

GRAHAM CARE (YB) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

TWP ACCOUNTING LLP
Chartered Accountants
The Old Rectory
Church Street
Weybridge
Surrey
KT13 8DE



GRAHAM CARE (YB) LIMITED

COMPANY INFORMATION

Directors	Dr K E Graham W E Graham
Company secretary	W E Graham
Registered number	03109969
Registered office	20 Cranley Road Hersham Walton-on-Thames Surrey KT12 5BP
Independent auditors	TWP Accounting LLP Chartered Accountants & Statutory Auditors Church Street Weybridge Surrey KT13 8DE

GRAHAM CARE (YB) LIMITED

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GRAHAM CARE (YB) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

At Graham Care (YB) Limited, we develop and operate high quality homes for people with high dependency long term care needs, ranging from older people with dementia to younger people with severe disabilities.

At the end of 2016, we owned and operated six homes in Surrey, Kent and Sussex for over 500 residents and were working on plans for a number of development sites. The company is committed to a continued expansion by building new homes in the South East of England.

During the year, the main achievements in the development programme were:

1. The construction of Rodwell House containing 79 care suites was completed and all the residents of Rodwell Farm Nursing Home on the adjacent site moved into the new building mid-year.
2. Construction of 92 care suites in Hawkhurst continued and completion is expected in mid-2017.
3. Construction of the second half of Hawkinge House continued and the 92 care suites this contains are due for completion in mid-2017.

Now that Rodwell Farm Nursing Home has been re-developed in Rodwell House, the group's homes are all to a purpose-built standard with much larger resident's rooms than the industry norm.

Our continuous development programme puts us in a strong position to achieve our aim of over 1000 places built or under development by the end of 2019.

During 2016, the company's operating turnover grew by 11% (excluding Cornford House Limited turnover figures for the 6 months to 30 June 2015 - Intra group transfer of investment on 1 July 2015) mainly due to improved occupancy during the year.

Our main distinguishing features are considered to be:

1. Care Suites

Our new developments are based around the "care suite" model, which provides 20-27m² for each resident (vs. 15m-18m² in a purpose build care home) so that they can consider the suite to be their home rather than their bed-room. Residents occupy these suites under Tenancy Agreements and we provide their care through a domiciliary arrangement. Under this regime, residents who are eligible for government funding can receive a wider range of benefits (e.g. attendance allowance, housing benefit, etc.) which compensate for the additional build cost of the extra floor area.

2. Relationship Centred Care TM

We have adopted "relationship centred careTm" as our principal approach to care provision, with the aim of building stronger relationships between residents, staff, relatives, friends, etc. This takes the well established concept of Person Centred Care one step further with the recognition that to enable residents to be happy and fulfilled; we need to get to know them better and to understand their past and present relationships with others. In order to implement this, we continued to invest in "social co-ordinators" and also in e-communication channels (email, texting, skype, etc.) for residents' families to keep in contact.

GRAHAM CARE (YB) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

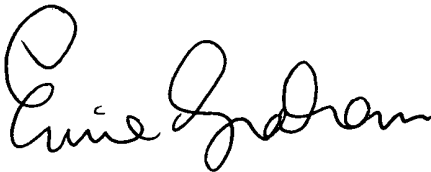
3. Servant leadership

Servant Leadership is based on the desire to serve others. The servant-leader essentially acts as servant, rather than as a master. "Service" in this context is not to be confused with "servitude." Servitude implies being in a one down position to another person and giving from a place of "need to" or "have to." True service, by contrast, stems from a desire to give from the heart. It is freely shared without first seeking something in return. The sheer joy of giving is the reward gained from this level of service.

Most organisations today still lead by a Command & Control style of leadership. Servant Leadership is a more consensual form of leadership that recognises the value of people to fulfil the organisation's mission. It is about engaging everyone involved and using their talents to the full.

Against this background, we feel that the company is well positioned to continue its investment in new facilities and to reinforce its position as a leading provider of long term care in each of the areas in which it operates

This report was approved by the board on 29TH JUNE 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'W E Graham', written in a cursive style.

