

REGISTERED NUMBER: 06016995 (England and Wales)

**Strategic Report,
Report of the Directors and
Audited Financial Statements
for the Year Ended 30 June 2017
for
Careline Lifestyles (UK) Ltd**



**RHK Business Advisers LLP, Statutory Auditor
Coburg House
1 Coburg Street
Gateshead
Tyne & Wear
NE8 1NS**

**Contents of the Financial Statements
for the Year Ended 30 June 2017**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Report of the Independent Auditors	6
Profit and Loss Account	8
Other Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Cash Flow Statement	13
Notes to the Financial Statements	14

Careline Lifestyles (UK) Ltd
Company Information
for the Year Ended 30 June 2017

DIRECTORS:	Mr R Sharma Dr S Sharma
SECRETARY:	Mrs A Sharma
REGISTERED OFFICE:	One Central Parkway Newcastle upon Tyne Tyne and Wear NE1 3BZ
REGISTERED NUMBER:	06016995 (England and Wales)
AUDITORS:	RHK Business Advisers LLP, Statutory Auditor Coburg House 1 Coburg Street Gateshead Tyne & Wear NE8 1NS
BANKERS:	Santander UK Plc Business and Corporate Banking Operation Bridle Road Bootle Merseyside L30 4GB

**Strategic Report
for the Year Ended 30 June 2017**

The directors present their strategic report for the year ended 30 June 2017.

PRINCIPAL ACTIVITY

The principal activity of the company is the establishment and operation of residential care facilities.

REVIEW OF BUSINESS

Careline Lifestyles (UK) Ltd is a family owned care home operator based in the North East of England which specialises in the provision of high quality care facilities and services.

The company currently operates four homes across the North of England. The financial results for the year are a reflection of the trading conditions prevailing in the care home industry however although the care industry remains a competitive market in 2016/2017 the company's occupancy continues to remain at consistent high levels across the majority of our facilities.

The results for the year and the position at the end of the year are set out on pages eight to eleven.

The directors use a number of key performance indicators to monitor and manage the business. The main performance indicators are set out below:

Financial Year	2017	2016
Gross Profit Margin	26%	38%
Operating (Loss)/Profit Margin	-2%	13%
Staffing Costs (as a percentage of turnover)	71%	60%

The company's turnover for the year ended 30 June 2017 amounted to £7,406,312 (2016: £8,071,932) a decrease of 8% on the previous trading year. Despite increases in average fee rates the fall in turnover was predominantly due to an underperforming home which required significant investment in our staff and training to enable the facility to return to appropriate standards.

The company's staffing costs increased in the year and is reflective of the investment in staff associated with improvements at this facility along with increasing agency costs as a result of the continuing national nursing staff shortages. In addition the impact of higher levels of National Living Wage has also contributed to higher ongoing staff costs.

Increased staffing costs and outsourced consultancy in order to assist with the assessment of our working practices and related improvements and training coupled with improvements and digitization of the record-keeping in our facilities, leading to increased telecommunications and software costs, has contributed to the higher level of spending during the year. As a result gross profit has reduced by 36.2% from £3,038,725 to £1,939,767 and operating profit from trading activities has reduced from £1,051,115 to an operating loss of £165,411.

2017 has been a challenging trading year for the company predominantly due to the underperforming home and its associated costs however from our investment in staff, training and working practices the directors are confident that the results will improve in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

Like all businesses the company faces a number of operating risks and uncertainties which could impact performance and long term goals.

The principal risks and uncertainties faced by the company are broadly grouped into two main categories; operational risks and financial risks.

Operational risks

The company's activities expose it to a number of operational risks including reputational risk and regulatory risk.

Reputational risk

The company is focused on the provision of high quality care facilities and services. If a serious incident relating to the provision of care was to occur at any one of the homes this could result in negative publicity and may result in an increase in scrutiny from regulators and both current and future residents. Health and safety regulations are taken very seriously by the company and the risk of non-compliance is minimised through regular staff training and monitoring of policies and procedures to maintain standards. The company is further committed to recruiting and retaining appropriately qualified nursing staff to ensure such standards are maintained.

