Papillon Care Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 04598549

Papillon Care Limited

Company information

Directors	M C Glowasky P A Smith
Registered number	04598549
Registered office	2 Merchants Drive Parkhouse Carlisle CA3 0JW
Independent auditor	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX

Papillon Care Limited

Strategic Report
For the Year Ended 31 December 2018

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Business review and matters of strategic importance

The financial results for the year are a reflection of the trading conditions prevailing in the care home industry. During the calendar year 2018 the wider Butterfly group was re-organised. The impact on the company was that 7 of the care homes held at the beginning of the year were sold during the year for total consideration of £9,070,000. The values were based on valuations prepared by Colliers International.

The sale of the final care home held by the company, Brambie Lodge, was completed in March 2019 and was sold for consideration of £575,000.

Principal risks and uncertainties

During the year, like all business the company faced a number of operating risks and uncertainties. There were a number of risks that could have impacted on the company's long-term performance and steps were taken to understand and evaluate these.

The most fundamental risks faced by the company were:

- If the company failed to comply with regulation, regulatory action could include, among other penalties, the revocation of a care home licence to operate.
- The company could have suffered serious negative publicity if a serious incident was to occur at one of the care homes.
- If the average weekly fee increases continuously failed to keep pace with cost increases.
- Continued uncertainty around the status of EU nationals and other factors provided difficulty in the recruiting staff.

The key uncertainties affecting the financial statements are considered to be the valuation of properties and the bad debt provisions. Key factors taken into account in relation to these uncertainties are disclosed in note 3.

As the care home disposal prgramme was completed in March 2019, thse risks have somewhat reduced or eliminated since that date.

Financial key performance indicators

The key financial and operational performance indicators monitored by the management during the year included internal quality ratings, the results of regulatory reviews, ratings on social media, occupancy ratios, average weekly fee data and cost to revenue ratios.

Future developments

Given the successful care home disposal programme completed in March 2019, the directors are presently considering the future options for the company.

People

The directors recognise the benefits which arise from keeping employees informed of the company's progress. The company is therefore committed to providing its employees with information on a regular basis, to consulting with them on a regular basis so that their views and/or concerns may be taken into account in taking decisions which may affect their interests. The company aims to foster a working environment in which all employees are treated with courtesy and respect and seeks at all times to provide opportunities to develop and reach their full potential.

It is the company's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities. Wherever possible, the company will continue the employment of persons who become disabled during the course of their employment with the company through retraining, acquisition of special aids and/or equipment or the provision of suitable alternative equipment.

This report was approved by the board on 23 September 2019 and signed on its behalf.

P A Smith
Director

Directors' Report
For the Year Ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the company during the year was the provision of care and nursing services to around 170 people across seven operational care homes in the North East of England.

Results and dividends

The profit for the year, after taxation, amounted to £3,424,029 (2017 - loss £3,185,649).

The directors do not propose a dividend for the year (2017 - £Nil).

Directors

The directors who served during the year were:

M C Glowasky
P A Smith

Risk management

The company's main financial risks are related to its borrowings. The company's principal financial instruments comprise loans and cash as well as various items that arise directly from its operations, including trade debtors and trade creditors. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company.

The liquidity risk of the company is low because of the strong cash generation from operations and the use of loans for the funding of its major capital expenditure project.

The credit risk attributable to trade debtors is minimal as the majority of fees are paid by local authorities and the incidence of bad debt on private fee payers is minimal.

Post balance sheet events

As noted above, the care home disposal programme was completed in March 2019.

Disclosure of information to auditor

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's auditor is 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's auditor is aware of that information.

Papillon Care Limited

Directors' Report (continued)
For the Year Ended 31 December 2018

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23\9\19 and signed on its behalf.

P A Smith
Director

Papillon Care Limited

Directors' Responsibilities Statement
For the Year Ended 31 December 2018

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the company 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; and
- 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 company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Papillon Care Limited

Opinion

We have audited the financial statements of Papillon Care Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 auditor's 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.

Bdo LLP.

24 September 2019

Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Papillon Care Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	**4,649,376**	5,075,515
Cost of sales		**(3,559,045)**	(3,947,502)
Gross profit		**1,090,331**	1,128,013
Administrative expenses		**(1,023,279)**	(1,841,321)
Exceptional administrative expenses	9	**1,116,705**	(2,314,201)
Other operating income		**74,339**	45,362
Operating profit/(loss)	5	**1,258,096**	(2,982,147)
Gain on sale of fixed assets		**2,165,933**	-
Profit/(loss) before tax		**3,424,029**	(2,982,147)
Tax on profit/(loss)	8	**-**	(203,502)
Profit/(loss) for the financial year		**3,424,029**	(3,185,649)
Other comprehensive income for the year			
Revaluations of freehold properties (net of deferred tax)		**-**	99,595
Total comprehensive income/(deficit) for the year		**3,424,029**	(3,086,054)

All amounts relate to discontinued activities.

