

Registered number: 02295559

CW Residential Limited

Annual report and financial statements

For the year ended 31 December 2017

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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	150 Aldersgate Street London EC1A 4AB
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 2017**

Dear Shareholder,

The group's audited accounts for the 12 month period ended 31 December 2017 are enclosed. Included with the accounts is a notice of the annual general meeting to be held at 25 Moorgate, London EC2R 6AY at 11am on 26 June 2018.

The freehold land and buildings held within Rhymecare Limited were revalued at 31 December 2017 by an independent valuer as set out in note 12 to the accounts. Incorporating this valuation, net assets per share rose by 4% to 159 pence per share at the balance sheet date.

Rhymecare Limited, the group's operating company, saw an increase of approximately 15% in underlying operating profits despite difficult trading conditions in the early part of the year. This is reflected in the increase in profit attributable to 'owners of the parent company' on page 9 of the accounts.

As I reported last year, we successfully sought amendments to the planning permission we had received to construct a dementia unit on land owned by Rhymecare Limited adjacent to its existing home in Pulborough, West Sussex. Following the receipt of tenders for the construction of the unit we are working with management to finalise plans to ensure we make the most of the opportunity.

It is with great sadness that the board reports the passing of John Woolfenden, the chief executive of Rhymecare Limited, on 7 January 2018, after a short illness.

Yours sincerely,



Name G D Pearce
Chairman

Date 22/5/18

CW Residential Limited

Group strategic report For the year ended 31 December 2017

Introduction

The directors present their strategic report for the year ended 31 December 2017.

Business review

The trading results of the year are shown on page 10 of the financial statements.

The consolidated profit for the year after taxation amounted to £215,204 (2016 - £187,435). The directors did not declare an interim dividend (2016 - £nil). The directors do not propose the payment of a final dividend.

The company's key financial and other performance indicators during the year were as follows:

Unit	2017	2016
Turnover (£)	2,593,736	2,448,421
Gross profit (£)	832,578	806,794
Gross profit (%)	32	33
Profit before tax	264,268	254,958

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:

Fee levels:

The level of funding from both 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 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 Rhymecare Ltd 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 increase of 5% in profit before tax and management charges to £374,627 (2016 - £355,200). Rhymecare Ltd's senior management own nearly all of the equity not owned by the group. We continue to work closely with them to seek opportunities to maximise shareholder value.

CW Residential Limited

Group strategic report (continued)
For the year ended 31 December 2017

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



.....
G D Pearce
Director

Date: 22/5/18

Directors' report

For the year ended 31 December 2017

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make 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.

CW Residential Limited

Directors' report (continued)
For the year ended 31 December 2017

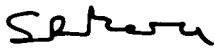
Post balance sheet events

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

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: 22/5/18

Independent auditors' report to the shareholders 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 2017, 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 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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

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.

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

Use of our report

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 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, as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Kirkham FCA (Senior statutory auditor)
for and on behalf of

Kreston Reeves LLP

Chartered Accountants

Statutory Auditor

A2 Yeoman Gate

Yeoman Way

Worthing

West Sussex

BN13 3QZ

Date: 24 May 2018

CW Residential Limited

**Consolidated statement of comprehensive income
For the year ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	3	2,593,736	2,448,421
Cost of sales		(1,761,158)	(1,641,627)
Gross profit		832,578	806,794
Administrative expenses		(552,902)	(540,242)
Operating profit	4	279,676	266,552
Interest receivable and similar income	8	5,743	12,829
Interest payable and expenses	9	(21,151)	(24,423)
Profit before taxation		264,268	254,958
Tax on profit	10	(49,064)	(67,523)
Profit for the financial year		215,204	187,435
Unrealised surplus on revaluation of tangible fixed assets		51,687	236,250
Other comprehensive income for the year		51,687	236,250
Total comprehensive income for the year		266,891	423,685
Profit for the year attributable to:			
Non-controlling interests		73,206	97,277
Owners of the parent Company		141,998	90,158
		215,204	187,435

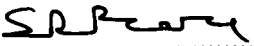
There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 15 to 29 form part of these financial statements.

