

Financial Statements

Spa Nursing Homes Limited

For the Year Ended 30 November 2017



Registered number: NI026058

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Company Information

Directors	Mr E S Johnston Mr G W Beattie Mr C Johnston Mrs L H Johnston
Registered number	NI026058
Registered office	18 Orby Link Belfast Co. Antrim BT5 5HW
Independent auditors	Grant Thornton (NI) LLP Chartered Accountants & Statutory Auditors 12-15 Donegall Square West Belfast BT1 6JH
Bankers	Bank of Ireland Belfast BT1 2BA
Solicitors	John McKee & Son 32-38 Linenhall Street Belfast BT2 8BG

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Strategic report

For the Year Ended 30 November 2017

Introduction

The directors present their reports and the financial statements of the company for the year ended 30 November 2017.

Business review

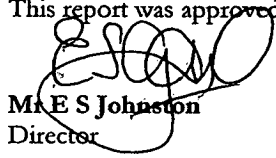
The company's turnover has increased from £5.93m to £6.12m and gross profit has risen to 24% (2016 - 23%). The directors consider that in the light of prevailing economic and market conditions, both the results for the year and the prospects for the future are satisfactory.

Principal risks and uncertainties

The company uses various financial instruments including bank loans and overdrafts, hire purchase, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide sufficient finance for the company's operations. The directors remain mindful of risks and uncertainties facing the business, such as the impact of Health Trust cuts on occupancy rates, rising costs and fluctuation in the interest rates.

This report was approved by the board on

and signed on its behalf.



Mr E S Johnston
Director

Directors' report

For the Year Ended 30 November 2017

The directors present their report and the financial statements for the year ended 30 November 2017.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Results and dividends

The loss for the year, after taxation, amounted to £298,306 (2016 - profit £104,542).

The directors do not propose a dividend for the coming year.

Directors

The directors who served during the year were:

Mr E S Johnston
Mr G W Beattie
Mr C Johnston
Mrs L H Johnston

Future developments

The directors do not foresee any major future developments in the forthcoming year outside normal trading.

Directors' report (continued)

For the Year Ended 30 November 2017

Disclosure of information to auditors

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

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


Post balance sheet events

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

Auditors

The auditors, Grant Thornton (NI) LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22nd August 2018 and signed on its behalf.



Mr E S Johnston
Director

Independent auditors' report to the members of Spa Nursing Homes Limited

Opinion

We have audited the financial statements of Spa Nursing Homes Limited, which comprise the the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity for the financial year ended 30 November 2017, and the related 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, Spa Nursing Homes Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 30 November 2017 and of its financial performance for the year then ended; 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') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor 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 United Kingdom, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

Other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon, including the Directors' report and the Strategic Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the information and,

Independent auditors' report to the members of Spa Nursing Homes Limited (continued)

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 in the financial statements, 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.

Matters on which we are required to report by exception

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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 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, management is 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 management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditors' report to the members of Spa Nursing Homes Limited (continued)

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 Auditors' 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

Independent auditors' report to the members of Spa Nursing Homes Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Neal Taylor

Neal Taylor (Senior statutory auditor)
for and on behalf of

Grant Thornton (NI) LLP

Chartered Accountants

Statutory Auditors

Date: *22nd August 2018*

Statement of comprehensive income

For the Year Ended 30 November 2017

	Note	2017 £	2016 £
Turnover	4	6,117,924	5,930,669
Cost of sales		(4,658,927)	(4,557,728)
Gross profit		1,458,997	1,372,941
Administrative expenses		(1,129,689)	(1,192,041)
Exceptional expenses	11	(485,333)	-
Other operating income	5	141,883	143,385
Operating (loss)/profit	6	(14,142)	324,285
Interest payable and expenses	9	(205,797)	(228,538)
(Loss)/profit before tax		(219,939)	95,747
Tax on (loss)/profit	10	(78,367)	8,795
(Loss)/profit for the financial year		(298,306)	104,542

There was no other comprehensive income for 2017 (2016: £NIL).

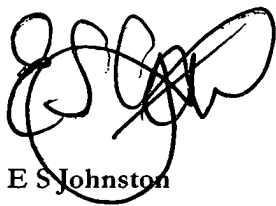
The notes on pages 11 to 27 form part of these financial statements.

