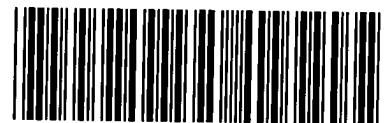


GRAHAM CARE (YB) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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COMPANIES HOUSE

TWP ACCOUNTING LLP
Chartered Accountants & Statutory Auditors
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 2017

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 2017, we owned and operated six homes in Surrey, Kent and Sussex for around 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. Construction of 92 care suites in Hawkhurst was completed by year-end, ready to be opened in January 2018.
2. Construction of the second half of Hawkinge House comprising a further 92 care suites was also completed by year end, ready to be opened in January 2018.
3. Detailed Planning consent for a further 23 care suites in a new building on the Woodchurch House site.
4. Detailed Planning consent for 203 care suites in two buildings behind Estuary View Medical Centre in Whitstable and purchase of the site freehold.
5. Detailed planning consent for 140 care suites on the edge of Bishopswood Golf Club near Basingstoke with a legal option to buy the site during 2018.

These developments further enhance the group as a network of purpose-built homes with much larger resident's rooms than the industry norm.

At year-end, our development pipeline contained around 760 new places, of which 220 places are sites of our existing homes and 520 are on new sites.

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 care™" 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 2017**

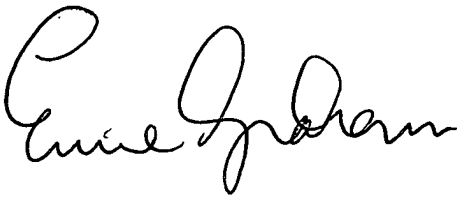
3. Servant leadership

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 **28 JUNE 2018** 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 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

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 £4,318,614 (2016 - £4,670,757).

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 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.

GRAHAM CARE (YB) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Charitable donations

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

£39,600	-	Christianity Explored
£6,250	-	Chessington Evangelical Church
£6,000	-	Insight
£19,285	-	Oak Hill Evangelical Theological College
£19,938	-	Globe Church
£1,200	-	Michael Ots Evangelism Trust
£1,200	-	Synergy Christian Trust
£6,000	-	Rehoboth Christian Centre
£3,500	-	Kings Church

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.

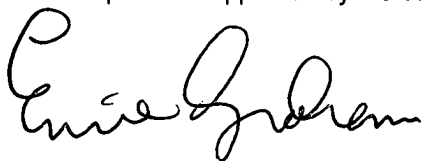
Post balance sheet events

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 28 JUNE 2018 and signed on its behalf.



.....
W E Graham
Director

GRAHAM CARE (YB) LIMITED

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

Opinion

We have audited the financial statements of Graham Care (YB) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

GRAHAM CARE (YB) LIMITED

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

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.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

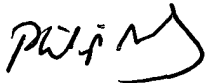
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

GRAHAM CARE (YB) LIMITED

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

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.



Philip Munk ACA, FCCA (Senior Statutory Auditor)

for and on behalf of
TWP Accounting LLP

Chartered Accountants
Statutory Auditors

Church Street
Weybridge
Surrey

KT13 8DE

Date:

28/6/2018

GRAHAM CARE (YB) LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	3	23,861,921	22,454,216
Cost of sales		(15,967,722)	(14,250,115)
Gross profit		<u>7,894,199</u>	<u>8,204,101</u>
Administrative expenses		(1,221,002)	(1,046,016)
Operating profit		<u>6,673,197</u>	<u>7,158,085</u>
Interest payable and expenses	6	(1,030,763)	(965,688)
Profit before taxation		<u>5,642,434</u>	<u>6,192,397</u>
Tax on profit	7	(1,323,820)	(1,521,640)
Profit for the financial year		<u><u>4,318,614</u></u>	<u><u>4,670,757</u></u>
Unrealised surplus on revaluation of tangible fixed assets		4,081,617	7,863,214
Deferred tax on revaluation of freehold properties		1,384,662	(1,328,346)
Other comprehensive income for the year		<u>5,466,279</u>	<u>6,534,868</u>
Total comprehensive income for the year		<u><u>9,784,893</u></u>	<u><u>11,205,625</u></u>
Profit for the year attributable to:			
Owners of the parent Company		<u>4,318,614</u>	<u>4,670,757</u>
		<u><u>4,318,614</u></u>	<u><u>4,670,757</u></u>

The notes on pages 13 to 28 form part of these financial statements.

