

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017  
FOR  
ST MICHAELS CARE HOMES LTD GROUP**

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**ST MICHAELS CARE HOMES LTD GROUP**

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FOR THE YEAR ENDED 30 JUNE 2017**

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**ST MICHAELS CARE HOMES LTD GROUP**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>DIRECTORS:</b>	Mrs R Thillainathan Mrs V Nadesan
<b>REGISTERED OFFICE:</b>	Dorley House 19-20 Bedfordwell Road Eastbourne East Sussex BN21 2BG
<b>REGISTERED NUMBER:</b>	04644767 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	JANAK RAJ POKHERAL
<b>AUDITORS:</b>	Mantax Lynton Ltd Chartered Certified Accountants and Statutory Auditors Suite 207 Equitable House 10 Woolwich New Road London SE18 6AB

## **ST MICHAELS CARE HOMES LTD GROUP**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017**

#### **PRINCIPAL ACTIVITIES**

The principal activity of the group during the year was that of providing residential care to the elderly and management of the group activities in related field.

#### **REVIEW OF BUSINESS**

Turnover of the group has increased by £200k from £5.6 million in 2016 to £5.8 million in the current year. Operating profits increased similarly by £222k from £550k in 2016 to £772k in the current year. Shareholders' funds were increased by £241k from last year.

The long term prospects for the care sector remains strong as demographic changes in the coming years would see increasing demand for care services. Whilst the business performances are improving and demand for the care services is expected to be stronger in future, the company is subject to following risks:

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Operating Risk:**

The group faces challenges to safeguard adults in varying health condition which may result in non compliance with regulation. Directors have dedicated more resources for care, food safety and health and safety. Continuous quality monitoring, audit programs and good recruitment procedures will help mitigate those risks. Company's revenue from social services is not increasing in line with increase in costs, especially wages cost. Shortage of qualified nurses is resulting in increased agency staff cost. Directors are working closely with commissioning bodies to improve the revenue from social services.

##### **Financial Risk:**

The group holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

##### **Credit Risk**

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

#### **EVENTS SINCE THE END OF THE YEAR**

On October 2017 the group was demerged. Company's investments in the shares of Camelot Care Homes Ltd and Xcel Care Homes Limited were transferred to shareholders Mr & Mrs Nadesan and Mrs Thillainathan. There is no change in ultimate controlling parties after demerger.

#### **ON BEHALF OF THE BOARD:**



.....  
Mrs V Nadesan - Director

Date: 29 March 2018.

## **ST MICHAELS CARE HOMES LTD GROUP**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017**

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2017.

#### **DIVIDENDS**

The total distribution of dividends for the year ended 30 June 2017 was £210,000.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2016 to the date of this report.

Mrs R Thillainathan  
Mrs V Nadesan

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

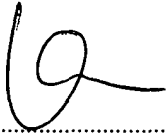
**ST MICHAELS CARE HOMES LTD GROUP**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2017**

**AUDITORS**

The auditors, Mantax Lynton Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
Mrs V Nadesan - Director

Date: 29 March 2018.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ST MICHAELS CARE HOMES LTD GROUP**

### **Opinion**

We have audited the financial statements of ST MICHAELS CARE HOMES LTD GROUP (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 on pages seven to twenty five. 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).

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 a Report of the Auditors 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 30 June 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

- the 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 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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ST MICHAELS CARE HOMES LTD GROUP**

### **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 Report of the Directors.

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

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

### **Responsibilities of directors**

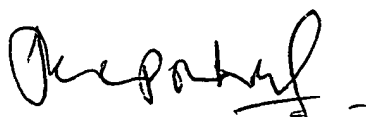
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary 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.

### **Our 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 a Report of the Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.



