Registered number: 10227241

STAR MAYAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

STAR MAYAN LIMITED

COMPANY INFORMATION

Directors	P Gough M J Langhorn L Carballo Beautell (resigned 2 October 2020) I T McNuff A D Holdcroft (resigned 4 February 2022) S Fletcher H J Sedgwick (appointed 5 January 2020, resigned 24 March 2020) P S Purewall (appointed 24 April 2020) P Johnston (appointed 21 December 2021)
Registered number	10227241
Registered office	Synergy LMS Ascot Drive Derby DE24 8HE
Independent auditors	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants 103 Colmore Row Birmingham B3 3AG

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021

Introduction

The Directors present their strategic report of the Company and the Group for the year ended 31 March 2021.

Business review

STAR Mayan Ltd through its subsidiary companies;
- Synergy Health Managed Services Ltd
- Grosvenor Contracts (London) Ltd
- Aeroserve Euro Ltd
- Aeroserve MSP Ltd

provides a range of linen management services to the public healthcare, private healthcare, hospitality, airline and personal care sectors in the UK. Linen management is an essential service that is typically outsourced by healthcare providers. The range of our services drives value for our customers through efficient operations, excellent service and a focus on innovation which enables us to target our resources to our customers' needs.

During the year the Group was adversely and materially affected by the impact of the COVID pandemic. The Aeroserve companies experienced a significant reduction in volumes as airlines reduced and cancelled flights and occupancy levels in the hospitality sector fell to record lows. However no customers moved from Aeroserve and the business worked hard to maintain customer relationships during the pandemic. As a result, sales across the Aeroserve companies declined by £12.2m compared to the previous year. Although a significant number of staff were made redundant and/or furloughed this was insufficient to stem the losses and operating profit declined in both Aeroserve businesses in total by 253% compared to the prior year.

The Synergy Health Managed Services and Grosvenor Contracts (London) businesses were less badly affected although large reductions in elective surgeries, material increases in infected linen (requiring double-washing at higher temperatures) and linen damage and losses led to increased costs of service which impacted margins. This has caused management to re-assess the useful economic life of the linen which is referred to in Note 3 to these Accounts. Sales in Synergy Health Managed Services decreased by £1.5m whilst sales in Grosvenor Contracts (London) rose by £2.5m.

Many of these conditions have continued into 2022 and management consider that the impact of the pandemic will subsist throughout the forthcoming financial year but will ease back thereafter. In particular in recent months there has been a return towards pre-pandemic activity levels in hospitality and airlines. Consequently margins will remain depressed until the business emerges from the knock-on impacts of pandemic and achieves the necessary price rises from all customers to mitigate the operating and utility cost increases experienced.

A partial restructuring of the equity capital of the business was undertaken in January 2021 to rebalance the ratio of shareholder loans to ordinary equity and also support payment of the final earn-out on a prior acquisition. Under this £9,536k of new ordinary equity capital was raised in addition to £967k of shareholder loans with £9,155k of shareholder loans also repaid.

Strategy and Business Model

STAR Mayan Ltd is an investment and holding company established by private equity firm Star Capital Partnership LLP.

The Group is seeking to grow its presence in linen management services through organic growth in established sectors as well as targeted acquisitions to access additional market sectors. In all sectors our aim is to foster long term relationships with our customers.

The Group is also focused on reducing the cost to serve through best value investment in modern equipment and infrastructure, enhancing its geographic coverage and developing the capabilities of its people.

Duty to promote the success of the Company for the benefit of its members as a whole

The Directors confirm that they have regard to broader stakeholder interests when performing their duty under section 172 of the Companies Act 2006 and in doing so have regard to (amongst other matters):

- the likely consequence of any decision in the long term
- the interests of employees
- fostering of business relationships with suppliers, customers and others
- the impact of operations on the community and the environment
- maintaining a reputation for high standards of business conduct
- acting fairly as between members of the Company.

The Linen Services industry remains competitive and is now facing unprecedented cost increases in labour, gas, power, linen and chemicals. The industry has reacted across all sectors by introducing exceptional price increases to the customer base.

The Group has a robust record in retaining contracts at renewal and winning new business tender processes which it expects to continue during this period of difficulty.

Risk management and consequence of decisions

Key strategic and operational risks are reviewed at each monthly board meeting specifically considering the likelihood, impact and mitigations. As the environment we operate in changes the risks considered change as can the grading of risks.

Key decisions made by the board will be supported by specific discussion papers and analysis and, the key factors in arriving at the decision, are recorded in the board minutes or other appropriate media.

Further information on key risks and the management approach are set out later in this report.

Interests of employees

The Group has aspirations to be the employer of choice in each of the local regions we are located in. Our employment policies are documented in a Staff Handbook and have accord to equal opportunities and other relevant legislation. Recommending improvements to policies and procedures considering changes in wider best practice learnings is the responsibility of the senior leadership and senior management teams.

Employees are kept appraised of matters of concern to them via team briefings, newsletters (including Group CEO updates) and specific supplementary communications as required. Team briefings are intended to be two way communication forums with feedback from employees on business matters actively sought and encouraged.

Business relationships

We continually assess our service performance and have well-established long term contracts in place with our strategic suppliers, sensibly and jointly managed through relevant KPIs.

Impact on the Community and the Environment

The Group has a dedicated independent health and safety team that along with operational management provides oversight and risk manages our impact on the local communities and environment. Further information is set out under the SECR statement within the Directors' Report.

Business Conduct standards

The Board has very clear expectations of the conduct of our employees and wider supplier base. Employee policies are regularly reviewed and updated as necessary including the ethics and bribery policy. We also set expectations of and require demonstration of compliance with these expectations for our key suppliers including compliance with the provisions of the Modern Slavery Act.

Shareholders

Our shareholder investors have Investor Director representation on our Group Board and are involved in key strategic decisions in and out of formal Board meetings working alongside the executive Directors and the senior management team.

