home managers and the Group's Operational Support Team. This is monitored internally by management and externally by regular unannounced inspections by the Care Inspectorate. The Care Inspectorate will inspect the homes at least annually and provide feedback on any potential areas for improvement which is then implemented by the operations team under the guidance of the Group's Head of Operations.

COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 a pandemic due to the global spread of the virus. That same day Balhousie Care Group had already closed its homes to all non-essential visits in an attempt to protect our residents as far as possible from the virus which can be deadly to the elderly population.

The Group had a rigorous Compliance Risk Management Plan in place which covered pandemic flu, and the leadership team set about refining this plan and internal protocols as and when advice and guidance in relation to the virus was shared by authorities.

The decision to lock down the homes to non-essential visitors early, combined with rigorous infection control procedures has resulted in only 23% of our facilities having confirmed cases, significantly lower than the average across the sector.

As governments begin to relax restrictions, the Group are focusing on how we can continue to best protect our residents. Visitation must once again commence for the wellbeing of our residents, however, this must be done on a risk assessed basis.

Corporate governance

The Group operates Care Governance and Audit & Remuneration Committees that provide oversight on key care quality, remuneration and audit issues impacting on the business. These committees meet on a regular basis and are chaired independently.

This report was approved by the board on 30 June 2020 and signed on its behalf.

Mr A R Banks
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their report and the financial statements for the year ended 30 September 2019.

Directors' responsibilities statement

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 judgments 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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,792k (2018: £4,975k).

Dividends of £1,567k were paid during the year (2018: £1,726k).

Directors

The directors who served during the year were:

Mr A R Banks
Ms T E Banks
Ms E Roberts
Ms Jill Kerr (appointed 12 September 2019)

Environmental matters

The Group recognises the importance of its environmental responsibilities and monitors its impact on the environment by implementing any policies necessary to reduce any damage that might be caused by the Group's activities.

The Group recognises the importance and implications of the Health & Safety at Work Act 1974, the Environmental Protection Legislation and all new Health & Safety legislation including that being introduced through EU directives.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Future developments

The Group is undertaking a program of investment to develop new nursing and specialist care facilities over the next two years.

Employee involvement

The Group places strong emphasis in ensuring the wellbeing of our employees and looks to share and communicate information to our staff using all possible means. This involves a regular in house communications, staff meetings as well as monthly managers' meetings and is designed to ensure the all staff are kept reasonably informed on all company matters. Employee surveys are regularly carried out to monitor satisfaction in the workplace and receive feedback from staff.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditors

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

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

Post balance sheet events

The potential impact of COVID-19 has been considered within the Strategic report under the heading of Principal risks and uncertainties. There have been no other significant events affecting the Group since the year end.

Auditors

The auditors, EQ Accountants LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2020 and signed on its behalf.

Mr A R Banks
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALHOUSIE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Balhousie Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Group's and of the parent Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALHOUSIE HOLDINGS LIMITED (CONTINUED)

Opinion 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 its 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 parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALHOUSIE HOLDINGS LIMITED (CONTINUED)

Use of our report

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

Douglas Rae (Senior Statutory Auditor)

for and on behalf of

EQ Accountants LLP

Chartered Accountants & Statutory Auditors

14 City Quay

Dundee

DD1 3JA

30 June 2020

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

		2019	2018
		£000	£000
Turnover	4	43,678	41,009
Cost of sales		(27,002)	(24,556)
Gross profit		16,676	16,453
Administrative expenses		(9,549)	(9,279)
Operating profit	5	7,127	7,174
Interest receivable and similar income	9	11	7
Interest payable and expenses	10	(1,677)	(1,243)
Profit before taxation		5,461	5,938
Tax on profit	11	(1,669)	(963)
Profit for the financial year		3,792	4,975
Unrealised surplus on revaluation of tangible fixed assets		-	1,094
Other comprehensive income for the year		-	1,094
Total comprehensive income for the year		3,792	6,069
Profit for the year attributable to:			
Owners of the parent Company		3,792	4,975
		3,792	4,975

