

✓ Full accounts

Healthcare Homes (LSC) Limited

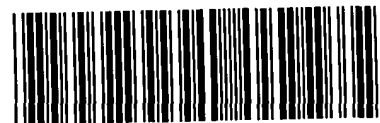
Annual Report and Financial Statements

Year Ended

30 September 2017

Company Number 06990425

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Healthcare Homes (LSC) Limited

Company Information

Directors	D J Bates G C Lomer M J King G D Cochrane S C Dixon H Gidlow
Company secretary	G C Lomer
Registered number	06990425
Registered office	The Beeches Apex 12 Old Ipswich Road Ardleigh Essex CO7 7QR
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Healthcare Homes (LSC) Limited

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Healthcare Homes (LSC) Limited

Strategic Report For the Year Ended 30 September 2017

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2017.

Business review

The company has had a good year in terms of CQC compliance and quality ratings, with 70% of the homes rated as 'Good'. This is evidence of Healthcare Homes' commitment to providing an environment where residents receive the highest standards of care; where dignity is respected; where talents and interests are encouraged; and where life is lived to its fullest potential.

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

During the previous period 100% of the company's share capital was acquired by Healthcare Homes Group Limited on 1 April 2016. Prior to this, the company transferred out the trade of 2 homes and transferred in the trade of 3 homes via transactions within the previous group structure. The results for the previous period therefore reflect the trade of 9 homes for the first 12 months and then reflect the trade of ten homes for the last 6 months.

The directors are pleased with the performance of the company for the year.

The Healthcare Homes group, headed by Healthcare Homes Holdings Limited, remains in a strong financial position with continued focus on providing high quality care. An extensive Learning and Development program encompassing all of the mandatory training as well as specialist subjects is provided to all staff members. The company is continually re-investing into the residential care and nursing homes it operates to maintain the level of care and quality.

The key performance indicators ("KPI") of the business are occupancy and average weekly fees as these are the key drivers of turnover; agency usage which has a negative impact on the gross margin; and EBITDA (earnings before interest, tax, depreciation and amortization) which is an industry wide indicator used for valuing the performance of homes.

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

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

During the year, national and local press coverage has continued to raise the required, and necessary, awareness in relation to national funding pressures in the social care market. Local Authorities are coming under more pressure to promote a sustainable market and we are now starting to see fee levels beginning to increase towards more reasonable rates. During the year, the group was involved in the data gathering exercise in relation to the care homes market study undertaken by the Competitions and Markets Authority (CMA). The results of the study are published on the Government's website. The directors welcome the points raised through the study and are eager to see how these feed into the Green Paper that is due to be issued later this year. From a financial perspective, the study highlighted deposits, payments after discharge or death, top-ups and Funded Nursing Care (FNC) for private paying residents as key areas of varying treatment within the sector. The directors are pleased to report that Healthcare Homes takes a very fair and prudent approach to all of the above and therefore any definitive guidance or changes to these areas should not significantly impact on the financial results for the group. On 16 November 2017, Government also announced plans to publish a Green Paper by summer 2018, setting out proposals for improving care and support for older people and how to tackle the challenge of an ageing population.

Healthcare Homes (LSC) Limited

Strategic Report (continued) For the Year Ended 30 September 2017

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

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

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

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

Future developments

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

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

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

This report was approved by the board on 3 May 2018

and signed on its behalf.


G C Lomer
Secretary

Healthcare Homes (LSC) Limited

Directors' Report For the Year Ended 30 September 2017

The directors present their report together with the audited financial statements for the year ended 30 September 2017.

Principal activity

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

Business review

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

Results and dividends

The profit for the year, after taxation, amounted to £2,380,862 (2016 - £1,154,886).

A dividend of £2,000,000 (2016 - £Nil) was paid during the year.

