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## Healthcare Homes Group Limited

Report and Financial Statements

Year Ended

30 September 2016

Company Number 05507277

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# Healthcare Homes Group Limited

## Company Information

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<b>Directors</b>	D J Bates G C Lomer M Osborne D Christian M J King
<b>Company secretary</b>	G C Lomer
<b>Registered number</b>	05507277
<b>Registered office</b>	Lodge House Lodge Lane Langham Colchester Essex CO4 5NE
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

# Healthcare Homes Group Limited

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# Healthcare Homes Group Limited

## Strategic report For the year ended 30 September 2016

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The directors present their strategic report and the financial statements for the year ended 30 September 2016.

### Business review

The company has had a good year in terms of CQC compliance and quality ratings, with the majority of homes rated as 'Good' and Meadow House, Norfolk rated as 'Outstanding'. This is evidence of Healthcare Homes' commitment to providing an environment where residents receive the highest standards of care; where dignity is respected; where talents and interests are encouraged; and where life is lived to its fullest potential.

Quality of care remains paramount for all of our care homes.

Healthcare Homes has taken advantage of its arrangements established with its landlords in the prior year, Omega Healthcare Investors Inc, and expanded via the purchase of trade and assets of two high quality homes in the south of England. Park House, Peterborough was acquired on 18 January 2016 and The Malthouse, Gillingham was acquired on 15 March 2016. Both homes are rated 'Good' with CQC and are popular homes within their respective localities.

On 1 April 2016, Healthcare Homes Group Limited acquired 100% of the share capital of Healthcare Homes (LSC) Limited (formerly Life Style Care (2010) Limited). Healthcare Homes (LSC) Limited operates ten high quality care centres, including residential and nursing care services together with specialist care services. The ten homes are spread across the south of England and fit both geographically and culturally with Healthcare Homes' strategy for expansion across the south of England.

The directors are pleased with the subsequent performance of all acquisitions executed in the year.

Healthcare Homes has also completed three extensions during the year, adding a further 15 beds to its portfolio.

Following the acquisitions executed in the year, the directors have taken the opportunity to restructure and further enhance the depth of management within the expanded care homes business. The directors are keen to ensure continued delivery of high quality care and also improve the quality and accuracy of internal reporting.

The Healthcare Homes group, headed by Healthcare Homes Holdings Limited, remains in a strong financial position with continued focus on providing high quality care. All staff members are trained to the required standards and the company is continually re-investing into the residential care and nursing homes it operates to maintain the level of care and quality.

The key performance indicators ("KPI") of the business are occupancy, average weekly fees, agency usage and EBITDA (earnings before interest, tax, depreciation and amortisation).

Healthcare Homes wants to be the provider of choice in our geographical area for the provision of a wide range of integrated health and social care services for the elderly, adults with physical disabilities and other people needing specialist care services.

The care homes division aims to do this by working in partnership with the group homecare division; developing our existing services and by innovating new services to broaden our customer base. These innovations and service developments will reflect the changing economic and demographic conditions and will anticipate changes in market expectations. In particular we will develop early intervention and early discharge strategies to achieve the best and most efficient care pathways for all customers, whether they are service users or commissioners.

# Healthcare Homes Group Limited

## Strategic report (continued) For the year ended 30 September 2016

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During the year, national and local press coverage has started to raise the required, and necessary, awareness in relation to national funding pressures in the social care market. Local Authorities are coming under more pressure to promote a sustainable market and we are hoping that fee levels will reflect this requirement over the coming years. The announcement regarding the change in Funded Nursing Care rates paid to providers that delivery nursing services was a welcome one. This is very much viewed as a correction to a market price which has been underfunded for a long period of time.

Healthcare Homes Group Limited, like all businesses, faces a number of operating risks and uncertainties. There are a number of risks that could impact on the company's long term performance and steps are taken to understand and evaluate these in order to achieve the objective of creating long-term, sustainable returns. The company has a risk management process in place, which is designed to identify, manage and mitigate business risk. Regular reporting of these risks and the monitoring of actions and controls is conducted and its findings reported to the Board.

The most fundamental risk faced by the company is poor delivery of care which could impact on compliance with CQC and subsequently impact on occupancy, staffing and profitability. The company recognise this and have invested heavily in both the management team and quality assurance systems that underpin the company's activities.