Principal risks and uncertainties

The necessary governance framework has been developed to ensure key risks are monitored and to consider the adequacy and effectiveness of our mitigating controls and strategies. Our risk management policies ensure that we;

- build and protect the Group's reputation by championing a responsible approach to business;
- develop the culture and capability across the Group to manage changing risks and opportunities; and
- ensure the safety and well being of employees and others who could be affected by our business activities.

Financial Risk

The measures used by the Group to manage financial risk include the preparation of profit, balance sheet and cash flow forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business. The business is required to demonstrate compliance with third party debt covenant test calculations on a quarterly basis.

Credit Risk

The Group has no significant concentration of credit risk as it is significantly weighted to the NHS ie Government backed debt positions. The amounts presented in the balance sheet are net of allowances for impairment. Management has credit policies in place to manage risk and to monitor exposure to risk on an ongoing basis. Given these policies and based on past experience, the Group believes that its financial assets are of good credit quality. For cash and cash equivalents and deposits made with banks and financial institutions, only independently rated parties with minimum rating "A" are used.

Liquidity Risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its financial obligations when they become due. To achieve this the Group's management makes use of forward-looking weekly and monthly cash forecasts

In response to Covid 19 and wider cost pressures facing the business, the Group has undertaken further financial restructurings post the year end with:

- £5m of additional cash injected by shareholders
- £2.6m of Term Loan amortisation payments being deferred until the end of the Term Loan facility.

The Company has also entered into fixed, or capped, rate mechanisms over some of its debt instruments and energy contracts so as to reduce its exposure to market rate and energy price volatility. The levels of hedging are regularly monitored and reviewed by the Board.

Revenue and Cost inflation risk

The Group and Company faces significant profit margin risk exposure through a level of mismatching in revenue and cost inflation drivers. The principal direct cost is labour which is driven by the National Living Wage and is mandated by Government Directive. For the year ended 31 March 2021 this increased by 6.2%. A further increase of 6.6% will take effect from 1 April 2022. Post year end, the group has also faced significant cost increases in gas, power and linen driven by the wider economic environment. Whilst we have indexation in the majority of our customer service contracts, this tends to follow indexes such as CPI which, as well as having a one year lag, do not reflect our proportionate costs to serve. We strive to maintain profit margin through regular communication with our customers, investment in capital and process change projects. However, due to the quantum of cost increases, we continue to work with our customers for incremental price increases across all our chosen markets.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The governance framework supported by detailed operational procedures manages operational risks so as to balance the avoidance of financial loss and damage to reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Development and performance

The Group remains committed to its current sectors and believes its positions in each market to be strong. The measures taken during 2021 establish a platform for a return to growth and profitability. The public healthcare sector serviced by Synergy Health Managed Services has been materially impacted with Trusts and Hospitals ceasing elective procedures during the first wave of Covid-19. The increase in Covid-19 cases being treated, and additional risk management procedures implemented by the Trusts resulted in high levels of "infected" linen being processed at our laundries which, in turn, resulted in increased processing costs. Whilst volumes have returned to near pre-Covid levels since year end, an increased proportion of infected linen remains. It is anticipated that volumes will continue to grow beyond pre-Covid levels as the Trusts seek to reduce the arrears in elective procedures. The private healthcare sector serviced by Grosvenor Contracts (London) also saw significant volume reductions, but this loss of business was offset by supporting specific NHS interim contracts to process linen needs under Covid 19. Additionally, Grosvenor has strongly benefitted in other service lines during Covid-19. Grosvenor has responded well to the unique challenges presented as a result of Covid-19 and has performed well throughout FY21.The hospitality business volumes are now recovering and have responded positively to the need for price rises. The airline business volumes are returning but on a slower trajectory.

Financial key performance indicators

The Group's key financial performance indicators during the year were:

	2021	2020
	£'000s	£'000s
Turnover:	53,843	67,611
EBITDA:Profit/(Loss)	6,782	17,455
Operating Profit/(Loss):	(22,217)	(5,033)

EBITDA

The KPI's noted above include the use of an alternative performance measure, being EBITDA, to provide further information for the Board to make key strategic and operational decisions. A reconciliation of operating profit/(loss) for the year to EBITDA is set out below:

	2021	2020
	£'000	£'000
Operating loss	(22,217)	(5,033)
Depreciation	17,660	11,327
Amortisation	11,339	11,161
EBITDA	6,782	17,455

Other key performance indicators

The Group continues to invest in the health and welfare of its employees, monitoring and reporting on all incidents to the Board. Environmental factors are considered to be of the utmost importance. The Group continues to monitor and improve its environmental credentials.

Logistics efficiency and pollution control are key measures for the Group. Investment is being made in transport efficiencies to improve utilisation and energy consumption.

Going Concern

The Directors have reviewed consolidated trading and cash flow forecasts to 30 April 2023 for the Star Mayan Group and its wholly owned subsidiaries.

The Group incurred a net loss of £29,224k during the year ended 31 March 2021 and, as of that date, the Group's liabilities exceeded its assets by £41,429k.

The impact of the Covid 19 pandemic was first felt during the last two weeks of March 2020 and has continued to significantly impact the Group's financial and operating performance.

However whilst the recovery from Covid 19 is in sight the commercial laundry sector as a whole is now facing exceptional and unprecedented cost increases.

Since the year end there have been significant increases in both gas and power prices. Wholesale gas prices have increased by over 400% year on year and power prices by over 200%. Whilst the Group has some protection through its hedging arrangements it is currently facing significant increases in future energy costs. Future hedging arrangements are carefully considered and managed.

In addition, due to exceptional increases in cotton prices and freight shipping prices, the Company's linen providers are passing on cost increases of c15%.

Whilst laundries require material investment in plant and equipment, there is also a need to maintain a significant volume of trained operatives to manage the flow of linen through the equipment. The cost of this labour base is largely driven by the National Living Wage which increased by 6.2% in FY 21 and is due to increase by a further 6.6% in FY 22.

As a result of these unexpected trading conditions and the resultant impact on the Group's liquidity, it has been necessary to work with our financial stakeholders (investors and banks) to ensure the necessary funding facilities are available to support the working capital requirements of the business whilst core markets recover through the implementation of price increases. To this end, the Group's banks have confirmed deferrals of certain principal repayments and shareholders have injected a further £5m since 31 March 2021.