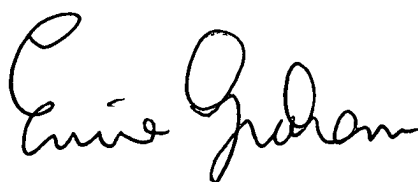
GRAHAM CARE (YB) LIMITED
REGISTERED NUMBER: 03109969

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	9	-	39,700
Tangible assets	11	131,027,038	122,579,464
		<u>131,027,038</u>	<u>122,619,164</u>
Current assets			
Stocks	13	37,186	38,413
Debtors: amounts falling due within one year	14	30,139,186	28,101,677
Cash at bank and in hand	15	2,273,141	3,775,229
		<u>32,449,513</u>	<u>31,915,319</u>
Creditors: amounts falling due within one year	16	(26,764,288)	(34,818,720)
Net current assets/(liabilities)		<u>5,685,225</u>	<u>(2,903,401)</u>
Total assets less current liabilities		<u>136,712,263</u>	<u>119,715,763</u>
Creditors: amounts falling due after more than one year	17	(42,887,280)	(34,482,420)
Provisions for liabilities			
Deferred taxation	19	(9,275,729)	(10,405,981)
		<u>(9,275,729)</u>	<u>(10,405,981)</u>
Net assets		<u><u>84,549,254</u></u>	<u><u>74,827,362</u></u>
Capital and reserves			
Called up share capital	20	4,000	4,000
Revaluation reserve	21	51,398,400	46,439,261
Profit and loss account	21	33,146,854	28,384,101
		<u><u>84,549,254</u></u>	<u><u>74,827,362</u></u>

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

28 JUNE 2018



W E Graham
Director

The notes on pages 13 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED
REGISTERED NUMBER: 03109969

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	17,603,986	14,709,711
Investments	12	5,100	5,100
		<u>17,609,086</u>	<u>14,714,811</u>
Current assets			
Debtors: amounts falling due within one year	14	68,968,521	67,853,027
Cash at bank and in hand	15	2,115,976	2,740,531
		<u>71,084,497</u>	<u>70,593,558</u>
Creditors: amounts falling due within one year	16	(9,637,751)	(19,368,454)
Net current assets		<u>61,446,746</u>	<u>51,225,104</u>
Total assets less current liabilities		<u>79,055,832</u>	<u>65,939,915</u>
Creditors: amounts falling due after more than one year	17	(42,887,280)	(34,482,420)
Provisions for liabilities			
Deferred taxation	19	(900,117)	(951,813)
		<u>(900,117)</u>	<u>(951,813)</u>
Net assets		<u><u>35,268,435</u></u>	<u><u>30,505,682</u></u>
Capital and reserves			
Called up share capital	20	4,000	4,000
Profit and loss account	21	35,264,435	30,501,682
		<u><u>35,268,435</u></u>	<u><u>30,505,682</u></u>

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

28 JUNE 2018



W E Graham
Director

The notes on pages 13 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
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 1 January 2017	<u>4,000</u>	<u>46,439,261</u>	<u>28,384,101</u>	<u>74,827,362</u>
Profit for the year	-	-	4,318,614	4,318,614
Deferred tax on revaluation of investment properties	-	-	157,026	157,026
Surplus/(Deficit) on revaluation of freehold properties	-	3,731,503	-	3,731,503
Surplus/(Deficit) on revaluation of investment properties	-	-	287,113	287,113
Deferred tax on revaluation of freehold properties	-	1,227,636	-	1,227,636
At 31 December 2017	<u><u>4,000</u></u>	<u><u>51,398,400</u></u>	<u><u>33,146,854</u></u>	<u><u>84,549,254</u></u>

The notes on pages 13 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
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 1 January 2017	4,000	30,501,682	30,505,682
Profit for the year	-	4,318,614	4,318,614
Deferred tax movements	-	157,026	157,026
Fair value adjustments	-	287,113	287,113
At 31 December 2017	4,000	35,264,435	35,268,435

The notes on pages 13 to 28 form part of these financial statements.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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's accounting policies.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the 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 2017

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 2017

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 instrument 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 2017

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 2017

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. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	52,620	55,760

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Employees

Staff costs were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	12,011,741	10,789,528	385,679	408,860
	<u>12,011,741</u>	<u>10,789,528</u>	<u>385,679</u>	<u>408,860</u>

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

	Group 2017 No.	Group 2016 No.	Company 2017 No.	Company 2016 No.
Admin staff	9	9	9	9
Care home staff	556	532	-	-
	<u>565</u>	<u>541</u>	<u>9</u>	<u>9</u>

6. Interest payable and similar expenses

	2017 £	2016 £
Bank loan interest payable	1,030,763	965,688
	<u>1,030,763</u>	<u>965,688</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	1,187,020	1,364,446
Adjustments in respect of previous periods	(117,609)	(21,052)
Total current tax	<u>1,069,411</u>	<u>1,343,394</u>
Deferred tax		
Origination and reversal of timing differences	254,409	178,246
Total deferred tax	<u>254,409</u>	<u>178,246</u>
Taxation on profit on ordinary activities	<u>1,323,820</u>	<u>1,521,640</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>5,642,434</u>	<u>6,192,397</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	1,072,062	1,238,479
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(29,914)	(27,473)
Capital allowances for year in excess of depreciation	193,042	366,352
Adjustments to tax charge in respect of prior periods	(117,609)	(21,052)
Short term timing difference leading to an increase (decrease) in taxation	254,409	178,246
Other differences leading to an increase (decrease) in the tax charge	204,821	33,863
Group relief	(252,991)	(246,775)
Total tax charge for the year	<u>1,323,820</u>	<u>1,521,640</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Dividends

	2017 £	2016 £
Dividend in specie	-	127,232
	<u>-</u>	<u>127,232</u>

9. Intangible assets

Group and Company

	Goodwill £
At 1 January 2017	392,060
Disposals	(392,060)
At 31 December 2017	<u>-</u>
At 1 January 2017	352,360
Charge for the year	99,700
On disposals	(452,060)
At 31 December 2017	<u>-</u>
Net book value	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>39,700</u>

10. 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 £4,318,614 (2016 - £4,509,075).

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tangible fixed assets

Group

	Freehold property £	Equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2017	120,632,500	3,882,975	38,750	124,554,225
Additions	4,598,883	450,662	2,400	5,051,945
Disposals	-	(622,538)	(30,250)	(652,788)
Revaluations	4,018,617	-	-	4,018,617
At 31 December 2017	129,250,000	3,711,099	10,900	132,971,999
Depreciation				
At 1 January 2017	-	1,947,061	27,700	1,974,761
Charge for the year on owned assets	-	383,723	3,634	387,357
Charge for the year on financed assets	-	(16,302)	-	(16,302)
Disposals	-	(375,989)	(24,866)	(400,855)
At 31 December 2017	-	1,938,493	6,468	1,944,961
Net book value				
At 31 December 2017	129,250,000	1,772,606	4,432	131,027,038
At 31 December 2016	120,632,500	1,935,914	11,050	122,579,464

The accumulated historical cost and revaluation for freehold properties are £67,670,175 and £61,579,825 respectively, amounting to a revalued cost of £129,250,000.

The land and buildings were revalued as at 31 December 2017 by Henry Harris MRICS of Cushman & Wakefield using a multiple of the Fair Maintainable EBITDA.

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

	2017 £	2016 £
Group		
Cost	67,670,175	63,071,292
Accumulated depreciation	(5,137,889)	(4,551,658)
Net book value	62,532,286	58,519,634

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Tangible fixed assets (continued)

Company

	Investment property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2017	14,700,000	11,980	30,250	14,742,230
Additions	2,612,887	1,717	-	2,614,604
Disposals	-	-	(30,250)	(30,250)
Revaluations	287,113	-	-	287,113
At 31 December 2017	17,600,000	13,697	-	17,613,697
Depreciation				
At 1 January 2017	-	7,653	24,866	32,519
Charge for the year on owned assets	-	2,058	-	2,058
Disposals	-	-	(24,866)	(24,866)
At 31 December 2017	-	9,711	-	9,711
Net book value				
At 31 December 2017	17,600,000	3,986	-	17,603,986
At 31 December 2016	14,700,000	4,327	5,384	14,709,711

The accumulated historical cost and revaluation for investment properties are £12,680,525 and £4,919,475 respectively, amounting to a revalued cost of £17,600,000.

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tangible fixed assets (continued)

The land and buildings were revalued as at 31 December 2017 by Henry Harris MRICS of Cushman & Wakefield using a multiple of the Fair Maintainable EBITDA.

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

	2017 £	2016 £
Group		
Cost	12,680,525	10,067,638
Accumulated depreciation	(309,041)	(73,430)
Net book value	<u>12,371,484</u>	<u>9,994,208</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Rodwell House Limited	Ordinary	100 %
Hazeldene House Limited	Ordinary	100 %
Hailsham House (New Road) Limited	Ordinary	100 %
Kettlewell House Limited	Ordinary	100 %
Hawkinge House Limited	Ordinary	100 %
Woodchurch House Limited	Ordinary	100 %

The above subsidiaries have been consolidated within the group financial statements. The principal activity for the subsidiaries is the provision of nursing and residential care services.

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	5,100
At 31 December 2017	<u>5,100</u>
Net book value	
At 31 December 2017	<u>5,100</u>
At 31 December 2016	<u>5,100</u>

13. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Raw materials and consumables	30,524	32,775	-	-
Work in progress (goods to be sold)	6,662	5,638	-	-
	<u>37,186</u>	<u>38,413</u>	<u>-</u>	<u>-</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	1,871,673	1,955,277	-	-
Amounts owed by group undertakings	27,921,133	26,016,140	68,815,447	67,851,531
Other debtors	198,427	36,845	153,074	1,496
Prepayments and accrued income	72,355	93,415	-	-
Tax recoverable	75,598	-	-	-
	<u>30,139,186</u>	<u>28,101,677</u>	<u>68,968,521</u>	<u>67,853,027</u>

15. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	2,273,141	3,775,229	2,115,976	2,740,531
	<u>2,273,141</u>	<u>3,775,229</u>	<u>2,115,976</u>	<u>2,740,531</u>

16. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	4,022,192	8,675,909	4,022,192	8,675,909
Trade creditors	418,104	458,112	61,221	88,838
Amounts owed to group undertakings	16,188,241	3,804,577	2,827,697	2,851,186
Corporation tax	445,542	821,271	-	-
Other taxation and social security	284,630	226,257	51,301	10,978
Other creditors	779,381	727,794	20,933	22,773
Accruals and deferred income	4,626,198	20,104,801	2,654,407	7,718,769
	<u>26,764,288</u>	<u>34,818,721</u>	<u>9,637,751</u>	<u>19,368,453</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 £46,909,473 (2016 - £43,158,329).

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

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	42,887,280	34,482,420	42,887,280	34,482,420
	<u>42,887,280</u>	<u>34,482,420</u>	<u>42,887,280</u>	<u>34,482,420</u>

18. Loans

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	4,022,192	8,675,909	4,022,192	8,675,909
	<u>4,022,192</u>	<u>8,675,909</u>	<u>4,022,192</u>	<u>8,675,909</u>
Amounts falling due 1-2 years				
Bank loans	4,022,193	1,711,425	4,022,193	1,711,425
	<u>4,022,193</u>	<u>1,711,425</u>	<u>4,022,193</u>	<u>1,711,425</u>
Amounts falling due 2-5 years				
Bank loans	38,865,087	32,770,995	38,865,087	32,770,995
	<u>38,865,087</u>	<u>32,770,995</u>	<u>38,865,087</u>	<u>32,770,995</u>
	<u>46,909,472</u>	<u>43,158,329</u>	<u>46,909,472</u>	<u>43,158,329</u>

GRAHAM CARE (YB) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(10,405,981)	(8,900,296)
Charged in the year	1,130,252	(1,505,685)
At end of year	<u>(9,275,729)</u>	<u>(10,405,981)</u>

Company

	2017 £	2016 £
At beginning of year	(951,813)	(8,752,949)
Charged in the year	51,696	7,801,136
At end of year	<u>(900,117)</u>	<u>(951,813)</u>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(581,030)	(326,620)	(162,155)	(56,825)
Deferred tax on revaluation gains	(8,694,699)	10,079,361)	(737,962)	(894,988)
	<u>(9,275,729)</u>	<u>(10,405,981)</u>	<u>(900,117)</u>	<u>(951,813)</u>

20. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
4,000 Ordinary Shares shares of £1 each	<u>4,000</u>	<u>4,000</u>

GRAHAM CARE (YB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. 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.

22. 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 £2,168 (2016 - £1,500) which is included within Wages and salaries. Contributions totalling £290 (2016 - £125) were payable to the fund at the balance sheet date and are included in other creditors

23. Related party transactions

During the year, the company purchased consultancy services totaling £30,000 (2016 - £30,000) from Graham Associates, a partnership controlled by the directors. At the year end, £30,000 (2016 - £nil) were owed to the partnership.

During the year, the company made donations totaling £39,600 (2016 - £39,600) to Christianity Explored, a charitable company to which the director W E Graham is a trustee and director of.

The company is a wholly owned subsidiary and accordingly has taken the exemptions provided within paragraph 33.1A of FRS 102 and therefore transactions with group companies have not been disclosed.

24. 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.