In common with other providers of long-term care, one of the risks to the business is that demand for care in homes declines over a period of time. National statistics indicate that the population continues to age and demographics should therefore sustain the demand for care services for elderly people in the care homes operated by the company. The number of available care homes beds in the market has declined over the last five years, which is counterintuitive given the aging population and general demographic direction. This should better place Healthcare Homes moving forward in terms of being prepared for the increased levels of demand.

There continues to be an element of risk from funding pressures placed on local authorities, although as stated above this is now receiving more attention at a central government level. Historically there has been limited fee rate growth throughout the sector and ongoing signs of movement to tighten the eligibility criteria for funding people in care homes. Although these factors have had a financial impact on the business, the company is partially protected against Local Authority funding pressures as the majority of its residents are funded privately. There are also some positive signs that local authority funding rates are starting to increase.

### **Future developments**

The company will continue to offer a high level of quality care to its existing portfolio, with all care homes sympathetic to the individual needs of the residents.

The company will continue to review the existing cost controls in place to maximise economic efficiency in the company whilst continuing to deliver high quality care.

The company is currently working closely with Omega Healthcare Investors Inc to expand the portfolio both through further acquisitions of other UK residential and nursing homes and through extensions to the existing portfolio of homes.

The Directors believe that the company is well placed for the future.

# Healthcare Homes Group Limited

Strategic report (continued)  
For the year ended 30 September 2016

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This report was approved by the board on 26 January 2017 and signed on its behalf.

G C Lomer  
Secretary



# Healthcare Homes Group Limited

## Directors' report For the year ended 30 September 2016

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The directors present their report and the financial statements for the year ended 30 September 2016.

### Principal activity

The principal activity of the company is that of the provision of residential and day care for the elderly.

### Business review

The directors have included a business review within the strategic report. Also included in the strategic report are details of the future developments of the company, the principal risks and uncertainties and a review of the key performance indicators as assessed by the directors.

### Results and dividends

The profit for the year, after taxation, amounted to £31,115 (2015 - £32,966,520).

During the year a dividend of £Nil (2015 - £27,200,160) was paid to shareholders.

### Directors

The directors who served during the year were:

D J Bates  
G C Lomer  
M Osborne  
H Hill (resigned 15 July 2016)  
D Christian  
M J King (appointed 1 July 2016)

### Financial instruments

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to interest rate risks. its policy is to finance working capital and acquisitions through retained reserves and through intra-group borrowings at prevailing market interest rates respectively. The company's exposure to the price risk of financial instruments is therefore reduced as far as possible.

The directors do not consider any other risks attaching to the use of financial instruments to be material to the assessment of its financial position or performance.

# Healthcare Homes Group Limited

## Directors' report (continued) For the year ended 30 September 2016

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### Employee involvement

The group, which employs a significant number of staff, provides information to them on matters of concern and consults with them, through briefing sessions, notice boards and internal memoranda, in order that their views may be taken into account where appropriate.

The group has developed manuals and policies to encourage recruitment and staff retention. This is supplemented by an internal training department which ensures all employees are properly trained for the provision of care by a thorough induction programme and encourages them to pursue NVQ courses. Health and Safety courses are held regularly to ensure compliance with statutory requirements. The group also employs a HR manager who advises senior management on employment matters and provides human resource and career development advice to all staff.

Employees are encouraged to give their views to their direct supervisors as the need arises. As the group is privately owned there are no employee share schemes, although other incentives such as bonuses and individual training plans are in place. Senior staff are kept informed of the financial and economic factors affecting the group's performance by regular meetings.

### Employment of disabled persons

The group gives full and fair consideration to the employment of disabled persons, having regard to their particular aptitudes and abilities. Continuing employment and training is provided wherever possible for any employee who, for any reason, becomes disabled. All employees are eligible for promotion and disabled people are not treated any differently in this respect.

### Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Post statement of financial position events

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

### Auditors

The auditors, 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 26 January 2017 and signed on its behalf.

G C Lomer  
Secretary



# Healthcare Homes Group Limited

## **Directors' responsibilities statement For the year ended 30 September 2016**

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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 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;
- 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 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.

# Healthcare Homes Group Limited

## Independent Auditor's report to Healthcare Homes Group Limited

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We have audited the financial statements of Healthcare Homes Group Limited for the year ended 30 September 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. 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).

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.