Regulatory risk

The company's operations are subject to an increasingly high level of regulations. If the company fails to comply with regulation, regulatory action could include, among other penalties, the revocation of a care homes licence to operate. To that end, the company is committed to working with regulatory bodies to maintain standards and implement any recommendations provided across all facilities to ensure that all homes meet the required standards.

**Strategic Report
for the Year Ended 30 June 2017**

Financial risks

The company's activities also expose it to a number of financial risks.

The company's main financial risks are related to its borrowings. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company and maintain a close relationship with the company bankers to assist with this goal.

Pressure on fee rates, with the risk of 'packages' not being approved at funding panel due to the strict criteria being set by Local Authorities and CCG's as a result of their budget restrictions, coupled with the increasing cost of inflation and the introduction of the National Living Wage also represents a financial risk to the company. As such, the company is negotiating fee increases from April 2016 with local authorities to cover the increasing costs and continues to work with local authorities to ensure that the increasing costs of providing the appropriate level of care are met.

In addition to the above, further financial risks are associated with the company's financial instruments as follows.

FINANCIAL INSTRUMENTS

The company holds or issues financial instruments in order to achieve three main objectives being:

- (a) to finance its operations;
- (b) to manage its exposure to interest risk arising from its operations and from its source of finance; and
- (c) for trading purposes.

The company's principal financial instruments comprise cash, cash equivalents and loans. Other financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

The main risks associated with the company's financial instruments are set out below:

Credit risk

The company is at risk of its trade debtors failing to meet all or part of their obligations. 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.

Interest rate risk

The company maintains overdraft and loan facilities. The company seeks to operate within its agreed facilities with the bank and the directors do not consider the movements in interest rates are material to the accounts. The company does not undertake any hedging activity.

Liquidity and cashflow risk

The company aims to mitigate liquidity and cashflow risk by ensuring that it has sufficient cash resources, including overdraft facilities, to meet its funding requirements. The company is currently reliant on overdraft and loan facilities from the bank, however the bank is currently satisfied with the company's financial performance and the directors do not think there is any risk of facilities being withdrawn.

ON BEHALF OF THE BOARD:


.....
Mr R Sharma - Director

10 May 2018

**Report of the Directors
for the Year Ended 30 June 2017**

The directors present their report with the financial statements of the company for the year ended 30 June 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the establishment and operation of residential care facilities.

DIVIDENDS

The total distribution of dividends for the year ended 30 June 2017 will be £109,000.

FUTURE DEVELOPMENTS

The company remains focused on providing the highest standard of care that is thoughtfully tailored to individual needs.

The company is continuing to focus on operational improvements and its commitment towards staff training and development to ensure that the quality of care provided is maintained to the highest level that meets industry and regulatory standards.

The directors are confident that from such operational improvements the company will return to increasing occupancy levels and together with the forecast increase in average fee rates should lead to an improvement in the financial performance of the company.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2016 to the date of this report.

Mr R Sharma
Dr S Sharma

PEOPLE

The company places considerable value on the involvement of its employees and recognises the benefits which arise from keeping employees informed on matters affecting them as employees and on various factors affecting the performance of the company. There is regular communication and dialogue throughout the company, achieved through formal and informal meetings, on a wide range of matters affecting employees current and future interests.

Applications for employment by disabled persons are always fully considered bearing in mind the abilities of the applicant concerned. In the event members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with S.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (accounts and Reports) Regulations 2008 to be contained in the director's report. It has done so in respect of financial instruments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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;
- 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.

**Report of the Directors
for the Year Ended 30 June 2017**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
Mr R Sharma - Director

10 May 2018

Report of the Independent Auditors to the Members of Careline Lifestyles (UK) Ltd

Opinion

We have audited the financial statements of Careline Lifestyles (UK) Limited (the 'company') for the year ended 30 June 2017 which comprise the profit and loss account, other comprehensive income, balance sheet, statement of changes in equity, cash flow statement 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 Principle).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the 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 information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 or the Report of the Directors.

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.

**Report of the Independent Auditors to the Members of
Careline Lifestyles (UK) Ltd**

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 a Report of the Auditors 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.