Balance sheet

As at 30 November 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	182,752	203,058
Tangible assets	13	5,806,335	6,024,043
Investment property	14	375,000	375,000
		<u>6,364,087</u>	<u>6,602,101</u>
Current assets			
Stocks	15	780	780
Debtors due after more than 1 year	16	614,667	1,100,000
Debtors due within 1 year	16	1,193,105	1,060,500
		<u>1,808,552</u>	<u>2,161,280</u>
Creditors: amounts falling due within one year	18	(1,443,357)	(1,419,122)
Net current assets		<u>365,195</u>	<u>742,158</u>
Total assets less current liabilities		<u>6,729,282</u>	<u>7,344,259</u>
Creditors: amounts falling due after more than one year	19	(4,729,706)	(5,041,091)
Provisions for liabilities			
Deferred tax	22	(58,295)	(63,581)
		<u>(58,295)</u>	<u>(63,581)</u>
Net assets		<u><u>1,941,281</u></u>	<u><u>2,239,587</u></u>
Capital and reserves			
Called up share capital	23	1,200	1,200
Capital redemption reserve	24	393,333	393,333
Profit and loss account	24	1,546,748	1,845,054
		<u><u>1,941,281</u></u>	<u><u>2,239,587</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22/8/18



Mr E S Johnston
Director

The notes on pages 11 to 27 form part of these financial statements.

Statement of changes in equity

For the Year Ended 30 November 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 December 2016	1,200	393,333	1,845,054	2,239,587
Comprehensive income for the year				
Loss for the year	-	-	(298,306)	(298,306)
Total comprehensive income for the year	-	-	(298,306)	(298,306)
At 30 November 2017	1,200	393,333	1,546,748	1,941,281

The notes on pages 11 to 27 form part of these financial statements.

Statement of changes in equity

For the Year Ended 30 November 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 December 2015	1,200	393,333	1,740,512	2,135,045
Comprehensive income for the year				
Profit for the year	-	-	104,542	104,542
Total comprehensive income for the year	-	-	104,542	104,542
At 30 November 2016	1,200	393,333	1,845,054	2,239,587

The notes on pages 11 to 27 form part of these financial statements.

Notes to the financial statements

For the Year Ended 30 November 2017

1. General information

Spa Nursing Homes Limited is a limited company incorporated in Northern Ireland. The registered office is 18 Orby Link, Belfast, BT5 5HW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 judgment in applying the Company accounting policies (see note 3).

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 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.

This information is included in the consolidated financial statements of Mcglez Holdings Limited as at 30 November 2017 and these financial statements may be obtained from 18 Orby Link, Belfast, BT5 5HW.

2.3 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements

For the Year Ended 30 November 2017

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

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 its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Other intangible assets

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

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

Amortisation is provided on the following bases:

Goodwill	-	10 % straight line
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2.6 Tangible fixed assets

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

Notes to the financial statements

For the Year Ended 30 November 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, both straight line and reducing balance.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant and machinery	-	15% reducing balance
Fixtures and fittings	-	15% reducing balance

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.

2.7 Investment property

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

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

Notes to the financial statements

For the Year Ended 30 November 2017

2. Accounting policies (continued)

2.11 Financial instruments

The Company only enters into basic financial instrument 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, loans to related parties and investments in non-puttable ordinary shares.

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 debtors and creditors, 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 the 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 Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 Company would receive for the asset if it were to be sold at the balance sheet date.

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 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

Notes to the financial statements

For the Year Ended 30 November 2017

2. Accounting policies (continued)

2.14 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.

2.15 Dividends

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 December 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.17 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Borrowing costs

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

Notes to the financial statements

For the Year Ended 30 November 2017

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Statement of comprehensive income in the year that the Company 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 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 balance sheet 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 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; 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 balance sheet date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Notes to the financial statements

For the Year Ended 30 November 2017

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include depreciation of fixed assets.

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets.

