

Financial Statements The Holmes Care (Group) Limited

For the Year Ended 31 March 2017

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Registered number: 05794940

The Holmes Care (Group) Limited

Company Information

Directors	Mr S Lakhani I Lakhani Miss S Lakhani (appointed 1 May 2017)
Registered number	05794940
Registered office	228 St Mary's Lane Upminster Essex RM14 3DH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH

The Holmes Care (Group) Limited

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The Holmes Care (Group) Limited

Group Strategic Report

For the Year Ended 31 March 2017

Introduction and principal activities

The Directors present their Strategic Report and the financial statements for the year ended 31st March 2017.

The Group's principal activity is the operation of nursing homes. The company's principal activity is that of a holding company for the other companies in the Group.

Business review

The year to 2017 has seen significant improvements in the group which has created a strong platform for the future growth of the business in what remains a very challenging market environment. At the end of March 2017, the Group simplified its legal structure so that all its trading operations (bar Cranham) now sit within one subsidiary. This simplification of the administration of the business, has enabled the continued focus, and additional investment to strengthen the operational and senior management team. The objective is to ensure that all homes provide a high-quality service. The Board are pleased to report that the actions taken have resulted in an increase of inspection grades in most of its services across the group.

The Board are very encouraged to report that despite the market pressures, turnover has increased by 11.7% £28,049,420 [2016: £25,106,134]. This is a direct consequence of the additional focus that has been brought on standards which has resulted in the higher occupancy which has driven turnover.

The staffing challenge however still remains. Ensuring the right quality and quantity of staff in the homes to deliver the quality standards the Group are aiming to achieve is a constant battle. This had been made worse by the current political uncertainties. The objective in 2017 was to reduce Agency staff usage but the demands of the business meant that this was not achieved which reduced the overall gross margins. This remains an area of significant focus and HR policies to recruit and retain good quality staff have been put in place in 2017 to reduce the level of agency in 2018.

There were however reduced costs in Administrative expenses and whilst some of this was the impact of some one off costs from FRS 102 adoption in 2016, it also reflected the improved operational controls in the business. This net impact has seen an increase of 142% in the Operating Profit. £2,768,591 [2016: £1,139,569].

Interest costs have also reduced in the year as a result of the simplification of the loan structure and a further reduction in the base rate.

This helped the Group to achieve a profit before taxation of £1,650,021 (2016: loss £221,864).

The Board believe that in a highly competitive market and in a year of change for the Group this is an excellent result.

Group ethos and overall objectives

During 2017, the Holmes Care Group completed the restructure of the organisation resulting in the consolidation of several subsidiary companies into a more cost effective and streamlined structure.

The Group is also actively looking to improve its overall procedures and processes to enhance the standard of care in its homes and generating strong returns to enable continued investment in the assets of the business.

The staff employed by the group are vital to its continued success. Average staff numbers for the period were 1,124 (2016: 1,059). Staff levels are regularly monitored by the group to ensure that the quality of service and care is maintained. Additional investment in staff training and engagement demonstrates the group's focus on retaining staff and improving quality of care.

The Holmes Care (Group) Limited

Group Strategic Report

For the Year Ended 31 March 2017

Principal risks and uncertainties

The principal risks of the business are twofold.

Firstly fee income. A significant element of the fee income is funded by local authorities who are under increasing pressures on their own budgets. The Group have adopted an active management approach to ensure that they work closely with local authorities and the reorganisation in 2017 has strengthened the operations capability in this area. Secondly, the challenge in finding good quality staff and the increasing costs of labour. The difficulty in staff recruitment results in higher usage of more expensive agency staff, and the living wage is driving up the cost of employed staff. The local authority budgets are not augmented by these increases. The Group have implemented actions in 2017 to reduce the level of agency staff in the business and to ensure higher productivity from the employees.

The Group has significant properties included on its balance sheets with loan finance secured on these properties. Interest rate fluctuations are a threat to the Group and the Directors closely monitor interest rate movements accordingly.

The Group aims to minimise financial risk by the Directors preparing profit and cashflow forecasts, monitoring performance against these, and ensuring that adequate financing arrangements are in place.

Credit risk is minimised through the use of rigorous credit checks and credit limits which form an integral part of the Group's internal controls.