In April 2023 debt repayments of £6.5m are due to be paid. Based on discussions with its Lenders, and based on the expected financial condition at that point, the Group is confident that, if necessary, these repayments can be deferred or refinanced.

In light of these conditions, the Group has prepared detailed trading, cash flow and balance sheet forecasts to the end of April 2023, drawing on external industry sector Covid 19 recovery forecasts as well as views from within our customer base. The key recovery assumptions are that the airline sector recovers to 90% of pre Covid levels by March 2023 and that the healthcare sector continues to grow as elective surgery returns. Additionally, the forecasts expect cost increases faced by the Group to be partially passed through to customers and indeed the Group is already having some success in this area. All customer groups have now been communicated with and invoices are being raised to cover the additional costs.

As remains common with many businesses, there exists material uncertainty as a consequence of Covid-19 and the exceptional cost increases facing the Group. Therefore, the actual trading experience and cashflows of the Group moving forwards may be materially different to those forecast. In particular, the timing and / or quantum of cash flows arising from the Group's core activities may differ from those expected, and this may then impact on the Group's overall level of liquidity. Whilst the Directors have instigated a number of measures to mitigate these potential risks, including enhanced working capital oversight, effective cost control, exceptional price increases and strong foundations for sales growth, there remains uncertainty due to the impact of future events not yet being known.

The Directors have concluded that the combination of Covid-19 and other economic cost pressures on the market, and current borrowing repayment dates with amounts due in April 2023 represent a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the ordinary course of business. However, after making enquiries, considering the mitigation steps taken and the commitments made from its financial stakeholders, the Directors have a reasonable expectation that the Group and the parent company have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and financial statements.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

P Johnston
Director

Date: 30 April 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their report and the financial statements for the year ended 31 March 2021.

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 and profit or loss of the Company and the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 loss for the year, after taxation, amounted to £29,224 *k (2020: loss £12,510 k)*.

No dividends will be distributed for the year ended 31 March 2021 *(2020: Nil)*

Directors

The Directors who served during the year were:

P Gough
M J Langhorn
L Carballo Beautell (resigned 2 October 2020)
I T McNuff
A D Holdcroft (resigned 4 February 2022)
S Fletcher
P S Purewall (appointed 24 April 2020)

Political contributions

The Group does not make any political expenditures, though through its membership of the Textile Service Association does support the lobbying of the UK Government for the benefit of the industry.

Future developments

The Linen Services industry remains competitive and we are now facing unprecedented cost increases in labour, gas, power, linen and chemicals. The industry has reacted across all sectors by introducing exceptional prices increase to the customer base.
The Company has a robust record in retaining contracts at renewal and winning new business tender processes which it expects to continue during this period of difficulty.

Engagement with employees

Regular two-way communication with our employees is vital in ensuring that we all share in the Group's common goals and values, foster innovation and deliver service excellence.
The Group has a number of systems in place that enable the Company to understand the opinions of our employees. The annual employee engagement survey is a useful tool for feedback, including holding employee forums and works councils within the Group.
The Company continues to communicate achievements, our daily challenges, insights into the different business units and access to thought leadership across the business.

Engagement with suppliers, customers and others

We have a key role of Group Customer Experience Director to foster and oversee relationships with our customers. We continually assess our service performance with customers using the Net Promoter Score as a
key metric.
We have long term contracts in place with our strategic suppliers and jointly manage performance through monitoring of relevant KPI's.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.
Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' Liabilities

During the year, STAR Mayan Limited provided Directors and Officers insurance that covers all Group companies and their directors.

Qualifying third party indemnity provisions

The Group has provided qualifying indemnity provisions in respect of the Board of Directors which were in force during the year and at the date of this report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company's greenhouse gas emissions and energy consumption for the year were as follows:

Emissions 2021 000s 2020 000s
Scope kg CO2e kg CO2e Emissions from combustion of gas 1 11,542 12,922
Emissions from combustion of fuel for transport purposes 1 4,003 4,266
Emissions from purchased electricity 2 1,934 2,076
Total for scope 1 + 2 1 + 2 17,479 19,264
Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel 3 57 73
Total for scope 1 + 2 + 3 1 + 2 + 3 17,535 19,337
Underlying energy (kWh) 87,944,090 96,144,458
000s kg CO2e / £m turnover (Scope 1 + 2) 257 285
000s kg CO2e / £m turnover (Scope 1 + 2 + 3) 258 286

Methodology

A location-based calculation of CO2 equivalent emissions was made using energy data collected from utility energy suppliers. Energy and emissions from owned transport were modelled using fuel card data. Energy and emissions from business mileage were modelled using an average UK vehicle.
The methodology is consistent with the 2020 edition of the UK Government GHG Conversion Factors for Company Reporting.

Narrative of energy efficiency measures over the year

The STAR Mayan Board is focused on the environmental impact of all Group Companies. Various energy efficiency measures are tracked with targeted improvements through process changes and / or investment in capital projects to improve them.
Regulatory compliance is managed through our health and safety team with efficiency and resource utilisation managed by our operational management. There have been no breaches and as such we have not been subject to any environmental fines.
As a commercial laundry group we are a relatively utility (gas, electric, water) intensive group and as such we have a significant opportunity to reduce environmental impact through resource efficiency initiatives.

During and after the year ended 31 March 2021, we:

- Have invested in smart meters and usage monitoring software
- Continue to monitor gas and electricity consumption and work towards our industry CCL consumption targets
- Ensure that all lease cars taken out with inclusive maintenance packages so that they are maintained to proper standards
- Continue to work towards the electrification of our fleet, with a number of company cars and one van being electric already.

Matters covered in the strategic report

The matters required to be disclosed under SI (2008) 410 Sch 7 are contained within the Strategic Report in accordance with s414C (11) of the Companies Act 2006, this being future developments, financial risk management, going concern and financial instruments used.

