

COMPANY REGISTRATION NUMBER: 06281674

Roseberry Care Centres GB Limited
Financial Statements
31 December 2015

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Roseberry Care Centres GB Limited

Financial Statements

Year ended 31 December 2015

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Independent auditor's report to the shareholders	7
Consolidated income statement	9
Consolidated statement of financial position	10
Balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the financial statements	15

Roseberry Care Centres GB Limited

Officers and Professional Advisers

The board of directors

Mr R M McNamara
Mrs E McNamara
Miss L McNamara

Company secretary

Ms M Summerson

Registered office

Roseberry Care Centres
1st Floor Valley View Care Centres
Back Lane
Penshaw
Houghton-le-Spring
DH4 7ER

Auditor

Tait Walker LLP
Chartered accountant & statutory auditor
Medway House
Fudan Way
Teesdale Park
Stockton-on-Tees
TS17 6EN

Bankers

Santander Corporate Banking
Level 9, Baltic Place
South Shore Road
Gateshead
NE8 3AE

Solicitors

Archers Law
Lakeside House
Kingfisher Way
Stockton-on-Tees
TS18 3NB

Roseberry Care Centres GB Limited

Strategic Report

Year ended 31 December 2015

Principal activities

Roseberry Care Centres GB Limited is a care home operator providing residential and nursing care to approximately 750 residents in 19 care homes, primarily across the north of England.

The group is owned and led by Qualified Nurses, who have the level of clinical and operational expertise necessary for it to meet its vision of providing exceptional standards of care. We believe this strategy establishes a strong local reputation which in turn results in robust levels of occupancy.

Review of the business

On the 22 May 2015 the trading of 7 residential homes from a related company under common control and ownership, namely Roseberry Care Centres UK Limited was "hived-up" into the parent company and 3 remaining homes followed on 31 July 2015. This change helped remove some of the financial risk connected with the losses being experienced in Roseberry Care Centres UK Limited.

During the year it also became necessary to close a nursing home for reasons that it was no longer financially viable, this resulted in one-off losses of £265,000 being charged to the profit and loss account.

A provision for bad debt of £101,768 was also charged to the profit and loss account in 2015. This charge related to an amount owed to the group by Roseberry Care Centres (Darlington) Limited, a company under common control which the directors unfortunately had to place into administration on 15 March 2016 for reasons that it was no longer financially viable.

At the start of the year, the group's sole landlord agreed to a rent waiver of £251,000 followed by a further reduction of £171,000 during the last quarter of the year. This demonstrates the continued support being offered to the group by its landlord.

Without the additional charges described above and taking into account the rent reductions, the directors would otherwise have expected an acceptable level of operating profit during 2015.

It has become well documented that trading conditions in our sector continue to be challenging. There has become a market shortage of qualified nurses which has resulted in difficulties with recruitment and retention. This has led, out of necessity, to a high use of agency nurses and to a lesser extent care workers, which has a major impact on staffing costs. Agency costs during 2015 amounted to £1,138,000 (2014 £793,000 and 2013 £352,000). Nursing agencies can typically charge double the amount of the usual cost of employment and can therefore afford to pay nurses enhanced rates of pay. Measures are also in place to dramatically reduce the reliance on care workers.

Results

The group's loss on ordinary activities before tax for the year ended 31st December 2015 amounted to £77,425 (2014 £33,900 loss) and included £366,768 of non-recurring costs. The non-recurring costs which are detailed in the business review, included £265,000 due to the costs associated with the closure of a home and £101,768 due to the write off of intercompany loans. A profit on ordinary activities would otherwise have been made of £289,343, after including the noted rent savings.

The group had net liabilities of £107,773 (2014 net liabilities of £1,822).

Roseberry Care Centres GB Limited

Strategic Report *(continued)*

Year ended 31 December 2015

Key performance indicators

The key financial performance indicators monitored by management include:

- occupancy percentage, which at 31st December 2015 was 89.5% (2014 89.5%)
- average weekly fee, which at 31st December 2015 was £546 (2014 £538)
- staffing costs as a percentage of fee income, which for the year ended 31st December 2015 were 64.3% (2014 65.0%)
- home running costs as a percentage of fee income, which for the year ended 31st December 2015 were 16.30% (2014 16.63%)
- rent cover ratios, which after accounting for central costs were 1.26 times for the year ended 31st December 2015 (2014 1.02)
- EBITDAR as a percentage of fee income, which for the year ended 31st December 2015 was 15.5% (2014 14.1%)

In addition to the above, the company also closely monitor and act upon inspections by the regulator and its own internal quality audits.

Future developments

In May 2016 the group acquired the business of a 46 bedded care home in Grimsby and will continue to seek out opportunities to add value to the portfolio through targeted acquisitions.

Going concern and future developments

The directors have reviewed the going concern of the group in the preparation of these financial statements. Management have prepared detailed financial forecasts through until 31st December 2017. The group maintains sufficient cash resources to meet its day-to-day working capital requirements and the directors believe that the group is well placed to manage its risk appropriately.

After making enquiries and based on the group's forecasts, taking into account reasonable potential changes in trading performance, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. The directors are also confident that the changes to the management structure will also further strengthen the financial performance of the company, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

Roseberry Care Centres GB Limited

Strategic Report *(continued)*

Year ended 31 December 2015

Principal risks and risk management

The group has an established and structured approach to risk management. The group's activities expose it to a variety of financial risks and it has adopted risk management policies that seek to mitigate these risks in a cost effective manner.

Credit risk

The group's main financial assets are bank balances, cash and trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The group's largest customers are primarily local councils with social services responsibilities and NHS clinical commissioning groups.

Liquidity risk

The group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments.

Operational risks

The group's activities expose it to a number of operational risks including reputation and of a regulatory nature:

Reputational risk

In order to mitigate this risk the group delivers a comprehensive package of employee training as well as performance management via formal and informal meetings with all of its employees. In addition the new management team have improved and strengthen the collaborative working relationships with local authority and NHS commissioners.

Regulatory risk

In order to mitigate this risk the group has employed a dedicated head of quality and compliance manager who audits, monitors and manages regulatory matters.

This report was approved by the board of directors on 29.9.16 and signed on behalf of the board by:



Mr RIM McNamara
Director

Registered office:
Roseberry Care Centres
1st Floor Valley View Care Centres
Back Lane
Penshaw
Houghton-le-Spring
DH4 7ER

Roseberry Care Centres GB Limited

Directors' Report

Year ended 31 December 2015

The directors present their report and the financial statements of the group for the year ended 31 December 2015.

Directors

The directors who served the company during the year were as follows:

Mr R M McNamara
Mrs E McNamara
Miss L McNamara

Dividends

The directors do not recommend the payment of a dividend.

Future developments

See the Strategic Report for details of future developments.

Employment of disabled persons

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

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Financial risk management objectives and policies

See the Strategic Report for the directors' assessment of the principal risks and uncertainties facing the business.

Principal activities

The principal activity of the company and group is running care homes.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 group and the company and the profit or loss of the group for that period.

Roseberry Care Centres GB Limited

Directors' Report *(continued)*

Year ended 31 December 2015

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Auditor

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

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 29.9.16 and signed on behalf of the board by:



Mr R M McNamara
Director

Registered office:
Roseberry Care Centres
1st Floor Valley View Care Centres
Back Lane
Penshaw
Houghton-le-Spring
DH4 7ER

Roseberry Care Centres GB Limited

Independent Auditor's Report to the Shareholders of Roseberry Care Centres GB Limited

Year ended 31 December 2015

We have audited the financial statements of Roseberry Care Centres GB Limited for the year ended 31 December 2015, on pages 9 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Roseberry Care Centres GB Limited

Independent Auditor's Report to the Shareholders of Roseberry Care Centres GB Limited *(continued)*

Year ended 31 December 2015

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

Tait Walker LLP

Julie Harrison BSc(Hons) FCA (Senior Statutory Auditor)

For and on behalf of
Tait Walker LLP
Chartered accountant & statutory auditor
Medway House
Fudan Way
Teesdale Park
Stockton-on-Tees
TS17 6EN

29.9.16

Roseberry Care Centres GB Limited

Consolidated Income Statement

Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	18,282,558	12,116,318
Cost of sales		12,924,741	8,610,333
Gross profit		5,357,817	3,505,985
Administrative expenses		5,409,737	3,534,713
Operating loss	5	(51,920)	(28,728)
Interest payable and similar charges	9	25,505	5,172
Loss on ordinary activities before taxation		(77,425)	(33,900)
Tax on loss on ordinary activities	10	28,526	(7,737)
Loss for the financial year		(105,951)	(26,163)

The group has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 15 to 28 form part of these financial statements.