Key performance indicators

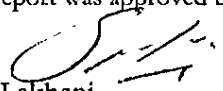
The key performance indicators used by the Directors to assess the performance of the Group are turnover, occupancy rates, staffing levels and staff costs, EBITDA and net assets. The Group has significant properties included on its balance sheets with loan finance secured on these properties. Interest rate fluctuations are a threat to the Group and the Directors closely monitor interest rate movements accordingly.

Future developments

The Directors are confident that the group will continue to show sustained growth and will increase profitability in future periods within a simplified group structure.

EBITDA margin growth for the entire group is expected to be delivered through further operational improvements and cost efficiencies being implemented across all the homes.

This report was approved by the board on 11th December 2017 and signed on its behalf.


Mr S Lakhani
Director

The Holmes Care (Group) Limited

Directors' Report

For the Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £1,522,299 (2016 - loss £410,264).

Dividends of £200,000 (2016 - £200,000) have been paid out during the year.

Directors

The directors who served during the year were:

Mr S Lakhani
I Lakhani

Employee Involvement

The group recognises the importance of employee involvement in increasing employees understanding of the organisation, utilising their talents, enabling them to influence decisions and thereby encouraging commitment to the goals of the organisation.

The group believes that such involvement will improve efficiency, quality, increase job satisfaction and encourage an environment of co-operation.

In recognition of the importance of employee involvement the group has devoted considerable time and effort to ensuring that employees are well informed about those aspects of its business which affect them.

Disabled employees

In line with the policy on equal opportunities, the group endeavours to fulfil its responsibilities towards disabled persons. In all job functions active consideration is given to the employment of disabled persons and all such vacancies are advertised to the appropriate Job Centre to assist in this matter.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors' Report (continued)

For the Year Ended 31 March 2017

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

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

Post balance sheet events

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

Auditor

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

This report was approved by the board on 11th December 2017 and signed on its behalf.



Mr S Lakhani
Director



Independent Auditor's Report to the Members of The Holmes Care (Group) Limited

We have audited the financial statements of The Holmes Care (Group) Limited for the year ended 31 March 2017, which comprise the consolidated Statement of comprehensive income, the consolidated and Company Balance sheets, the consolidated and Company Statements of changes in equity, the consolidated Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 4As explained more fully in the Directors' responsibilities statement on page 4, 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

A description of the scope of an audit of financial statements is provided on the FRC Ethical Standards website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Independent Auditor's Report to the Members of The Holmes Care (Group) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

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.

James Brown LLB ACA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Ipswich
Date:

The Holmes Care (Group) Limited

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	28,049,420	25,106,134
Cost of sales		(19,917,802)	(16,536,193)
Gross profit		8,131,618	8,569,941
Administrative expenses		(5,400,176)	(7,486,480)
Other operating income	5	37,149	56,108
Operating profit	6	2,768,591	1,139,569
Interest receivable and similar income	10	3,331	-
Interest payable and expenses	11	(1,121,901)	(1,361,433)
Profit/(loss) before taxation		1,650,021	(221,864)
Tax on profit/(loss)	12	(127,722)	(188,400)
Profit/(loss) for the financial year		1,522,299	(410,264)
Unrealised surplus on revaluation of tangible fixed assets and associated deferred tax		829,822	2,449,207
Other comprehensive income for the year		829,822	2,449,207
Total comprehensive income for the year		2,352,121	2,038,943
Profit/(loss) for the year attributable to:			
Non-controlling interests		51,466	(120,563)
Owners of the parent Company		1,470,833	(289,701)
		1,522,299	(410,264)
Total comprehensive income for the year attributable to:			
Non-controlling interests - equity movement		92,922	(120,563)
Owners of the parent Company		2,259,199	2,159,506
		2,352,121	2,038,943

Consolidated Balance Sheet

As at 31 March 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Intangible assets	15		20,738		(11,610)
Tangible assets	16		63,761,432		60,454,413
			<u>63,782,170</u>		<u>60,442,803</u>
Current assets					
Debtors: amounts falling due within one year	18	2,869,545		8,513,800	
Cash at bank and in hand	19	707,337		459,335	
		<u>3,576,882</u>		<u>8,973,135</u>	
Creditors: amounts falling due within one year	20	(5,886,040)		(7,764,677)	
Net current (liabilities)/assets			<u>(2,309,158)</u>		<u>1,208,458</u>
Total assets less current liabilities			<u>61,473,012</u>		<u>61,651,261</u>
Creditors: amounts falling due after more than one year	21		(32,800,713)		(34,117,500)
Provisions for liabilities					
Deferred taxation	23	(2,974,103)		(3,987,686)	
			<u>(2,974,103)</u>		<u>(3,987,686)</u>
Net assets			<u><u>25,698,196</u></u>		<u><u>23,546,075</u></u>