Consolidated balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	6,450,000	6,300,000
Investment property	14	85,000	85,000
		<u>6,535,000</u>	<u>6,385,000</u>
Current assets			
Stocks	15	5,000	5,000
Debtors: amounts falling due within one year	16	61,037	100,069
Cash at bank and in hand	17	1,329,296	1,190,519
		<u>1,395,333</u>	<u>1,295,588</u>
Creditors: amounts falling due within one year	18	(483,995)	(487,310)
Net current assets		<u>911,338</u>	<u>808,278</u>
Total assets less current liabilities		<u>7,446,338</u>	<u>7,193,278</u>
Creditors: amounts falling due after more than one year	19	(647,701)	(736,977)
Provisions for liabilities			
Deferred taxation		(75,445)	-
		<u>(75,445)</u>	<u>-</u>
Net assets		<u><u>6,723,192</u></u>	<u><u>6,456,301</u></u>
Capital and reserves			
Called up share capital	21	137,654	137,654
Share premium account		535,207	535,207
Non-distributable reserve		2,461,734	2,428,189
Capital redemption reserve		802,211	802,211
Profit and loss account		439,802	297,804
Equity attributable to owners of the parent Company		<u>4,376,608</u>	<u>4,201,065</u>
Non-controlling interests		<u>2,346,584</u>	<u>2,255,236</u>
		<u><u>6,723,192</u></u>	<u><u>6,456,301</u></u>

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



G D Pearce
 Director


Date: 22/5/18

The notes on pages 15 to 29 form part of these financial statements.

Company balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	13	2,273,228	2,273,228
Investment property		85,000	85,000
		<u>2,358,228</u>	<u>2,358,228</u>
Current assets			
Debtors: amounts falling due within one year	16	1,096	7,388
Cash at bank and in hand	17	227,579	219,537
		<u>228,675</u>	<u>226,925</u>
Creditors: amounts falling due within one year	18	(78,830)	(83,721)
Net current assets		<u>149,845</u>	<u>143,204</u>
Total assets less current liabilities		<u>2,508,073</u>	<u>2,501,432</u>
Net assets		<u><u>2,508,073</u></u>	<u><u>2,501,432</u></u>
Capital and reserves			
Called up share capital	21	137,654	137,654
Share premium account		535,207	535,207
Non-distributable reserve		59,251	59,251
Capital redemption reserve		802,211	802,211
Profit and loss account brought forward		967,109	1,070,717
Profit/(loss) for the year		6,641	(103,608)
Profit and loss account carried forward		<u>973,750</u>	<u>967,109</u>
		<u><u>2,508,073</u></u>	<u><u>2,501,432</u></u>

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



G D Pearce
 Director
 Date: 22/5/18

The notes on pages 15 to 29 form part of these financial statements.

CW Residential Limited

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Non- distributable reserve £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2016	137,654	535,207	802,211	2,274,863	207,646	3,957,581	2,075,035	6,032,616
Profit for the year	-	-	-	-	90,158	90,158	97,277	187,435
Surplus on revaluation of freehold property	-	-	-	236,250	-	236,250	-	236,250
Non-controlling interest of surplus on revaluation	-	-	-	(82,924)	-	(82,924)	82,924	-
At 1 January 2017	137,654	535,207	802,211	2,428,189	297,804	4,201,065	2,255,236	6,456,301
Profit for the year	-	-	-	-	141,998	141,998	73,206	215,204
Surplus on revaluation of freehold property	-	-	-	51,687	-	51,687	-	51,687
Non-controlling interest of surplus on revaluation	-	-	-	(18,142)	-	(18,142)	18,142	-
At 31 December 2017	137,654	535,207	802,211	2,461,734	439,802	4,376,608	2,346,584	6,723,192

CW Residential Limited

**Company statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Non- distribut- able reserve £	Profit and loss account £	Total equity £
At 1 January 2016	137,654	535,207	802,211	59,251	1,070,717	2,605,040
Loss for the year	-	-	-	-	(103,608)	(103,608)
At 1 January 2017	137,654	535,207	802,211	59,251	967,109	2,501,432
Profit for the year	-	-	-	-	6,641	6,641
At 31 December 2017	137,654	535,207	802,211	59,251	973,750	2,508,073