Roseberry Care Centres GB Limited

Consolidated Statement of Financial Position

31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	12	175,044	–
Tangible assets	13	525,587	284,737
		<u>700,631</u>	<u>284,737</u>
Current assets			
Stocks	15	25,272	9,909
Debtors	16	2,228,552	2,180,329
Cash at bank and in hand		227,551	269,829
		<u>2,481,375</u>	<u>2,460,067</u>
Creditors: amounts falling due within one year	17	3,240,727	2,650,861
Net current liabilities		<u>759,352</u>	<u>190,794</u>
Total assets less current liabilities		<u>(58,721)</u>	<u>93,943</u>
Creditors: amounts falling due after more than one year	18	81,051	83,485
Provisions	20	(31,999)	12,280
Net liabilities		<u>(107,773)</u>	<u>(1,822)</u>
Capital and reserves			
Called up share capital	23	2	2
Profit and loss account	24	(107,775)	(1,824)
Shareholders deficit		<u>(107,773)</u>	<u>(1,822)</u>

These financial statements were approved by the board of directors and authorised for issue on 29.9.16, and are signed on behalf of the board by:



Mr R/M McNamara
Director

Company registration number: 06281674

The notes on pages 15 to 28 form part of these financial statements.


Roseberry Care Centres GB Limited

Balance Sheet

31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	13	525,587	284,737
Investments	14	2	—
		<u>525,589</u>	<u>284,737</u>
Current assets			
Stocks	15	25,272	9,909
Debtors	16	2,228,552	2,180,329
Cash at bank and in hand		227,551	269,829
		<u>2,481,375</u>	<u>2,460,067</u>
Creditors: amounts falling due within one year	17	3,240,728	2,650,861
Net current liabilities		<u>759,353</u>	<u>190,794</u>
Total assets less current liabilities		<u>(233,764)</u>	<u>93,943</u>
Creditors: amounts falling due after more than one year	18	81,051	83,485
Provisions	20	(31,999)	12,280
Net liabilities		<u>(282,816)</u>	<u>(1,822)</u>
Capital and reserves			
Called up share capital	23	2	2
Profit and loss account	24	(282,818)	(1,824)
Shareholders deficit		<u>(282,816)</u>	<u>(1,822)</u>

These financial statements were approved by the board of directors and authorised for issue on 29.9.16, and are signed on behalf of the board by:



Mr R M McNamara
Director

Company registration number: 06281674

The notes on pages 15 to 28 form part of these financial statements.

Roseberry Care Centres GB Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2014	2	24,339	24,341
Loss for the year	—	(26,163)	(26,163)
Total comprehensive income for the year	—	(26,163)	(26,163)
At 31 December 2014	2	(1,824)	(1,822)
Loss for the year	—	(105,951)	(105,951)
Total comprehensive income for the year	—	(105,951)	(105,951)
At 31 December 2015	<u>2</u>	<u>(107,775)</u>	<u>(107,773)</u>

The notes on pages 15 to 28 form part of these financial statements.

Roseberry Care Centres GB Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2014	2	24,339	24,341
Loss for the year	—	(26,163)	(26,163)
Total comprehensive income for the year	—	(26,163)	(26,163)
At 31 December 2014	2	(1,824)	(1,822)
Loss for the year	—	(280,994)	(280,994)
Total comprehensive income for the year	—	(280,994)	(280,994)
At 31 December 2015	<u>2</u>	<u>(282,818)</u>	<u>(282,816)</u>

The notes on pages 15 to 28 form part of these financial statements.

Roseberry Care Centres GB Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Loss for the financial year	(105,951)	(26,163)
<i>Adjustments for:</i>		
Depreciation of tangible assets	194,930	107,599
Amortisation of intangible assets	7,611	–
Interest payable and similar charges	25,505	5,172
Tax on loss on ordinary activities	28,526	(7,737)
<i>Changes in:</i>		
Stocks	(8,834)	1,500
Trade and other debtors	652,304	(587,224)
Trade and other creditors	(831,769)	776,592
Cash generated from operations	(37,678)	269,739
Interest paid	(25,505)	(5,172)
Tax paid	(10,292)	(14,855)
Net cash (used in)/from operating activities	(73,475)	249,712
Cash flows from investing activities		
Purchase of tangible assets	(167,593)	(126,962)
Other investing cash flow adjustment	198,790	–
Net cash from/(used in) investing activities	31,197	(126,962)
Net (decrease)/increase in cash and cash equivalents	(42,278)	122,750
Cash and cash equivalents at beginning of year	269,829	147,079
Cash and cash equivalents at end of year	227,551	269,829

The notes on pages 15 to 28 form part of these financial statements.