The Holmes Care (Group) Limited
Registered number:05794940

Consolidated Balance Sheet (continued)

As at 31 March 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	24	150,000	150,000
Revaluation reserve	25	6,323,390	5,493,568
Merger reserve	25	16,205,886	16,205,886
Profit and loss account	25	1,267,194	37,817
Equity attributable to owners of the parent Company		<u>23,946,470</u>	<u>21,887,271</u>
Non-controlling interests		<u>1,751,726</u>	<u>1,658,804</u>
		<u>25,698,196</u>	<u>23,546,075</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
11th December 2017.



Mr S Lakhani
Director

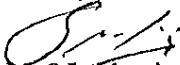
The notes on pages 16 to 35 form part of these financial statements.

Company Balance Sheet

As at 31 March 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	16		5,802		3,834
Investments	17		205,764		150,107
			<u>211,566</u>		<u>153,941</u>
Current assets					
Debtors: amounts falling due within one year	18	37,696,925		39,836,823	
Cash at bank and in hand	19	696,608		175,736	
		<u>38,393,533</u>		<u>40,012,559</u>	
Creditors: amounts falling due within one year	20	(5,633,436)		(5,771,171)	
Net current assets			<u>32,760,097</u>		<u>34,241,388</u>
Total assets less current liabilities			<u>32,971,663</u>		<u>34,395,329</u>
Creditors: amounts falling due after more than one year	21		(32,800,713)		(34,117,500)
Net assets			<u>170,950</u>		<u>277,829</u>
Capital and reserves					
Called up share capital	24		150,000		150,000
Profit and loss account	25		20,950		127,829
			<u>170,950</u>		<u>277,829</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11th December 2017.


Mr S Lakhani
Director

Consolidated Statement of Changes in Equity For the Year Ended 31 March 2017

	Called up share capital	Revaluation reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 April 2016	150,000	5,493,568	16,205,886	37,817	21,887,271	1,658,804	23,546,075
Comprehensive income for the year							
Profit for the year	-	-	-	1,429,377	1,429,377	51,466	1,480,843
Surplus on revaluation of freehold property	-	829,822	-	-	829,822	41,456	871,278
Other comprehensive income for the year	-	829,822	-	-	829,822	41,456	871,278
Total comprehensive income for the year	-	829,822	-	1,429,377	2,259,199	92,922	2,352,121
Dividends: Equity capital	-	-	-	(200,000)	(200,000)	-	(200,000)
Transfer to/from profit and loss account	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(200,000)	(200,000)	-	(200,000)
At 31 March 2017	150,000	6,323,390	16,205,886	1,267,194	23,946,470	1,751,726	25,698,196

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2016

	Called up share capital £	Revaluation reserve £	Merger reserve £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 April 2015 (as previously stated)	150,000	3,574,089	16,205,886	745,285	20,675,260	1,598,777	22,274,037
Prior year adjustment	-	-	-	(566,905)	(566,905)	-	(566,905)
At 1 April 2015 (as restated)	150,000	3,574,089	16,205,886	178,380	20,108,355	1,598,777	21,707,132
Comprehensive income for the year							
Loss for the year	-	-	-	(289,701)	(289,701)	(120,563)	(410,264)
Surplus on revaluation of freehold property and associated deferred tax	-	2,268,617	-	-	2,268,617	-	2,268,617
Surplus on revaluation of freehold property and associated deferred tax	-	-	-	-	-	180,590	180,590
Other comprehensive income for the year	-	2,268,617	-	-	2,268,617	180,590	2,449,207
Total comprehensive income for the year	-	2,268,617	-	(289,701)	1,978,916	60,027	2,038,943
Dividends: Equity capital	-	-	-	(200,000)	(200,000)	-	(200,000)
Transfer to/from profit and loss account	-	(349,138)	-	349,138	-	-	-
Total transactions with owners	-	(349,138)	-	149,138	(200,000)	-	(200,000)
At 31 March 2016	150,000	5,493,568	16,205,886	37,817	21,887,271	1,658,804	23,546,075

The notes on pages 16 to 35 form part of these financial statements.

The Holmes Care (Group) Limited

Company Statement of Changes in Equity

For the Year Ended 31 March 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	150,000	127,829	277,829
Comprehensive income for the year			
Profit for the year	-	93,121	93,121
Total comprehensive income for the year	-	93,121	93,121
Contributions by and distributions to owners			
Dividends: Equity capital	-	(200,000)	(200,000)
Total transactions with owners	-	(200,000)	(200,000)
At 31 March 2017	150,000	20,950	170,950

Company Statement of Changes in Equity

For the Period Ended 31 March 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	150,000	316,077	466,077
Comprehensive income for the year			
Profit for the year	-	11,752	11,752
Total comprehensive income for the year	-	11,752	11,752
Contributions by and distributions to owners			
Dividends: Equity capital	-	(200,000)	(200,000)
Total transactions with owners	-	(200,000)	(200,000)
At 31 March 2016	150,000	127,829	277,829

The notes on pages 16 to 35 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit/(loss) for the financial year	1,522,299	(410,264)
Adjustments for:		
Amortisation of intangible assets	(2,249)	49,415
Depreciation of tangible assets	1,508,066	1,563,933
Impairments of fixed assets	-	867,157
Interest paid	1,121,901	1,632,472
Interest received	(3,331)	108
Taxation charge	127,722	188,400
Decrease in debtors	1,064,049	1,219,554
(Decrease) in creditors	(2,299,710)	(921,876)
Net fair value losses/(gains) recognised in P&L	-	(271,039)
Corporation tax (paid)	(257,280)	(929,311)
Net cash generated from operating activities	2,781,467	2,988,549
Cash flows from investing activities		
Purchase of tangible fixed assets	(265,085)	(347,384)
Cash acquired on acquisition of subsidiary	107	-
Interest received	3,331	-
HP interest paid	(565)	(3,685)
Cash disposed on disposal of subsidiary	-	(108)
Net cash from investing activities	(262,212)	(351,177)

The Holmes Care (Group) Limited

Consolidated Statement of cash flows (continued)

For the Year Ended 31 March 2017

	2017 £	2016 £
Cash flows from financing activities		
New secured loans	1,500,000	36,500,000
Repayment of loans	(2,440,454)	(38,254,353)
Repayment of/new finance leases	(9,268)	(14,469)
Dividends paid	(200,000)	(200,000)
Interest paid	(1,121,336)	(1,628,787)
Net cash used in financing activities	(2,271,058)	(3,597,609)
Net increase/(decrease) in cash and cash equivalents	248,197	(960,237)
Cash and cash equivalents at beginning of year	459,140	1,419,377
Cash and cash equivalents at the end of year	707,337	459,140
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	707,337	459,335
Bank overdrafts	-	(195)
	707,337	459,140

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

1. General Information

The Holmes Care (Group) Limited is private company limited by shares incorporated in England and Wales. The registered office address is 228 St Mary's Lane, Upminster, Essex, RM14 3DH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 March 2017.

The following principal accounting policies have been applied:

2.2 Going concern

The Group has a substantial property portfolio from which it operates its nursing homes. At the year end these were financed through loan facilities with one funder. The Group refinanced its loan facilities during the year and the directors are satisfied that the Group has the financing available to meet its needs for the foreseeable future. The directors have prepared cash flow forecasts to 31 December 2018 which show continued cash generation for the Group and no requirement for further funding beyond the new facility.

After considering the above the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements

For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements present the results of the Holmes Care (Group) Limited and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 31 July 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

The following subsidiary companies have claimed exemption from audit under the provisions of section 479A of the Companies Act 2006. The Holmes Care (Group) Limited has provided a guarantee over those subsidiaries' liabilities under section 479C of the act:

Aviemore Homes Limited
Central Care Limited
Flagship Tower (Greenock) Limited
Heatherfield Community Care Limited
Lakewood Limited
The Holmes Care Limited
The Holmes Care (Bathgate) Limited
The Holmes Care (Greenock) Limited
The Holmes Care Group (GB) Limited
The Holmes Care Holdings Limited
Tower Bridge Homes Care (Central Care) Limited

2.4 Revenue

Turnover comprises revenue recognised by the company in respect of the provision of care through the operation of a nursing home during the period. Revenue is recognised based on the period for which the care has been provided.

Notes to the Financial Statements

For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

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

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Freehold property	- 2% Straight Line
Motor vehicles	- 20% - 22% Straight Line
Fixtures and fittings	- 20% - 48% Straight Line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

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

Notes to the Financial Statements

For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.10 Cash and cash equivalents

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

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

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

Notes to the Financial Statements

For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Finance costs

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 Operating leases: the Group as lessee

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

2.16 Pensions

Defined contribution pension plan

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

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

2.17 Interest income

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

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

Notes to the Financial Statements

For the Year Ended 31 March 2017

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 March 2017

3. Judgements in applying accounting policies 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 for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The key areas of judgement and estimation uncertainty are set out below:

Revaluation of property

The Group carries its freehold property at valuation and the directors engaged an independent valuation specialist to determine the fair value of the freehold property on a periodic basis. Freehold property is valued on an open market value basis in accordance with the requirements of FRS 102.

Bad debt provision

The Group makes a provision for bad debts in the financial statements. The bad debt provision is calculated based on the nature and the ageing of the debt.

4. Turnover

The whole of the turnover is attributable to the principal activity of the group.

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Other operating income	37,149	26,193
Profit on disposal of subsidiaries	-	29,915
	<u>37,149</u>	<u>56,108</u>

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	1,508,066	1,563,933
Amortisation of intangible assets, including goodwill	(2,249)	49,415
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	37,750	62,500
Other operating lease rentals	-	14,080
Defined contribution pension cost	<u>78,466</u>	<u>65,515</u>

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>37,750</u>	<u>62,500</u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	<u>24,000</u>	<u>27,000</u>

8. Employees

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

	2017 £	As restated 2016 £
Wages and salaries	16,124,057	14,609,948
Social security costs	1,062,052	914,101
Cost of defined contribution scheme	78,466	65,515
	<u>17,264,575</u>	<u>15,589,564</u>

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

	2017 No.	2016 No.
	<u>1,124</u>	<u>1,059</u>

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>22,981</u>	<u>31,196</u>
	<u>22,981</u>	<u>31,196</u>

10. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>3,331</u>	<u>-</u>
	<u>3,331</u>	<u>-</u>

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	1,121,336	1,658,744
Fair value movement on interest rate swap	-	(271,039)
Other interest payable	565	(29,957)
Finance leases and hire purchase contracts	-	3,685
	<u>1,121,901</u>	<u>1,361,433</u>

12. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	533,086	357,684
Adjustments in respect of previous periods	(221,603)	6,650
Total current tax	<u>311,483</u>	<u>364,334</u>
Deferred tax		
Origination and reversal of timing differences	(183,761)	(154,844)
Adjustments in respect of previous periods	-	(21,090)
Total deferred tax	<u>(183,761)</u>	<u>(175,934)</u>
Taxation on profit on ordinary activities	<u>127,722</u>	<u>188,400</u>

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	<u>1,650,021</u>	<u>(221,864)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	330,004	(44,373)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	(450)	9,883
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,691	210,037
Fixed asset differences	137,130	114,272
Adjustments to tax charge in respect of prior periods	(221,603)	6,650
Non-taxable income	-	(21)
Adjustment to deferred tax in respect of prior periods	-	(21,090)
Adjust deferred tax to closing rate	(121,050)	(86,958)
Total tax charge for the year	<u>127,722</u>	<u>188,400</u>

13. Dividends

	2017 £	2016 £
Dividends paid	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £93,121 (2016 - £11,752).

Notes to the Financial Statements

For the Year Ended 31 March 2017

15. Intangible assets

Group

	Goodwill £	Negative goodwill £	Total £
Cost			
At 1 April 2016	774,917	(280,772)	494,145
Additions	30,099	-	30,099
At 31 March 2017	<u>805,016</u>	<u>(280,772)</u>	<u>524,244</u>
Amortisation			
At 1 April 2016	749,089	(243,334)	505,755
Charge for the year	25,828	(28,077)	(2,249)
At 31 March 2017	<u>774,917</u>	<u>(271,411)</u>	<u>503,506</u>
Net book value			
At 31 March 2017	<u>30,099</u>	<u>(9,361)</u>	<u>20,738</u>
At 31 March 2016	<u>25,828</u>	<u>(37,438)</u>	<u>(11,610)</u>

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

16. Tangible fixed assets

Group

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2016	59,824,838	230,054	2,848,686	62,903,578
Additions	-	-	265,085	265,085
Acquisition of subsidiary	4,550,000	-	-	4,550,000
At 31 March 2017	<u>64,374,838</u>	<u>230,054</u>	<u>3,113,771</u>	<u>67,718,663</u>
Depreciation				
At 1 April 2016	-	186,096	2,263,069	2,449,165
Charge for period	1,196,400	30,263	281,403	1,508,066
At 31 March 2017	<u>1,196,400</u>	<u>216,359</u>	<u>2,544,472</u>	<u>3,957,231</u>
Net book value				
At 31 March 2017	<u>63,178,438</u>	<u>13,695</u>	<u>569,299</u>	<u>63,761,432</u>
At 31 March 2016	<u>59,824,838</u>	<u>43,958</u>	<u>585,617</u>	<u>60,454,413</u>

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold	63,178,438	59,824,838
	<u>63,178,438</u>	<u>59,824,838</u>

Included in group freehold property is land not subject to depreciation of £5,879,275 (2016 - £5,879,275). Included in fixed assets are land and buildings and other assets of £4,550,000 (2016 - £nil) which are awaiting construction and are therefore not depreciated.

The freehold land and buildings were revalued in February 2016 by Jones Lang Lasalle, on an open market values basis, in accordance with the RICS Appraisal and Valuation Manual.

Notes to the Financial Statements

For the Year Ended 31 March 2017

16. Tangible fixed assets (continued)

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

	2017 £	2016 £
Group		
Cost	34,645,602	34,645,602
Accumulated depreciation	(2,528,249)	(2,332,148)
Net book value	32,117,353	32,313,454
Company		
	Fixtures and fittings £	Office equipment £
		Total £
Cost or valuation		
At 1 April 2016	1,604	2,898
Additions	2,712	1,548
At 31 March 2017	4,316	4,446
Depreciation		
At 1 April 2016	357	311
Charge for period	810	1,482
At 31 March 2017	1,167	1,793
At 31 March 2017	3,149	2,653
At 31 March 2016	1,247	2,587

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

17. Fixed asset investments

Company

Shares in group
undertakings
£

At 1 April 2016	150,107
Additions	55,657
At 31 March 2017	<u>205,764</u>
At 31 March 2017	<u>205,764</u>
At 31 March 2016	<u>150,107</u>

18. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	2,140,324	3,368,371	-	-
Amounts owed by group undertakings	-	-	37,609,093	39,389,914
Amounts owed by joint ventures and associated undertakings	43,911	4,580,211	-	359,077
Other debtors	301,415	112,323	87,832	87,832
Prepayments and accrued income	383,895	452,895	-	-
	<u>2,869,545</u>	<u>8,513,800</u>	<u>37,696,925</u>	<u>39,836,823</u>

19. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	707,337	459,335	696,608	175,736
Less: bank overdrafts	-	(195)	-	(195)
	<u>707,337</u>	<u>459,140</u>	<u>696,608</u>	<u>175,541</u>

Notes to the Financial Statements

For the Year Ended 31 March 2017

20. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	-	195	-	195
Bank loans	2,576,333	2,200,000	2,576,333	2,200,000
Trade creditors	447,414	1,389,002	-	236,375
Amounts owed to group undertakings	-	-	3,033,824	1,380,734
Amounts owed to other participating interests	48,891	24,478	-	-
Corporation tax	533,086	478,880	23,279	79,358
Other taxation and social security	241,231	178,257	-	-
Obligations under finance lease and hire purchase contracts	2,050	11,318	-	-
Other creditors	240,799	1,627,253	-	1,537,754
Accruals and deferred income	1,796,236	1,855,294	-	336,755
	<u>5,886,040</u>	<u>7,764,677</u>	<u>5,633,436</u>	<u>5,771,171</u>

Bank loans are secured on the group's freehold land and buildings by HSBC.

The loan is repayable by quarterly instalments. Interest is payable quarterly in arrears and is charged at a rate of 2.50% over LIBOR, the term of the loan is 5 years.

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	32,800,713	34,117,500	32,800,713	34,117,500
	<u>32,800,713</u>	<u>34,117,500</u>	<u>32,800,713</u>	<u>34,117,500</u>

Bank loans are secured on the group's freehold land and buildings by HSBC.

The loan is repayable by quarterly instalments. Interest is payable quarterly in arrears and is charged at a rate of 2.50% over LIBOR, the term of the loan is 5 years.

