Registered number: 02295559

CW Residential Limited

Annual report and financial statements

For the year ended 31 December 2019

CW Residential Limited

Company Information

Directors	G D Pearce J C Turnbull K M Rose
Company secretary	G D Pearce
Registered number	02295559
Registered office	55 Baker Street London W1U 7EU
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor A2 Yeoman Gate Yeoman Way Worthing West Sussex BN13 3QZ

CW Residential Limited

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CW Residential Limited

Chairman's statement
For the year ended 31 December 2019

Dear Shareholder,

Clearly a great deal has changed since the period covered by the report and it seems appropriate to begin with recent events. I am pleased to report that at the time of writing none of the residents in our two homes have been diagnosed with Covid-19, and only one staff member has been diagnosed recently. As I am sure you would expect, management are taking all possible precautions to maintain that position.

The group's financial position remains robust and we have not taken advantage of government initiatives to support businesses during this time, other than a grant of £60,000 as part of the government's infection control fund. However, unsurprisingly, profitability has fallen so far this year as a result of increased costs and somewhat lower occupancy rates.

In 2019 Rhymecare Limited , the group's operating company, enjoyed another very good year with underlying profits before tax at £544,000. Rhymecare's freehold land and buildings were valued at 31 December 2019 by an independent valuer and, as usual, the accounts incorporate this valuation which reflects an increase in values over 2018. Plainly, an end 2019 valuation is not a helpful guide to what is happening in the world today. Nevertheless your directors, and the directors of Rhymecare, believe that demand for high quality nursing and care homes will continue to grow in the future and that this will be reflected in values.

In 2019 an access road was constructed to the site of the proposed new dementia unit in Pulborough to maintain the planning permission. We are postponing a decision on how we best exploit this development opportunity until there is more certainty about the course of the pandemic.

Private companies are not required to hold annual general meetings. However, when your company changed its status from public to private, the directors gave a commitment that meetings would continue to be held. We would rather continue to have physical, rather than on line, meetings so our intention is to hold a meeting when this becomes possible again.

G D Pearce

G D Pearce
Chairman

Date 19 OCTOBER 2020

CW Residential Limited

Group strategic report
For the year ended 31 December 2019

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Business review

The trading results of the year are shown on page 9 of the financial statements.

The consolidated profit for the year after taxation amounted to £403,063 (2018 - £403,579). The directors did not declare an interim dividend (2018 - £nil). The directors do not propose the payment of a final dividend.

Principal risks and uncertainties

The principal current assets of the business, other than stock and properties held for sale, are cash or assets that are convertible to cash within a short period of time. Therefore, the principal financial instruments employed by the group are cash and investments. The directors monitor the working capital cycle to ensure there are sufficient cash resources to meet the group's current and future needs.

The group's income mainly consists of care fees for the provision of care and nursing services.

The residential care and nursing home business carried on by Rhymecare Ltd is exposed to internal and external risks, the main ones being:

COVID-19:

Clearly the most significant risk at the time of writing is the impact of COVID-19 and the necessary steps taken to mitigate the spread of the virus in the UK. The directors of Rhymecare Ltd made a conscious decision to stop taking new residents at the height of the pandemic, in order to ensure that existing residents within the homes were as safe as possible. The company has not needed to take advantage of various government initiatives to support businesses at this time, with no staff being furloughed. The group did receive a grant of circa £60,000 in July as part of the government's infection control fund and the group benefits from a strong cash position. The directors will continue to monitor the situation going into the winter months and beyond.

Fee levels:

The level of funding from the NHS and the local authorities remains low and the group looks to relatives for a "top up" contribution whenever possible. Rhymecare Ltd will continue to look for clients who can personally fund their care.

Labour shortage and increased wage demand:

There remains a shortage of available labour that is given emphasis by the reduction of non-EU labour being allowed to enter the market. Without doubt the continuing uncertainty surrounding Brexit has had an effect on EU nationals entering the care market in the UK. The increased cost associated with pensions plus the National Living Wage only adds to the costs. Rhymecare Ltd maintains a high profile in the local employment market and uses agency staff associated with the company to supplement its own resources.

Objectives and policies

The company's fundamental strategic objective is to return capital to the shareholders when this can be done in a way that maximises shareholder value.

Investments:

The company's controlling interest in Rhymecare Ltd remains its principal asset. Rhymecare Ltd reported a profit before tax and management charges of £613,699 (2018 - £614,486). We continue to work closely with Rhymecare's management to seek opportunities to maximise shareholder value.