Roseberry Care Centres GB Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

These financial statements have been prepared in compliance with FRS102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The entity is a limited company incorporated in England & Wales. The registered office is:

Roseberry Care Centres
1st Floor Valley View Care Centres
Back Lane
Houghton-le-Spring
DH4 7ER

2. Going concern

The group's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also provides a business review of 2015 which includes details of additional charges which have led to the losses reported in these financial statements. The Strategic Report also describes the financial position of the group, the group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

Without the additional charges described in the Strategic Report, the directors would otherwise have expected a reasonable level of financial performance in 2015.

The group meets its day to day working capital requirements through:

- Effectively managing its bank balances, cash and trade receivables in order to maintain liquidity.
- Continued support from its sole landlord in terms of working capital loans and moderation with the amount and timing of property rent payments.

It is well documented that trading conditions have continued to be difficult in our sector, and during the first part of 2016 a reduction in occupancy, the increase in the national living wage and a continued reliance on agency staff has led to reduced revenues and increased staffing costs. As a direct result, the directors recognised that there needed to be a substantial change to the senior operational management of the company. Changes to the management structure were therefore implemented between March and July 2016, this included the appointment of a managing director, head of quality and regional managers, which understandably required a settling in period before any improvement could be seen.

From May 2016 onwards we have seen sustained increases in bed occupancies, this coupled with greater than anticipated increases in fees paid for by local councils, and the funded nursing care provided by the NHS has led to a reasonable level of forecasted profit for the remainder of 2016. A much more robust approach to the use of agency staff has also been adopted and we have begun to see, and anticipate further substantial reductions in this area.

The group also continues to benefit from support from its sole landlord in the form of working capital loans, agreed fixed term property rent reductions and flexible terms with rent payments and is confident that this support will continue for the next 12 months.

A detailed forecast has been prepared for 2016 and further ahead into 2017 which suggests that the group will operate profitably. After reviewing these projections and taking into account reasonable changes in trading performance, the directors are satisfied that the group has adequate resources to continue its operational existence, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical costs basis.

The financial statements are presented in Sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 29.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Roseberry Care Centres GB Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

The directors have classified the leases of the company as operating leases, on the grounds that the risks and rewards attached to the leasing arrangements are not considered to be substantially transferred to the company.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Income tax *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	- 10 years straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Tangible assets *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Long leasehold property	-	3-10 years straight line
Plant and machinery	-	2-10 years straight line
Fixtures and fittings	-	4 years straight line
Motor vehicles	-	5 years straight line
Equipment	-	3-4 years straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Cash and cash equivalents

Cash and cash equivalents consists of cash in hand and deposits held on call with banks.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

4. Turnover

Turnover arises from:

	2015 £	2014 £
Rendering of services	<u>18,282,558</u>	<u>12,116,318</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2015 £	2014 £
Amortisation of intangible assets	7,611	–
Depreciation of tangible assets	194,930	107,599
Defined contribution plans expense	<u>50,735</u>	<u>21,668</u>

6. Auditor's remuneration

	2015 £	2014 £
Fees payable for the audit of the financial statements	<u>10,000</u>	<u>5,000</u>
Fees payable to the company's auditor and its associates for other services: Audit-related assurance services	<u>4,800</u>	<u>2,400</u>

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2015 No.	2014 No.
Administrative staff	57	42
Care staff	<u>912</u>	<u>569</u>
	<u>969</u>	<u>611</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2015 £	2014 £
Wages and salaries	11,790,377	7,759,762
Social security costs	626,894	440,974
Other pension costs	<u>50,735</u>	<u>21,668</u>
	<u>12,468,006</u>	<u>8,222,404</u>

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

8. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2015 £	2014 £
Remuneration	<u>9,363</u>	<u>7,015</u>