4. Turnover

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

	2017 £	2016 £
Nursing home income	6,117,924	5,930,669
	<u>6,117,924</u>	<u>5,930,669</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Other operating income	20,250	29,255
Net rents receivable	49,683	53,385
Government grants receivable	71,950	60,746
Profit on disposal of fixed asset investments	-	(1)
	<u>141,883</u>	<u>143,385</u>

6. Operating (loss)/profit

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

	2017 £	2016 £
Depreciation of tangible fixed assets	262,245	269,885
Amortisation of intangible assets, including goodwill	20,306	22,562
Audit fee	5,000	4,980
Other operating lease rentals	19,602	18,214
Defined contribution pension cost	20,330	18,535

Notes to the financial statements

For the Year Ended 30 November 2017

7. Employees

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

	2017 £	2016 £
Wages and salaries	4,277,975	4,108,692
Social security costs	239,719	244,793
Cost of defined contribution scheme	20,329	18,535
	<u>4,538,023</u>	<u>4,372,020</u>

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

	2017 No.	2016 No.
Management Staff	4	4
Administration Staff	3	3
Nursing Staff	260	255
	<u>267</u>	<u>262</u>

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	62,466	57,025
	<u>62,466</u>	<u>57,025</u>

9. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	160,072	176,948
Other loan interest payable	44,066	48,963
Preference share dividends	1,659	2,627
	<u>205,797</u>	<u>228,538</u>

Notes to the financial statements

For the Year Ended 30 November 2017

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	83,653	19,790
Adjustments in respect of previous periods	-	(1,734)
	<u>83,653</u>	<u>18,056</u>
Total current tax	<u>83,653</u>	<u>18,056</u>
Deferred tax		
Origination and reversal of timing differences	(5,286)	(26,851)
Total deferred tax	<u>(5,286)</u>	<u>(26,851)</u>
Taxation on profit/(loss) on ordinary activities	<u>78,367</u>	<u>(8,795)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - the same as) the standard rate of corporation tax in the UK of 19.33% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
(Loss)/profit on ordinary activities before tax	<u>(219,939)</u>	<u>95,747</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.33% (2016 - 20%)	(42,514)	19,149
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	98,068	30,846
Fixed asset differences	22,091	-
Utilisation of tax losses	-	(38,960)
Origination and reversal of timing differences	-	(4,531)
Adjustments to tax charge in respect of prior periods	-	(1,734)
Other differences leading to an increase (decrease) in the tax charge	-	(13,565)
Changes in tax rates	722	-
Total tax charge for the year	<u>78,367</u>	<u>(8,795)</u>

Notes to the financial statements

For the Year Ended 30 November 2017

11. Exceptional items

	2017 £	2016 £
Waiver of loan notes	485,333	-
	<u>485,333</u>	<u>-</u>

12. Intangible assets

	Goodwill £
Cost	
At 1 December 2016	235,430
At 30 November 2017	<u>235,430</u>
Amortisation	
At 1 December 2016	32,372
Charge for the year	20,306
At 30 November 2017	<u>52,678</u>
Net book value	
At 30 November 2017	<u>182,752</u>
At 30 November 2016	<u>203,058</u>

Notes to the financial statements

For the Year Ended 30 November 2017

13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 December 2016	6,224,114	1,895,093	642,183	8,761,390
Additions	-	3,096	41,443	44,539
At 30 November 2017	<u>6,224,114</u>	<u>1,898,189</u>	<u>683,626</u>	<u>8,805,929</u>
Depreciation				
At 1 December 2016	1,168,140	1,160,527	408,681	2,737,348
Charge for the year on owned assets	114,276	110,416	37,553	262,245
At 30 November 2017	<u>1,282,416</u>	<u>1,270,943</u>	<u>446,234</u>	<u>2,999,593</u>
Net book value				
At 30 November 2017	<u>4,941,698</u>	<u>627,246</u>	<u>237,392</u>	<u>5,806,336</u>
At 30 November 2016	<u>5,055,974</u>	<u>734,566</u>	<u>233,503</u>	<u>6,024,043</u>

14. Investment property

	Freehold investment property £
Valuation	
At 1 December 2016	375,000
At 30 November 2017	<u>375,000</u>

The 2017 valuations were made by the directors based on valuations undertaken by external valuer, DTZ McCombe Pierce LLP, on an open market value for existing use basis.