CW Residential Limited

Group strategic report (continued)
For the year ended 31 December 2019

Financial key performance indicators

	2019	2018
	£	£
Turnover	2,942,000	2,786,000
Gross profit	1,034,000	1,021,000
Gross profit %	35.1%	36.9%
Profit before tax	512,000	518,000

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

....
G D Pearce
Director

Date: 19 OCTOBER 2020

Directors' report
For the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 judgments 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 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group is that of the operation of residential care and nursing homes.

Directors

The directors who served during the year were:

G D Pearce
J C Turnbull
K M Rose

Future developments

Future developments are discussed within the Chairman's statement and group strategic report, on pages 1 to 3.

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 and the Group'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 and the Group's auditors are aware of that information.

Directors' report (continued)
For the year ended 31 December 2019

Post balance sheet events

Following the year end the company sold its investment property at a small surplus to its year end carrying value. No further significant events affected the group excluding COVID-19 which has been discussed further in note 24 of the financial statements.

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

....

G D Pearce
Director

Date: 19 October 2020

Independent auditors' report to the members of CW Residential Limited

Opinion

We have audited the financial statements of CW Residential Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, 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 Group's and of the parent Company's affairs as at 31 December 2019 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

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 the 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 by exception

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

Responsibilities of directors

As 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, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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.

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

CW Residential Limited

Independent auditors' report to the members of CW Residential Limited (continued)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Kreston Reeves LLP

Simon Webber BA(hons) DChA FCA (Senior statutory auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Worthing

Date: 2nd November 2020

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	**2,942,351**	2,767,763
Cost of sales		**(1,908,340)**	(1,746,760)
Gross profit		**1,034,011**	1,021,003
Administrative expenses		**(547,058)**	(510,405)
Operating profit	4	**486,953**	510,598
Other income from investments		**-**	15,518
Interest receivable and similar income	9	**24,548**	5,427
Interest payable and expenses	10	**-**	(13,613)
Profit before taxation		**511,501**	517,930
Tax on profit	11	**(108,438)**	(114,351)
Profit for the financial year		**403,063**	403,579
Unrealised surplus on revaluation of tangible fixed assets		**562,072**	734,464
Other comprehensive income for the year		**562,072**	734,464
Total comprehensive income for the year		**965,135**	1,138,043
Profit for the year attributable to:			
Non-controlling interests		**141,475**	150,977
Owners of the parent Company		**261,588**	252,602
		403,063	403,579

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 19 to 32 form part of these financial statements.

CW Residential Limited
Registered number: 02295559

Consolidated balance sheet
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	12		**7,895,000**		7,240,000
Investment property	14		**85,000**		85,000
			7,980,000		7,325,000
Current assets					
Stocks	15	**5,000**		5,000	
Debtors: amounts falling due within one year	16	**65,772**		135,416	
Current asset investments	17	**147,484**		-	
Cash at bank and in hand	18	**1,129,082**		890,156	
		1,347,338		1,030,572	
Creditors: amounts falling due within one year	19	**(309,519)**		(335,788)	
Net current assets			**1,037,819**		694,784
Total assets less current liabilities			**9,017,819**		8,019,784
Provisions for liabilities					
Deferred taxation	20	**(191,449)**		(158,549)	
			(191,449)		(158,549)
Net assets			**8,826,370**		7,861,235
Capital and reserves					
Called up share capital	21		**137,654**		137,654
Share premium account			**535,207**		535,207
Revaluation reserve			**3,305,339**		2,938,401
Capital redemption reserve			**802,211**		802,211
Profit and loss account			**953,992**		692,404
Equity attributable to owners of the parent Company			**5,734,403**		5,105,877
Non-controlling interests			**3,091,967**		2,755,358
			8,826,370		7,861,235

Consolidated balance sheet (continued)
As at 31 December 2019

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

....

G D Pearce
Director

Date: 19 October 2020

The notes on pages 19 to 32 form part of these financial statements.