CW Residential Limited

**Consolidated statement of cash flows
For the year ended 31 December 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	215,204	187,435
Adjustments for:		
Depreciation of tangible assets	46,000	46,000
Interest paid	21,151	24,423
Interest received	(5,743)	(12,829)
Taxation charge	49,064	67,523
Decrease in debtors	39,032	15,508
Increase in creditors	5,368	11,479
Corporation tax (paid)	(80,787)	(83,248)
Net cash generated from operating activities	<u>289,289</u>	<u>256,291</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(68,868)	(259,750)
Interest received	5,743	12,829
Net cash from investing activities	<u>(63,125)</u>	<u>(246,921)</u>
Cash flows from financing activities		
Repayment of loans	(86,482)	(83,795)
Interest paid	(21,151)	(24,423)
Net cash used in financing activities	<u>(107,633)</u>	<u>(108,218)</u>
Net increase/(decrease) in cash and cash equivalents	118,531	(98,848)
Cash and cash equivalents at beginning of year	1,149,920	1,248,768
Cash and cash equivalents at the end of year	<u><u>1,268,451</u></u>	<u><u>1,149,920</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,329,296	1,190,519
Bank overdrafts	(60,845)	(40,599)
	<u><u>1,268,451</u></u>	<u><u>1,149,920</u></u>

**Notes to the financial statements
For the year ended 31 December 2017**

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:
150 Aldersgate Street
London
EC1A 4AB

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.

**Notes to the financial statements
For the year ended 31 December 2017**

2. Accounting policies (continued)

2.3 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.

2.4 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.

2.5 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
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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.

**Notes to the financial statements
For the year ended 31 December 2017**

2. Accounting policies (continued)

2.6 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.

2.7 Investment property

Investment property is carried at fair value determined 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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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.

2.11 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.

2.12 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

**Notes to the financial statements
For the year ended 31 December 2017**

2. Accounting policies (continued)

2.12 Financial instruments (continued)

third parties, loans to related parties and investments in non-puttable ordinary shares.

2.13 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.

2.14 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.

2.15 Operating leases: the Group as lessee

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

2.16 Pensions

Defined contribution pension plan

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

**Notes to the financial statements
For the year ended 31 December 2017**

2. Accounting policies (continued)

2.17 Interest income

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

2.18 Borrowing costs

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

2.19 Provisions for liabilities

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

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

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

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a 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.

**Notes to the financial statements
For the year ended 31 December 2017**

3. Turnover

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

	2017 £	2016 £
Fees receivable	2,579,636	2,433,346
Rent receivable	14,100	15,075
	<u>2,593,736</u>	<u>2,448,421</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	46,000	46,000
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	16,158	14,953
Other operating lease rentals	1,494	2,320
Defined contribution pension cost	68,302	37,102
	<u>132,954</u>	<u>100,375</u>

5. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	16,158	14,953
Fees payable to the Group's auditor and its associates in respect of:		
All other services	8,020	10,425

Notes to the financial statements
For the year ended 31 December 2017

6. Employees

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	1,368,819	1,249,005	65,500	65,500
Social security costs	100,099	93,339	3,790	4,080
Cost of defined contribution scheme	68,302	37,102	-	-
	<u>1,537,220</u>	<u>1,379,446</u>	<u>69,290</u>	<u>69,580</u>

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

	Group 2017 No.	Group 2016 No.	Company 2017 No.	Company 2016 No.
Production	69	68	-	-
Administration and support	7	7	3	3
	<u>76</u>	<u>75</u>	<u>3</u>	<u>3</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>65,500</u>	<u>65,500</u>

8. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>5,743</u>	<u>12,829</u>
	<u>5,743</u>	<u>12,829</u>

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	21,151	24,338
Other interest payable	-	85
	<u>21,151</u>	<u>24,423</u>

Notes to the financial statements
For the year ended 31 December 2017

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	49,064	81,707
Adjustments in respect of previous periods	-	(14,184)
	<u>49,064</u>	<u>67,523</u>
Total current tax	<u>49,064</u>	<u>67,523</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>264,268</u>	<u>254,958</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	50,872	60,191
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(5,390)	5,760
Capital allowances for year in excess of depreciation	5,718	(4,316)
Utilisation of tax losses	(2,041)	20,049
Adjustments to tax charge in respect of prior periods	(879)	(14,184)
Short term timing difference leading to an increase (decrease) in taxation	920	-
Other timing differences leading to an increase (decrease) in taxation	(136)	23
Total tax charge for the year	<u>49,064</u>	<u>67,523</u>

**Notes to the financial statements
For the year ended 31 December 2017**

11. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 January 2017	(262,611)
At 31 December 2017	<u>(262,611)</u>
Amortisation	
At 1 January 2017	(262,611)
At 31 December 2017	<u>(262,611)</u>
Net book value	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>-</u>