Notes to the financial statements

For the Year Ended 30 November 2017

15. Stocks

	2017 £	2016 £
Raw materials and consumables	780	780
	<u>780</u>	<u>780</u>

16. Debtors

	2017 £	2016 £
Due after more than one year		
Amounts owed by group undertakings	614,667	1,100,000
	<u>614,667</u>	<u>1,100,000</u>
Due within one year		
Trade debtors	75,036	65,443
Amounts owed by group undertakings	977,052	911,923
Amounts owed by related parties	79,436	50,661
Other debtors	27,348	1,000
Prepayments and accrued income	34,235	31,475
	<u>1,807,774</u>	<u>2,160,502</u>

17. Cash and cash equivalents

	2017 £	2016 £
Less: bank overdrafts	(71,344)	(144,687)
	<u>(71,344)</u>	<u>(144,687)</u>

Notes to the financial statements

For the Year Ended 30 November 2017

18. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	71,344	144,687
Bank loans	637,028	679,619
Other loans	11,060	18,960
Trade creditors	188,681	157,954
Amounts owed to group undertakings	80,829	-
Corporation tax	123,758	89,141
Other taxation and social security	3,367	3,266
Obligations under finance lease and hire purchase contracts	29,752	26,963
Other creditors	59,159	57,316
Accruals and deferred income	238,379	241,216
	<u>1,443,357</u>	<u>1,419,122</u>

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

	2017 £	2016 £
Bank loans	3,989,396	4,259,983
Other loans	590,000	601,060
Net obligations under finance leases and hire purchase contracts	73,643	103,381
Share capital treated as debt	76,667	76,667
	<u>4,729,706</u>	<u>5,041,091</u>

Secured loans

Bank loans and overdraft are secured by way of legal charge over the properties and a debenture over all properties and assets of the company.

Bank loans which fall due for repayment after more than 5 years from the balance sheet date are repayable by monthly installments until 31 March 2025, with the remaining balance due for repayment on that date. The loans are subject to interest rates based on LIBOR plus a margin of 2.75%.

Notes to the financial statements

For the Year Ended 30 November 2017

20. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	637,028	679,619
Other loans	11,060	18,960
	<u>648,088</u>	<u>698,579</u>
Amounts falling due 1-2 years		
Bank loans	637,029	679,621
Other loans	-	11,060
	<u>637,029</u>	<u>690,681</u>
Amounts falling due 2-5 years		
Bank loans	1,683,704	1,797,561
	<u>1,683,704</u>	<u>1,797,561</u>
Amounts falling due after more than 5 years		
Bank loans	1,668,663	1,782,801
Other loans	590,000	590,000
	<u>2,258,663</u>	<u>2,372,801</u>
	<u>5,227,484</u>	<u>5,559,622</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	29,752	26,962
Between 1-5 years	32,515	29,739
Over 5 years	41,127	73,643
	<u>103,394</u>	<u>130,344</u>

Notes to the financial statements

For the Year Ended 30 November 2017

22. Deferred taxation

	2017 £	2016 £
At beginning of year	(63,581)	(90,432)
Charged to profit or loss	5,286	26,851
At end of year	(58,295)	(63,581)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	58,295	63,581
	58,295	63,581

Notes to the financial statements

For the Year Ended 30 November 2017

23. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
1,200 Ordinary shares of £1 each	<u>1,200</u>	<u>1,200</u>
	2017 £	2016 £
Shares classified as debt		
Allotted, called up and fully paid		
76,667 Preference shares of £1 each	<u>76,667</u>	<u>76,667</u>

24. Reserves

Capital redemption reserve

Includes all prior period retained profits and losses.

Profit and loss account

Includes all current and prior period retained profits and losses.

Share capital

Represents the nominal value of the shares that have been issued.

25. Pension commitments

The company operates two defined contribution pension schemes. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £20,329 (2016 - £18,535). Contributions totalling £1,947 (2016 - £2,946) were payable at the balance sheet date and are included in creditors.

26. Commitments under operating leases

The Company had no commitments under the non-cancellable operating leases as at the balance sheet date.

Notes to the financial statements

For the Year Ended 30 November 2017

27. Related party transactions

The company has availed of the exemption under FRS102 which allows non disclosure of transactions with other group companies, provided that any subsidiary of that group is a wholly owned member.

During the year the company had the following transactions with related parties:

	2017 £	2016 £
Amounts owed by group companies	834,571	-
Amounts owed to group companies	(80,829)	-
Amounts owed by companies under common control	79,436	962,584
Loan notes due from shareholders	614,667	1,100,000
Amounts owed to directors	(590,000)	(590,000)

Loan notes due from shareholders of £485,333 were waived during the year.

28. Controlling party

The immediate and ultimate parent is Mcglez Holdings Limited, a company incorporated in Northern Ireland. The results of the company will be consolidated in the accounts of Mcglez Holdings Limited. Copies of the group accounts are available at the following address:

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Belfast
BT5 5HW