### Respective responsibilities of directors and auditors

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

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 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.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

# Healthcare Homes Group Limited

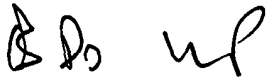
## Independent Auditor's report to Healthcare Homes Group Limited

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### Matters on which we are required to report by exception

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.



**Richard Levy** (senior statutory auditor)  
for and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

26 January 2017

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

# Healthcare Homes Group Limited

## Statement of comprehensive income For the year ended 30 September 2016

	Note	2016 £	2015 £
Turnover	4	35,644,311	16,568,920
Cost of sales		(20,560,421)	(8,150,661)
<b>Gross profit</b>		<b>15,083,890</b>	<b>8,418,259</b>
Administrative expenses		(15,369,206)	(7,314,841)
<b>Operating (loss)/profit</b>	5	<b>(285,316)</b>	<b>1,103,418</b>
Profit on disposal of investments		-	33,048,986
Interest receivable and similar income	9	351,208	2,523,686
Interest payable and similar charges	10	(203,478)	(3,755,150)
<b>(Loss)/profit before tax</b>		<b>(137,586)</b>	<b>32,920,940</b>
Tax on (loss)/profit	12	168,701	45,580
<b>Profit for the year</b>		<b>31,115</b>	<b>32,966,520</b>
<b>Other comprehensive income for the year</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>31,115</b>	<b>32,966,520</b>

The notes on pages 12 to 30 form part of these financial statements.

**Healthcare Homes Group Limited**  
Registered number:05507277

**Statement of financial position**  
**As at 30 September 2016**

	Note	2016 £	2016 £	2015 £	2015 £
<b>Fixed assets</b>					
Intangible assets	14		79,647		-
Tangible assets	15		1,807,900		595,595
Investments	16		1,797,634		-
Investment property	17		250,000		250,000
			<u>3,935,181</u>		<u>845,595</u>
<b>Current assets</b>					
Stocks	18	26,977		283,194	
Debtors: amounts falling due after more than one year	19	7,022,938		7,849,715	
Debtors: amounts falling due within one year	19	3,227,799		2,465,616	
Cash at bank and in hand		2,404,385		619,815	
		<u>12,682,099</u>		<u>11,218,340</u>	
Creditors: amounts falling due within one year	20	(5,481,120)		(3,138,588)	
<b>Net current assets</b>			<u>7,200,979</u>		<u>8,079,752</u>
<b>Total assets less current liabilities</b>			<u>11,136,160</u>		<u>8,925,347</u>
Creditors: amounts falling due after more than one year	21		(3,767,285)		(1,587,587)
<b>Net assets</b>			<u><u>7,368,875</u></u>		<u><u>7,337,760</u></u>
<b>Capital and reserves</b>					
Called up share capital	23		34,000		34,000
Share premium account	24		306,001		306,001
Profit and loss account	24		7,028,874		6,997,759
			<u><u>7,368,875</u></u>		<u><u>7,337,760</u></u>

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

G C Lomer  
Director

26 January 2017.

D J Bates  
Director

The notes on pages 12 to 30 form part of these financial statements.

# Healthcare Homes Group Limited

## Statement of changes in equity For the year ended 30 September 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 October 2015	34,000	306,001	6,997,759	7,337,760
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	31,115	31,115
<b>Total comprehensive income for the year</b>	-	-	31,115	31,115
<b>Contributions by and distributions to owners</b>				
<b>Total transactions with owners</b>	-	-	-	-
<b>At 30 September 2016</b>	<b>34,000</b>	<b>306,001</b>	<b>7,028,874</b>	<b>7,368,875</b>

## Statement of changes in equity For the year ended 30 September 2015

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 October 2014	34,000	306,001	1,231,399	1,571,400
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	32,966,520	32,966,520
<b>Total comprehensive income for the year</b>	-	-	32,966,520	32,966,520
<b>Contributions by and distributions to owners</b>				
Dividends: Equity capital	-	-	(27,200,160)	(27,200,160)
<b>Total transactions with owners</b>	-	-	(27,200,160)	(27,200,160)
<b>At 30 September 2015</b>	<b>34,000</b>	<b>306,001</b>	<b>6,997,759</b>	<b>7,337,760</b>

The notes on pages 12 to 30 form part of these financial statements.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 1. General information

Healthcare Homes Group Limited is a company 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 activities are set out in the strategic report and 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 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 company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore resent information about the company as an individual undertaking and not about its group.