Directors

The directors who served during the year were:

D J Bates
M Osborne (resigned 10 March 2017)
G C Lomer
D H Christian (resigned 6 April 2017)
M J King
G D Cochrane (appointed 30 March 2017)
S C Dixon (appointed 1 May 2017)
H Gidlow (appointed 6 April 2017)

Financial instruments

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

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

Healthcare Homes (LSC) Limited

Directors' Report (continued) For the Year Ended 30 September 2017

Employee involvement

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

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

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

Employment of disabled persons

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

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 3 May 2018 and signed on its behalf.



G C Lomer
Secretary

Healthcare Homes (LSC) Limited

Directors' Responsibilities Statement For the Year Ended 30 September 2017

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Healthcare Homes (LSC) Limited

Independent Auditor's Report to the Members of Healthcare Homes (LSC) Limited

Opinion

We have audited the financial statements of Healthcare Homes (LSC) Limited ("the Company") for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)*.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Healthcare Homes (LSC) Limited

Independent Auditor's Report to the Members of Healthcare Homes (LSC) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Healthcare Homes (LSC) Limited

Independent Auditor's Report to the Members of Healthcare Homes (LSC) Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

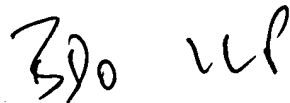
In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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

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



Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

3 MAY 2018

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

Healthcare Homes (LSC) Limited

Statement of Comprehensive Income For the Year Ended 30 September 2017

		Continuing operations	Discontin'd operations	Total	Continuing operations 18 month period ended	Discontin'd operations 18 month period ended	Total 18 month period ended
		Year ended 30 September 2017 £	Year ended 30 September 2017 £	Year ended 30 September 2017 £	30 September 2016 £	30 September 2016 £	30 September 2016 £
Note							
Turnover	4	32,176,876	-	32,176,876	33,262,992	6,141,840	39,404,832
Cost of sales		(19,469,701)	-	(19,469,701)	(20,274,109)	(4,295,324)	(24,569,433)
Gross profit		12,707,175	-	12,707,175	12,988,883	1,846,516	14,835,399
Administrative expenses		(10,760,592)	-	(10,760,592)	(12,956,933)	(2,111,631)	(15,068,564)
Other operating income	5	310,210	-	310,210	320,171	-	320,171
Operating profit	7	2,256,793	-	2,256,793	352,121	(265,115)	87,006
Income from fixed assets investments	9	-	-	-	1,366,326	-	1,366,326
Interest receivable and similar income	10	262,198	-	262,198	47,742	-	47,742
Interest payable and expenses	11	-	-	-	(709)	-	(709)
Profit before tax		2,518,991	-	2,518,991	1,765,480	(265,115)	1,500,365
Tax on profit	12	(138,129)	-	(138,129)	(345,479)	-	(345,479)
Profit for the financial year		2,380,862	-	2,380,862	1,420,001	(265,115)	1,154,886
Other comprehensive income				-			-
Total comprehensive income for the year				2,380,862			1,154,886

The notes on pages 12 to 24 form part of these financial statements.

Healthcare Homes (LSC) Limited


Registered number: 06990425

Statement of Financial Position As at 30 September 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	14		653,094		240,980
Current assets					
Stocks		7,111		38,044	
Debtors: amounts falling due after more than one year	15	3,321,164		1,977,536	
Debtors: amounts falling due within one year	15	2,490,660		3,707,866	
Cash at bank and in hand		838,826		577,628	
		<u>6,657,761</u>		<u>6,301,074</u>	
Creditors: amounts falling due within one year	16	(5,872,979)		(5,552,056)	
Net current assets			<u>784,782</u>		<u>749,018</u>
Total assets less current liabilities			<u>1,437,876</u>		<u>989,998</u>
Provisions for liabilities					
Deferred tax liability	17		(73,562)		(6,546)
Net assets			<u><u>1,364,314</u></u>		<u><u>983,452</u></u>
Capital and reserves					
Called up share capital	18		1,000,000		1,000,000
Profit and loss account	19		364,314		(16,548)
Total equity			<u><u>1,364,314</u></u>		<u><u>983,452</u></u>

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


G C Lamer
Director


D J Bates
Director

3 May 2018

The notes on pages 12 to 24 form part of these financial statements.

Healthcare Homes (LSC) Limited

Statement of Changes in Equity For the Year Ended 30 September 2017

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2016	1,000,000	(16,548)	983,452
Comprehensive income for the year			
Profit for the year	-	2,380,862	2,380,862
Total comprehensive income for the year	-	2,380,862	2,380,862
Dividends: equity capital	-	(2,000,000)	(2,000,000)
Total transactions with owners	-	(2,000,000)	(2,000,000)
At 30 September 2017	1,000,000	364,314	1,364,314

Statement of Changes in Equity For the Year Ended 30 September 2016

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2015	1,000,000	(1,171,434)	(171,434)
Comprehensive income for the period			
Profit for the period	-	1,154,886	1,154,886
Total comprehensive income for the period	-	1,154,886	1,154,886
At 30 September 2016	1,000,000	(16,548)	983,452

The notes on pages 12 to 24 form part of these financial statements.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

1. General information

Healthcare Homes (LSC) Limited is a private company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Healthcare Homes Holdings Limited as at 30 September 2017 and these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

2.3 Turnover

Turnover represents sales to external customers at invoiced amounts and is recognised in the year it relates. Pre 1 April 2016 invoices were raised on a weekly basis. For the period post 1 April 2016 invoices are raised on a monthly basis.

2.4 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.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Leasehold improvements	- straight line over the lease term
Plant and machinery	- 20% per annum
Fixtures and fittings	- 10% per annum
Computer equipment	- 25% per annum

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

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

2.5 Impairment of fixed assets and goodwill

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

2.6 Stocks

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

2.7 Debtors

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

2.8 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.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

2. Accounting policies (continued)

2.9 Financial instruments

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

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2.10 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.

2.11 Finance costs

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

2.12 Dividends

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

2.13 Operating leases: the company as lessee

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

2.14 Pensions

Defined contribution pension plan

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

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

2.15 Holiday pay accrual

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

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

2. Accounting policies (continued)

2.16 Interest income

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

2.17 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

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

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

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14)

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

4. Turnover

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

All turnover arose within the United Kingdom.

5. Other operating income

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Other operating income	310,210	320,171

Other operating income represents miscellaneous income from the provision of residential care to the elderly.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

6. Analysis of operating profit/(loss)

	Year ended 30 September 2017		Period ended 30 September 2016	
	Continuing £	Discontinued £	Continuing £	Discontinued £
Turnover	32,176,876	-	33,262,992	6,141,840
Cost of sales	(19,469,701)	-	(20,274,109)	(4,295,324)
Gross profit	12,707,175	-	12,988,883	1,846,516
Administrative expenses	(11,067,851)	-	(12,956,933)	(2,111,631)
Other operating income	310,210	-	320,171	-
	1,949,534	-	352,121	(265,115)

On 1 April 2016 the trade and assets of three care homes were transferred into Healthcare Homes (LSC) Limited (formerly Life Style Care (2010) Limited) from another group company at net book value. The trade in relation to these three care homes is shown as continuing within the statement of comprehensive income.

On 1 April 2016 the trade and assets of two care homes were transferred from Healthcare Homes (LSC) Limited (formerly Life Style Care (2010) Limited) to another group company at net book value. The trade in relation to these two care homes is shown as discontinued within the statement of comprehensive income.

7. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Depreciation of tangible fixed assets:		
- owned by the company	43,350	80,831
Impairment of tangible fixed assets	-	146,264
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	-	14,400
Operating lease rentals	5,804,982	8,191,152
Defined contribution pension cost	108,927	138,536

During the period, no director received any emoluments (2016 - £Nil).