Geoff Miller FCA (Senior Statutory Auditor)
for and on behalf of RHK Business Advisers LLP, Statutory Auditor
Coburg House
1 Coburg Street
Gateshead
Tyne & Wear
NE8 1NS

10 May 2018

Careline Lifestyles (UK) Ltd (Registered number: 06016995)

**Profit and Loss Account
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
TURNOVER	4	7,406,312	8,071,932
Cost of sales		<u>5,466,545</u>	<u>5,033,207</u>
GROSS PROFIT		1,939,767	3,038,725
Administrative expenses		<u>2,109,253</u>	<u>1,989,668</u>
		(169,486)	1,049,057
Other operating income		<u>4,075</u>	<u>2,058</u>
OPERATING (LOSS)/PROFIT	7	(165,411)	1,051,115
Interest payable and similar expenses	8	<u>116,474</u>	<u>135,827</u>
(LOSS)/PROFIT BEFORE TAXATION		(281,885)	915,288
Tax on (loss)/profit	9	<u>102,000</u>	<u>156,279</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(383,885)</u>	<u>759,009</u>

The notes form part of these financial statements

Careline Lifestyles (UK) Ltd (Registered number: 06016995)

**Other Comprehensive Income
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
(LOSS)/PROFIT FOR THE YEAR		(383,885)	759,009
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(383,885)</u>	<u>759,009</u>

The notes form part of these financial statements

Careline Lifestyles (UK) Ltd (Registered number: 06016995)

**Balance Sheet
30 June 2017**

	Notes	2017		2016	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11	546,000		682,500	
Tangible assets	12	<u>5,078,315</u>		<u>5,229,948</u>	
			5,624,315		5,912,448
CURRENT ASSETS					
Debtors	13	2,587,279		2,640,451	
Cash at bank and in hand		<u>39,014</u>		<u>14,186</u>	
		2,626,293		2,654,637	
CREDITORS					
Amounts falling due within one year	14	<u>6,476,467</u>		<u>6,300,059</u>	
NET CURRENT LIABILITIES			<u>(3,850,174)</u>		<u>(3,645,422)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>1,774,141</u></u>		<u><u>2,267,026</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		100		100
Profit and loss account	20		<u>1,774,041</u>		<u>2,266,926</u>
SHAREHOLDERS' FUNDS			<u><u>1,774,141</u></u>		<u><u>2,267,026</u></u>

The financial statements were approved by the Board of Directors on 10 May 2018 and were signed on its behalf by:



 Mr R Sharma - Director

Careline Lifestyles (UK) Ltd (Registered number: 06016995)

**Statement of Changes in Equity
for the Year Ended 30 June 2017**

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 July 2015	100	1,716,167	1,716,267
Changes in equity			
Dividends	-	(208,250)	(208,250)
Total comprehensive income	-	<u>759,009</u>	<u>759,009</u>
Balance at 30 June 2016	<u>100</u>	<u>2,266,926</u>	<u>2,267,026</u>
Changes in equity			
Dividends	-	(109,000)	(109,000)
Total comprehensive income	-	<u>(383,885)</u>	<u>(383,885)</u>
Balance at 30 June 2017	<u>100</u>	<u>1,774,041</u>	<u>1,774,141</u>

Careline Lifestyles (UK) Ltd (Registered number: 06016995)

**Cash Flow Statement
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	810,920	1,414,926
Interest paid		(116,474)	(135,827)
Tax paid		<u>(372,338)</u>	<u>(29)</u>
Net cash from operating activities		<u>322,108</u>	<u>1,279,070</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		<u>(92,617)</u>	<u>(1,002,543)</u>
Net cash from investing activities		<u>(92,617)</u>	<u>(1,002,543)</u>
Cash flows from financing activities			
New loans in year		-	5,100,000
Loan repayments in year		(255,000)	(5,213,827)
Amount introduced by directors		318,502	368,181
Amount withdrawn by directors		(209,634)	(373,956)
Equity dividends paid		<u>(109,000)</u>	<u>(208,250)</u>
Net cash from financing activities		<u>(255,132)</u>	<u>(327,852)</u>
Decrease in cash and cash equivalents		<u>(25,641)</u>	<u>(51,325)</u>
Cash and cash equivalents at beginning of year	2	<u>(168,225)</u>	<u>(116,900)</u>
Cash and cash equivalents at end of year	2	<u><u>(193,866)</u></u>	<u><u>(168,225)</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 30 June 2017**

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017 £	2016 £
(Loss)/profit before taxation	(281,885)	915,288
Depreciation charges	380,751	395,322
Finance costs	<u>116,474</u>	<u>135,827</u>
	215,340	1,446,437
Decrease in trade and other debtors	128,076	337,316
Increase/(decrease) in trade and other creditors	<u>467,504</u>	<u>(368,827)</u>
Cash generated from operations	<u><u>810,920</u></u>	<u><u>1,414,926</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 June 2017

	30.6.17 £	1.7.16 £
Cash and cash equivalents	39,014	14,186
Bank overdrafts	<u>(232,880)</u>	<u>(182,411)</u>
	<u><u>(193,866)</u></u>	<u><u>(168,225)</u></u>

Year ended 30 June 2016

	30.6.16 £	1.7.15 £
Cash and cash equivalents	14,186	15,470
Bank overdrafts	<u>(182,411)</u>	<u>(132,370)</u>
	<u><u>(168,225)</u></u>	<u><u>(116,900)</u></u>

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

1. STATUTORY INFORMATION

Careline Lifestyles (UK) Ltd is a company limited by shares, incorporated in England and Wales. Its principal place of business is One Central Parkway, Newcastle upon Tyne, NE1 3BZ. The nature of the company's operations and principal activities are set out in the Strategic Report and Report of the Directors.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Going concern

At 30 June 2017 the company's current liabilities exceeded its current assets by £3,850,174 (2016: £3,645,422).

Included in creditors falling due within one year is £4,886,270 (2016: £5,090,801) being the total amount due on demand by the company to its bankers for breach of current banking covenants. The company's bankers have confirmed to the Directors by way of letter dated 23 January 2018 that at the present time the bank is not taking any action pursuant to the terms and conditions of the Facility Agreement and will continue to make the facilities available based on that agreement.

The company meets its day to day working capital requirements through its bank facilities. The bank facilities are provided on a combined basis with related parties Durham Care Line Limited, Brunel Spire LLP, Brunel Spire (Teesside) LLP and directors Dr S Sharma and Mr R Sharma. The combined bank overdraft facility which is repayable on demand was reviewed and renewed in February 2018 and is available until 31 July 2018. The Directors believe that, based on the forecasts they have prepared, there is no reason why the overdraft facility will not be made available after 31 July 2018.

Combined financial projections have been prepared which indicate the company has adequate resources to continue in operational existence for the foreseeable future with the continued support of the above related parties and the company's bankers. The company therefore continues to adopt the going concern basis in preparing the financial statements.

Significant judgements and estimates

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

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

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

3. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT. The turnover is derived entirely from the company's principal activities carried out in the United Kingdom.

Care services:

Revenue is recognised as residents of the company's care homes occupy rooms and services provided to them.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangible assets less their residual values over their useful economic life, using the straight line method.

The intangible assets are amortised over the following useful economic lives:

Goodwill - 10 years

In the opinion of the directors this represents the period over which the goodwill is effective.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Improvements to property	- 2% on cost
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 20% on cost

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

3. ACCOUNTING POLICIES - continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Employee benefits

Short term employee benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which they are incurred.

Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and financial liabilities are recognised in full in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets:

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities:

Basic financial liabilities, including trade and other creditors, bank and other loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial assets and liabilities:

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all of the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is liable to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation in the contract is discharged, cancelled or expires.

Equity instruments:

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

4. TURNOVER

The turnover and loss (2016 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2017 £	2016 £
Fees from care home services	<u>7,406,312</u>	<u>8,071,932</u>
	<u><u>7,406,312</u></u>	<u><u>8,071,932</u></u>

An analysis of turnover by geographical market is given below:

	2017 £	2016 £
United Kingdom	<u>7,406,312</u>	<u>8,071,932</u>
	<u><u>7,406,312</u></u>	<u><u>8,071,932</u></u>

5. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	4,001,944	4,124,431
Social security costs	271,928	265,885
Other pension costs	<u>20,834</u>	<u>18,543</u>
	<u><u>4,294,706</u></u>	<u><u>4,408,859</u></u>

The average number of employees during the year was as follows:

	2017	2016
Care workers	243	264
Administration	14	14
Therapists	4	5
Directors	<u>2</u>	<u>2</u>
	<u><u>263</u></u>	<u><u>285</u></u>

Other pension costs represent the charge to the profit and loss account in respect of the company's defined contribution pension scheme.