Disclosure of information to auditors

The directors confirm that:

- so far as the directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors is aware of that information.

Post balance sheet events

Following the year end the Group's shareholder Star Capital injected £5m of shareholder loannotes to provide additional liquidity. The Group's Lenders agreed to defer certain amortisations of the Term Loan A. As part of these arrangements the Lenders agreed to waive the existing covenants under the Senior Financing Agreement until June 2023 with a new liquidity test applied.

Auditors

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

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

P Johnston
Director

Date: 30 April 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR MAYAN LIMITED

Opinion

We have audited the financial statements of Star Mayan Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt and 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 Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the directors have concluded that due to the combination of Covid-19 and other economic cost pressures on the market, and current borrowing repayment due dates, the group and the parent company may not be able to continue as a going concern. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR MAYAN LIMITED (CONTINUED)

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR MAYAN LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).
The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the group, and determined that the most significant are those that relate to the reporting framework, being FRS 102 and the Companies Act 2006, and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.

- We obtained an understanding of how the company and group is complying with relevant legal and regulatory frameworks by making enquiries of management. We corroborated the results of our enquiries through our review of the minutes of the Group's and the parent company's board meetings, and inspection of legal and regulatory correspondence.

- We assessed the susceptibility of financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the company and group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

- Our audit procedures involved journal entry testing, with a focus on journals indicating unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the Report and Financial Statements with applicable financial reporting requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the group and the parent company.

- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

David Munton BSc(hons) FCA Senior Statutory Auditor (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

30 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	*2020* *£000*
Turnover	4	**53,843**	*67,611*
Cost of sales		**(48,600)**	*(43,020)*
Gross profit		**5,243**	*24,591*
Distribution costs		**(9,836)**	*(9,418)*
Administrative expenses		**(20,488)**	*(20,221)*
Other operating income	5	**2,864**	*15*
Operating loss	6	**(22,217)**	*(5,033)*
Interest receivable and similar income	10	**5**	*3*
Interest payable and similar expenses	11	**(8,457)**	*(7,418)*
Loss before taxation		**(30,669)**	*(12,448)*
Tax credit / (charge) on loss	12	**1,445**	*(62)*
Loss for the financial year		**(29,224)**	*(12,510)*
Loss for the year attributable to:			
Owners of the parent Company		**(29,224)**	*(12,510)*

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2021 (2020:£000NIL).

The notes on pages 26 to 49 form part of these financial statements.

All amounts relate to continuing operations.

STAR MAYAN LIMITED
REGISTERED NUMBER: 10227241

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Note		2021 £000		2020 £000
Fixed assets					
Intangible assets	14		**19,907**		*31,246*
Tangible assets	15		**37,915**		*44,847*
			57,822		*76,093*
Current assets					
Stocks	17	**1,241**		*1,005*	
Debtors	18	**11,208**		*12,400*	
Cash at bank and in hand	19	**1,260**		*5,090*	
		13,709		*18,495*	
Creditors: amounts falling due within one year	20	**(15,446)**		*(22,093)*	
Net current liabilities			**(1,737)**		*(3,598)*
Total assets less current liabilities			**56,085**		*72,495*
Creditors: amounts falling due after more than one year	21		**(96,744)**		*(92,788)*
Provisions for liabilities					
Deferred taxation	24	**(650)**		*(1,328)*	
Other provisions	25	**(120)**		*(120)*	
			(770)		*(1,448)*
Net liabilities			**(41,429)**		*(21,741)*
Capital and reserves					
Called up share capital	26		**15,953**		*6,417*
Profit and loss account			**(57,382)**		*(28,158)*
Deficit attributable to owners of the parent Company			**(41,429)**		*(21,741)*
			(41,429)		*(21,741)*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2021

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

P Johnston
Director

Date: 30 April 2022

The notes on pages 26 to 49 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2021

	Note		2021 £000		2020 £000
Fixed assets					
Investments	16		**87,920**		*87,920*
Current assets					
Debtors	18	**4,309**		*16*	
Cash at bank and in hand	19	**4**		*1,295*	
		4,313		*1,311*	
Creditors: amounts falling due within one year	20	**(3,356)**		*(5,861)*	
Net current assets/(liabilities)			**957**		*(4,550)*
Total assets less current liabilities			**88,877**		*83,370*
Creditors: amounts falling due after more than one year	21		**(96,277)**		*(92,060)*
Net liabilities			**(7,400)**		*(8,690)*
Capital and reserves					
Called up share capital	26		**15,953**		*6,417*
Profit and loss account brought forward		**(15,107)**		*(7,909)*	
Loss for the year		**(8,246)**		*(7,198)*	
Profit and loss account carried forward			**(23,353)**		*(15,107)*
			(7,400)		*(8,690)*

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

P Johnston
Director

Date: 30 April 2022

The notes on pages 26 to 49 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2019	**6,417**	**(15,648)**	**(9,231)**
Comprehensive expense for the year			
Loss for the year	**-**	**(12,510)**	**(12,510)**
Total comprehensive expense for the year	**-**	**(12,510)**	**(12,510)**
At 1 April 2020	**6,417**	**(28,158)**	**(21,741)**
Comprehensive expense for the Year			
Loss for the year	**-**	**(29,224)**	**(29,224)**
Total comprehensive expense for the Year	**-**	**(29,224)**	**(29,224)**
Contributions by and distributions to owners			
Shares issued during the year	**9,536**	**-**	**9,536**
At 31 March 2021	**15,953**	**(57,382)**	**(41,429)**

The notes on pages 26 to 49 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2019	**6,417**	**(7,909)**	**(1,492)**
Comprehensive expense for the year			
Loss for the year	**-**	**(7,198)**	**(7,198)**
Total comprehensive expense for the year	**-**	**(7,198)**	**(7,198)**
At 1 April 2020	**6,417**	**(15,107)**	**(8,690)**
Comprehensive expense for the year			
Loss for the year	**-**	**(8,246)**	**(8,246)**
Total comprehensive expense for the year	**-**	**(8,246)**	**(8,246)**
Contributions by and distributions to owners			
Shares issued during the year	**9,536**	**-**	**9,536**
At 31 March 2021	**15,953**	**(23,353)**	**(7,400)**