CW Residential Limited
Registered number: 02295559

Company balance sheet
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Investments	13		**2,273,228**		2,273,228
Investment property	14		**85,000**		85,000
			2,358,228		2,358,228
Current assets					
Debtors: amounts falling due within one year	16	**6,000**		70,000	
Current asset investments	17	**147,484**		-	
Cash at bank and in hand	18	**6,894**		131,678	
		160,378		201,678	
Creditors: amounts falling due within one year	19	**(68,240)**		(78,490)	
Net current assets			**92,138**		123,188
Total assets less current liabilities			**2,450,366**		2,481,416
Net assets			**2,450,366**		2,481,416
Capital and reserves					
Called up share capital	21		**137,654**		137,654
Share premium account			**535,207**		535,207
Revaluation reserve			**59,251**		59,251
Capital redemption reserve			**802,211**		802,211
Profit and loss account brought forward		**947,093**		973,750	
Loss for the year		**(31,050)**		(26,657)	
Profit and loss account carried forward			**916,043**		947,093
			2,450,366		2,481,416

Company balance sheet (continued)
As at 31 December 2019

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

....

G D Pearce
Director
Date: 19 OCTOBER 2020

The notes on pages 19 to 32 form part of these financial statements.

CW Residential Limited

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Called up share capital	Share premium account	Capital redemption reserve	Non-distributable reserve	Profit and loss account
	£	£	£	£	£
At 1 January 2019	137,654	535,207	802,211	2,938,401	692,404
Comprehensive income for the year					
Profit for the year	-	-	-	-	261,588
Surplus on revaluation of freehold property	-	-	-	562,072	-
Non-controlling interest of surplus on revaluation	-	-	-	(195,134)	-
Other comprehensive income for the year	-	-	-	366,938	-
Total comprehensive income for the year	-	-	-	366,938	261,588
Total transactions with owners	-	-	-	-	-
At 31 December 2019	137,654	535,207	802,211	3,305,339	953,992

	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£
At 1 January 2019	5,105,877	2,755,358	7,861,235
Comprehensive income for the year			
Profit for the year	261,588	141,475	403,063
Surplus on revaluation of freehold property	562,072	-	562,072
Non-controlling interest of surplus on revaluation	(195,134)	195,134	-
Other comprehensive income for the year	366,938	195,134	562,072
Total comprehensive income for the year	628,526	336,609	965,135
Total transactions with owners	-	-	-
At 31 December 2019	5,734,403	3,091,967	8,826,370

CW Residential Limited

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Non-distributable reserve	Profit and loss account
	£	£	£	£	£
At 1 January 2018	137,654	535,207	802,211	2,461,734	439,802
Comprehensive income for the year					
Profit for the year	-	-	-	-	252,602
Surplus on revaluation of freehold property	-	-	-	734,464	-
Non controlling interest of surplus on revaluation	-	-	-	(257,797)	-
Other comprehensive income for the year	-	-	-	476,667	-
Total comprehensive income for the year	-	-	-	476,667	252,602
Total transactions with owners	-	-	-	-	-
At 31 December 2018	137,654	535,207	802,211	2,938,401	692,404

	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£
At 1 January 2018	4,376,608	2,346,584	6,723,192
Comprehensive income for the year			
Profit for the year	252,602	150,977	403,579
Surplus on revaluation of freehold property	734,464	-	734,464
Non controlling interest of surplus on revaluation	(257,797)	257,797	-
Other comprehensive income for the year	476,667	257,797	734,464
Total comprehensive income for the year	729,269	408,774	1,138,043
Total transactions with owners	-	-	-
At 31 December 2018	5,105,877	2,755,358	7,861,235

Company statement of changes in equity
For the year ended 31 December 2019

	Called up share capital	Share premium account	Capital redemption reserve	Non-distributable reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	**137,654**	**535,207**	**802,211**	**59,251**	**973,750**	**2,508,073**
Comprehensive income for the year						
Loss for the year	-	-	-	-	**(26,657)**	**(26,657)**
At 1 January 2019	**137,654**	**535,207**	**802,211**	**59,251**	**947,093**	**2,481,416**
Comprehensive income for the year						
Loss for the year	-	-	-	-	**(31,050)**	**(31,050)**
At 31 December 2019	**137,654**	**535,207**	**802,211**	**59,251**	**916,043**	**2,450,366**