W E Graham
Director

GRAHAM CARE (YB) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the group was the provision of accommodation and care for people with ongoing personal nursing care needs.

Results and dividends

The profit for the year, after taxation, amounted to £4,670,757 (2015 - £5,853,211).

The directors do not recommend the paying of a dividend.

Directors

The directors who served during the year were:

Dr K E Graham
W E Graham

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 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.

GRAHAM CARE (YB) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Charitable donations

During the year, the company made charitable donations for the general purposes of the following charities:

£39,600	-	Christianity Explored
£15,000	-	Chessington Evangelical Church
£6,000	-	Insight
£19,142	-	Oak Hill Evangelical Theological College
£3,750	-	Globe Church
£1,200	-	Michael Ots Evangelism Trust
£1,200	-	Synergy Christian Trust
£6,000	-	Rehoboth Christian Centre

Employee involvement

The group operates a framework for employee information and consultation, which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has continued by holding regular meetings between local management and employees. These meetings allow a free flow of information and ideas.

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.

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

There have been no significant events affecting the Group since the year end.

Auditors

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

This report was approved by the board on 29TH JUNE 2017 and signed on its behalf.



W E Graham
Director

GRAHAM CARE (YB) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAHAM CARE (YB) LIMITED

We have audited the financial statements of Graham Care (YB) Limited for the year ended 31 December 2016, set out on pages 7 to 28. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or 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.

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

GRAHAM CARE (YB) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAHAM CARE (YB) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.



Philip Munk (Senior Statutory Auditor)

for and on behalf of
TWP Accounting LLP

Chartered Accountants
Statutory Auditors

Church Street
Weybridge
Surrey
KT13 8DE
Date:

29/6/2017

GRAHAM CARE (YB) LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	3	22,454,216	22,090,079
Cost of sales		(14,250,115)	(13,202,251)
Gross profit		<u>8,204,101</u>	<u>8,887,828</u>
Administrative expenses		(1,046,016)	(1,013,304)
Operating profit	4	<u>7,158,085</u>	<u>7,874,524</u>
Interest payable and expenses	7	(965,688)	(913,656)
Profit before taxation		<u>6,192,397</u>	<u>6,960,868</u>
Tax on profit	8	(1,521,640)	(1,107,657)
Profit for the year		<u><u>4,670,757</u></u>	<u><u>5,853,211</u></u>
Other comprehensive income for the year			
Unrealised surplus/(deficit) on revaluation of freehold properties		7,863,214	(5,059,825)
Deferred tax on revaluation of freehold properties		(1,328,346)	503,843
		<u>6,534,868</u>	<u>(4,555,982)</u>
Total comprehensive income for the year		<u><u>11,205,625</u></u>	<u><u>1,297,229</u></u>
Profit for the year attributable to:			
Owners of the parent Company		<u>4,670,757</u>	<u>5,853,211</u>
		<u><u>4,670,757</u></u>	<u><u>5,853,211</u></u>

The notes on pages 11 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED
REGISTERED NUMBER: 03109969

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	10	39,700	87,140
Tangible assets	12	122,579,465	94,666,606
		<u>122,619,165</u>	<u>94,753,746</u>
Current assets			
Stocks	14	38,413	354,738
Debtors: amounts falling due within one year	15	28,101,677	13,148,322
Cash at bank and in hand	16	3,775,229	2,906,168
		<u>31,915,319</u>	<u>16,409,228</u>
Creditors: amounts falling due within one year	17	(34,818,721)	(4,410,836)
Net current (liabilities)/assets		<u>(2,903,402)</u>	<u>11,998,392</u>
Total assets less current liabilities		<u>119,715,763</u>	<u>106,752,138</u>
Creditors: amounts falling due after more than one year	18	(34,482,420)	(34,102,875)
Provisions for liabilities			
Deferred taxation	20	(10,405,981)	(8,900,296)
		<u>(10,405,981)</u>	<u>(8,900,296)</u>
Net assets		<u><u>74,827,362</u></u>	<u><u>63,748,967</u></u>
Capital and reserves			
Called up share capital	21	4,000	4,000
Revaluation reserve	22	46,439,261	39,904,391
Profit and loss account	22	28,384,101	23,840,576
		<u><u>74,827,362</u></u>	<u><u>63,748,967</u></u>

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

29/6/2017



W E Graham
Director

The notes on pages 11 to 28 form part of these financial statements.