Information on the impact of first-time adoption of FRS 102 is given in note 27.

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Healthcare Homes Holdings Limited as at 30 September 2016 and these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

#### 2.3 Turnover

On 24 April 2015 the company acquired the trade of its twelve subsidiary companies and sold them on 1 May 2015. Turnover for the period pre 24 April 2015 comprises management charges levied to the company's subsidiary undertakings during the period in relation to overhead costs incurred. Invoices are raised in arrears and revenue is recognised in the period to which it relates.

Turnover for the period post 24 April 2015 represents sales to external customers at invoiced amounts, excluding VAT. Invoices are raised on a four weekly or monthly basis and turnover is recognised in the period to which it relates.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 2. Accounting policies (continued)

#### 2.4 Intangible assets

##### Goodwill

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

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

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

Amortisation is provided on the following bases:

Goodwill - 20% straight line

#### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, 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.

Depreciation 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:

Leasehold improvements	- straight line over the lease term
Plant and equipment	- 20% straight line
Motor vehicles	- 25% straight line
Furniture, fittings and equipment	- 10% straight line
Computer equipment	- 20% straight line

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.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 2. Accounting policies (continued)

#### 2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting 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 reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.7 Investment property

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

#### 2.8 Valuation of investments

Investments in subsidiary undertakings are stated at cost.

#### 2.9 Stocks

Stocks are valued at the lower of cost and net realisable value less provision for impairment.

#### 2.10 Debtors

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

#### 2.11 Cash and cash equivalents

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

#### 2.12 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.

#### 2.13 Finance costs

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

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 2. Accounting policies (continued)

#### 2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

#### 2.15 Leased assets: Lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

#### 2.16 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Certain employees of a care home within the group also participate in a multi-company defined benefit pension fund operated outside the group. As the participating companies' contributions are set in relation to the current service period only, they are not affected by any surplus or deficit in the fund relating to past service of its own employees or any other members of the fund. As required under FRS 102, the contributions have therefore been accounted for as though they were made to a defined contribution fund. The pension cost charge represents contributions payable by the group in respect of the year.

The pension cost charge represents contributions payable by the company in respect of the year. Full details can be seen in note 26.

#### 2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

#### 2.18 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 2. Accounting policies (continued)

#### 2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change 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 reporting 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 statement of financial position 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 reporting date.

#### 2.20 Financial instruments

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- Tangible fixed assets (see note 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Investment properties (see note 17)

Investment properties are valued annually by directors who are considered to have adequate knowledge and experience in this area, using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

### 4. Turnover

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

	2016 £	2015 £
Residential and day care sales	34,120,867	13,639,424
Management charge income	1,268,584	2,800,000
Sale of properties	254,860	129,496
	<u>35,644,311</u>	<u>16,568,920</u>

All revenue arose within the United Kingdom.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 5. Operating (loss)/profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the company	99,877	71,026
Operating lease payments	8,751,863	3,463,102
	<u>          </u>	<u>          </u>

### 6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	24,460	25,000
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
The auditing of financial statements of associates of the company pursuant to legislation	48,245	25,500
Other services pursuant to such legislation	16,220	11,785
Taxation compliance services	11,500	9,135
	<u>          </u>	<u>          </u>

All audit and non audit fees payable by the company and its associates are borne by the company and form part of the overheads recharged to associated companies within the group.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 7. Employees

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

	2016 £	2015 £
Wages and salaries	18,017,829	7,764,906
Social security costs	1,099,747	564,278
Cost of defined contribution scheme	209,460	111,934
	<u>19,327,036</u>	<u>8,441,118</u>

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

	2016 No.	2015 No.
Management and administration	101	65
Care workers	1,325	593
	<u>1,426</u>	<u>658</u>

### 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	500,947	523,858
Company contributions to defined contribution pension schemes	43,201	25,998
Compensation for loss of office as employee	55,059	-
	<u>599,207</u>	<u>549,856</u>

During the year retirement benefits were accruing to 5 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £157,688 (2015 - £145,117).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,400 (2015 - £5,736).