CW Residential Limited

Consolidated statement of cash flows
For the year ended 31 December 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial year	**403,063**	403,579
Adjustments for:		
Depreciation of tangible assets	**50,720**	47,600
Interest paid	**-**	13,613
Interest received	**(24,548)**	(20,945)
Taxation charge	**108,438**	114,351
Decrease/(increase) in debtors	**69,644**	(74,379)
Increase/(decrease) in creditors	**33,644**	(64,398)
Increase in amounts owed to groups	**6,000**	-
Corporation tax (paid)	**(174,351)**	(50,026)
Net cash generated from operating activities	**472,610**	369,395
Cash flows from investing activities		
Purchase of tangible fixed assets	**(110,748)**	(20,032)
Interest received	**24,548**	5,427
Dividends received	**-**	15,518
Purchase of trade investments	**(164,107)**	-
Sale of trade investments	**16,623**	-
Net cash from investing activities	**(233,684)**	913
Cash flows from financing activities		
Repayment of loans	**-**	(734,990)
Interest paid	**-**	(13,613)
Net cash used in financing activities	**-**	(748,603)
Net increase/(decrease) in cash and cash equivalents	**238,926**	(378,295)
Cash and cash equivalents at beginning of year	**890,156**	1,268,451
Cash and cash equivalents at the end of year	**1,129,082**	890,156
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,129,082**	890,156
	1,129,082	890,156

The notes on pages 19 to 32 form part of these financial statements.

Consolidated Analysis of Net Debt
For the year ended 31 December 2019

	At 1 January 2019	Cash flows	At 31 December 2019
	£	£	£
Cash at bank and in hand	890,156	238,926	1,129,082
	890,156	238,926	1,129,082

The notes on pages 19 to 32 form part of these financial statements.

1. General information

CW Residential Limited is a private company limited by share capital and incorporated in England and Wales. (Registered number: 02295559)

The address of the registered office is:
55 Baker Street
London
W1U 7EU

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 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 following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company 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 01 January 2015.

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.

2.3 Going concern

The group recorded a profit for the year and has a strong net assets and net current asset position as at 31 December 2019. After reviewing current management information and group forecasts, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment COVID-19 has been considered. The group has not needed to take advantage of various government initiatives to support businesses at this time, with no staff being furloughed. The group did receive a grant of circa £60,000 in July as part of the government's infection control fund and the group benefits from a strong cash position. Accordingly, the financial statements have been prepared on a going concern basis.

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 Group 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 Group 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

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.

2.6 Tangible fixed assets

Tangible fixed assets are stated at valuation.

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.

The estimated useful lives range as follows:

Freehold property	- 50 years

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. *Accounting policies (continued)*

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value 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.

2.8 Investment property

Investment property is carried at fair value determined periodically 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 Consolidated statement of comprehensive income.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 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.

2.11 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.

2.12 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. Accounting policies (continued)

2.13 Financial instruments

The Group 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 ordinary shares.

2.14 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.

2.15 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.

2.16 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.

2.17 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 payment 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.

2.18 Interest income

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

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. Accounting policies (continued)

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 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 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.

3. Turnover

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

	2019	2018
	£	£
Fees receivable	**2,927,251**	2,756,848
Rent receivable	**15,100**	10,915
	2,942,351	2,767,763

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2019	2018
	£	£
Other operating lease rentals	**1,357**	1,357

5. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**15,882**	16,265

Fees payable to the Group's auditor and its associates in respect of:

	2019 £	2018 £
All other services	**22,466**	18,243

6. Employees

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	**1,524,326**	1,469,947	**71,500**	72,096
Social security costs	**133,183**	122,005	**7,500**	17,491
Cost of defined contribution scheme	**122,216**	54,135	**-**	-
	1,779,725	1,646,087	**79,000**	89,587

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

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Service delivery	**72**	73	-	-
Administration and support	**6**	7	3	3
	78	80	3	3

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	**71,500**	72,096

8. Income from investments

	2019 £	2018 £
Final distribution received	-	(2,291)
	-	(2,291)
Unclaimed dividends written back	-	(13,227)
	-	(13,227)

9. Interest receivable

	2019 £	2018 £
Other interest receivable	24,548	5,427
	24,548	5,427

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	-	13,613
	-	13,613

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	108,438	114,351
	108,438	114,351
Total current tax	108,438	114,351

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £	2018 £
Profit on ordinary activities before tax	**511,501**	517,930
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**103,303**	103,452
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**9,646**	13,133
Capital allowances for year in excess of depreciation	**(4,511)**	(2,234)
Total tax charge for the year	**108,438**	114,351

12. Tangible fixed assets

Group

	Freehold property £
Valuation	
At 1 January 2019	**7,240,000**
Additions	**110,748**
Revaluations	**544,252**
At 31 December 2019	**7,895,000**
Charge for the year on owned assets	**50,720**
On revalued assets	**(50,720)**
At 31 December 2019	**-**
Net book value	
At 31 December 2019	**7,895,000**
At 31 December 2018	7,240,000

12. Tangible fixed assets (continued)

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

	2019	2018
	£	£
Freehold	**7,895,000**	7,240,000

Cost or valuation at 31 December 2019 is as follows:

	Land and buildings
	£
At cost	**3,948,518**
Revaluation	**3,946,482**
	7,895,000

Land and buildings were valued by Henry Harris BSc (Hons) MRICS as of 31 December 2019, a RICS Registered Valuer and Partner at Cushman & Wakefield, as a multiple of sustainable EBITDA after adjustment for internally generated goodwill.