9. Interest payable and similar charges

	2015 £	2014 £
Other interest payable and similar charges	<u>25,505</u>	<u>5,172</u>

10. Tax on loss on ordinary activities

Major components of tax expense/(income)

	2015 £	2014 £
Current tax:		
UK current tax expense	25,891	–
Adjustments in respect of prior periods	–	(1,261)
Total current tax	<u>25,891</u>	<u>(1,261)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>2,635</u>	<u>(6,476)</u>
Tax on loss on ordinary activities	<u>28,526</u>	<u>(7,737)</u>

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

	2015 £	2014 £
Loss on ordinary activities before taxation	<u>(77,425)</u>	<u>(33,900)</u>
Loss on ordinary activities by rate of tax	(45,524)	(7,268)
Adjustment to tax charge in respect of prior periods	–	(1,261)
Effect of expenses not deductible for tax purposes	71,748	–
Effect of capital allowances and depreciation	(699)	(2,740)
Utilisation of tax losses	–	5,637
Fixed asset differences	–	309
Marginal relief	(75)	–
Sundry tax adjusting items	441	4,062
Deferred tax movement	<u>2,635</u>	<u>(6,476)</u>
Tax on loss on ordinary activities	<u>28,526</u>	<u>(7,737)</u>

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

11. Loss for the year of the parent company

The loss for the financial year of the parent company was £280,994 (2014: £26,163).

12. Intangible assets

Group	Goodwill £
Cost	
Acquisitions through business combinations	182,655
At 31 December 2015	<u>182,655</u>
Amortisation	
Charge for the year	7,611
At 31 December 2015	<u>7,611</u>
Carrying amount	
At 31 December 2015	<u>175,044</u>
At 31 December 2014	<u>—</u>

The company has no intangible assets.

13. Tangible assets

Group and company	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost						
At 1 Jan 2015	60,920	169,119	224,216	—	65,094	519,349
Additions	23,489	33,054	90,609	9,680	10,761	167,593
Acquisitions through business combinations	180,677	131,927	98,297	—	50,005	460,906
At 31 Dec 2015	<u>265,086</u>	<u>334,100</u>	<u>413,122</u>	<u>9,680</u>	<u>125,860</u>	<u>1,147,848</u>
Depreciation						
At 1 Jan 2015	25,044	79,852	89,558	—	40,158	234,612
Charge for the year	29,699	63,083	75,862	1,775	24,511	194,930
Disposals through business combinations	61,723	56,177	44,288	—	30,531	192,719
At 31 Dec 2015	<u>116,466</u>	<u>199,112</u>	<u>209,708</u>	<u>1,775</u>	<u>95,200</u>	<u>622,261</u>
Carrying amount						
At 31 Dec 2015	<u>148,620</u>	<u>134,988</u>	<u>203,414</u>	<u>7,905</u>	<u>30,660</u>	<u>525,587</u>
At 31 Dec 2014	<u>35,876</u>	<u>89,267</u>	<u>134,658</u>	<u>—</u>	<u>24,936</u>	<u>284,737</u>

Land and buildings consists entirely of improvements made to short leasehold properties.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

14. Investments

The group has no investments

Company	Shares in group undertakings £
Cost	
Additions	2
At 31 December 2015	<u>2</u>
Impairment	
At 1 Jan 2015 and 31 Dec 2015	—
Carrying amount	
At 31 December 2015	<u>2</u>
At 31 December 2014	<u>—</u>

The above represents a 100% holding in Roseberry Care Centres UK Limited. As noted in the Strategic Report the assets and trade of Roseberry Care Centres UK Limited were hived-up into this company during the year. Roseberry Care Centres UK Limited has been dormant since the hive-up.

15. Stocks

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Raw materials and consumables	<u>25,272</u>	<u>9,909</u>	<u>25,272</u>	<u>9,909</u>

16. Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	1,384,020	1,170,090	1,384,020	1,170,090
Prepayments and accrued income	62,955	88,115	62,955	88,115
Directors loan account	240,014	95,623	240,014	95,623
Other debtors	<u>541,563</u>	<u>826,501</u>	<u>541,563</u>	<u>826,501</u>
	<u>2,228,552</u>	<u>2,180,329</u>	<u>2,228,552</u>	<u>2,180,329</u>

Group

An impairment loss of £101,767 was recognised in administrative expenses during the year. The impairment provision recognised at the year end is £101,767 (2014: £nil).