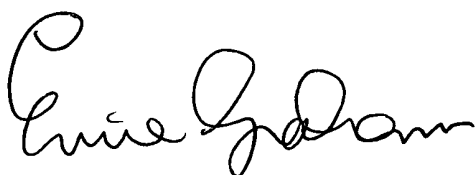
GRAHAM CARE (YB) LIMITED
REGISTERED NUMBER: 03109969

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	10	-	82,500
Tangible assets	12	14,709,711	92,728,076
Investments	13	5,100	5,101
		<u>14,714,811</u>	<u>92,815,677</u>
Current assets			
Debtors: amounts falling due within one year	15	67,853,027	13,497,026
Cash at bank and in hand	16	2,740,531	1,816,572
		<u>70,593,558</u>	<u>15,313,598</u>
Creditors: amounts falling due within one year	17	(19,368,454)	(2,067,239)
Net current assets		<u>51,225,104</u>	<u>13,246,359</u>
Total assets less current liabilities		<u>65,939,915</u>	<u>106,062,036</u>
Creditors: amounts falling due after more than one year	18	(34,482,420)	(34,102,875)
Provisions for liabilities			
Deferred taxation	20	(951,813)	(8,752,949)
		<u>(951,813)</u>	<u>(8,752,949)</u>
Net assets		<u><u>30,505,682</u></u>	<u><u>63,206,212</u></u>
Capital and reserves			
Called up share capital	21	4,000	4,000
Profit and loss account	22	30,501,682	63,202,212
		<u><u>30,505,682</u></u>	<u><u>63,206,212</u></u>

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

29/6/2017



W E Graham
Director

The notes on pages 11 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2015	4,000	44,460,373	24,700,604	69,164,977
Profit for the year	-	-	5,853,211	5,853,211
Surplus/(Deficit) on revaluation of freehold properties	-	(5,059,825)	-	(5,059,825)
Deferred tax on revaluation of freehold properties	-	503,843	-	503,843
Dividends: Equity capital	-	-	(6,713,239)	(6,713,239)
At 1 January 2016	4,000	39,904,391	23,840,576	63,748,967
Profit for the year	-	-	4,670,757	4,670,757
Surplus/(Deficit) on revaluation of freehold properties	-	7,863,216	-	7,863,216
Deferred tax on revaluation of freehold properties	-	(1,328,346)	-	(1,328,346)
Dividends: Equity capital	-	-	(127,232)	(127,232)
At 31 December 2016	4,000	46,439,261	28,384,101	74,827,362

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2015	4,000	69,448,273	69,452,273
Profit for the year	-	4,704,921	4,704,921
Deferred tax movements	-	503,843	503,843
Fair value adjustments	-	(5,059,825)	(5,059,825)
Dividends: Equity capital	-	(6,395,000)	(6,395,000)
At 1 January 2016	4,000	63,202,212	63,206,212
Profit for the year	-	4,509,075	4,509,075
Deferred tax movements	-	7,856,028	7,856,028
Fair value adjustments	-	(45,065,633)	(45,065,633)
At 31 December 2016	4,000	30,501,682	30,505,682

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Graham Care (YB) Limited is incorporated in England and Wales and limited by shares. The address of the registered office is given in the company information of these financial statements. The principal activity of the company is the provision of retirement accommodation and related nursing services. On 17 August 2016, the company changed its name from Graham Care Limited to Graham Care (YB) Limited.

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 judgment in applying the Group accounting policies.

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 Balance Sheet, 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 January 2014.

2.3 Turnover

Turnover comprises revenue recognised by the company in respect of nursing and residential care services during the year, exclusive of Value Added Tax and trade discounts.

Income is recognised based on occupancy and adjustment is made for any amounts received in advance or arrears.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

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

Other intangible assets

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

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

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

2.5 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.