Included in other creditors is a pension contribution liability of £17,326 (2016 - £6,958).

6. DIRECTORS' EMOLUMENTS

	2017 £	2016 £
Directors' remuneration	<u>-</u>	<u>-</u>

7. OPERATING (LOSS)/PROFIT

The operating loss (2016 - operating profit) is stated after charging:

	2017 £	2016 £
Hire of plant and machinery	167,577	160,467
Depreciation - owned assets	244,250	258,821
Goodwill amortisation	136,500	136,500
Auditors' remuneration	<u>8,000</u>	<u>8,000</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank interest	113,377	134,602
Other interest	<u>3,097</u>	<u>1,225</u>
	<u>116,474</u>	<u>135,827</u>

9. TAXATION

Analysis of the tax charge

The tax charge on the loss for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	<u>102,000</u>	<u>156,279</u>
Tax on (loss)/profit	<u>102,000</u>	<u>156,279</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
(Loss)/profit before tax	<u>(281,885)</u>	<u>915,288</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.750% (2016 - 20%)	(55,672)	183,058
Effects of:		
Expenses not deductible for tax purposes	108	66
Other differences	128,532	(26,845)
Tax losses	<u>29,032</u>	<u>-</u>
Total tax charge	<u>102,000</u>	<u>156,279</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10. DIVIDENDS

	2017 £	2016 £
Interim	<u>109,000</u>	<u>208,250</u>

11. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 July 2016 and 30 June 2017	<u>1,365,000</u>
AMORTISATION	
At 1 July 2016	682,500
Amortisation for year	<u>136,500</u>
At 30 June 2017	<u>819,000</u>
NET BOOK VALUE	
At 30 June 2017	<u>546,000</u>
At 30 June 2016	<u>682,500</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

12. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST			
At 1 July 2016	2,253,573	3,034,904	373,524
Additions	<u>17,218</u>	<u>32,569</u>	<u>9,548</u>
At 30 June 2017	<u>2,270,791</u>	<u>3,067,473</u>	<u>383,072</u>
DEPRECIATION			
At 1 July 2016	145,958	340,252	143,912
Charge for year	<u>29,259</u>	<u>60,907</u>	<u>59,897</u>
At 30 June 2017	<u>175,217</u>	<u>401,159</u>	<u>203,809</u>
NET BOOK VALUE			
At 30 June 2017	<u>2,095,574</u>	<u>2,666,314</u>	<u>179,263</u>
At 30 June 2016	<u>2,107,615</u>	<u>2,694,652</u>	<u>229,612</u>
	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 July 2016	690,757	46,800	6,399,558
Additions	<u>33,282</u>	<u>-</u>	<u>92,617</u>
At 30 June 2017	<u>724,039</u>	<u>46,800</u>	<u>6,492,175</u>
DEPRECIATION			
At 1 July 2016	520,768	18,720	1,169,610
Charge for year	<u>84,827</u>	<u>9,360</u>	<u>244,250</u>
At 30 June 2017	<u>605,595</u>	<u>28,080</u>	<u>1,413,860</u>
NET BOOK VALUE			
At 30 June 2017	<u>118,444</u>	<u>18,720</u>	<u>5,078,315</u>
At 30 June 2016	<u>169,989</u>	<u>28,080</u>	<u>5,229,948</u>

Included in cost of freehold property is freehold land of £829,944 (2016 - £829,944) which is not depreciated.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	117,912	109,434
Other debtors	1,682,319	1,816,724
Prepayments and accrued income	<u>787,048</u>	<u>714,293</u>
	<u>2,587,279</u>	<u>2,640,451</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank loans and overdrafts (see note 15)	4,886,270	5,090,801
Trade creditors	337,276	281,080
Corporation tax	361,770	557,205
Social security and other taxes	54,502	65,578
Other creditors	589,687	145,595
Accrued expenses	<u>246,962</u>	<u>159,800</u>
	<u>6,476,467</u>	<u>6,300,059</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

15. **LOANS**

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year or on demand:		
Bank overdrafts	232,880	182,411
Bank loans	<u>4,653,390</u>	<u>4,908,390</u>
	<u>4,886,270</u>	<u>5,090,801</u>

The bank loans are continuing to be repaid on the original Facility Agreement terms and as such are repayable by 23 October 2020 and incur interest at 2.06% per annum above LIBOR.

16. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	69,992	121,062
Between one and five years	<u>52,180</u>	<u>115,403</u>
	<u>122,172</u>	<u>236,465</u>

17. **SECURED DEBTS**

The following secured debts are included within creditors:

	2017 £	2016 £
Bank overdrafts	232,880	182,411
Bank loans	<u>4,653,390</u>	<u>4,908,390</u>
	<u>4,886,270</u>	<u>5,090,801</u>

The bank loans and overdraft are secured by way of legal charge and debenture against the freehold, leasehold and commonhold property held by Careline Lifestyles (UK) Limited and related companies Durham Careline Limited, Brunel Spire LLP, Brunel Spire (Teesside) LLP and Inspiring Environments LLP.

18. **FINANCIAL INSTRUMENTS**

The company has the following financial instruments:

	2017 £	2016 £
Financial assets:		
Financial assets measured at amortised cost		
Trade and other debtors	2,587,279	2,640,451
Cash at bank and in hand	39,014	14,186
	<u>2,626,293</u>	<u>2,654,637</u>
Total financial assets		
Financial liabilities:		
Financial liabilities measured at amortised cost		
Trade and other creditors	6,476,467	6,300,059
	<u>6,476,467</u>	<u>6,300,059</u>
Total financial liabilities		

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

19. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2017	2016
Number:	Class:		£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

Ordinary shares of £1 each have full voting rights of one vote per share and full rights to participate in dividends and other distributions.

20. **RESERVES**

	Profit and loss account £
At 1 July 2016	2,266,926
Deficit for the year	(383,885)
Dividends	<u>(109,000)</u>
At 30 June 2017	<u>1,774,041</u>

Profit and loss account

Includes all current and prior period retained profit and losses.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

21. RELATED PARTY DISCLOSURES

The directors of the company are also directors of Durham Care Line Limited and Careline Lifestyles (BVI) Limited, along with being designated members of Brunel Spire LLP, Brunel Spire (Teesside) LLP and Inspiring Environments LLP. During the year the company operated inter company loans between the entities where the following transactions occurred:

Durham Care Line Limited

	2017	2016
	£	£
Opening balance included in other debtors	1,498,505	1,096,496
Nominal ledger transactions	(421,356)	402,009
Closing balance included in other debtors	1,077,149	1,498,505

Brunel Spire LLP

Brunel Spire LLP owns the freehold to a property leased to the company on an annual basis.

	2017	2016
	£	£
Opening balance included in other debtors	105,027	545,913
Loan advanced	330,045	204,114
Loan repaid	-	(500,000)
Rent	(145,000)	(145,000)
Closing balance included in other debtors	290,072	105,027

Directors privately owned land

The directors lease a privately owned piece of freehold land to the company on an annual basis for £99,996 (2016 - £99,996). Included in other debtors is a balance owing of £8,450 (2016 - £8,450).

Directors loan accounts

The company operates loan accounts with the directors where during the year the following transactions were undertaken:

	2017	2016
	£	£
Balance at 1 July 2016 included in other creditors	22,285	28,060
Advanced	318,502	368,181
Repaid	(209,634)	(373,956)
Balance at 30 June 2017 included in other creditors	131,153	22,285

All loans are unsecured, interest free and repayable on demand.

Dividends

The company paid dividends to directors as follows:

	£
Aggregate dividends paid to directors as shareholders	<u>109,000</u>

Bank security

Bank security continues to be against the assets of the company along with the assets of Durham Care Line Limited, Brunel Spire LLP, Brunel Spire (Teesside) LLP, Inspiring Environments LLP and privately owned freehold property belonging to the directors.

22. ULTIMATE CONTROLLING PARTY

The company is under the control of Mr R Sharma and Dr S Sharma by virtue of their 100% holding of the company's issued share capital.