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

22. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	3,192,987	8,520,240	38,393,536	40,012,559
	<u>3,192,987</u>	<u>8,520,240</u>	<u>38,393,536</u>	<u>40,012,559</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(37,910,386)	(41,110,446)	(38,410,870)	(39,809,314)
	<u>(37,910,386)</u>	<u>(41,110,446)</u>	<u>(38,410,870)</u>	<u>(39,809,314)</u>

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings, amounts owed by related parties and other debtors.

Financial Liabilities measured at amortised cost comprise bank overdrafts, bank loans, trade creditors, amounts owed by group undertakings, other creditors and accruals.

23. Deferred taxation

Group	2017 £
At beginning of year	(3,987,686)
Credited to the profit or loss	183,761
Credited to other comprehensive income	829,822
At end of year	<u>(2,974,103)</u>

The provision for deferred taxation is made up as follows:

	Group 2017 £
Accelerated capital allowances	(684,873)
Capital gains	(2,289,230)
	<u>(2,974,103)</u>

Notes to the Financial Statements

For the Year Ended 31 March 2017

24. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

Share capital represents the nominal value of shares that have been issued. The shares carry voting rights and an entitlement to dividends.

25. Reserves

Revaluation reserve

This reserve represents the surplus or deficit arising on the revaluation of an asset.

Merger Reserve

This reserve records amounts arising on the acquisition of subsidiary companies.

Profit and loss account

This reserve includes all current and prior period retained profits and losses.

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

26. Business combinations

In February 2017 the Group acquired Holmes Care (Nelson) Limited and Morar Properties Limited.

	Book value £	Fair value £
Tangible	4,550,000	4,550,000
	4,550,000	4,550,000
Cash at bank and in hand	107	107
Total assets	4,550,107	4,550,107
Due within one year	(4,524,554)	(4,524,554)
Fair value of net assets	25,553	25,553
Total purchase consideration	25,553	25,553
Purchase consideration settled in cash, as above	55,657	55,657
Cash and cash equivalents in subsidiary acquired	(107)	(107)
Cash outflow on acquisition	55,550	55,550

27. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to be £78,466 (2016 - £65,515).

Contributions totalling £17,980 (2016 - £9,024) were payable to the fund at the balance sheet date and are included in creditors.

28. Related party transactions

The group was owed £19,498 (2016 - owed £174,369) by Care Cottage Limited, a company controlled by a director, S Lakhani. The group was charged £150,000 (2016 - £150,000) by Care Cottage Limited for rental of office premises.

The group was owed £87,832 (2016 - £87,382) by S Lakhani, a director of the group. This balance is included in other debtors.

At the year end, the Group was owed £nil (2016: £55,657) by Arcedo Development Group Limited a company under the control of the Directors.

Key management personnel remuneration totalled £434,513 (2016: £490,302).

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

29. Controlling party

Due to the nature of the shareholdings in the Company, there is no ultimate controlling party.

30. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Subsidiary undertakings

Name	Country of Incorporation	Holding	Principal activity
Aviemore Homes Limited	Scotland	95 %	Operation of care homes
Central Care Limited	Scotland	95 %	Operation of care homes
Flagship Tower (Greenock) Limited	England & Wales	95 %	Operation of care homes
Heatherfield Community Care Limited	Scotland	95 %	Operation of care homes
Lakewood Limited	England & Wales	95 %	Operation of care homes
The Holmes Care Limited	England & Wales	100 %	Operation of care homes
Tower Bridge Homes Care Limited	England & Wales	95 %	Operation of care homes
The Holmes Care (Bathgate) Limited	England & Wales	95 %	Holding company
The Holmes Care (Greenock) Limited	England & Wales	95 %	Holding company
Tower Bridge Homes Care (Central Care) Limited	Scotland	95 %	Holding company
Holmes Care (Inverness) Limited	Scotland	95 %	Dormant
Holmes Care (Mugiemoss) Limited	England & Wales	95 %	Dormant
Holmes Care (Nelson-1) Limited	Scotland	95 %	Dormant
Lakewood Leisure Limited	England & Wales	95 %	Dormant
The Holmes Care Holdings Limited	England & Wales	95 %	Holding company
Tower Bridge Homes Care (Primrose) Limited	England & Wales	95 %	Dormant
The Holmes Care Group (GB) Limited	England & Wales	95 %	Holding company

The Holmes Care (Group) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2017

30.. Subsidiary undertakings (continued)