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 15 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		2019 £000	2018 £000
Fixed assets			
Tangible assets	13	78,701	76,924
		<u>78,701</u>	<u>76,924</u>
Current assets			
Stocks	15	39	39
Debtors: amounts falling due within one year	16	4,211	3,739
Cash at bank and in hand		4,580	5,285
		<u>8,830</u>	<u>9,063</u>
Creditors: amounts falling due within one year	17	(8,086)	(8,053)
Net current assets		<u>744</u>	<u>1,010</u>
Total assets less current liabilities		<u>79,445</u>	<u>77,934</u>
Creditors: amounts falling due after more than one year	18	(43,657)	(45,192)
Provisions for liabilities			
Deferred taxation	21	(5,102)	(4,281)
		<u>(5,102)</u>	<u>(4,281)</u>
Net assets		<u><u>30,686</u></u>	<u><u>28,461</u></u>
Capital and reserves			
Called up share capital	22	1	1
Revaluation reserve	23	20,900	21,994
Profit and loss account	23	9,785	6,466
Equity attributable to owners of the parent Company		<u>30,686</u>	<u>28,461</u>
		<u><u>30,686</u></u>	<u><u>28,461</u></u>

BALHOUSIE HOLDINGS LIMITED
REGISTERED NUMBER: SC278485

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2020.

Mr A R Banks

Director

The notes on pages 15 to 32 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		2019 £000	2018 £000
Fixed assets			
Tangible assets	13	625	656
Investments	14	5,058	5,058
		<u>5,683</u>	<u>5,714</u>
Current assets			
Debtors: amounts falling due within one year	16	539	727
Cash at bank and in hand		1,117	1,691
		<u>1,656</u>	<u>2,418</u>
Creditors: amounts falling due within one year	17	(6,941)	(6,801)
Net current liabilities		<u>(5,285)</u>	<u>(4,383)</u>
Total assets less current liabilities		<u>398</u>	<u>1,331</u>
Net assets		<u><u>398</u></u>	<u><u>1,331</u></u>
Capital and reserves			
Called up share capital	22	1	1
Profit and loss account	23	397	1,330
		<u>398</u>	<u>1,331</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2020.

Mr A R Banks

Director

The notes on pages 15 to 32 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 October 2017	1	20,900	3,217	24,118
Comprehensive income for the year				
Profit for the year	-	-	4,975	4,975
Surplus on revaluation of freehold property	-	1,094	-	1,094
Total comprehensive income for the year	-	1,094	4,975	6,069
Dividends: Equity capital	-	-	(1,726)	(1,726)
At 1 October 2018	1	21,994	6,466	28,461
Comprehensive income for the year				
Profit for the year	-	-	3,792	3,792
Total comprehensive income for the year	-	-	3,792	3,792
Dividends: Equity capital	-	-	(1,567)	(1,567)
Transfer to/from profit and loss account	-	-	1,094	1,094
Transfer between other reserves	-	(1,094)	-	(1,094)
At 30 September 2019	1	20,900	9,785	30,686

The notes on pages 15 to 32 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2017	1	2,511	2,512
Comprehensive income for the year			
Profit for the year	-	545	545
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	545	545
Dividends: Equity capital	-	(1,726)	(1,726)
	<hr/>	<hr/>	<hr/>
At 1 October 2018	1	1,330	1,331
Comprehensive income for the year			
Profit for the year	-	634	634
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	634	634
Dividends: Equity capital	-	(1,567)	(1,567)
	<hr/>	<hr/>	<hr/>
At 30 September 2019	1	397	398

The notes on pages 15 to 32 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	3,792	4,975
Adjustments for:		
Depreciation of tangible assets	900	781
Loss on disposal of tangible assets	-	8
Interest paid	1,677	1,243
Interest received	(11)	(7)
Taxation charge	1,669	963
Decrease/(increase) in stocks	-	(2)
(Increase)/decrease in debtors	(550)	412
Decrease/(increase) in amounts owed by associates	4	(23)
(Decrease)/increase in creditors	(193)	607
Increase in amounts owed to associates	3	-
Corporation tax (paid)	(456)	(364)
Net cash generated from operating activities	6,835	8,593
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,677)	(12,320)
Sale of tangible fixed assets	-	6
Interest received	11	7
Net cash from investing activities	(2,666)	(12,307)
Cash flows from financing activities		
New secured loans	-	9,100
Repayment of loans	(1,634)	(1,510)
Dividends paid	(1,567)	(1,726)
Interest paid	(1,677)	(1,243)
Net cash used in financing activities	(4,878)	4,621
Net (decrease)/increase in cash and cash equivalents	(709)	907
Cash and cash equivalents at beginning of year	5,285	4,378
Cash and cash equivalents at the end of year	4,576	5,285
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,580	5,285
Bank overdrafts	(4)	-
	4,576	5,285

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

Balhouses Holdings Limited is a private company limited by shares and incorporated in Scotland. The registered office is Earn House, Lamberkine Drive, Perth, PH1 1RA.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The functional and presentational currency of the Group is GBP sterling (£).