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

8. Employees

Staff costs were as follows:

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Wages and salaries	15,586,219	20,478,324
Social security costs	1,205,360	1,019,533
Cost of defined contribution scheme	108,927	138,536
	<u>16,900,506</u>	<u>21,636,393</u>

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

	Year ended 30 September 2017 No.	18 month period ended 30 September 2016 No.
Care workers	908	866
Management and administrative	20	15
	<u>928</u>	<u>881</u>

9. Income from investments

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Dividends received from investments	-	1,366,326

Pre 1 April 2016 a dividend of £1,366,326 was received from the subsidiary undertaking Life Style Care Properties (2010) Limited.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

10. Interest receivable

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Interest receivable from group companies	262,107	44,264
Other interest receivable	91	3,478
	<u>262,198</u>	<u>47,742</u>

11. Interest payable and similar charges

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Bank interest payable	-	709
	<u>-</u>	<u>709</u>

12. Taxation

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Corporation tax		
Current tax on profits for the period/year	-	372,654
Adjustments in respect of previous periods	71,113	-
Deferred tax		
Origination and reversal of timing differences	20,757	(27,175)
Adjustment in respect of prior periods	46,259	-
Taxation on profit	<u>138,129</u>	<u>345,479</u>

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

12. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	Year ended 30 September 2017 £	18 month period ended 30 September 2016 £
Profit on ordinary activities before tax	<u>2,518,992</u>	<u>1,500,365</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	491,203	300,073
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	108,206
Adjustment to corporation tax charge in respect of prior periods	71,113	-
Other differences leading to an increase/(decrease) in the tax charge	115	7,615
Group relief	(467,510)	(69,260)
Adjust deferred tax to average tax rate of 19.5%	(3,051)	(1,155)
Adjustment to deferred tax charge in respect of prior periods	46,259	-
Total tax charge for the year/period	<u>138,129</u>	<u>345,479</u>

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 30 September 2017 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

13. Dividends

	2017 £	2016 £
Dividends paid	<u>2,000,000</u>	<u>-</u>

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

14. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost				
At 1 October 2016	75,991	78,761	267,741	422,493
Additions	30,376	170,935	254,153	455,464
At 30 September 2017	106,367	249,696	521,894	877,957
Depreciation				
At 1 October 2016	-	-	181,513	181,513
Charge for the year	7,600	15,750	20,000	43,350
At 30 September 2017	7,600	15,750	201,513	224,863
Net book value				
At 30 September 2017	98,767	233,946	320,381	653,094
At 30 September 2016	75,991	78,761	86,228	240,980

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

15. Debtors

	2017 £	2016 £
Due after more than one year		
Amounts owed by group undertakings	<u>3,321,164</u>	<u>1,977,536</u>
	2017 £	2016 £
Due within one year		
Trade debtors	2,338,444	3,616,297
Other debtors	92,347	-
Prepayments and accrued income	59,869	91,569
	<u>2,490,660</u>	<u>3,707,866</u>

The impairment loss recognised in the company profit or loss for the year/period in respect of bad and doubtful trade debtors was £Nil (2016 - £244,578).

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	2,168,199	1,647,638
Corporation tax	444,295	373,183
Other taxation and social security	279,781	309,107
Other creditors	220,688	225,154
Accruals and deferred income	2,760,016	2,996,974
	<u>5,872,979</u>	<u>5,552,056</u>

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

17. Deferred taxation

	2017 £	
At beginning of year	6,546	
Charged to profit or loss	67,016	
At end of year	73,562	
	2017 £	2016 £
Accelerated capital allowances	<u>73,562</u>	<u>6,546</u>

18. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Profit and loss account

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

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £108,927 (2016 - £138,536). Contributions totalling £16,718 (2016 - £34,285) were payable to the fund at the reporting date and are included in creditors.

Healthcare Homes (LSC) Limited

Notes to the Financial Statements For the Year Ended 30 September 2017

21. Commitments under operating leases

At 30 September 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	5,947,879	5,802,516
Later than 1 year and not later than 5 years	25,314,849	24,697,413
After more than 5 years	<u>32,232,019</u>	<u>38,796,033</u>

22. Parent undertaking and control

The immediate parent undertaking is Healthcare Homes Group Limited, a company incorporated in the United Kingdom. Group financial statements are not required.

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

In the opinion of the directors this is the company's ultimate parent company.

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