Company

An impairment loss of £344,761 was recognised in administrative expenses during the year. The impairment provision recognised at the year end is £344,761 (2014: £nil).

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

17. Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	872,373	837,670	872,374	837,670
Accruals and deferred income	1,785,973	1,109,873	1,785,973	1,109,873
Corporation tax	25,891	10,292	25,891	10,292
Social security and other taxes	180,322	297,401	180,322	297,401
Other creditors	376,168	395,625	376,168	395,625
	<u>3,240,727</u>	<u>2,650,861</u>	<u>3,240,728</u>	<u>2,650,861</u>

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Other creditors	<u>81,051</u>	<u>83,485</u>	<u>81,051</u>	<u>83,485</u>

Included within creditors: amounts falling due after more than one year is an amount of £68,603 (2014: £Nil) for the group and £68,603 (2014: £Nil) for the company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

19. Deferred tax

The deferred tax included in the balance sheet is as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Included in provisions (note 20)	<u>(31,999)</u>	<u>12,280</u>	<u>(31,999)</u>	<u>12,280</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	49,345	23,869	49,345	23,869
Unused tax losses	(74,573)	(5,246)	(74,573)	(5,246)
Deferred tax - other timing differences	(6,771)	(6,343)	(6,771)	(6,343)
user defined - desc in a/cs	<u>(31,999)</u>	<u>12,280</u>	<u>(31,999)</u>	<u>12,280</u>

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Provisions

Group	Deferred tax (note 19) £
At 1 January 2015	12,280
Additions	30,294
Charge against provision	(27,658)
Other movements 1	(46,915)
At 31 December 2015	<u>(31,999)</u>
Company	Deferred tax (note 19) £
At 1 January 2015	12,280
Additions	30,294
Other movements 1	(74,573)
At 31 December 2015	<u>(31,999)</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £50,735 (2014: £21,668).

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2015 £	2014 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,393,148</u>	<u>2,362,043</u>
Financial liabilities		
Financial liabilities measured at amortised cost	1,275,059	1,624,473
Loan commitments measured at cost less impairment	<u>250,635</u>	<u>—</u>

23. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Tangible assets	<u>37,063</u>	<u>—</u>	<u>37,063</u>	<u>—</u>

26. Operating leases

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

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Not later than 1 year	2,473,763	3,447,723	2,473,763	3,447,723
Later than 1 year and not later than 5 years	13,533,851	12,320,053	13,533,851	12,320,053
Later than 5 years	<u>78,728,254</u>	<u>82,304,818</u>	<u>78,728,254</u>	<u>82,304,818</u>
	<u>94,735,868</u>	<u>98,072,594</u>	<u>94,735,868</u>	<u>98,072,594</u>

27. Directors' advances, credits and guarantees

During the year an interest free loan facility, repayable on demand, was made available to the directors as follows: Total drawn during the year £1,480, total repaid during the year £nil. Balance transferred on acquisition of Roseberry Care Centres UK Limited £142,910. Balance due to the group at the year end £240,014.

Roseberry Care Centres GB Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

28. Related party transactions

The group has taken advantage of the exemptions contained in FRS 102 not to disclose inter-company balances and transactions in wholly owned subsidiaries.

At the year end the group was owed the sum of £258,594 (2014: £125,410) from Roseberry Specialist Care Centres Limited in respect of an inter-company balance. During the year there were a number of transfers to and from Roseberry Specialist Care Centres Limited to assist group cashflow. Roseberry Specialist Care Centres Limited is a company under common control.

At the year end the group was owed the sum of £132,676 (2014: £165,069) from Roseberry Care Centres (Yorkshire) Limited in respect of an inter-company balance. During the year there were a number of transfers to and from Roseberry Care Centres (Yorkshire) Limited to assist group cashflow. Roseberry Care Centres (Yorkshire) Limited is a company under common control.

During the year an inter-company balances of £101,768 owed to the group by Roseberry Care Centres (Darlington) Limited were written off when Roseberry Care Centres (Darlington) Limited was placed in administration. During the year there were a number of transfers to and from Roseberry Care Centres (Darlington) Limited to assist group cashflow. Roseberry Care Centres (Darlington) Limited was a company under common control.

29. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 January 2014.

No transitional adjustments were required in equity or profit or loss for the year.