JANAK RAJ POKHREL (Senior Statutory Auditor)  
for and on behalf of Mantax Lynton Ltd  
Chartered Certified Accountants and  
Statutory Auditors  
Suite 207, Equitable House  
10 Woolwich New Road  
London  
SE18 6AB

Date: 29 March 2018



**ST MICHAELS CARE HOME GROUP**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	Continuing Operations £	2017 Discontinued Operations £	Total £	Continuing Operations £	2016 as restated Discontinued Operations £	Total £
<b>TURNOVER</b>	4	5,797,408	(1,058)	5,796,350	5,412,174	183,836	5,596,010
Cost of sales		<u>(312,808)</u>	<u>-</u>	<u>(312,808)</u>	<u>(283,889)</u>	<u>(29,073)</u>	<u>(312,962)</u>
<b>GROSS PROFIT</b>		5,484,600	(1,058)	5,483,542	5,128,285	154,763	5,283,048
Administrative expenses		<u>(4,681,253)</u>	<u>(30,525)</u>	<u>(4,711,778)</u>	<u>(4,425,977)</u>	<u>(323,277)</u>	<u>(4,749,254)</u>
Other operating income		<u>1,190</u>	<u>-</u>	<u>1,190</u>	<u>16,540</u>		<u>16,540</u>
<b>OPERATING PROFIT</b>	6	804,537	(31,583)	772,954	718,848	(168,514)	550,334
Interest payable and similar expenses	7	<u>(184,704)</u>	<u>(15,714)</u>	<u>(200,418)</u>	<u>(224,390)</u>	<u>(23,061)</u>	<u>(247,451)</u>
<b>PROFIT BEFORE TAXATION</b>		619,833	(47,297)	572,536	494,458	(191,575)	302,883
Tax on profit	8	<u>(155,196)</u>	<u>-</u>	<u>(155,196)</u>	<u>(101,990)</u>	<u>-</u>	<u>(101,990)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>464,637</u>	<u>(47,297)</u>	<u>417,340</u>	<u>392,468</u>	<u>(191,575)</u>	<u>200,893</u>

**ST MICHAELS CARE HOMES LTD GROUP**  
**CONSOLIDATED OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £	2016 £
<b>PROFIT FOR THE YEAR</b>		417,340	200,893
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>417,340</u>	<u>200,893</u>
Total comprehensive income attributable to: Owners of the parent		<u>417,340</u>	<u>200,893</u>

The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP (REGISTERED NUMBER: 04644767)**

**CONSOLIDATED BALANCE SHEET  
30 JUNE 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	11	403,532	811,055
Tangible assets	12	7,431,927	7,626,751
Investments	13	-	-
		<u>7,835,459</u>	<u>8,437,806</u>
<b>CURRENT ASSETS</b>			
Debtors	14	216,796	262,965
Cash at bank and in hand		<u>1,531,851</u>	<u>1,460,130</u>
		1,748,647	1,723,095
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>(1,856,769)</u>	<u>(2,126,298)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(108,122)</u>	<u>(403,203)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,727,337	8,034,603
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	<u>(7,673,918)</u>	<u>(8,188,524)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>53,419</u>	<u>(153,921)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	3	3
Revaluation reserve		-	33,648
Retained earnings		<u>53,416</u>	<u>(187,572)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>53,419</u>	<u>(153,921)</u>

The financial statements were approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:



.....  
Mrs V Nadesan - Director

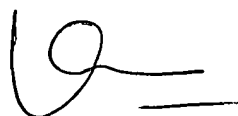
The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP (REGISTERED NUMBER: 04644767)**

**COMPANY BALANCE SHEET  
30 JUNE 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	11	-	-
Tangible assets	12	1,356,524	1,399,495
Investments	13	<u>31,446</u>	<u>31,446</u>
		<u>1,387,970</u>	<u>1,430,941</u>
<b>CURRENT ASSETS</b>			
Debtors	14	2,538,347	2,914,359
Cash at bank and in hand		<u>598,371</u>	<u>775,924</u>
		3,136,718	3,690,283
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>(830,588)</u>	<u>(1,535,721)</u>
<b>NET CURRENT ASSETS</b>		<u>2,306,130</u>	<u>2,154,562</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,694,100	3,585,503
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	<u>(3,420,243)</u>	<u>(3,535,970)</u>
<b>NET ASSETS</b>		<u>273,857</u>	<u>49,533</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	3	3
Retained earnings		<u>273,854</u>	<u>49,530</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>273,857</u>	<u>49,533</u>
Company's profit for the financial year		<u>434,324</u>	<u>337,984</u>

The financial statements were approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:



.....  
Mrs V Nadesan - Director

The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
<b>Balance at 1 July 2015</b>	3	1,569,957	70,227	1,640,187
<b>Changes in equity</b>				
Dividends	-	(1,995,000)	-	(1,995,000)
Total comprehensive income	-	200,893	-	200,893
Transfer between reserves		36,579	(36,579)	-
	<u>3</u>	<u>(187,572)</u>	<u>33,648</u>	<u>(153,921)</u>
<b>Balance at 30 June 2016</b>				
<b>Changes in equity</b>				
Dividends	-	(210,000)	-	(210,000)
Total comprehensive income	-	417,340	-	417,340
Transfer between reserves		33,648	(33,648)	-
	<u>3</u>	<u>53,416</u>	<u>-</u>	<u>53,419</u>
<b>Balance at 30 June 2017</b>				

The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 July 2015</b>	3	1,706,546	1,706,546
<b>Changes in equity</b>			
Dividends	-	(1,995,000)	(1,995,000)
Total comprehensive income	<u>-</u>	<u>337,984</u>	<u>337,984</u>
<b>Balance at 30 June 2016</b>	<u>3</u>	<u>49,530</u>	<u>49,533</u>
<b>Changes in equity</b>			
Dividends	-	(210,000)	(210,000)
Total comprehensive income	<u>-</u>	<u>434,324</u>	<u>434,324</u>
<b>Balance at 30 June 2017</b>	<u><u>3</u></u>	<u><u>273,854</u></u>	<u><u>273,857</u></u>

The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,083,159	1,885,432
Interest paid		(200,418)	(247,451)
Tax paid		<u>(102,041)</u>	<u>(194,840)</u>
Net cash from operating activities		<u>780,700</u>	<u>1,443,141</u>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		<u>-</u>	<u>(5,532)</u>
Net cash from investing activities		<u>-</u>	<u>(5,532)</u>
 <b>Cash flows from financing activities</b>			
Loan repayments in year		(498,979)	(481,924)
Equity dividends paid		<u>(210,000)</u>	<u>(1,995,000)</u>
Net cash from financing activities		<u>(708,979)</u>	<u>(2,476,924)</u>
 <b>Increase/(decrease) in cash and cash equivalents</b>		<u>71,721</u>	<u>(1,039,315)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>1,460,130</u>	<u>2,499,445</u>
 <b>Cash and cash equivalents at end of year</b>	2	<u><u>1,531,851</u></u>	<u><u>1,460,130</u></u>

The notes form part of these financial statements

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017	2016
	£	£
Profit before taxation	572,536	302,883
Depreciation and amortisation charges	602,340	465,502
Finance costs	<u>200,418</u>	<u>247,451</u>
	1,375,294	1,015,836
Decrease in trade and other debtors	46,169	457,359
(Decrease)/increase in trade and other creditors	<u>(338,304)</u>	<u>412,237</u>
<b>Cash generated from operations</b>	<u><u>1,083,159</u></u>	<u><u>1,885,432</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 30 June 2017**

	30.6.17	1.7.16
	£	£
Cash and cash equivalents	<u>1,531,851</u>	<u>1,460,130</u>
	<u><u>1,416,491</u></u>	<u><u>1,345,138</u></u>

**Year ended 30 June 2016**

	30.6.16	1.7.15
	£	£
Cash and cash equivalents	<u>1,460,130</u>	<u>2,499,445</u>
	<u><u>1,345,138</u></u>	<u><u>2,499,445</u></u>

The notes form part of these financial statements



## **ST MICHAELS CARE HOMES LTD GROUP**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

#### **1. STATUTORY INFORMATION**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Dorley House, 19-20 Bedfordwell Road, Eastbourne, East Sussex, BN21 2BG. The principal activity of the group during the year under review was that of providing residential care to the elderly.

#### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

#### **3. ACCOUNTING POLICIES**

##### **Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

##### **Basis of consolidation**

The financial statements consolidate the financial statements of St Michael's Care Homes Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

##### **Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business, is being amortised evenly over its estimated useful life over 10 years.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

##### **Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

## ST MICHAELS CARE HOMES LTD GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2017

#### 3. ACCOUNTING POLICIES - continued

##### **Tangible assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Fixtures and fittings	- 25% on reducing balance
Computer equipment	- 33% on reducing balance

##### **Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### **Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

##### **Investments**

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

## ST MICHAELS CARE HOMES LTD GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2017

#### 3. ACCOUNTING POLICIES - continued

##### **Impairment of Fixed Assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

##### **Financial Instruments**

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not Result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

**5. EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	3,234,090	3,131,356
Social security costs	188,796	236,342
Other pension costs	<u>87,902</u>	<u>366,174</u>
	<u><u>3,510,788</u></u>	<u><u>3,733,872</u></u>

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

	2017	2016
Administrative and operations	<u>175</u>	<u>185</u>

	2017	2016
	£	£
Directors' remuneration	70,000	70,000
Directors' pension contributions to money purchase schemes	<u>80,000</u>	<u>360,000</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	194,816	198,966
Goodwill amortisation	407,523	266,536
Auditors' remuneration	<u>9,000</u>	<u>9,000</u>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Loan	<u>200,418</u>	<u>247,451</u>

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**8. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	<u>155,196</u>	<u>101,990</u>
Tax on profit	<u>155,196</u>	<u>101,990</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	<u>572,536</u>	<u>302,883</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	113,076	60,577
Effects of:		
Depreciation in excess of capital allowances	34,389	33,292
Amortisation	<u>7,731</u>	<u>8,121</u>
Total tax charge	<u>155,196</u>	<u>101,990</u>

**9. INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. Company's profits for the year ending 30 June 2017 were £434,324 (2016: £337,984)

**10. DIVIDENDS**

	2017 £	2016 £
Ordinary shares of £1 each		
Final	<u>210,000</u>	<u>1,995,000</u>

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**11. INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £
<b>COST</b>	
At 1 July 2016 and 30 June 2017	<u>3,830,004</u>
<b>AMORTISATION</b>	
At 1 July 2016	3,018,949
Amortisation for year	<u>407,523</u>
At 30 June 2017	<u>3,426,472</u>
<b>NET BOOK VALUE</b>	
At 30 June 2017	<u><u>403,532</u></u>
At 30 June 2016	<u><u>811,055</u></u>

**12. TANGIBLE FIXED ASSETS**

**Group**

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 July 2016 and 30 June 2017	<u>9,061,301</u>	<u>463,312</u>	<u>276,930</u>	<u>9,801,543</u>
<b>DEPRECIATION</b>				
At 1 July 2016	1,488,922	423,939	261,939	2,174,800
Charge for year	<u>181,226</u>	<u>9,843</u>	<u>3,747</u>	<u>194,816</u>
At 30 June 2017	<u>1,670,148</u>	<u>433,782</u>	<u>265,686</u>	<u>2,369,616</u>
<b>NET BOOK VALUE</b>				
At 30 June 2017	<u><u>7,391,153</u></u>	<u><u>29,530</u></u>	<u><u>11,244</u></u>	<u><u>7,431,927</u></u>
At 30 June 2016	<u><u>7,572,387</u></u>	<u><u>39,373</u></u>	<u><u>14,991</u></u>	<u><u>7,626,751</u></u>

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**12. TANGIBLE FIXED ASSETS - continued**

**Company**

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 July 2016 and 30 June 2017	<u>1,733,868</u>	<u>247,945</u>	<u>51,464</u>	<u>2,033,277</u>
<b>DEPRECIATION</b>				
At 1 July 2016	367,544	221,786	44,454	633,784
Charge for year	<u>34,677</u>	<u>6,540</u>	<u>1,752</u>	<u>42,969</u>
At 30 June 2017	<u>402,221</u>	<u>228,326</u>	<u>46,206</u>	<u>676,753</u>
<b>NET BOOK VALUE</b>				
At 30 June 2017	<u>1,331,647</u>	<u>19,619</u>	<u>5,258</u>	<u>1,356,524</u>
At 30 June 2016	<u>1,366,326</u>	<u>26,159</u>	<u>7,010</u>	<u>1,399,495</u>

**13. FIXED ASSET INVESTMENTS**

**Company**

	Shares in group undertakings £
<b>COST</b>	
At 1 July 2016 and 30 June 2017	<u>31,446</u>
<b>NET BOOK VALUE</b>	
At 30 June 2017	<u>31,446</u>
At 30 June 2016	<u>31,446</u>

The parent company and the group hold 100% of voting rights in the following undertakings incorporated in England & Wales which are unlisted.