The notes on pages 26 to 49 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £000	*2020 £000*
Cash flows from operating activities		
Loss for the financial year	**(29,224)**	*(12,510)*
Adjustments for:		
Amortisation of intangible assets	**11,339**	*11,161*
Depreciation of tangible assets	**17,660**	*11,327*
Loss on disposal of tangible assets	**9**	*-*
Government grants	**-**	*(15)*
Interest paid	**8,457**	*7,418*
Interest received	**(5)**	*(3)*
Taxation (credit)/charge	**(1,445)**	*62*
(Increase) in stocks	**(236)**	*(399)*
Decrease/(increase) in debtors	**1,193**	*(936)*
(Decrease)/increase in creditors	**(5,564)**	*7,797*
Increase/(decrease) in provisions	**-**	*(45)*
Corporation tax received/(paid)	**767**	*(1,768)*
Net cash generated from operating activities	**2,951**	*22,089*
Cash flows from investing activities		
Purchase of intangible fixed assets	**-**	*(60)*
Purchase of tangible fixed assets	**(10,737)**	*(23,996)*
Government grants received	**-**	*15*
Interest received	**5**	*3*
HP interest paid	**(65)**	*(7)*
Acquisition of a subsidiary, net of cash acquired	**-**	*(6,598)*
Net cash from investing activities	**(10,797)**	*(30,643)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £000	2020 £000
Cash flows from financing activities		
Issue of ordinary shares	9,536	-
New secured loans	-	10,883
Repayment of loans	-	(2,100)
New loan notes	5,467	11,198
Repayment of loan notes	(9,155)	(9,700)
Repayment of/new finance leases	(346)	(905)
Interest paid	(1,486)	(1,643)
Net cash used in financing activities	4,016	7,733
Net (decrease) in cash and cash equivalents	(3,830)	(821)
Cash and cash equivalents at beginning of year	5,090	5,911
Cash and cash equivalents at the end of year	1,260	5,090
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,260	5,090
	1,260	5,090

The notes on pages 26 to 49 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2021

	At 1 April 2020 £000	Cash flows £000	At 31 Marc 202 £00
Cash at bank and in hand	5,090	(3,830)	1,260
Debt due after 1 year	(91,594)	(6,817)	(98,411)
Debt due within 1 year	(3,600)	3,600	-
Finance leases	(1,364)	346	(1,018)
	(91,468)	(6,701)	(98,169)

The notes on pages 26 to 49 form part of these financial statements.

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

2.2 Basis of consolidation

These consolidated accounts incorporate the accounts of STAR Mayan Limited and its subsidiary undertakings for the year ended 31 March 2021. The acquisition method of accounting has been adopted.
Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

2.3 Going concern

The Directors have reviewed consolidated trading and cash flow forecasts to 30 April 2023 for the Star Mayan Group and its wholly owned subsidiaries.
The Group incurred a net loss of £29,224k during the year ended 31 March 2021 and, as of that date, the Group's liabilities exceeded its assets by £41,429k.
The impact of the Covid 19 pandemic was first felt during the last two weeks of March 2020 and has continued to significantly impact the Group's financial and operating performance.
However whilst the recovery from Covid 19 is in sight the commercial laundry sector as a whole is now facing exceptional and unprecedented cost increases.
Since the year end there have been significant increases in both gas and power prices. Wholesale gas prices have increased by over 400% year on year and power prices by over 200%. Whilst the Group has some protection through its hedging arrangements itis currently facing significant increases in future energy costs. Future hedging arrangements are carefully considered and managed.
In addition, due to exceptional increases in cotton prices and freight shipping prices, the Company's linen providers are passing on cost increases of c15%.

2. Accounting policies (continued)

2.3 Going concern (continued)

Whilst laundries require material investment in plant and equipment, there is also a need to maintain a significant volume of trained operatives to manage the flow of linen through the equipment. The cost of this labour base is largely driven by the National Living Wage which increased by 6.2% in FY 21 and is due to increase by a further 6.6% in FY 22.

As a result of these unexpected trading conditions and the resultant impact on the Group's liquidity, it has been necessary to work with our financial stakeholders (investors and banks) to ensure the necessary funding facilities are available to support the working capital requirements of the business whilst core markets recover through the implementation of price increases. To this end, the Group's banks have confirmed deferrals of certain principal repayments and shareholders have injected a further £5m since 31 March 2021.

In April 2023 debt repayments of £6.5m are due to be paid. Based on discussions with its Lenders, and based on the expected financial condition at that point, the Group is confident that, if necessary, these repayments can be deferred or refinanced.

In light of these conditions, the Group has prepared detailed trading, cash flow and balance sheet forecasts to the end of April 2023, drawing on external industry sector Covid 19 recovery forecasts as well as views from within our customer base. The key recovery assumptions are that the airline sector recovers to 90% of pre Covid levels by March 2023 and that the healthcare sector continues to grow as elective surgery returns. Additionally, the forecasts expect cost increases faced by the Group to be partially passed through to customers and indeed the Group is already having some success in this area. All customer groups have now been communicated with and invoices are being raised to cover the additional costs.

As remains common with many businesses, there exists material uncertainty as a consequence of Covid 19 and the exceptional cost increases facing the Group. Therefore, the actual trading experience and cashflows of the Group moving forwards may be materially different to those forecast. In particular, the timing and / or quantum of cash flows arising from the Group's core activities may differ from those expected, and this may then impact on the Group's overall level of liquidity. Whilst the Directors have instigated a number of measures to mitigate these potential risks, including enhanced working capital oversight, effective cost control, exceptional price increases and strong foundations for sales growth, there remains uncertainty due to the impact of future events not yet being known.

The Directors have concluded that the combination of Covid-19 and other economic cost pressures on the market, and current borrowing repayment dates with amounts due in April 2023 represent a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the ordinary course of business. However, after making enquiries, considering the mitigation steps taken and the commitments made from its financial stakeholders, the Directors have a reasonable expectation that the Group and the parent company have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Accounting policies (continued)

2.4 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Functional and presentation currency

The Company's functional and presentational currency is Sterling and rounded to the nearest £1,000.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Revenue

Revenue represents amounts receivable for goods and services net of value added tax and trade discounts.
Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. This is when the service is completed and linen supplied to the customer.
The total revenue of the Group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.
The Group provides a range of linen management services and ancillary products to hospitals and other organisations in the healthcare and hospitality sectors in the United Kingdom.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Accounting policies (continued)

2.5 Revenue (continued)

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Leased assets: the Group as lessee

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

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.
Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Other operating income includes amounts receivable under the CJRS to reimburse the Company for the wages of certain employees who were furloughed during the period, but who remain on the Company's payroll

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

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

2. Accounting policies (continued)

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Operating leases: the Group as a lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term. Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight line basis over the lease term, unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the lease term as an integral part of the total lease expense.

2.12 Pensions

Defined contribution pension plan

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

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

2. Accounting policies (continued)

2.13 Current and deferred taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 arises from timing differences between taxable total profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.
A deferred tax asset is recognised only when it is more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences and losses can be deducted.
Provision is made at current rates for taxation deferred in respect of all material timing differences.

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

2. Accounting policies (continued)

2.14 Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.
Customer lists are being amortised evenly over their estimated useful life of six years.
The property lease is being amortised evenly over its estimated useful life of forty-four years.
Computer software is being amortised evenly over its estimated useful life of five years.
Other goodwill arising on consolidation, being the amount paid in connection with the acquisition of Synergy Health Managed Services Limited in 2016, Grosvenor Contracts (London) Ltd in 2018, and Aeroserve MSP Limited and Aeroserve Euro Limited in 2019 is being amortised evenly over its estimated useful life of five years.

Goodwill

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

Other intangible assets

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

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

The estimated useful lives range as follows:

Customer lists	-	6	years
Goodwill arising on consolidation	-	5	years
Property Lease	-	44	years
Computer software	-	5	years

2.15 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.
The Group assesses at each reporting date whether tangible fixed assets are impaired.

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Improvements to leasehold premises	- Up to the period of the lease
Machinery and office equipment	- 3 to 15 years
Assets under construction	- No depreciation until asset in use
Linen	- 1.5 - 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the group expects to consume an assets future economic benefit. Included in tangible fixed assets is the cost of engineering spare parts held for repair and maintenance of plant and machinery. These assets are not depreciated until brought into use.
The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

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

2. Accounting policies (continued)

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

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

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.
Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

2.22 Impairment excluding stocks and deferred tax assets

The carrying amounts of the company's assets are revised at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level. Assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.
Any impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2. Accounting policies (continued)

2.23 Related party exemption

The Company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102, not to disclose related party transactions with wholly owned subsidiaries within the Group.
Transactions between Group entities which have been eliminated on consolidation are not disclosed within the financial statements

2.24 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

2.25 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 ordinary shares.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgement is in respect of assessing the useful economic life of linen. During the year, as a result of the impact of COVID-19 on the business, Synergy Health Managed Services Limited experienced a significant increase in the use of linen. This arose as a result for a number of reasons including the disposal of infected linen and the greater use of linen on COVID wards. As a result the Company has reviewed the Useful Economic Life of linen and determined that during the years ended March 2021 and 2022 the Useful Economic Life of the asset diminished from 3 years to 18 months. The 3 years Useful Economic Life remains for the rest of the group.
The Company considers that the adjustment to Useful Economic Life is a temporary phenomenon and , to the extent that the impact of COVID reduces significantly in 2022, it would revert back to 3 years.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	2020
	£000	£000
Rendering of specialist linen and associated services	**53,843**	*67,611*

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £000	*2020 £000*
Government grants receivable	**2,864**	*15*

Other operating income includes amounts receivable under the CJRS to reimburse the Company for the wages of certain employees who were furloughed during the period, but who remain on the Company's payroll.

6. Operating loss

The operating loss is stated after charging:

	2021 £000	*2020 £000*
Exchange differences	**7**	*(7)*
Operating lease rentals	**1,412**	*1,412*
Amortisation of intangible assets, including goodwill	**11,339**	*11,161*
Depreciation of tangible fixed assets	**17,660**	*11,327*

7. Auditors' remuneration

	2021 £000	*2020 £000*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**140**	*100*

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

Other services relating to taxation	-	*10*
	-	*10*

Fees paid to the auditors for non-audit services amounted to £Nil (*2020: £10,000*) and related to corporate tax advisory services (*2020: £10,000*).

8. Employees

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

	Group 2021 £000	*Group 2020 £000*	Company 2021 £000	*Company 2020 £000*
Wages and salaries	**23,725**	*24,815*	**1,531**	*87*
Social security costs	**1,835**	*2,027*	**174**	*14*
Contributions to pension plans	**552**	*564*	**57**	*3*
	26,112	*27,406*	**1,762**	*104*

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

	2021 No.	*2020 No.*
Administration	**80**	*61*
Processing and Production	**1,012**	*1,122*
	1,092	*1,183*

9. Directors' remuneration

	2021 £000	*2020 £000*
Directors' emoluments	**280**	*305*
Company contributions to defined contribution pension schemes	**12**	*20*
	292	*325*

During the year retirement benefits were accruing to 1 Director *(2020 - 3)* in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £160k *(2020 - £157k).*

10. Interest receivable

	2021 £000	*2020 £000*
Other interest receivable	**5**	*3*

11. Interest payable and similar expenses

	2021 £000	*2020 £000*
Bank loan interest	**1,484**	*1,343*
Other loan interest payable	**6,906**	*5,976*
Finance leases and hire purchase contracts	**65**	*92*
Other interest payable	**2**	*7*
	8,457	*7,418*

12. Taxation

	2021 £000	*2020 £000*
Corporation tax		
Current tax on losses for the year	**-**	*392*
Adjustments in respect of previous periods	**(767)**	*(85)*
Total current tax	**(767)**	*307*
Deferred tax		
Origination and reversal of timing differences	**(678)**	*(245)*
Total deferred tax	**(678)**	*(245)*
Tax (credit)/charge on ordinary activities	**(1,445)**	*62*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2020 - higher than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2021 £000	*2020 £000*
Loss on ordinary activities before tax	**(30,668)**	*(12,448)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(5,827)**	*(2,365)*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**-**	*(398)*
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**2,178**	*2,083*
Capital allowances for year in excess of depreciation	**265**	*(168)*
Losses unutilised carried forward	**2,165**	*-*
Adjustments to tax charge in respect of prior periods	**(446)**	*(85)*
Short term timing difference leading to an increase (decrease) in taxation	**(678)**	*207*
Other timing differences leading to an increase (decrease) in taxation	**18**	*1*
Disallowable interest	**786**	*875*
Other differences leading to an increase (decrease) in the tax charge	**-**	*(66)*
Other permanent differences	**94**	*(22)*
Total tax charge / (credit) for the year	**(1,445)**	*62*

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that the corporation tax rate would remain at 19% until 2023. Following which, the rate of corporation tax will increase to 25% for profits over £250,000. This new law was substantively enacted on May 2021

13. Employee Benefits

Defined contribution pension plan

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

Contributions are charged to the profit and loss account in the period in which they relate. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

The charge for the year in respect of the defined contribution scheme was £527,000 (*2020: £523,000*).

Defined benefit pension plan

The Group operates a defined benefit pension scheme providing benefits for a number of its employees, based on final pensionable salary. A new scheme was set up following the acquisition of SHMSL by STAR Mayan, with members in the original scheme transferring to the new scheme on 1 April 2017. The scheme is managed independently and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. The pension charge for the year, for the defined benefit scheme was £25,*000* (*2020: £41,000*). This plan only covers 7 members, and the Directors consider this is highly immaterial to the financial statements.

14. Intangible assets

Group and Company

	Goodwill	Customer lists	Property lease	Computer software	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	**51,499**	**5,761**	**1,952**	**246**	**59,458**
At 31 March 2021	**51,499**	**5,761**	**1,952**	**246**	**59,458**
Amortisation					
At 1 April 2020	**24,319**	**3,600**	**169**	**124**	**28,212**
Charge for the year on owned assets	**10,300**	**960**	**44**	**35**	**11,339**
At 31 March 2021	**34,619**	**4,560**	**213**	**159**	**39,551**
Net book value					
At 31 March 2021	**16,880**	**1,201**	**1,739**	**87**	**19,907**
At 31 March 2020	*27,180*	*2,161*	*1,783*	*122*	*31,246*

15. Tangible fixed assets

Group

	Land and buildings	Plant and machinery	Motor vehicles	Assets under construct'n	Linen	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2020	5,610	34,256	841	158	25,956	66,821
Additions	118	1,877	226	452	8,064	10,737
Disposals	-	(50)	(21)	-	(15,809)	(15,880)
Transfers between classes	-	158	-	(158)	-	-
At 31 March 2021	5,728	36,241	1,046	452	18,211	61,678
Depreciation						
At 1 April 2020	784	8,880	145	-	12,165	21,974
Charge for the year on owned assets	293	3,861	224	-	13,282	17,660
Disposals	-	(41)	(21)	-	(15,809)	(15,871)
At 31 March 2021	1,077	12,700	348	-	9,638	23,763
Net book value						
At 31 March 2021	4,651	23,541	698	452	8,573	37,915
At 31 March 2020	*4,826*	*25,376*	*696*	*158*	*13,791*	*44,847*

The net book value of land and buildings may be further analysed as follows:

	2021	*2020*
	£000	*£000*
Long leasehold	438	*486*
Short leasehold	4,212	*4,339*
	4,650	*4,825*

16. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost and net book value	
At 1 April 2020	**87,920**
At 31 March 2021	**87,920**
Net book value	
At 31 March 2021	**87,920**
At 31 March 2020	*87,920*

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Synergy Health Managed Services Limited	Ascot Drive, Derby DE24 8HE	Ordinary	100 %
Grosvenor Contracts (London) Limited	Ascot Drive, Derby DE24 8HE	Ordinary	100 %
Aeroserve Euro Limited	Ascot Drive, Derby DE24 8HE	Ordinary	100 %
Aeroserve MSP Limited	Ascot Drive, Derby DE24 8HE	Ordinary	100 %

17. Stocks

	Group 2021 £000	*Group 2020 £000*
Raw materials and consumables	**392**	*276*
Finished goods and goods for resale	**849**	*729*
	1,241	*1,005*

The difference between purchase price or production cost of stocks and their replacement cost is not material.

18. Debtors

	Group 2021 £000	*Group 2020 £000*	**Company 2021 £000**	*Company 2020 £000*
Due within one year				
Trade debtors	**8,078**	*10,734*	**-**	*-*
Amounts owed by group undertakings	**-**	*-*	**4,306**	*11*
Other debtors	**1,802**	*460*	**-**	*-*
Prepayments and accrued income	**1,328**	*1,206*	**3**	*5*
	11,208	*12,400*	**4,309**	*16*

Amounts owed by group undertakings are payable upon demand. No interest is charged on the balance.

19. Cash and cash equivalents

	Group 2021 £000	*Group 2020 £000*	**Company 2021 £000**	*Company 2020 £000*
Cash at bank and in hand	**1,260**	*5,090*	**4**	*1,295*

20. Creditors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Bank loans	**2,600**	*3,600*	**2,600**	*3,600*
Payments received on account	**14**	*9*	**-**	*-*
Trade creditors	**3,894**	*9,224*	**4**	*50*
Amounts owed to group undertakings	**-**	*-*	**400**	*712*
Other taxation and social security	**2,877**	*1,551*	**130**	*10*
Obligations under finance lease and hire purchase contracts	**551**	*635*	**-**	*-*
Other creditors	**175**	*1,566*	**5**	*1,353*
Accruals and deferred income	**5,335**	*5,508*	**217**	*136*
	15,446	*22,093*	**3,356**	*5,861*

Amounts owed by the Company to Group undertakings are unsecured, interest free and repayable on demand.
Obligations under finance leases are secured on the assets concerned.
Certain plant and machinery and motor vehicles are held under finance lease arrangements.
Finance lease liabilities are secured by the related assets held under finance leases.