The notes on pages 12 to 23 form part of these financial statements.

Papillon Care Limited
Registered number: 04598549

Balance Sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	10		**575,000**		7,706,000
Current assets					
Debtors: amounts falling due within one year	11	**117,787**		695,713	
Cash at bank and in hand	12	**150,664**		307,695	
		268,451		1,003,408	
Creditors: amounts falling due within one year	13	**(4,142,531)**		(15,432,517)	
Net current liabilities			**(3,874,080)**		(14,429,109)
Net liabilities			**(3,299,080)**		(6,723,109)
Capital and reserves					
Called up share capital	14		**2**		2
Revaluation reserve	15		**-**		99,595
Profit and loss account	15		**(3,299,082)**		(6,822,706)
Total equity			**(3,299,080)**		(6,723,109)

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23 September 2019.

P A Smith
Director

The notes on pages 12 to 23 form part of these financial statements.

Papillon Care Limited

Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	2	-	(3,637,057)	(3,637,055)
Comprehensive income for the year				
Loss for the year	-	-	(3,185,649)	(3,185,649)
Surplus on revaluation of freehold property net of deferred tax	-	99,595	-	99,595
Other comprehensive income for the year	-	99,595	-	99,595
Total comprehensive income for the year	-	99,595	(3,185,649)	(3,086,054)
At 1 January 2018	2	99,595	(6,822,706)	(6,723,109)
Comprehensive income for the year				
Profit for the year	-	-	3,424,029	3,424,029
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,424,029	3,424,029
Transfer to profit and loss account	-	(99,595)	99,595	-
At 31 December 2018	2	-	(3,299,082)	(3,299,080)

1. General information

Papillon Care Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

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 management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Butterfly Group Healthcare Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2.3 Going concern

The company has disposed of its remaining homes since the year end. It had net current liabilities and net liabilities at the balance sheet date.

After making appropriate enquiries the directors have decided to continue to prepare the accounts on a going concern basis, based on the fact that the company's only significant creditor is a group undertaking. A letter of support has been obtained from the ultimate parent undertaking and the directors are therefore satisfied that the financial support will continue for the foreseeable future. Accordingly the financial statements do not include any adjustments that would arise if the financial support was withdrawn. It is not the intention of the directors to wind the company up in the short term and therefore the going concern is still considered appropriate.

2. Accounting policies (continued)

2.4 Revenue

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

Rendering of services

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

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

2.5 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.

Freehold property is stated at fair value (see note 2.6 below). Depreciation is charged on these assets over 100 years.

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

Depreciation is provided on the following basis:

Fixtures and fittings	-	10.00 - 15.00% per annum
Office equipment	-	25.00% per annum

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 statement of comprehensive income.

2. Accounting policies (continued)

2.6 Revaluation of tangible fixed assets

Freehold property is carried at fair value determined annually by the directors on the basis of reports compiled by external valuers. These reports provide both a market value and a range of values around this with a degree of sensitivity, based on the properties value on the open market, adjusted where necessary for any events since the balance sheet date that provide additional information about the condition of the asset at the balance sheet date, including offers that have been received for these assets.

Revaluation gains and losses are recognised as other comprehensive income in the statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 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.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and desposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2. Accounting policies (continued)

2.10 Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 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.

2.12 Leased assets: the company as lessee

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

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.14 Current and deferred taxation

Tax is recognised in the 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 operates and generates 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. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

Valuation of freehold property (note 10)

The fair value of freehold property is determined annually by the directors on information provided by valuations made by Colliers International, the company's independent property advisers. These reports provide both a market value and a range of values around this with a degree of sensitivity, based on the properties value on the open market, adjusted where necessary for any events since the balance sheet date that provide additional information about the condition of the asset at the balance sheet date, including offers that have been received for these assets.

Trade debtors (note 11)

The bad debt provision is considered via a review of the debtors listing, with debts provided for on a specific basis. Factors considered include customer payment history and aging.

Key accounting estimates and assumptions

No key accounting estimates and assumptions have been made in applying the entity's accounting policies.

4. Turnover

All turnover arose within the United Kingdom and was attributable to the company's main activity.

5. Operating profit/(loss)

The operating loss is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	**178,320**	141,188
Impairment charge of revaluation of freehold properties	**289,551**	852,168
Reversal of previous impairment charges on freehold properties	**-**	(348,961)
Exceptional administrative expenses - (reversal of) provision for intra group debtor balances	**(1,406,256)**	1,810,994
Pension cost	**25,587**	15,720

The audit fees for this company has been paid by another group company in both years.