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

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:

Equipment	- Items under £500 - 50% straight line Items above £500 - 15% reducing balance
Motor vehicles	- 25% reducing balance

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.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 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 Balance Sheet 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.

The freehold properties used by its subsidiaries are recognised in the company as investment properties and any associated gains and losses and deferred taxation thereon are recognised in the profit and loss reserve.

The freehold properties used by its subsidiaries are recognised in the group as tangible fixed assets and any associated gains and losses and deferred taxation thereon are recognised in the revaluation reserve.

2.7 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks and work in progress represent direct property development expenditure and are valued at the lower of cost and net realisable value after making due allowance for impairment.

2.10 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.

2.11 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.

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.12 Financial instruments (continued)

third parties, loans to related parties and investments in non-puttable ordinary shares.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

2.13 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.

2.14 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.

2.15 Pensions

When employees have rendered service to the company and group, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The company and group operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

2.16 Borrowing costs

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

2.17 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 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.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.18 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 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.

3. Turnover

The whole of the turnover is attributable to the provision of residential care services.

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	402,339	385,005
Impairment of tangible fixed assets	-	144,882
Amortisation of intangible assets, including goodwill	47,440	47,440
Auditors' remuneration	55,760	51,482
	<u>55,760</u>	<u>51,482</u>

5. Auditors' remuneration

	2016 £	2015 £
Auditors' remuneration	55,760	51,482
	<u>55,760</u>	<u>51,482</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	10,789,528	10,017,830
	<u>10,789,528</u>	<u>10,017,830</u>

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

	2016 No.	2015 No.
Admin staff	9	5
Care home staff	532	588
	<u>541</u>	<u>593</u>

7. Interest payable and similar charges

	2016 £	2015 £
Bank loan interest payable	965,688	913,656
	<u>965,688</u>	<u>913,656</u>

8. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,364,446	1,088,245
Adjustments in respect of previous periods	(21,052)	4,784
Total current tax	<u>1,343,394</u>	<u>1,093,029</u>
Deferred tax		
Origination and reversal of timing differences	178,246	14,628
Total deferred tax	<u>178,246</u>	<u>14,628</u>
Taxation on profit on ordinary activities	<u>1,521,640</u>	<u>1,107,657</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	6,192,397	6,960,868
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	1,238,479	1,392,174
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(27,473)	25,225
Capital allowances for year in excess of depreciation	253,420	163,460
Adjustments to tax charge in respect of prior periods	(21,052)	4,784
Short term timing difference leading to an increase (decrease) in taxation	178,246	14,628
Other differences leading to an increase (decrease) in the tax charge	(18,357)	(22,702)
Group relief	(81,623)	(469,912)
Total tax charge for the year	1,521,640	1,107,657

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

9. Dividends

	2016 £	2015 £
Dividends to parent	-	6,000,000
Dividends paid to owners	-	395,000
Dividend in specie	127,232	318,239
	127,232	6,713,239

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2016	474,560
Additions	67,500
Disposals	(150,000)
	<hr/>
At 31 December 2016	392,060
	<hr/>
Amortisation	
At 1 January 2016	387,420
Charge for the year	47,440
On disposals	(82,500)
	<hr/>
At 31 December 2016	352,360
	<hr/>
Net book value	
At 31 December 2016	39,700
	<hr/> <hr/>
At 31 December 2015	87,140
	<hr/> <hr/>

Company

	Goodwill £
Cost	
At 1 January 2016	150,000
Disposals	(150,000)
	<hr/>
Amortisation	
At 1 January 2016	67,500
Charge for the year	15,000
On disposals	(82,500)
	<hr/>
Net book value	
At 31 December 2016	-
	<hr/> <hr/>
At 31 December 2015	82,500
	<hr/> <hr/>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Intangible assets (continued)

During the year, the company transferred all of its trading care home properties and associated goodwill within the group at historical cost price.

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £4,509,075 (2015 - £4,704,921).

