Court Cavendish Limited

Directors' report and consolidated financial statements

Year ended 28 February 2017

Company registration number: 04290684

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Strategic report

The directors present their Strategic report on the affairs of the Group for the year ended 28 February 2017.

Principal activities

The principal activities of the Group comprise:

- The supply of Management and Consulting services specialising in turnarounds of Social Care and Health Care organisations that support vulnerable people and are highly regulated;
- Provision of residential care, domiciliary care and supported living services for people with learning disabilities and complex needs including mental health needs; and
- Luxury safari experiences to families, groups of friends and couples in the Madikwe Game Reserve in South Africa.

Business review

The results for the year are set out in the consolidated profit and loss account on page 9 and the position of the group as at the year end is set out in the consolidated balance sheet on page 11.

The directors do not recommend the payment of a final dividend (*Prior year: £nil*). The profit for the financial period has been added to reserves.

Subsequent to the year end, the directors declared an interim dividend, in respect of the year ending 28 February 2019, of £3 million which was paid on 30 June 2017.

Turnover has increased by 11.9% to £70.0m following a full year of trade from the acquisitions of CMG Holdco Limited in the prior year and additional trade from acquisitions made during the current year.

The core operating business has also performed strongly which is shown through the 16.9% increase in cash flows from operations, increasing from £11.2m to £13.1m.

As the Group is focussed on the health and care sector, the performance of the Group can be impacted by external factors. The principal factors are changes in the UK government's policy towards outsourcing of health and care, changes in the regulatory regime and competitive threats from other independent providers.

Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by home, occupancy and achieved gross profit margin.

During the year the Group acquired the trading assets of The Hartley Centre and also acquired the entire share capital of Embrace Lifestyles (C) Limited, Helene Care Limited, Sevilles Limited and Philori Care Limited. Details of these acquisitions are set out in note 26.

In October 2016, the Group disposed of the freehold interest in twenty four supported living properties for a consideration of £29 million. The proceeds were used to repay £20 million of the bank loans.

In November 2016, the Group sold its Domiciliary Care portfolio to Berkeley Care for sale proceeds of £3.6 million.

Refer to the Going Concern section below for further details on the recent trading activities of the Group and Company.

Strategic report *(continued)*

Business review *(continued)*

In September 2016, the Company acquired 300,000 ordinary shares of £1 each (20.28% of the issued share capital) in Red Rickshaw Limited (an on-line Asian grocery company).

On 7 October 2016, CMG Holdco Limited repaid £1.5 million 12% Fixed Rate Notes due 2021 plus interest accrued of £149,000 to the Company.

Management team

The Group continues to develop its management team, including the culture and ability to respond to sector developments, ensuring that at all times the Group's policies, procedures and ethos maintain a vision for its service users away from institutional settings and into community-based services and accommodation affording more choice and independence.

The Group continues to communicate with transparency to staff, service users and purchasers.

Future prospects

There are growth opportunities in the healthcare sector for the Group, which continues to have a strong reputation. The Group remains well placed to deliver organic growth, supplemented by appropriate acquisitions.

Details of transaction post year end are detailed in note 32.

Principal risks and uncertainties

The directors have assessed the level of risk within the business and believe it to be similar to comparable UK based care and support organisations where robust working capital management and good purchaser relations are essential to the future well-being of the Group. The directors believe that the current controls and processes within the business are appropriate and adequate to achieve this position.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees the policies for managing each of these risks as follows:

- ***Interest rate risk***

  The Group finances its operations through a mixture of retained profit and long term loans. The Group borrows at both fixed and floating rates of interest. Interest rate projections are reviewed on a regular basis to determine whether future hedging may be required.

- ***Liquidity risk***

  The Group's policy throughout the period has been that committed facilities are maintained at levels to ensure all planned requirements are met.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

- ***Credit risk***

  The Group's principal financial assets are cash and trade receivables. The Group invests significantly to retain and improve the quality of its service offering. Trade receivables are reviewed on a regular basis to ensure they are collectable. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. Based on the nature of the business, there is no significant concentration of credit risk, with risk spread over many customers.

Going Concern

The directors have carefully considered the going concern basis underlying the preparation of the Group financial statements.

Recent trading activity across the Group has been in line with expectations. Referral levels have been maintained during the period and the quality of the services continued to improve which in turn lead to improved occupancy levels. This occupancy growth is expected to continue in the following year. The Group is cash generative and funds have been continued to be reinvested to increase capacity levels and drive growth.

Management have prepared detailed forecasts for the Group for the period to February 2021. Net debt levels, servicing costs and covenant requirements are closely monitored and managed according to strict management processes. Management have considered the expected availability of working capital and achievement of covenants required.

The directors believe that the Group and the Company are well placed to manage its risks successfully despite the current economic conditions which create uncertainty.

Based on their forecast review and other factors described above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Strategic report *(continued)*

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. During the period, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 28 February 2017 were equivalent to 5 days' purchases (2016: 22 days), based on the average daily amount invoiced by suppliers during the period.

Approved by the Board of Directors and signed by order of the Board on 29 November 2017.

Catherine Valenti
Company Secretary

The Care House
Randalls Way
Leatherhead
Surrey
KT22 7TP

Directors' report

Directors

The directors who served the Company during the year and since the year end were as follows:

Dr Chaitanya Patel	
Mr David Spruzen	(resigned: 28 February 2017)
Mrs Katharine Patel	
Miss Catherine Valenti	(appointed: 28 February 2017)

Matters covered in the Strategic Report

Disclosures of strategic importance that would usually be contained in the Directors' Report are presented in the Strategic Report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Kingston Smith LLP were appointed as auditor during the year. Kingston Smith LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board on 29 November 2017.

Catherine Valenti

Catherine Valenti
Company Secretary

The Care House
Randalls Way
Leatherhead
Surrey
KT22 7TP

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the 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 Group and the company 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

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

Independent auditors' report to the members of Court Cavendish Limited

We have audited the financial statements of Court Cavendish Limited for the year ended 28 February 2017 which comprise the Consolidated profit and loss account, the Consolidated statement of comprehensive income, The Consolidated and Parent Company balance sheets, The Consolidated and Parent Company Statement of Changes in Equity, the Group Cash flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practicing Board's (APB'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 of the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information which 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 28 February 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.

Independent auditors' report to the members of Court Cavendish Healthcare Management Services Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements, and the Directors' Report has 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 company and its environment obtained during the course of the audit, we have not identified material mis-statement in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report.

Jonathan Sutcliffe FCA (Senior Statutory Auditor) for and on behalf of Kingston Smith LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 November 2017

Devonshire House
60 Goswell Road
London
EC1M 7AD

Consolidated profit and loss account
for the year ended 28 February 2017

	Note	Continuing operations £000	Discontinued operations £000	Total 2017 £000	2016 £000
Turnover	2	**66,861**	**3,154**	**70,015**	62,544
Cost of sales		**(37,473)**	**(2,302)**	**(39,775)**	(34,548)
Gross profit		**29,388**	**852**	**30,240**	27,996
Administrative expenses		**(17,401)**	**(348)**	**(17,749)**	(18,497)
Operating profit		**11,987**	**504**	**12,491**	9,499
Income from fixed asset investments	7	**164**	**-**	**164**	191
Other interest receivable and similar income	7	**175**	**-**	**175**	48
Interest payable and similar charges	8	**(3,606)**	**-**	**(3,606)**	(5,352)
Other gains and losses		**-**	**6,368**	**6,368**	-
Profit on ordinary activities before taxation	3	**8,720**	**6,872**	**15,592**	4,386
Tax on profit on ordinary activities	10	**(1,813)**	**(88)**	**(1,901)**	(1,519)
Profit for the financial year	3	**6,907**	**6,784**	**13,691**	2,867

Discontinued operations relate to the elderly domiciliary care business that was disposed during the year and the sale of the supported living freehold properties (see note 27). All other operations were continuing during both years.

Consolidated Statement of Comprehensive Income
for the year ended 28 February 2017

	2017 £000	2016 £000
Profit for the financial year	13,691	2,867
Foreign exchange movements	144	(93)
Gains/(losses) arising on revaluation of tangible fixed assets	(14,977)	(455)
Deferred tax charge arising on revaluation of tangible fixed assets	4,085	743
Total comprehensive income	2,943	3,062
Profit for the financial year attributable to:		
Non-controlling interest	4,606	573
Equity shareholders of the company	9,085	2,294
	13,691	2,867
Total comprehensive income for the financial year attributable to:		
Non-controlling interest	376	662
Equity shareholders of the company	2,567	2,400
	2,943	3,062

Consolidated balance sheet
as at 28 February 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Goodwill – net balance	11		**9,125**		7,223
Tangible assets	13		**80,728**		112,268
Other investments	14		**2,846**		2,510
			92,699		122,001
Current assets					
Stocks	15	**41**		25	
Debtors due within one year	16	**6,086**		6,373	
Debtors due after more than one year	16	**201**		105	
Current asset investments	17	**4,034**		1,000	
Cash at bank and in hand		**12,992**		10,561	
Deferred tax asset	18	**435**		754	
		23,789		18,818	
Creditors: amounts falling due within one year	19	**(18,107)**		(24,365)	
Net current assets/(liabilities)			**5,682**		(5,547)
Total assets less current liabilities			**98,381**		116,454
Creditors: amounts falling due after more than one year	20		**(50,225)**		(64,896)
Provisions for liabilities and charges	21		**(6,164)**		(7,417)
Net assets			**41,992**		44,141
Capital and reserves					
Called up share capital	23		**278**		278
Share premium account			**515**		515
Revaluation reserve			**11,276**		17,902
Profit and loss account			**21,400**		12,207
Shareholders' funds			**33,469**		30,902
Non-controlling interests			**8,523**		13,239
Total capital employed			**41,992**		44,141

The financial statements of Court Cavendish Limited were approved by the board of directors and authorised for issue on 29 November 2017. They were signed on its behalf by:

Dr Chaitanya Patel
Director

Company balance sheet
as at 28 February 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments in subsidiary undertakings	12		**3,417**		3,417
Loans to subsidiary undertakings	12		**-**		1,500
Tangible assets	13		**56**		361
Other investments	14		**2,846**		2,510
			6,319		7,788
Current assets					
Debtors	16	**402**		360	
Current asset investments	17	**4,034**		1,000	
Cash at bank and in hand		**10,026**		1,671	
		14,462		3,031	
Creditors: amounts falling due within one year	19	**(591)**		(556)	
Net current assets			**13,871**		2,475
Total assets less current liabilities			**20,190**		10,263
Net assets			**20,190**		10,263
Capital and reserves					
Called up share capital	23		**278**		278
Share premium			**515**		515
Profit and loss account			**19,397**		9,470
Total shareholders' funds			**20,190**		10,263

The financial statements of Court Cavendish Limited were approved by the board of directors and authorised for issue on 29 November 2017. They were signed on its behalf by:

Dr Chaitanya Patel
Director

Consolidated and Company Statement of Changes in Equity
as at 28 February 2017

	Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Amount attributable to equity s'holders £'000	Non-controlling interests £'000	Total £'000
Group							
At 1 March 2015	**278**	**515**	**17,726**	**9,983**	**28,502**	**12,577**	**41,079**
Profit for the financial period	-	-	-	2,294	**2,294**	573	**2,867**
Foreign exchange movements	-	-	-	(70)	**(70)**	(23)	**(93)**
Movements in revaluation reserve	-	-	(276)	-	**(276)**	(179)	**(455)**
Deferred tax charge on movement in revaluation reserve	-	-	452	-	**452**	291	**743**
Total comprehensive income	**-**	**-**	**176**	**2,224**	**2,400**	**662**	**3,062**
At 29 February 2016	**278**	**515**	**17,902**	**12,207**	**30,902**	**13,239**	**44,141**
Profit for the financial period	-	-	-	9,085	**9,085**	4,606	**13,691**
Foreign exchange movements	-	-	-	108	**108**	36	**144**
Movements in revaluation reserve	-	-	(9,111)	-	**(9,111)**	(5,866)	**(14,977)**
Deferred tax charge on movement in revaluation reserve	-	-	2,485	-	**2,485**	1,600	**4,085**
Total comprehensive income	**-**	**-**	**(6,626)**	**9,193**	**2,567**	**376**	**2,943**
Dividends	-	-	-	-	-	(5,092)	**(5,092)**
At 28 February 2017	**278**	**515**	**11,276**	**21,400**	**33,469**	**8,523**	**41,992**

	Called-up share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Company				
At 1 March 2015	278	515	7,224	**8,017**
Profit for the financial period	-	-	2,246	**2,246**
At 29 February 2016	**278**	**515**	**9,470**	**10,263**
Profit for the financial period	-	-	9,927	**9,927**
At 28 February 2017	**278**	**515**	**19,397**	**20,190**

Consolidated cash flow statement
for the year ended 28 February 2017

	2017 £000	2016 £000
Net cash inflow from operating activities	**13,055**	11,171
Cash flows from investing activities		
Interest paid	**(3,545)**	(2,234)
Interest received	**260**	48
Income from fixed asset investments	**164**	191
Payments to acquire tangible fixed assets	**(6,784)**	(3,892)
Disposal of subsidiary	**3,122**	-
Disposal of tangible fixed assets	**30,626**	113
Payments to acquired fixed assets investments	**(337)**	(626)
Payments to acquire current asset investments	**(3,000)**	(1,000)
Disposal of current asset investments	**-**	905
Acquisition expenses	**(317)**	(296)
Payments to acquire subsidiaries (net of cash acquired)	**(8,410)**	(11,868)
Net cash flows from investing activities	**11,779**	(18,659)
Dividends to minority shareholders	**(5,092)**	-
New loans	**8,940**	74,960
Repayment of borrowings	**(25,881)**	(62,224)
Re-financing costs	**(370)**	(3,801)
Net cash flows from financing activities	**(22,403)**	8,935
Increase in net cash	**2,431**	1,447
Cash and cash equivalents at beginning of the year	**10,561**	9,114
Cash and cash equivalents at end of the year	**12,992**	10,561

Reconciliation of operating profit to net cash inflow from operating activities
for the year ended 28 February 2017

	2017	2016
	£000	£000
Operating profit	**12,491**	9,499
Depreciation	**2,921**	3,437
Amortisation of goodwill	**480**	349
Loss on disposal of intangible fixed assets	**-**	26
Loss on disposal of tangible fixed assets	**6**	22
Impairment of tangible fixed assets (through profit and loss)	**300**	339
Corporation tax paid	**(1,096)**	(2,299)
(Increase)/decrease in stocks	**(17)**	1
(Increase)/decrease in debtors	**(181)**	639
Decrease in creditors	**(1,849)**	(842)
Net cash inflow from operating activities	**13,055**	11,171

Notes to the financial statements

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently throughout the year and the previous period.

General information and basis of accounting

Court Cavendish Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is The Care House, Randalls Way, Leatherhead, Surrey, KT22 7TW. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Court Cavendish Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements have been rounded to the nearest thousand pounds.

Court Cavendish Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The directors have carefully considered the going concern basis underlying the preparation of the Group financial statements.

Recent trading activity across the Group has been in line with expectations. In the Care Services business, referral levels have been maintained during the year and the quality of the services continued to improve which in turn led to improved occupancy levels. This occupancy growth is expected to continue in the following year. The business is cash generative and funds have continued to be reinvested to increase capacity levels and drive growth.

Management have prepared detailed forecasts for the Group for the period to February 2021. Net debt levels, servicing costs and covenant requirements are closely monitored and managed according to strict management processes. Management have considered the expected availability of working capital and achievement of covenants required.

The directors believe that the Group and the Company are well placed to manage its risks successfully despite the current economic conditions which create uncertainty.

Based on the forecast review and other factors described above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to the end of February each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition. More information can be found in note 25 to these financial statements.

Related parties

In accordance with FRS 102 Section 22 Para 1A, transactions with other Group undertakings which are wholly owned by the Group have not been disclosed in these financial statements.

Results attributable to the Company

The result attributable to the Company is shown in the Statement of Changes in Equity. The Company has taken advantage of the exemption given in section 408 of the Companies Act 2006 not to present its profit and loss account.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recoded as Deferred Income and included as part of Creditors due within one year.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life which is 20 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold property	-	2% per annum on valuation on a straight line basis
Fixtures and fittings	-	15% per annum on cost on a reducing balance basis
Property improvements	-	5% per annum on cost on a straight line basis
Leasehold improvements	-	Shorter of the remaining lease term or 5% per annum on cost/valuation on a straight line basis

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Revaluation of properties

Individual freehold and leasehold properties are revalued to fair value every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. If management's assessment of the fair value of properties deems that they have not materially moved, a full revaluation is not performed. Assessment is made for impairment where indicators are present that could result in the reversal of any previously recognised surpluses, or a charge to the profit and loss account.

Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value (based on selling price less further costs to disposal). Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Taxation *(continued)*

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Pension costs

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and if this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably measured, no provisions is recognised and the item is disclosed as a contingent liability where material. Where the effect is material, the provision is determined by discounting the expected future cashflows.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in Other Comprehensive Income.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

iii) Fair value measurement (if applicable)

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGU') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

Critical accounting judgements are considered to be those which are also key sources of estimation which have been discussed below.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of their value in use to the Group. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

Revaluation of properties

Determining the fair value of freehold and leasehold properties at fair value requires an estimation based upon the market and cashflows of the assets. Management have engaged with a valuation specialist to address the risk of estimation uncertainty of revaluing properties.

Revenue recognition

An element of revenue due on contracts is receivable on a deferred basis. The accrued element of the income has been discounted based on an estimated length of the contract of 12 years and a 12% cost of capital has been applied. These estimates may differ from actual results due to a variety of factors, and the assumptions are assessed regularly to ensure they remain appropriate.

2 Segmental information

The Group is organised into the following business segments:

- Management services specialising in turnarounds of Social Care and Health Care organisations that support vulnerable people and are highly regulated
- Provision of residential care, domiciliary care and supported living services for people with learning disabilities and complex needs including mental health needs
- Luxury safari experiences to families, groups of friends and couples in the Madikwe Game Reserve in South Africa

The Group also has a central office, which carries out administrative and management activities.

Notes to the financial statements *(continued)*

2 Segmental information *(continued)*

Turnover by class of business

	2017	2016
	£000	£000
Total Sales		
Management Services	3,258	2,641
Care Services	66,841	60,042
Luxury safari experiences	616	385
	70,715	63,068
Inter-segment sales		
Management Services	(700)	(524)
Sales to third parties		
Management Services	2,558	2,117
Care Services	66,841	60,042
Luxury safari experiences	616	385
	70,015	62,544

Turnover by geographical segments

	2017	2016
	£000	£000
United Kingdom	67,038	60,165
Rest of Europe	179	122
North America	2,676	2,166
South Africa	58	55
Rest of the World	64	36
	70,015	62,544

Notes to the financial statements *(continued)*

2 Segmental information *(continued)*

Profit before tax

	2017 £000	2016 £000
Management Services	**2,124**	1,603
Care Services	**10,407**	8,081
Luxury safari experiences	**(40)**	(185)
Group operating profit	**12,491**	9,499
Income from fixed assets investments	**164**	191
Other interest receivable and similar income	**175**	48
Interest payable and similar charges	**(3,606)**	(5,352)
Other gains and losses	**6,368**	-
Profit on ordinary activities before taxation	**15,592**	4,386

Of the Group's profit before tax, £15,625,000 *(2016: £4,571,000)* arose in the United Kingdom and a loss of £33,000 arose in South Africa *(2016: loss of £185,000)*.

Net assets

	2017 £000	2016 £000
Management Services	**7,037**	4,000
Care Services	**66,122**	91,717
Luxury safari experiences	**1,541**	1,560
Net operating assets before net debt and goodwill	**74,700**	97,277
Net debt	**(41,833)**	(60,359)
Goodwill	**9,125**	7,223
Net assets	**41,992**	44,141

Note:

(1) Goodwill relates to the following segments:

	2017 £000	2016 £000
Care Services	**8,371**	6,424
Luxury safari experiences	**754**	799
	9,125	7,223

Notes to the financial statements *(continued)*

3 Profit on ordinary activities before taxation

	2017 £000	2016 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit related assurance services	**15**	14
Tax compliance	**2**	2
Other non-audit services	**22**	18
Depreciation and other amounts written off tangible fixed assets:		
Owned	**2,556**	3,080
Leased	**365**	357
Impairment of tangible fixed assets recognised in the profit and loss account	**300**	339
Loss on disposal of tangible fixed assets	**-**	26
Loss on disposal of intangible fixed assets	**6**	22
Amortisation of intangible assets	**480**	349
Rentals under operating leases:		
Hire of plant and machinery	**2,710**	2,525
Other operating leases	**1,146**	861

The audit fee relating to the Company was £4,000 *(2016: £4,000)*.

A one off exceptional credit of £21,000 *(2016: credit of £275,000)* was recognised during the year in relation to the refinancing of the Group's loan facility.

The impairment charges have been recognised within administrative expenses.

4 Remuneration of directors

The Directors' aggregate emoluments in respect of qualifying services were as follows:

	2017 £000	2016 £000
Aggregate emoluments	**605**	825
Company contributions to money purchase pension schemes	**18**	18

The emoluments of the highest paid director were £291,000 *(2016: £465,000)* and company pension contributions of £18,000 *(2016: £nil)* were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to one *(2016: one)* director of the company under money purchase schemes.

Notes to the financial statements *(continued)*

5 Staff numbers

The average number of persons employed by the group (including directors) during the year, analysed by activity, was as follows:

	Number of employees 2017	2016
Management Services	**9**	9
Care Services	**2,160**	2,077
Luxury safari experiences	**17**	13
	2,186	2,099

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	**37,119**	33,443
Social security costs	**2,654**	2,365
Other pension costs	**407**	284
	40,180	36,092

The Company had four employees during the current year *(2016: four)*.

6 Pension commitments

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. The Group's pension costs for the year was £407,000 *(2016: £284,000)*. The outstanding contributions at 28 February 2017 were £45,000 *(2016: £39,000)*.

7 Investment income

	2017 £000	2016 £000
Income from other fixed asset investments	**164**	191
Interest receivable and similar income		
Interest receivable on bank deposits	**110**	48
Foreign exchange gains	**31**	-
Gains on current asset investments	**34**	-
	175	48

Notes to the financial statements *(continued)*

8 Interest payable and similar charges

	2017 £000	2016 £000
On bank loans and overdrafts	**2,760**	3,838
Amortisation of loan issue costs	**846**	1,514
	3,606	5,352

9 Other gains and losses

Other gains and losses were as follows:

	2017 £000	2016 £000
Profit on disposal of elderly domiciliary care business	**941**	-
Profit on disposal of supported living freehold interest	**5,427**	-
	6,368	-

During the year, the Group disposed of the elderly domiciliary care business (see note 27) and the supported living freehold interest in twenty four properties.

10 Tax on profit on ordinary activities

	2017 £000	2016 £000
Current taxation		
Current tax charge	**1,215**	1,066
Adjustment in respect of previous periods	**(34)**	18
Total current tax	**1,181**	1,084
Deferred tax		
Origination and reversal of timing differences	**1,185**	507
Adjustment in respect of previous periods	**(262)**	(137)
Effect of changes in tax rates	**(203)**	65
Total deferred tax debit	**720**	435
Total tax on profit	**1,901**	1,519

Notes to the financial statements *(continued)*

10 Tax on profit on ordinary activities (continued)

	2017 £000	2016 £000
Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	**15,592**	4,386
At standard rate of 20% *(2016: 20.1%)*	**3,118**	881
Effects of:		
Expenses not deductible for tax purposes	**1,568**	730
Adjustments from previous year	**(296)**	(119)
Income not taxable for tax purposes	**(2,257)**	(38)
Deferred tax previously not recognised	**(750)**	-
Tax rate change	**(203)**	65
Effect of gains	**721**	-
Total tax charge for the year	**1,901**	1,519

11 Intangible assets

Group	Positive goodwill £000	Negative Goodwill £000	**Total £000**
Cost			
At 1 March 2016	8,357	(701)	**7,656**
Additions (see note 25)	4,277	-	**4,277**
Disposals	(2,144)	-	**(2,144)**
At 28 February 2017	**10,490**	**(701)**	**9,789**
Amortisation			
At 1 March 2016	494	(61)	**433**
Charge for the year	515	(35)	**480**
Disposals	(249)	-	**(249)**
At 28 February 2017	**760**	**(96)**	**664**
Net book value			
At 28 February 2017	**9,730**	**(605)**	**9,125**
At 29 February 2016	7,863	(640)	**7,223**

The goodwill arising is being amortised over a period of 20 years on a straight line basis. This is the period over which the directors estimate that the value of the underlying business will exceed the value of the underlying assets.

Additions are comprised of the trade and asset purchase of The Hartley Centre on 20 October 2016 and the acquisition of Embrace Lifestyles (C) Limited on 19 July 2016, Helene Care Limited on 30 September 2016, Sevilles Limited on 21 December 2016 and Philori Care Limited on 10 January 2017.

Disposals relate to the sale of the elderly domiciliary care business on 16 November 2016.

Notes to the financial statements *(continued)*

12 Investments in subsidiary undertakings

Company	£000
Cost	
At 1 March 2016 and 28 February 2017	3,417
Provisions	
At 1 March 2016 and 28 February 2017	-
Net book value	
At 28 February 2017	**3,417**
At 29 February 2016	3,417

The subsidiary undertakings in which the company's direct interests at the year end are more than 20% are as follows:

	Principal activities	Class and percentage of share held
Court Cavendish Healthcare Management Services Limited *	Provision of management and consulting services	100% ordinary
Angarha Experience (Pty) Ltd *	Luxury safari experiences	75% ordinary
CMG Holdco Limited *	Holding Company	60.83% ordinary
Care Management Group (Acquisition) Limited	Holding Company	100% ordinary
Care Management Group (UK) Limited	Dormant Company	100% ordinary
Care Management Group (Holdings) Limited	Dormant Company	100% ordinary
Care Management Group Limited	Running Care Homes	100% ordinary
Care Management Group (Southern) Limited	Dormant Company	100% ordinary
CMG Homes Limited	Agency services for Parent Company	100% ordinary
Care Management Group (Cymru) Limited	Running Care Homes	100% ordinary
Blocklin House Limited	Dormant Company	100% ordinary
Care Management Group Trustees Limited	Dormant Company	100% ordinary
Victoria House (UK) Limited	Dormant Company	100% ordinary
Wherewelive Limited	Dormant Company	100% ordinary
Wherewelive Care Group Limited	Dormant Company	100% ordinary
Solent Residential Homes Limited	Dormant Company	100% ordinary
Pathways (Trebanos) Limited	Dormant Company	100% ordinary
Farisean Limited	Dormant Company	100% ordinary
Alderwood LLA Limited	Dormant Company	100% ordinary
CMG (Enfield) Limited	Dormant Company	100% ordinary
Helene Care Limited	Dormant Company	100% ordinary
Sevilles Limited	Dormant Company	100% ordinary
Philori Care Limited	Dormant Company	100% ordinary

* interests held directly by the company.

Notes to the financial statements *(continued)*

12 Investments in subsidiary undertakings (continued)

Court Cavendish Limited holds the entire issued share capital and voting rights of Court Cavendish Health Management Services Limited, 75% of Angarha Experience (Pty) Limited and 60.83% of CMG HoldCo Limited.

CMG Holdco Limited holds the entire issued share capital and voting rights of Care Management Group (Acquisition) Limited.

Care Management Group (Acquisition) Limited holds the entire issued share capital and voting rights of Care Management Group (UK) Limited.

Care Management Group (UK) Limited holds the entire issued share capital and voting rights of Care Management Group (Holdings) Limited and Care Management Group Trustees Limited.

Care Management Group (Holdings) Limited holds the entire issued share capital of Care Management Group Limited, which in turn holds the entire issued share capital of Care Management Group (Southern) Limited, CMG Homes Limited, Care Management Group (Cymru) Limited, Victoria House (UK) Limited, Wherewelive Limited, Wherewelive Care Group Limited, Solent Residential Homes Limited, Pathways (Trebanos) Limited, Alderwood LLA Limited, Farisean Limited, Embrace Lifestyles (C) Limited, Helene Care Limited, Sevilles Limited, Philori Care Limited and Blocklin Limited.

The Group disposed of the elderly domiciliary care business on 16 November 2016.

All subsidiary undertakings are registered in England and Wales with the same registered office as that of the company (The Care House, Randalls Way, Leatherhead, Surrey, KT22 7TW) with the following exception of Angarha Experience (Pty) Limited which is registered in South Africa. All companies are included in the consolidated financial statements.

By virtue of S479A, Care Management Group (UK) Limited (number 04582476) and Blocklin House Limited (number 01213132) were entitled to exemption from audit. The members of these companies have not required them to obtain an audit of their financial statements for the year ended 28 February 2017.

Notes to the financial statements *(continued)*

13 Tangible assets

Group	Freehold property £'000	Fixtures and fittings Property portfolio £'000	Fixtures and fittings Other £'000	Motor vehicles/ plane £'000	Property improve-ments £'000	Leasehold improve-ments £'000	Total £'000
Cost/valuation							
At 1 March 2016	92,191	4,600	1,304	391	12,692	7,088	**118,266**
Exchange adjustment	259	59	-	27	-	-	**345**
Businesses acquired	5,174	-	-	-	-	-	**5,174**
Additions	3,620	809	-	13	1,947	157	**6,546**
Revaluation	3,005	-	-	-	-	-	**3,005**
Disposals	(40,828)	(1,151)	-	-	(3,383)	-	**(45,362)**
At 28 February 2017	**63,421**	**4,317**	**1,304**	**431**	**11,256**	**7,245**	**87,974**
Accumulated depreciation							
At 1 March 2016	2,738	855	396	6	1,189	814	**5,998**
Exchange adjustment	124	59	-	16	-	-	**199**
Charge for the year	1,361	485	127	11	572	365	**2,921**
Impairment	-	-	-	300	-	-	**300**
Disposals	(1,513)	(274)	-	-	(385)	-	**(2,172)**
At 28 February 2017	**2,710**	**1,125**	**523**	**333**	**1,376**	**1,179**	**7,246**
Net book value							
At 28 February 2017	**60,711**	**3,192**	**781**	**98**	**9,880**	**6,066**	**80,728**
At 29 February 2016	89,453	3,745	908	385	11,503	6,274	112,268

The tangible fixed assets are pledged as security against the Group external loan. See note 20 for further details.

On 20 March 2015, Christie & Co (independent RICS qualified valuators and part of Christie Group plc) used the Royal Institution of Chartered Surveyors ('RICS') Appraisal and Valuation Manual (the 'Red Book') to value the property portfolio (on an aggregate basis) of the Group on a VPGA 4 basis at £100.5m.

Cushman & Wakefield LLP (acting as External Valuers in accordance with the RICS professional standards) have reviewed the value of the remaining portfolio at 28 February 2017 on a desk top basis only to support Managements determination that the valuation has not subsequently changed materially. The significant assumptions used within the valuation were the determination of fair maintainable trade and a multiplier for each property.

Cushman & Wakefield were also engaged to perform a valuation on the acquired property portfolio of Helene Care Limited and Philori Care Limited. The properties valued at £2.6m and £2.8m respectively. They were also engaged to perform a desk top valuation of properties individually acquired or developed by the Group.

Freehold properties would have a carrying value of £29.6 million *(2016: £37.6 million)* if properties had been carried under the cost model.

Impairments have been recognised on properties where they have been sold at a lower amount to the carrying value.

Notes to the financial statements *(continued)*

13 Tangible assets *(continued)*

Company	**Land and buildings** £000	**Fixtures and fittings** £000	**Plane** £000	**Total** **£000**
Cost				
At 1 March 2016 and 28 February 2017	52	54	350	**456**
Accumulated depreciation				
At 1 March 2016	41	54	-	**95**
Charge for the year	5	-	-	**5**
Impairment	-	-	300	**300**
At 28 February 2017	**46**	**54**	**300**	**400**
Net book value				
At 28 February 2017	**6**	**-**	**50**	**56**
At 29 February 2016	11	-	350	361

Notes to the financial statements *(continued)*

14 Other investments

Group and Company

	2017 £000	2016 £000
Capital contribution in FC Skyfall Investors Parent LLC	**1,825**	1,825
Shares in Jazz FM Limited	**86**	86
Beaverbrook Golf Club	**135**	99
West Sunderland Farm Company Limited	**500**	500
Regeneration (UK) Limited	**-**	-
Red Rickshaw Limited	**300**	-
	2,846	2,510

15 Stocks

	2017 £000	2016 £000
Group		
Consumable supplies	**41**	25

16 Debtors

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Due within one year				
Trade debtors	**2,410**	**-**	2,374	161
Amounts due from subsidiary undertakings	**-**	**77**	-	38
Corporation tax recoverable	**-**	**-**	5	5
Other debtors	**629**	**216**	563	95
Prepayments and accrued income	**3,047**	**109**	3,431	61
	6,086	**402**	6,373	360
Due after more than one year				
Prepayments and accrued income	**201**	**-**	105	-
	6,287	**402**	6,478	360

Amounts owed by subsidiary undertakings are unsecured and interest free *(2016: unsecured and incurring interest at 9.25%)*.

Notes to the financial statements *(continued)*

17 Current asset investments

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Listed investments at fair value	**4,034**	**4,034**	1,000	1,000

18 Deferred tax asset

Group	£000
At 1 March 2016	754
Charged to the profit and loss account	(319)
At 28 February 2017	**435**

	2017 £000	2016 £000
Accelerated capital allowances	**-**	28
Other short term timing differences	**435**	726
	435	754

19 Creditors: amounts falling due within one year

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Bank loans	**4,600**	**-**	6,024	-
Trade creditors	**492**	**50**	1,317	51
Amounts due to subsidiary undertakings	**-**	**314**	-	433
Corporation tax payable	**484**	**124**	156	-
Other taxes and social security	**691**	**29**	951	19
Other creditors	**2,359**	**9**	5,252	-
Accruals and deferred income	**9,481**	**65**	10,665	53
	18,107	**591**	24,365	556

Other creditors includes a balance of £56,000 (*2016: £nil*) representing a deferred payment to the former shareholders of Philori Care Limited, £32,000 (*2016: £nil*) representing a deferred payment to the former shareholders of Sevilles Limited, £98,000 (*2016: £nil*) representing a deferred payment to the purchaser of CMG (Domiciliary Care Investments) Limited, and a deferred payment to the former shareholders of Alderwood LLA Limited, of £nil (*2016: £1,726,000*) All amounts are not contingent on any terms and are payable within one year.

Amounts due to subsidiary undertakings are unsecured and interest free.

Notes to the financial statements *(continued)*

20 Creditors: amounts falling due after more than one year

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Bank loans	**50,225**	-	64,896	-

Analysis of debt:

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Debt can be analysed as falling due:				
Less than one year	**4,600**	-	6,024	-
More than two years but not more than five years	**53,420**	-	4,500	-
More than five years	-	-	64,436	-
Un-amortised issue costs	**(3,195)**	-	(4,040)	-
	54,825	-	70,920	-

Interest charged on the bank loans is at a rate of 2.5% - 3.25% over base rate per annum. The bank loans comprise loans secured by floating charges over the assets of the Group.

Bank loans are secured on assets of the Group.

21 Provisions for liabilities and charges

	Deferred tax £000	Property dilapidations £000	Group £000
At 1 March 2016	6,542	875	7,417
Additions	2,562	-	2,562
Utilised in the year	(3,675)	(140)	**(3,815)**
At 28 February 2017	**5,429**	**735**	**6,164**

Notes to the financial statements *(continued)*

21 Provisions for liabilities and charges *(continued)*

The deferred tax liability arises on the revaluation of investment property. Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

The property provision relates to the cost of bringing the properties back to the required state of repair at the end of the lease.

	2017	2016
	£000	£000
At beginning of the financial year	**5,788**	6,071
Charged to the profit and loss account	**982**	435
Adjustment in respect of prior years credited to profit and loss account	**(262)**	-
Arising on acquisitions (note 26)	**2,562**	-
Credited to other comprehensive income	**(1,028)**	(743)
Movement arising on the disposal of properties credited to other comprehensive income	**(3,057)**	-
Other	**9**	25
At end of the financial year	**4,994**	5,788
Analysed as:		
Deferred tax asset	**(435)**	(754)
Deferred tax liability	**5,429**	6,542
	4,994	5,788

	2017	2016
	£000	£000
Fixed asset timing differences	**541**	(28)
Short term timing differences	**(435)**	(726)
On revaluation	**4,888**	6,542
	4,994	5,788

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2016.

Subsequently, The Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax assets and liability as at 28 February 2017 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future years.

Notes to the financial statements *(continued)*

22 Financial instruments

The carrying amount of the Group's financial assets and liabilities are summarised by category below:

	Group 2017 £000	Group 2016 £000
Financial assets		
Measured at fair value		
Current asset listed investments	**4,034**	1,000
Measured at undiscounted amount receivable		
Trade and other debtors	**5,528**	5,841
	9,562	6,841
Financial liabilities		
Measured at amortised cost		
Bank loans	**54,825**	64,896
Measured at undiscounted amount payable		
Trade and other creditors	**13,143**	18,149
	67,968	83,045

The Group's income, expenses, gains and losses in respect of financial instruments are summarised below:

	Group 2017 £000	Group 2016 £000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	**3,715**	5,378

23 Called up share capital

	Number of shares	2017 £000	Number of shares	2016 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**277,778**	**278**	277,778	278

The ordinary shares carry one vote per share. Each share is entitled pari-passu to dividend payments or any other distributions. Each share is entitled pari-passu to participate in a distribution arising from a winding up of the company. Each share is non-redeemable.

Notes to the financial statements *(continued)*

24 Reconciliation of net cash flow to movement in net debt

	2017 £000	2016 £000
Increase in cash in the year	**2,431**	1,447
Cash flow from movement in net debt	**17,311**	(8,935)
Change in net debt resulting from cash flows	**19,742**	(7,488)
Capitalised refinancing costs	-	427
Capitalised interest	**(370)**	(921)
Amortisation of debt issue costs	**(846)**	(1,514)
Movement in net debt	**18,526**	(9,496)
Net debt at the beginning of the year	**(60,359)**	(50,863)
Net debt at the end of the year	**(41,833)**	(60,359)

25 Analysis of net debt

	At 1 Mar 2016 £000	Cash flow £000	Capitalised interest £000	Capitalised debt issue costs £000	At 28 Feb 2017 £000
Cash in hand, at bank	10,561	2,431	-	-	**12,992**
Bank debts	(70,920)	17,311	(370)	(846)	**(54,825)**
	(60,359)	19,742	(370)	(846)	**(41,833)**

Notes to the financial statements *(continued)*

26 Acquisition of businesses

Impact to turnover and profits

None of the acquisitions contributed a material amount to revenue or profits due to timing of acquisitions, but in aggregate contributed an additional £951,000 of turnover and £273,000 of profit.

a) Acquisition of Embrace Lifestyles (C) Limited

The acquisition of Embrace Lifestyles (C) Limited was completed on 18 July 2016. The fair value of the total consideration was £424,000.

	£'000
Cash consideration	378
Acquisition costs	46
Total consideration	424
Provisional fair value of net assets acquired	(16)
Goodwill	**408**

The provisional fair value and book value of net assets acquired are broken down as follows:

Debtors	64
Creditors	(48)
	16

Net cash outflow as a result of the acquisition comprised:

Consideration	424
Cash at bank and in hand acquired	-
	424

Subsequent to the acquisition and on the same day, the business of Embrace Lifestyles (C) Limited was hived up into Care Management Group Limited as part of a Group Reconstruction transaction. Merger accounting was used in the hive up as allowed under FRS 102. The names of the company was changed to CMG (Enfield) Limited.

Notes to the financial statements *(continued)*

26 Acquisition of businesses *(continued)*

b) Acquisition of Helene Care Limited

The acquisition of Helene Care Limited was completed on 29 September 2016. The fair value of the total consideration was £2,705,000.

	£'000
Cash consideration	2,612
Acquisition costs	93
Total consideration	2,705
Provisional fair value of net assets acquired	(2,183)
Goodwill	**522**

The provisional fair value and book value of net assets acquired are broken down as follows:

Fixed assets	2,604
Debtors	25
Cash	86
Creditors	(37)
Corporation tax	(52)
Deferred tax	(443)
	2,183

Net cash outflow as a result of the acquisition comprised:

Consideration	2,705
Cash at bank and in hand acquired	(86)
	2,619

Subsequent to the acquisition and on the same day, the business of Helene Care Limited was hived up into Care Management Group Limited as part of a Group Reconstruction transaction. Merger accounting was used in the hive up as allowed under FRS 102.

Notes to the financial statements *(continued)*

26 Acquisition of businesses (continued)

c) Acquisition of the trading assets of The Hartley Centre

The acquisition of the trading assets of The Hartley Centre was completed on 20 October 2016. The fair value of the total consideration was £430,000.

	£'000
Cash consideration	400
Acquisition costs	30
Total consideration	430
Provisional fair value of net assets acquired (see below)	-
Goodwill	**430**

Net cash outflow as a result of the acquisition comprised:

Consideration	430
Cash at bank and in hand acquired	-
	430

d) Acquisition of Sevilles Limited

The acquisition of Sevilles Limited was completed on 21 December 2016. The fair value of the total consideration was £477,000.

	£'000
Cash consideration	419
Acquisition costs	58
Total consideration	477
Provisional fair value of net assets acquired	(45)
Goodwill	**432**

The provisional fair value and book value of net assets acquired are broken down as follows:

Debtors	102
Cash	3
Creditors	(60)
	45

Notes to the financial statements *(continued)*

26 Acquisition of businesses *(continued)*

Net cash outflow as a result of the acquisition comprised:

Consideration	477
Cash at bank and in hand acquired	(3)
	474

Subsequent to the acquisition and on the same day, the business of Sevilles Limited was hived up into Care Management Group Limited as part of a Group Reconstruction transaction. Merger accounting was used in the hive up as allowed under FRS 102.

e) *Acquisition of Philori Care Limited*

The acquisition of Philori Care Limited was completed on 9 January 2017. The fair value of the total consideration was £3,221,000.

	£'000
Cash consideration	3,131
Acquisition costs	90
Total consideration	3,221
Provisional fair value of net assets acquired	(2,406)
Goodwill	**815**

The provisional fair value and book value of net assets acquired are broken down as follows:

Fixed assets	2,770
Debtors	61
Cash	111
Creditors	(36)
Corporation tax	(29)
Deferred tax	(471)
	2,406

Net cash outflow as a result of the acquisition comprised:

Consideration	3,221
Cash at bank and in hand acquired	(111)
	3,110

Subsequent to the acquisition and on the same day, the business of Philori Care Limited was hived up into Care Management Group Limited as part of a Group Reconstruction transaction. Merger accounting was used in the hive up as allowed under FRS 102.

Notes to the financial statements *(continued)*

26 Acquisition of businesses *(continued)*

f) *Measure period adjustments to provisional acquisition accounting for Alderwood LLA Limited*

Provisional acquisition accounting was presented in the 2016 financial statements. In the year subsequent to acquisition, we have finalised the acquisition accounting which is shown in the table below:

	As provisionally stated £000	Measurement period adjustments £000	Final £000
Cash consideration	9,626	-	**9,626**
Acquisition costs	161	16	**177**
Total consideration	9,787	16	**9,803**
Fair value of net assets acquired	(9,522)	1,649	**(7,873)**
Goodwill	265	1,665	**1,930**
Fair value of net assets acquired			
Fixed assets	9,159	-	**9,159**
Debtors	840	-	**840**
Cash	532	-	**532**
Creditors	(1,009)	-	**(1,009)**
Deferred tax	-	(1,649)	**(1,649)**
	9,522	(1,649)	**7,873**

g) *Measure period adjustments to provisional acquisition accounting for Farisean Limited*

Provisional acquisition accounting was presented in the 2016 financial statements. In the year subsequent to acquisition, we have finalised the acquisition accounting which is shown in the table below:

	As provisionally stated £000	Measurement period adjustments £000	Final £000
Cash consideration	2,579	-	**2,579**
Acquisition costs	89	5	**94**
Total consideration	2,668	5	**2,673**
Fair value of net liabilities acquired	274	-	**274**
Goodwill	2,942	5	**2,947**

No amendments have been made to the fair value of net assets acquired.

Notes to the financial statements *(continued)*

27 Sale of subsidiary undertaking

On 16 November 2016 the Group sold its 100 per cent interest in the ordinary share capital of CMG (Domiciliary Care Investment) Limited which included investments in Care Your Way Limited, Convivium Care Limited, Eve Personnel Homecare Limited, Care & Company Limited, Starr Care Limited, Rainbow Care Limited and Belgravia Nursing & Care Bureau Limited "The Disposal Group". The profit of the Disposal Group up to the date of disposal was £504,000, and for its last financial year was £786,000.

Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed assets	2
Related goodwill	1,895
Working capital	274
Corporation tax	(88)
	2,083
Profit on sale	941
Sale proceeds	**3,024**
Satisfied by:	
Cash and cash equivalents	3,475
Disposal costs	(353)
Deferred payment	(98)
	3,024

Net cash inflows in respect of the sale comprised:

Cash and cash equivalents	3,475
Disposal costs	(353)
	3,122

There were no disposals of subsidiaries in 2016. The deferred payment will be settled in cash by the Group on or before 30 June 2016 and represent sums due to the purchasing for the working capital adjustments and corporation tax payable. The profit on sale is included in the results of discontinued operations.

Notes to the financial statements *(continued)*

28 Contingent liabilities

Guarantees

CMG Holdco Limited (a subsidiary company) is party to cross guarantees for the bank debts due on all companies within the CMG Holdco Group. Total amounts due as at 28 February 2017 amounted to £58,020,000 *(2016: £74,960,000)*.

At the year end, CMG Holdco Limited had pledged financial support to Care Management Group (UK) Limited.

29 Lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	**1,993**	**744**	2,071	436
In two to five years	**6,874**	**988**	8,013	737
After five years	**8,061**	**-**	12,441	-
	16,927	**1,732**	22,525	1,173

30 Related party disclosures

The company is exempt under the terms of FRS 102 Section 33 Paragraph 1A from disclosing related party transactions with entities that are part of the Court Cavendish Limited Group.

Dr CB Patel is a director of both CMG Holdco Limited and HC-One Limited. During the current year, transactions between CMG Holdco Limited and its subsidiaries and HC-One Limited totalled £155,000 *(2016: £155,000)*. At 28 February 2017, the balance due from HC-One was £nil *(2016: £nil)*.

Dr CB Patel is also a director of NHP Securities No. 3 Limited and NHP Securities No. 5 Limited. During the year ended 28 February 2017, transactions between CMG Holdco Limited, NHP Securities No. 3 Limited and NHP Securities No. 5 Limited totalled £1,171,000 *(2016: £1,262,000)*.

Dr CB Patel's family trust has a 10.7% share in the members' capital of FC Skyfall Investors Parent LLC (a Delaware Limited Liability Company). During the year ended 28 February 2017, transaction and asset management fees of £2,345,000 *(2016: £2,118,000)* were charged to FC Skyfall Holdings SPV Ltd (a wholly owned subsidiary of FC Skyfall Investors Parent LLC which is incorporated in the Cayman Islands). As at 28 February 2017, transaction and asset management fees of £244,000 *(2016: £105,000)* were due from FC Skyfall Holdings SPV – this amount has been disclosed in prepayments and accrued income. In addition dividends of £163,800 (2016: £191,000) were received.

Notes to the financial statements *(continued)*

30 Related party disclosures *(continued)*

At the 28 February 2017, Dr CB Patel had an interest bearing loan of £213,000 on which interest of £3,000 had been accrued. This balance was repaid in full on 30 June 2017.

D Spruzen is a shareholder and director of CMG Holdco Limited. During the current year, he received a dividend of £1,933,920 from CMG Holdco Limited.

31 Ultimate controlling party

The company was under the control of Dr CB Patel throughout the current year and the prior period by virtue of his 90% interest in the issued share capital of the company.

32 Post balance sheet events

Subsequent to the year end, the directors declared a dividend of £3 million which was paid on 30 June 2017.