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 judgment 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 following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 October 2014.

2.3 Turnover

Turnover represents fee income receivable from care services provided. Turnover is recognised in the year in which the Group obtains the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of the Creditors due within one year. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.4 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income 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.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.5 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.6 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income 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.

2.7 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.8 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 the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 Statement of Financial Position date, except that:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.10 Tangible fixed assets

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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- Not depreciated
Long-term leasehold property	- straight line over the term of the lease
Motor vehicles	- 12.5% straight line, 20% - 25% reducing balance
Fixtures and fittings	- 12.5% - 33% straight line

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 the Consolidated Statement of Comprehensive Income.

No depreciation is provided on freehold property in the current or prior year. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules is necessary to provide a true and fair view as permitted under FRS 102.

The Group has a policy and practice of regular maintenance and repairs (charges for which are recognised in the profit and loss account) such that the freehold property is kept to its previously assessed standards of performance. As a result the property maintains a high residual value and any depreciation is not considered material.

2.11 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.13 Stocks

Stocks are stated at cost. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced. The impairment loss is recognised immediately in profit or loss to its recoverable amount.

2.14 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 the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.15 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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

Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Assets are considered for indications of impairment, if required an impairment review will be carried out and a decision made on possible impairment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Recoverability of debtors

Bad debts are provided where, in the opinion of the directors, there is objective evidence of the need for a provision.

4. Turnover

The whole of the turnover and profit before taxation relates to continuing activities and is attributable to the provision of care facilities for the elderly and infirm.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019	<i>2018</i>
	£000	<i>£000</i>
Depreciation of tangible fixed assets owned by the company	892	<i>783</i>
Defined contribution pension cost	351	<i>206</i>
Operating lease rentals	2,347	<i>2,806</i>

6. Auditors' remuneration

Fees payable to the Group's auditor and its associates in respect of:

Audit-related assurance services	28	<i>27</i>
Taxation compliance services	12	<i>12</i>
All other services	3	<i>3</i>
	43	<i>42</i>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

7. Employees

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

	Group 2019 £000	<i>Group 2018 £000</i>
Wages and salaries	23,191	22,362
Social security costs	1,435	1,352
Cost of defined contribution scheme	351	206
	<u>24,977</u>	<u>23,920</u>

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

	2019 No.	<i>2018 No.</i>
Care home employees	1,318	1,330
Directors and administration	61	64
	<u>1,379</u>	<u>1,394</u>

8. Directors' remuneration

	2019 £000	<i>2018 £000</i>
Directors' emoluments	119	128
Company contributions to defined contribution pension schemes	3	1
	<u>122</u>	<u>129</u>

During the year retirement benefits were accruing to 4 directors (2018 - 5) in respect of defined contribution pension schemes.

9. Interest receivable

	2019 £000	<i>2018 £000</i>
Other interest receivable	<u>11</u>	<u>7</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Interest payable and similar expenses

	2019	<i>2018</i>
	£000	<i>£000</i>
Bank interest payable	1,670	<i>1,234</i>
Other loan interest payable	6	<i>7</i>
Other interest payable	1	<i>2</i>
	<u>1,677</u>	<u><i>1,243</i></u>

11. Taxation

	2019	<i>2018</i>
	£000	<i>£000</i>
Corporation tax		
Current tax on profits for the year	847	<i>266</i>
Deferred tax		
Origination and reversal of timing differences	822	<i>756</i>
Adjustment in respect of prior period	-	<i>(59)</i>
Total deferred tax	<u>822</u>	<u><i>697</i></u>
	<u>1,669</u>	<u><i>963</i></u>
Taxation on profit on ordinary activities		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	<u>5,461</u>	<u>5,938</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,038	1,128
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	76	29
Capital allowances for year in excess of depreciation	(267)	(127)
Utilisation of tax losses	-	(561)
Adjustments to tax charge in respect of prior periods	-	(59)
Short term timing difference leading to an increase (decrease) in taxation	822	756
Non-taxable income	-	(203)
Total tax charge for the year	<u>1,669</u>	<u>963</u>

Factors that may affect future tax charges

The March 2020 budget announced that the main rate of corporation tax will remain at 19%. As such the deferred tax balances have been recognised at this rate.