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 9. Interest receivable

	2016 £	2015 £
Interest receivable from group companies	350,583	2,523,686
Other interest receivable	625	-
	<u>351,208</u>	<u>2,523,686</u>

### 10. Interest payable and similar charges

	2016 £	2015 £
Loan interest payable	38,605	-
Loans from group undertakings	164,873	3,754,028
On overdue taxes	-	1,122
	<u>203,478</u>	<u>3,755,150</u>

### 11. Acquisitions

On 18 January 2016 the company acquired the trade of the Park House care home for £1 from a third party. There were no assets or liabilities acquired during this acquisition.

On 16 February 2016 the company acquired the trade of The Malthouse care home for £1 from a third party. There were no assets or liabilities acquired during this acquisition.

### 12. Taxation

	2016 £	2015 £
<b>Current tax</b>		
Current tax on profits for the year	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(168,701)	(45,580)
<b>Total deferred tax</b>	<u>(168,701)</u>	<u>(45,580)</u>
<b>Taxation on profit on ordinary activities</b>	<u>(168,701)</u>	<u>(45,580)</u>

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 12. Taxation (continued)

#### Factors affecting tax charge for the year

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

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	<u>(137,586)</u>	<u>32,920,940</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(27,517)	6,584,188
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	469	(93,155)
Adjustments to tax charge in respect of prior periods	(758,334)	-
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	-	(6,609,797)
Adjust closing deferred tax to average rate of 20%	42,928	-
Deferred tax not recognised	27,133	-
Deferred tax credit in relation to capital allowances on business transfers	124,582	-
Group relief	104,967	71,771
Other differences	317,071	1,413
<b>Total tax charge for the year</b>	<u>(168,701)</u>	<u>(45,580)</u>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

### 13. Dividends

	2016 £	2015 £
Dividends paid on equity capital	<u>-</u>	<u>27,200,160</u>

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 14. Intangible assets

	Goodwill £
<b>Cost</b>	
At 1 October 2015	-
Additions	79,647
At 30 September 2016	<u>79,647</u>
<b>Net book value</b>	
At 30 September 2016	<u><u>79,647</u></u>
At 30 September 2015	<u><u>-</u></u>

The intangible asset relates to goodwill arising on the acquisition of The Malthouse care home trade which was purchased for £1 during the year. As part of the acquisition costs were incurred of £79,647, the fair value of assets and liabilities acquired was £1.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 15. Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
<b>Cost</b>					
At 1 October 2015	146,940	119,347	24,603	640,939	931,829
Additions	218,309	376,185	-	717,688	1,312,182
At 30 September 2016	<u>365,249</u>	<u>495,532</u>	<u>24,603</u>	<u>1,358,627</u>	<u>2,244,011</u>
<b>Depreciation</b>					
At 1 October 2015	-	-	3,330	332,904	336,234
Charge for period on owned assets	4,592	22,529	6,112	66,644	99,877
At 30 September 2016	<u>4,592</u>	<u>22,529</u>	<u>9,442</u>	<u>399,548</u>	<u>436,111</u>
<b>Net book value</b>					
At 30 September 2016	<u>360,657</u>	<u>473,003</u>	<u>15,161</u>	<u>959,079</u>	<u>1,807,900</u>
At 30 September 2015	<u>146,940</u>	<u>119,347</u>	<u>21,273</u>	<u>308,035</u>	<u>595,595</u>

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 16. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 October 2015	-
Additions	1,797,634
At 30 September 2016	1,797,634
<b>Net book value</b>	
At 30 September 2016	1,797,634
At 30 September 2015	-

### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Holding	Principal activity
Healthcare Homes (LSC) Limited (formerly Life Style Care (2010) Limited)	United Kingdom	100%	Residential care

The aggregate of the share capital and reserves as at 30 September 2016 and of the profit or loss for the period ended at that date for the subsidiary undertakings were as follows:

	18 month period profit before tax £	Aggregate of share capital and reserves £
Healthcare Homes (LSC) Limited (formerly Life Style Care (2010) Limited)	1,500,365	1,051,713

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 17. Investment property

	Freehold investment property £
<b>Valuation</b>	
At 1 October 2015	250,000
<b>At 30 September 2016</b>	<b>250,000</b>

The company's investment properties are valued annually on 30 September at fair value determined by the directors. Details on assumptions made and the key sources of estimation uncertainty are given in note 3.