During the period, no director received any emoluments (2017 - £Nil).

6. Other Operating Income

	2018 £	2017 £
Rental Income	**74,339**	45,362
	74,339	45,362

7. Staff costs

The average number of employees during the financial year / period including the directors, was as follows: Care staff - 317 (2017 - 245), management and admin - 10 (2017 - 10), total - 327 (2017 - 255).

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	**2,899,423**	3,221,461
Social security costs	**177,159**	208,730
Pension costs	**25,587**	15,720
	3,102,169	3,445,911

8. Taxation

	2018 £	2017 £
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	203,502
Total deferred tax	-	203,502
Taxation on profit on ordinary activities	-	203,502

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	3,424,029	(2,982,147)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	650,565	(574,063)
Effects of:		
Non taxable credits	(678,716)	-
Expenses not deductible for tax purposes	54,567	463,058
Differences between depreciation and capital allowances	6,679	(7,420)
Movement in deferred tax	-	203,502
Losses (utilised) / surrendered	(33,095)	118,425
Total tax charge for the year	-	203,502

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly.

At the balance sheet date there was a potential deferred tax asset of £364,000, made up of trading losses availabile for future set-off (£125,000), capital losses for future set-off (£105,000) and differences between depreciation and capital allowances (£134,000) (2017 - £405,000 total). In line with applicable accounting standards, this potential asset has not been incorporated in the financial statements. The deferred tax asset at 31 December 2018 has been calculated based on the rates substantively enacted at the date of the balance sheet (17%).

9. Exceptional items

	2018	2017
	£	£
(Reversal of) provision for intra group debtor balances	(1,406,256)	1,810,994
Impairment charge of revaluation on freehold properties	289,551	852,168
Reversal of previous impairment charges on freehold properties	-	(348,961)
	(1,116,705)	2,314,201

10. Tangible fixed assets

	Freehold property	Fixtures and fittings	Office equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2018	10,048,597	835,151	33,777	10,917,525
Additions	-	103,800	-	103,800
Disposals	(8,620,307)	(704,548)	(31,771)	(9,356,626)
At 31 December 2018	1,428,290	234,403	2,006	1,664,699
Depreciation				
At 1 January 2018	2,675,057	527,043	9,425	3,211,525
Charge for the year	71,317	100,935	6,068	178,320
Disposals	(2,149,248)	(426,337)	(14,112)	(2,589,697)
Impairment charge	289,551	-	-	289,551
At 31 December 2018	886,677	201,641	1,381	1,089,699
Net book value				
At 31 December 2018	541,613	32,762	625	575,000
At 31 December 2017	7,373,540	308,108	24,352	7,706,000

The company has exchanged contracts to sell the remaining care home after the year end. The final home sale was completed on 1 March 2019. The net book value above represents the market value for the disposal of this care home.

10. Tangible fixed assets (continued)

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

	2018 £	2017 £
Cost	**1,072,477**	9,954,022
Accumulated depreciation	**(94,818)**	(118,807)
Net book value	**977,659**	9,835,215

11. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	**32,750**	626,373
Other debtors	**74,634**	16,315
Prepayments and accrued income	**10,403**	53,025
	117,787	695,713

12. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	**150,664**	307,695
	150,664	307,695

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	**48,704**	362,986
Amounts owed to group undertakings	**3,874,135**	14,443,001
Other taxation and social security	**18,130**	89,518
Other creditors	**118,408**	128,420
Accruals and deferred income	**83,154**	408,592
	4,142,531	15,432,517

14. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

15. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

Profit and loss account

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

16. Pension costs

The company operates a defined contribution 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 £25,587 (2017 - £15,720). Contributions totalling £1,673 (2017 - £3,988) were payable to the fund at the balance sheet date.

17. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 from the requirement to disclose related party transaction on the grounds that all related party transactions with other companies are wholly owned by the group.

18. Ultimate parent and controlling party

The company's immediate parent company is Crossco (1332) Limited, a company incorporated in the UK.

The company's intermediate parent company is Butterfly Group Healthcare Limited which is the smallest and largest group to consolidate these financial statements. Copies of the financial statements can be obtained from 2 Merchants Drive, Parkhouse, Carlisle, England, CA3 0JW. Its ultimate parent undertaking and controlling party is Monarch Master Funding Limited a company incorporated in The Cayman Islands. The directors are of the opinion that there is no single ultimate controlling party of Monarch Master Funding Limited.