12. Dividends

	2019	2018
	£000	£000
Ordinary A Shares	203	250
Ordinary B Shares	1,364	1,476
	<u>1,567</u>	<u>1,726</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Tangible fixed assets

Group

	Freehold property £000	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 October 2018	73,161	336	73	9,430	83,000
Additions	1,101	-	-	1,576	2,677
Transfers between classes	(11)	-	-	11	-
At 30 September 2019	<u>74,251</u>	<u>336</u>	<u>73</u>	<u>11,017</u>	<u>85,677</u>
Depreciation					
At 1 October 2018	-	81	56	5,939	6,076
Charge for the year on owned assets	-	28	4	868	900
At 30 September 2019	<u>-</u>	<u>109</u>	<u>60</u>	<u>6,807</u>	<u>6,976</u>
Net book value					
At 30 September 2019	<u>74,251</u>	<u>227</u>	<u>13</u>	<u>4,210</u>	<u>78,701</u>
At 30 September 2018	<u>73,161</u>	<u>255</u>	<u>17</u>	<u>3,491</u>	<u>76,924</u>

The directors have reviewed the freehold property and leasehold property improvements and do not believe that there have been any significant changes from the valuation provided by Jones Lang Lasalle (members of the Royal Institute of Chartered Surveyors) in August 2017. The accounts were updated in line with this valuation in the prior year.

Cost or valuation at 30 September 2019 is as follows:

	Land and buildings £000
At cost	50,069
At valuation:	
May 2014, November 2016, August 2017, and January 2018	<u>24,518</u>
	<u>74,587</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

13. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2019	<i>2018</i>
	£000	<i>£000</i>
Group		
Cost	50,069	<i>48,979</i>
Accumulated depreciation	(103)	<i>(81)</i>
	<hr/>	<hr/>
Net book value	<u>49,966</u>	<i><u>48,898</u></i>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Tangible fixed assets (continued)

Company

	Freehold property £000	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 October 2018	300	185	29	1,219	1,733
Additions	-	-	-	106	106
At 30 September 2019	300	185	29	1,325	1,839
Depreciation					
At 1 October 2018	-	58	15	1,004	1,077
Charge for the year on owned assets	-	16	3	118	137
At 30 September 2019	-	74	18	1,122	1,214
Net book value					
At 30 September 2019	300	111	11	203	625
At 30 September 2018	300	127	14	215	656

The directors have reviewed the freehold property and leasehold property improvements and do not believe that there have been any significant changes from the valuation provided by Jones Lang Lasalle (members of the Royal Institute of Chartered Surveyors) in August 2017. The accounts were updated in line with this valuation in the prior year.

Cost or valuation at 30 September 2019 is as follows:

	Land and buildings £000
At cost	311
At valuation:	
May 2014 and November 2016	174
	485

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2019	<i>2018</i>
	£000	<i>£000</i>
Group		
Cost	311	311
Accumulated depreciation	(74)	(58)
	<u>237</u>	<u>253</u>

14. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 October 2018	5,058
	<u>5,058</u>
At 30 September 2019	<u>5,058</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Advanced Specialist Care Limited	Care home	Ordinary	100 %
Balhousie Care Limited	Care home	Ordinary	100 %
Dalnaglar Care Homes Limited	Dormant	Ordinary	100 %
Faskally Care Homes Limited	Dormant	Ordinary	100 %

15. Stocks

	Group	<i>Group</i>
	2019	<i>2018</i>
	£000	<i>£000</i>
Raw materials and consumables	<u>39</u>	<u>39</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

16. Debtors

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Trade debtors	1,825	1,294	(5)	56
Amounts owed by joint ventures and associated undertakings	308	312	308	312
Other debtors	24	197	24	27
Prepayments and accrued income	2,054	1,936	165	299
Deferred taxation	-	-	47	33
	4,211	3,739	539	727

17. Creditors: Amounts falling due within one year

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Bank overdrafts	4	-	4	-
Bank loans	1,330	1,428	-	-
Trade creditors	950	1,088	950	1,088
Amounts owed to group undertakings	-	-	5,172	4,735
Amounts owed to joint ventures	-	-	-	1
Amounts owed to associates	3	-	3	-
Corporation tax	481	163	-	-
Other taxation and social security	599	716	290	394
Other creditors	2,379	2,281	222	160
Accruals and deferred income	2,340	2,377	300	423
	8,086	8,053	6,941	6,801

Details of security provided:

The bank borrowings are secured by standard securities over the freehold properties of the Group, and by bond and floating charges over the whole property and undertakings of the Group.