12. Tangible fixed assets

Group

	Freehold property £
Valuation	
At 1 January 2017	6,300,000
Additions	68,868
Revaluations	81,132
At 31 December 2017	<u>6,450,000</u>
Charge for the year on owned assets	46,000
On revalued assets	<u>(46,000)</u>
At 31 December 2017	<u>-</u>
Net book value	
At 31 December 2017	<u>6,450,000</u>
At 31 December 2016	<u>6,300,000</u>

Notes to the financial statements
For the year ended 31 December 2017

12. Tangible fixed assets (continued)

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

	2017 £	2016 £
Freehold	<u>6,450,000</u>	<u>6,300,000</u>

Cost or valuation at 31 December 2017 is as follows:

	Land and buildings £
At cost	3,771,736
Revaluation	<u>2,678,264</u>
	<u><u>6,450,000</u></u>

Land and buildings were valued by Henry Harris BSc (Hons) MRICS, 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:

	2017 £	2016 £
Group		
Cost	<u>3,771,736</u>	<u>3,748,868</u>
Net book value	<u><u>3,771,736</u></u>	<u><u>3,748,868</u></u>

**Notes to the financial statements
For the year ended 31 December 2017**

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Rhymecare Limited	Ordinary	64.9 %
Rhymecare Holdings Limited	Ordinary	64.9 %
CW Properties Limited	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Rhymecare Limited	6,532,557	208,563
Rhymecare Holdings Limited	697,210	-
CW Properties Limited	(429,275)	(3,960)
	<u>6,800,492</u>	<u>204,603</u>

**Notes to the financial statements
For the year ended 31 December 2017**

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	<u>2,473,228</u>
At 31 December 2017	<u>2,473,228</u>
Impairment	
At 1 January 2017	<u>200,000</u>
At 31 December 2017	<u>200,000</u>
Net book value	
At 31 December 2017	<u>2,273,228</u>
At 31 December 2016	<u><u>2,273,228</u></u>

Notes to the financial statements
For the year ended 31 December 2017

14. Investment property

Group and Company

	Freehold investment property £
Valuation	
At 1 January 2017	85,000
At 31 December 2017	<u>85,000</u>

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 2017. This class of asset has a current value of £85,000 (2016 - £85,000) and a carrying amount at historical cost of £25,749 (2016: £25,749). The depreciation on this historical cost is £1,545 (2016: £1,545).

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

	2017 £	2016 £
Historic cost	<u>25,749</u>	<u>25,749</u>

15. Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>5,000</u>	<u>5,000</u>

16. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	46,438	42,968	-	-
Other debtors	13,686	57,101	1,096	7,388
Prepayments and accrued income	913	-	-	-
	<u>61,037</u>	<u>100,069</u>	<u>1,096</u>	<u>7,388</u>

**Notes to the financial statements
For the year ended 31 December 2017**

17. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	1,329,296	1,190,519	227,579	219,537
Less: bank overdrafts	(60,845)	(40,599)	-	-
	<u>1,268,451</u>	<u>1,149,920</u>	<u>227,579</u>	<u>219,537</u>

18. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	60,845	40,599	-	-
Bank loans	87,289	84,495	-	-
Trade creditors	23,145	50,427	-	-
Corporation tax	49,984	81,707	-	-
Other taxation and social security	34,811	27,099	-	-
Other creditors	146,397	80,248	68,814	75,221
Accruals and deferred income	81,524	122,735	10,016	8,500
	<u>483,995</u>	<u>487,310</u>	<u>78,830</u>	<u>83,721</u>

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	647,701	736,977	-	-
	<u>647,701</u>	<u>736,977</u>	<u>-</u>	<u>-</u>

Bank loans are secured by way of fixed charge over freehold land and buildings included in the accounts at a valuation of £2,000,000 and floating charge over all property and assets of Rhymecare Limited.

**Notes to the financial statements
For the year ended 31 December 2017**

20. Deferred taxation

Group

	2017 £
Charged to other comprehensive income	(75,445)
At end of year	(75,445)

At end of year

	Group 2017 £
Capital gains	(75,445)
	(75,445)

21. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
2,753,078 Ordinary share shares of £0.05 each	137,654	137,654

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £68,302 (2016 - £37,102). Contributions totalling £1,957 (2016 - £1,796) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2017 £	2016 £
Not later than 1 year	1,357	1,357
Later than 1 year and not later than 5 years	1,696	3,053
	3,053	4,410