### 18. Stocks

	2016 £	2015 £
Consumables	6,865	8,995
Work in progress	20,112	-
Properties held for resale	-	274,199
	<b>26,977</b>	<b>283,194</b>

### 19. Debtors

	2016 £	2015 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	5,234,433	6,229,911
Other debtors	1,000,000	1,000,000
Deferred tax asset (see note 23)	788,505	619,804
	<b>7,022,938</b>	<b>7,849,715</b>

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 19. Debtors (continued)

	2016 £	2015 £
<b>Due within one year</b>		
Trade debtors	2,542,466	1,931,540
Other debtors	372,382	155,764
Prepayments and accrued income	312,951	378,312
	<u>3,227,799</u>	<u>2,465,616</u>

Other debtors due after more than one year represent monies receivable in respect of disposal of subsidiary companies.

The impairment loss recognised in the company statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £Nil (2015 - £60,889).

### 20. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	2,188,661	1,642,377
Other taxation and social security	294,826	271,239
Other creditors	697,971	32,449
Accruals and deferred income	2,299,662	1,192,523
	<u>5,481,120</u>	<u>3,138,588</u>

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

	2016 £	2015 £
Amounts owed to group undertakings	3,737,285	1,557,587
Other creditors	30,000	30,000
	<u>3,767,285</u>	<u>1,587,587</u>

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 22. Deferred tax asset

	2016 £
At beginning of year	619,804
Credited to the statement of comprehensive income	168,701
<b>At end of year</b>	<b>788,505</b>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Deferred capital allowances	229,045	441,261
Other timing differences	1,596	1,878
Tax losses	557,864	176,665
	<b>788,505</b>	<b>619,804</b>

Included within the deferred tax asset is a £0.56 million tax credit recognised in the prior year on capital allowances and brought forward tax losses of the subsidiary companies that were transferred to the company during the prior year.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### 23. Share capital

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
340,002 Ordinary shares of £0.10 each	<b>34,000</b>	34,000

### 24. Reserves

#### Called up share capital

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

#### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

#### Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

### 25. Pension commitments

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 £209,460 (2015 - £112,269). Contributions totaling £40,524 (2015 - £18,780) were payable to the fund at the statement of financial position date and are included in creditors.

Employees of Home Close, The Hillings and Home Meadow care homes also participate in the Cambridgeshire County Council Pension Fund. The benefits provided by the Fund are of the defined benefit type. The assets of the Fund are held in externally managed funds invested by professional investment managers. Participation in the Fund is by virtue of company's status as an Admitted Body to the Fund.

Home Close Limited had been drafted as a pooled scheme to include the other two companies; Home Meadow Limited and The Hillings Limited. On 28 April 2015 the company, Home Close Limited and Cambridgeshire County Council have signed a deed of novation under which the contract between Home Close Limited and Cambridgeshire County Council in respect of the pension fund has been novated to the company.

The pension contributions payable to the fund during the year were £67,500 (2015 - £64,500). Contributions payable at the year end amounted to £34,500 (2015 - £33,000).

The employer's best estimate of deficit contributions payable for the year ended 30 September 2017 is £34,500.

The latest formal actuarial valuation of the defined benefit fund was performed as at 31 March 2013 and finalised in January 2014. The purpose of the valuation was to examine the financial position of the Fund and to recommend the contribution rate to be paid by participating employers in the Fund. The formal actuarial valuation as at 31 March 2013 confirmed the Fund has a deficit at that date of £728 million.

The next formal actuarial valuation is due to take place as at 31 March 2016. As at the date of the financial statements the results of this valuation have not yet been finalised.

The participating companies' contributions are set in relation to the current service period only and are therefore not affected by any surplus or deficit in the Fund relating to past service of its own employees or any other members of the Fund. As such, as required under FRS 102, the contributions have been accounted for as though they were made to a defined contribution scheme.

### 26. Commitments under operating leases

At 30 September 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	9,155,830	8,181,877
Later than 1 year and not later than 5 years	38,883,492	34,769,808
After more than 5 years	61,080,293	65,226,189

# Healthcare Homes Group Limited

## Notes to the financial statements For the year ended 30 September 2016

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### **27. Parent undertaking and control**

The immediate parent undertaking is Healthcare Homes Holdings Limited, a company incorporated in the United Kingdom. In the opinion of the directors this is the company's ultimate parent company.

The parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is Healthcare Homes Holdings Limited. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

In the opinion of the directors there is no ultimate controlling party to Healthcare Homes Holdings Limited.

### **28. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.