12. Tangible fixed assets

Group

	Freehold property £	Equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2016	92,700,000	4,914,423	161,412	97,775,835
Additions	20,069,284	773,668	8,500	20,851,452
Disposals	-	(1,805,116)	(131,162)	(1,936,278)
Revaluations	7,863,216	-	-	7,863,216
At 31 December 2016	120,632,500	3,882,975	38,750	124,554,225
Depreciation				
At 1 January 2016	-	3,038,328	70,901	3,109,229
Charge for the period on owned assets	-	381,177	4,629	385,806
Disposals	-	(1,472,444)	(47,830)	(1,520,274)
At 31 December 2016	-	1,947,061	27,700	1,974,761
Net book value				
At 31 December 2016	120,632,500	1,935,914	11,050	122,579,464
At 31 December 2015	92,700,000	1,876,095	90,511	94,666,606

During the year, the company transferred all of its trading care home properties and associated goodwill within the group at historical cost price.

The accumulated historical cost and revaluation for freehold properties are £63,071,292 and £57,561,208 respectively, amounting to a revalued cost of £120,632,500.

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Tangible fixed assets (continued)

The land and buildings were revalued as at 31 December 2016 by Henry Harris MRICS of Lambert Smith Hampton on an open market existing use basis.

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

	2016 £	2015 £
Group		
Cost	63,071,292	43,002,005
Accumulated depreciation	(4,551,658)	(3,970,369)
Net book value	<u>58,519,634</u>	<u>39,031,636</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Tangible fixed assets (continued)

Company

	Investment property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2016	92,700,000	67,552	30,250	92,797,802
Additions	20,069,287	1,853	-	20,071,140
Disposals	(98,061,557)	(57,425)	-	(98,118,982)
Revaluations	(7,730)	-	-	(7,730)
At 31 December 2016	14,700,000	11,980	30,250	14,742,230
Depreciation				
At 1 January 2016	-	46,655	23,071	69,726
Charge for the period on owned assets	-	2,563	1,795	4,358
Disposals	-	(41,565)	-	(41,565)
At 31 December 2016	-	7,653	24,866	32,519
Net book value				
At 31 December 2016	14,700,000	4,327	5,384	14,709,711
At 31 December 2015	92,700,000	20,897	7,179	92,728,076

During the year, the company transferred all of its trading care home properties and associated goodwill within the group at historical cost price.

The accumulated historical cost and revaluation for investment properties are £10,067,638 and £4,632,362 respectively, amounting to a revalued cost of £14,700,000.

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. 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:

	2016 £	2015 £
Company		
Cost	10,067,638	43,002,005
Accumulated depreciation	(73,430)	(3,970,369)
Net book value	<u>9,994,208</u>	<u>39,031,636</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Graham Land & Development Limited (up until 31.12.16)	Ordinary	100 %	Land and property development
Rodwell House Limited	Ordinary	100 %	Provision of nursing and residential care services
Hazeldene House Limited	Ordinary	100 %	Provision of nursing and residential care services
Hailsham House (New Road) Limited	Ordinary	100 %	Provision of nursing and residential care services
Kettlewell House Limited	Ordinary	100 %	Provision of nursing and residential care services
Hawkinge House Limited	Ordinary	100 %	Provision of nursing and residential care services
Woodchurch House Limited	Ordinary	100 %	Provision of nursing and residential care services

The above subsidiaries have been consolidated within the group financial statements.

On 31 December 2016, the company transferred its £1 investment in Graham Land & Development Limited to its parent company Graham Care Group Limited. The results of Graham Land & Development Limited have been included in the consolidated results of the group up until 31 December 2016.

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	5,101
Disposals	(1)
At 31 December 2016	<u>5,100</u>
Net book value	
At 31 December 2016	<u>5,100</u>
At 31 December 2015	<u>5,101</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	32,775	32,275	-	-
Work in progress (goods to be sold)	5,638	322,463	-	-
	<u>38,413</u>	<u>354,738</u>	<u>-</u>	<u>-</u>

15. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	1,955,277	1,210,983	-	-
Amounts owed by group undertakings	26,016,140	2,394,479	67,851,531	13,012,859
Other debtors	36,845	660,189	1,496	484,167
Prepayments and accrued income	93,415	8,882,671	-	-
	<u>28,101,677</u>	<u>13,148,322</u>	<u>67,853,027</u>	<u>13,497,026</u>

16. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	3,775,229	2,906,168	2,740,531	1,816,572
	<u>3,775,229</u>	<u>2,906,168</u>	<u>2,740,531</u>	<u>1,816,572</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	8,675,909	1,727,761	8,675,909	1,727,761
Trade creditors	458,112	929,891	88,838	31,514
Amounts owed to group undertakings	3,804,577	70,930	2,851,186	242,512
Corporation tax	821,271	622,244	-	-
Other taxation and social security	226,257	183,282	10,978	6,464
Other creditors	727,794	645,663	22,773	18,248
Accruals and deferred income	20,104,801	231,064	7,718,770	40,740
	<u>34,818,721</u>	<u>4,410,835</u>	<u>19,368,454</u>	<u>2,067,239</u>

The company has pledged its assets as security against any bank loans and overdrafts held by the group companies. At the year end, Graham Care Limited had an amount outstanding in respect of secured debts of £43,158,329 (2015 - £35,830,636).

The group's bankers have a fixed and floating charge over the company's assets.

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	34,482,420	34,102,875	34,482,420	34,102,875
	<u>34,482,420</u>	<u>34,102,875</u>	<u>34,482,420</u>	<u>34,102,875</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. Loans

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	8,675,909	1,727,761	8,675,909	1,727,761
	<u>8,675,909</u>	<u>1,727,761</u>	<u>8,675,909</u>	<u>1,727,761</u>
Amounts falling due 1-2 years				
Bank loans	1,711,425	8,235,909	1,711,425	8,235,909
	<u>1,711,425</u>	<u>8,235,909</u>	<u>1,711,425</u>	<u>8,235,909</u>
Amounts falling due 2-5 years				
Bank loans	32,770,995	25,866,966	32,770,995	25,866,966
	<u>32,770,995</u>	<u>25,866,966</u>	<u>32,770,995</u>	<u>25,866,966</u>
	<u>43,158,329</u>	<u>35,830,636</u>	<u>43,158,329</u>	<u>35,830,636</u>

20. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	(8,900,296)	(9,414,872)
Charged in the year	(1,505,685)	514,576
At end of year	<u>(10,405,981)</u>	<u>(8,900,296)</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Deferred taxation (continued)

Company

	2016 £	2015 £
At beginning of year	(8,752,949)	(9,258,077)
Charged in the year	7,801,136	505,128
At end of year	<u>(951,813)</u>	<u>(8,752,949)</u>

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(326,620)	(149,280)	(56,825)	(1,933)
Deferred tax on revaluation gains	(10,079,361)	(8,751,016)	(894,988)	(8,751,016)
	<u>(10,405,981)</u>	<u>(8,900,296)</u>	<u>(951,813)</u>	<u>(8,752,949)</u>

21. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
4,000 Ordinary Shares shares of £1 each	<u>4,000</u>	<u>4,000</u>

22. Reserves

Revaluation reserve

The revaluation reserve represents the cumulate effect of revaluations of tangible fixed assets where a policy of revaluation has been adopted.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,500 (2015 - £1,500) which is included within Wages and salaries. Contributions totalling £125 (2015 - £125) were payable to the fund at the balance sheet date and are included in other creditors

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. Related party transactions

During the year, the company purchased consultancy services totaling £30,000 (2015 - £30,000) from Graham Associates, a partnership controlled by the directors. At the year end, no amounts (2015 - £30,000) were owed to the partnership.

During the year, the company made donations totaling £39,600 (2015 - £39,600) to Christianity Explored, a charitable company to which the director W E Graham is a trustee and director of.

During the year, no dividends were paid to the directors (2015 - £395,000).

At the year end, the company owed the directors £nil (2015 - £3,274), the group owed the directors a total of £nil (2015 - £3,274).

25. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Graham Care Group Limited, a company limited in England and Wales. The ultimate controlling parties are W E Graham by virtue of shareholdings in Graham Care Group Limited.

The Company have taken exemption from preparing a cashflow statement. The consolidated results and cashflow statements for the Company are included within the publicly available financial statements of Graham Care Group Limited.