Balhouses Care Limited agreed long term facilities with Coutts on 22 August 2017. The total borrowings outstanding at the balance sheet date in relation to this facility amounted to £32.7m (2018: £33.9m).

Advanced Specialist Care Limited agreed long term facilities with Triodos Bank NV on 22 August 2017. The total borrowings outstanding at the balance sheet date in relation to this facility amounted to £13.4m (2018: £13.8m).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

18. Creditors: Amounts falling due after more than one year

	Group 2019 £000	<i>Group 2018 £000</i>
Bank loans	<u>43,657</u>	<u>45,192</u>

Included within the bank loan are amounts payable later than five years, as detailed below. Although the current loan agreement ends within five years, it is the intention of the company for these amounts to be incorporated into a new loan agreement at this time.

19. Loans

	Group 2019 £000	<i>Group 2018 £000</i>
Amounts falling due within one year		
Bank loans	1,330	1,428
Amounts falling due 1-2 years		
Bank loans	1,387	1,483
Amounts falling due 2-5 years		
Bank loans	30,982	32,007
Amounts falling due after more than 5 years		
Bank loans	11,288	11,703
	<u>44,987</u>	<u>46,621</u>

20. Financial instruments

	Group 2019 £000	<i>Group 2018 £000</i>
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>6,428</u>	<u>6,776</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(50,660)</u>	<u>(52,364)</u>

Financial assets that are debt instruments measured at amortised cost comprise of cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, bank overdrafts and loans, other creditors and accruals and deferred income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. Deferred taxation

Group

	2019 £000
At beginning of year	(4,281)
Charged to profit or loss	(821)
At end of year	<u>(5,102)</u>

Company

	2019 £000
At beginning of year	33
Charged to profit or loss	14
At end of year	<u>47</u>

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Accelerated capital allowances	(1,648)	(1,235)	38	29
Short-term timing differences	57	17	6	1
Capital gains/(losses)	(3,511)	(3,063)	3	3
	<u>(5,102)</u>	<u>(4,281)</u>	<u>47</u>	<u>33</u>

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
620 (2018 - 620) Ordinary A shares of £1.00 each	620	620
260 (2018 - 260) Ordinary B shares of £1.00 each	260	260
120 (2018 - 120) Ordinary C shares of £1.00 each	120	120
	<u>1,000</u>	<u>1,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

23. Reserves

Revaluation reserve

The reserve comprises of revaluations of freehold properties.

Profit and loss account

Includes all current and prior period retained profits and losses.

24. Contingent liabilities

As reported in prior periods, a claim of £825,800 was lodged by Her Majesty's Revenue and Customs (HMRC) against Balhousie Care Limited in respect of VAT deemed to be over recovered in the period to 30 September 2013. Based on legal advice, the directors considered the claim was unlikely to succeed and as such no amounts were provided in relation to this. On 31 May 2016 the First Tier Tribunal found in favour of the Company, however, HMRC appealed the ruling and the Second Tier Tribunal found in favour of HMRC. The Court of Session found in favour of HMRC at an appeal heard on 31 October 2018. The Group has been granted permission to appeal to Supreme Court, and the case will be heard on the 26 and 27 January 2021.

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £351k (2018: £206k). Contributions totalling £180k (2018: £65k) were payable to the fund at the balance sheet date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

26. Commitments under operating leases

At 30 September 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Land and buildings				
Not later than 1 year	1,919	1,860	125	125
Later than 1 year and not later than 5 years	7,581	7,385	500	500
Later than 5 years	32,202	33,352	249	374
	41,702	42,597	874	999
	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Other				
Not later than 1 year	201	135	53	76
Later than 1 year and not later than 5 years	270	169	69	75
	471	304	122	151

27. Controlling party

The company is controlled by director Mr A R Banks.

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.