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Bank loans	**29,973**	*28,728*	**29,973**	*28,728*
Other loans	**65,838**	*62,865*	**65,838**	*62,865*
Net obligations under finance leases and hire purchase contracts	**467**	*728*	**-**	*-*
Other creditors	**466**	*467*	**466**	*467*
	96,744	*92,788*	**96,277**	*92,060*

22. Loans

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Amounts falling due within one year				
Bank loans	**2,600**	*3,600*	**2,600**	*3,600*
Amounts falling due 1-2 years				
Bank loans	**1,300**	-	**1,300**	-
Amounts falling due 2-5 years				
Bank loans	**28,673**	*28,728*	**28,673**	*28,728*
Amounts falling due after more than 5 years				
Other loans	**65,838**	*62,865*	**65,838**	*62,865*
	98,411	*95,193*	**98,411**	*95,193*

Loans comprise *£33.3m (2020: £33.3m)* of bank debt and *£65.8m (2020: £62.9m)* of loan notes.
The bank debt comprises;

	Facility A	Facility B	RCF Facility
Principal	£7,800,000	£24,500,000	£1,000,000
Repayments	Half yearly from September 2019 to 27 April 2023	27 April 2024	Half yearly rolling facility
Interest margin above LIBOR	3.75%	4.25%	3.75%

A debenture creating fixed and floating charges over the assets of the Group has been issued by way of security.
Loan notes comprise £55.6m of fixed rate secured loan notes and are repayable by 1 July 2026. Interest rolled up on the loan notes amounts to £10.2m. The total value as at 31 March 2021 amounts to £65.8m.
Interest is charged at 10 - 15% per annum.
During the year, the company undertook an investor reprofiling exercise. An additional, £9,536,305 of equity was invested by existing shareholders. From these proceeds £9,155,259 of Loan Notes have been paid down. A further, £966,988 of Loan Notes have been issued as partial funding of deferred consideration for the acquisition of Aeroserve MSP Limited and Aeroserve Euro Limited.
During the year loan notes amounting to £5.4m were issued. Following the year end the Group's shareholder Star Capital injected £5m of shareholder loannotes to provide additional liquidity. The Group's Lenders agreed to defer certain amortisations of the Term Loan A. As part of these arrangements the Lenders agreed to waive the existing covenants under the Senior Financing Agreement until June 2023 with a new liquidity test applied.

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2021 £000	*Group 2020 £000*
Within one year	551	*637*
Between 1-5 years	467	*729*
	1,018	*1,366*

24. Deferred taxation

Group

	2021 £000	*2020 £000*
At beginning of year	(1,328)	*(1,574)*
Charged to profit or loss	678	*246*
At end of year	(650)	*(1,328)*

	Group 2021 £000	*Group 2020 £000*
Accelerated capital allowances	(690)	*(713)*
Short term timing differences	25	*6*
Other timing differences	127	*112*
Tax losses carried forward	621	-
Arising on business combination	(733)	*(733)*
	(650)	*(1,328)*

25. Provisions

Group

	Dilapidation provision £000
At 1 April 2020	**120**
At 31 March 2021	**120**

The above provision relates to building dilapidations in Synergy Health Managed Services Limited and Grosvenor Contracts (London) Limited.

26. Share capital

	2021 £000	*2020 £000*
Allotted, called up and fully paid		
14,060,231 *(2020 - 6,166,667)* A Ordinary shares of £1.00 each	**14,060**	*6,167*
1,892,741 *(2020 - 250,000)* Ordinary shares of £1.00 each	**1,893**	*250*
	15,953	*6,417*

A partial restructuring of the equity capital of the business was undertaken in January 2021 to rebalance the ratio of shareholder loans to ordinary equity and also support payment of the final earn-out on a prior acquisition. Under this £9,536k of new ordinary equity capital was raised in addition to £967k of shareholder loans with £9,155k of shareholder loans also repaid.

27. Capital commitments

	Group 2021 £000	*Group 2020 £000*
Contracted for but not provided in these financial statements	**16**	*1,856*

The Group had contractual commitments to purchase tangible fixed assets at the year-end for £16,224 (2020: £1,856,094).

28. Commitments under operating leases

At 31 March 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	*Group 2020 £000*
Not later than 1 year	**1,879**	*1,672*
Later than 1 year and not later than 5 years	**5,647**	*4,941*
Later than 5 years	**8,216**	*9,405*
	15,742	*16,018*

29. Related Party Disclosures

During the year the Group undertook a partial restructuring of the equity capital of the business as set out in Note 26.
Loan notes were issued during the year by the Group's shareholder as set out in Note 22.
There are recharge expenses of £7,725 (*2020: £18,487*) to STAR Mayan Limited from Star Capital Partnership LLP.
In accordance with the accounting policy, the Group has taken advantage of the exemption not to disclose related party transactions with wholly owned subsidiaries within the Group.
The Directors are the key management personnel.

30. Ultimate Parent Company

The ultimate parent undertaking is STAR Strategic Assets III-A LP by virtue of it holding the majority of shares in STAR Mayan Limited.
The ultimate controlling party is STAR Capital Partnership LLP, the Manager of STAR Strategic Assets III-A LP.
At 31 March 2021, the Group comprised Synergy Health Managed Services Ltd, Grosvenor Contracts (London) Ltd, Aeroserve MSP ltd and Aeroserve Euro Ltd. Copies of the subsidiary's accounts are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

31. Post balance sheet events

Following the year end the Group's shareholder Star Capital injected £5m of shareholder loannotes to provide additional liquidity. The Group's Lenders agreed to defer certain amortisations of the Term Loan A. As part of these arrangements the Lenders agreed to waive the existing covenants under the Senior Financing Agreement until June 2023 with a new liquidity test applied.