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

	2019	2018
	£	£
Group		
Cost	**3,948,518**	3,837,768
Net book value	**3,948,518**	3,837,768

Notes to the financial statements
For the year ended 31 December 2019

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	**2,473,228**
Disposals	**(200,000)**
At 31 December 2019	**2,273,228**
At 1 January 2019	**200,000**
Impairment on disposals	**(200,000)**
At 31 December 2019	**-**
Net book value	
At 31 December 2019	**2,273,228**
At 31 December 2018	2,273,228

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Rhymecare Limited	The Anchorage, Coombelands Lane, Pulborough, West Sussex, RH20 1AG	Ordinary	64.9%
Rhymecare Holdings Limited	The Anchorage, Coombelands Lane, Pulborough, West Sussex, RH20 1AG	Ordinary	64.9%

All subsidiary undertakings have been included in the consolidation.

13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Rhymecare Limited	**8,694,489**	**435,261**
Rhymecare Holdings Limited	**697,210**	**-**

14. Investment property

Group and Company

	Freehold investment property £
Valuation	
At 1 January 2019	**85,000**
At 31 December 2019	**85,000**

The investment properties class of fixed assets was revalued on 31 December 2014 by Thomas Brown Ltd, a company which is external to the group. The basis of valuation was the market value of the freehold held by the company at 31 December 2014. The directors do not consider the market value of the freehold to have changed significantly as at 31 December 2019. This class of asset has a current value of £85,000 (2018 - £85,000) and a carrying amount at historical cost of £24,204 (2018: £25,749). The accumulated depreciation on this historical cost is £60,796 (2018: £59,251).

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	**24,204**	25,749

15. Stocks

	Group 2019 £	Group 2018 £
Finished goods and goods for resale	**5,000**	5,000

Notes to the financial statements
For the year ended 31 December 2019

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	44,837	107,352	-	-
Amounts owed by group undertakings	-	-	6,000	70,000
Other debtors	4,131	12,916	-	-
Prepayments and accrued income	16,804	15,148	-	-
	65,772	135,416	6,000	70,000

17. Current asset investments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Unlisted investments (liquidity fund)	147,484	-	147,484	-
	147,484	-	147,484	-

18. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	1,129,082	890,156	6,894	131,678
	1,129,082	890,156	6,894	131,678

19. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	34,069	37,019	-	-
Amounts owed to group undertakings	6,000	-	-	-
Corporation tax	48,396	114,309	-	-
Other taxation and social security	31,147	34,604	-	-
Other creditors	95,371	82,062	51,070	55,587
Accruals and deferred income	94,536	67,794	17,170	22,903
	309,519	335,788	68,240	78,490

20. Deferred taxation

Group

	2019 £
At beginning of year	**(158,549)**
Charged to other comprehensive income	**(32,900)**
At end of year	**(191,449)**

	Group 2019 £	Group 2018 £
Capital gains	**(191,449)**	(158,549)
	(191,449)	(158,549)

21. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2,753,078 (2018 - 2,753,078) Ordinary share shares of £0.05 each	**137,654**	137,654

22. Pension commitments

The group operates a defined contribution 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 £121,053 (2018 - £54,135). Contributions totalling £12,863 (2018 - £19,693) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 31 December 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	**339**	1,357
Later than 1 year and not later than 5 years	**-**	339
	339	1,696

24. Post balance sheet events

In March 2020 the group was impacted by the UK and global pandemic caused by COVID-19. This resulted in the decision being made by the directors of Rhymecare Ltd to stop taking new residents at the height of the pandemic, in order to ensure that existing residents within the homes were as safe as possible. The group has not needed to take advantage of various government initiatives to support businesses at this time, with no staff being furloughed. The group did receive a grant of circa £60,000 in July as part of the government's infection control fund and the group benefits from a strong cash position. The directors will continue to monitor the situation going into the winter months and beyond.

Since the balance sheet date the company has sold its investment property at a small surplus to its year end carrying value.