Company	Principal Activity
Xcel Care Homes Ltd	Care Homes
Camelot Care Homes Ltd	Care Homes
Cornelia Care Homes Ltd	Care Homes

**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	181,812	175,861	92,441	59,212
Amounts owed by group undertakings	-	-	2,439,552	2,843,809
Other debtors	565	9,363	-	6,336
Prepayments and accrued income	<u>34,419</u>	<u>77,741</u>	<u>6,354</u>	<u>5,002</u>
	<u><u>216,796</u></u>	<u><u>262,965</u></u>	<u><u>2,538,347</u></u>	<u><u>2,914,359</u></u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts (see note 17)	498,979	483,352	115,360	114,992
Trade creditors	133,239	104,808	58,874	55,228
Amounts owed to group undertakings	-	-	-	299,368
Tax	155,196	102,041	40,331	-
Social security and other taxes	53,288	42,783	20,500	14,162
Other creditors	542,113	423,959	232,650	179,573
Directors' loan accounts	245,656	725,656	245,656	725,656
Accruals and deferred income	<u>228,298</u>	<u>243,699</u>	<u>117,217</u>	<u>146,742</u>
	<u><u>1,856,769</u></u>	<u><u>2,126,298</u></u>	<u><u>830,588</u></u>	<u><u>1,535,721</u></u>

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Bank loans (see note 17)	<u><u>7,673,918</u></u>	<u><u>8,188,524</u></u>	<u><u>3,420,243</u></u>	<u><u>3,535,970</u></u>



**ST MICHAELS CARE HOMES LTD GROUP**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2017**

**17. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>498,979</u>	<u>483,352</u>	<u>115,360</u>	<u>114,992</u>
	<u>498,979</u>	<u>483,352</u>	<u>115,360</u>	<u>114,992</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	<u>498,979</u>	<u>483,352</u>	<u>115,360</u>	<u>102,310</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	<u>1,496,936</u>	<u>1,450,056</u>	<u>346,079</u>	<u>306,930</u>
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans more 5 yr by instal	<u>5,678,003</u>	<u>6,255,116</u>	<u>2,958,804</u>	<u>3,126,730</u>

Bank loans are secured by a first and only legal charge over the freehold properties and floating charge over all other assets of the group.

A further covenant by the group that during the continuance of the aforementioned charges the group will not borrow money from and/or incur indebtedness over any asset or undertaking of the company without seeking prior consent of the lenders.

Bank loans of the company are subject to 3% interest rate.

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2017	2016
			£	£
3	Ordinary	£1	<u>3</u>	<u>3</u>

**19. PENSION COMMITMENTS**

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £7,902 (2016:£6,175). No contributions were outstanding at the year end, (2016: £nil).

## **ST MICHAELS CARE HOMES LTD GROUP**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2017**

#### **20. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY**

The company has taken advantage of the exemption under Sec 33 of FRS102 not to disclose related party transactions with wholly owned subsidiaries within the group that have been eliminated on consolidation.

The directors have given a guarantee for the bank loans limited to £250,000.

During the year, the company paid dividend of £105,000 (2016: £997,500) to Mrs R Thillainathan. Also, dividends of £105,000 (2016: £997,500) were paid to Mr and Mrs S Nadesan.

The ultimate controlling parties are Mr & Mrs S Nadesan and Mrs R Thillainathan by virtue of their shareholding in the company.

#### **21. POST BALANCE SHEET EVENTS**

On October 2017 the group was demerged. Company's investments in the shares of Camelot Care Homes Ltd and Xcel Care Homes Limited were transferred to shareholders Mr & Mrs Nadesan and Mrs Thillainathan. There is no change in ultimate controlling parties after demerger.

#### **22. GOING CONCERN**

The group's business activities, together with factors likely to affect its future development and position are set out in strategic report. At balance sheet date the group had net current liabilities of £108,122 which may cast doubt about the group's ability to continue as going concern. The shareholders have agreed to provide financial support to enable the group to continue its trade as going concern for the foreseeable future.

The group is expected to continue to generate positive cash flows for the foreseeable future. On the basis of the assessment of the group's financial position and support available from the shareholders, the directors have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements