

NG Healthcare Limited

Directors' report and financial statements

For the Year Ended 31 March 2016

DAINS
ACCOUNTANTS



NG Healthcare Limited

Company Information

Directors	Mr M V Thomas Mr S K Forrester
Registered number	07139177
Registered office	Guardian Care Centre Longton Road Trentham Stoke on Trent Staffordshire ST4 8FF
Independent auditors	Dains LLP Suite 2 Albion House 2 Etruria Office Village Forge Lane Etruria Stoke on Trent ST1 5RQ

NG Healthcare Limited

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Business review

We aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and non complex nature of the business and is written in the context of the risks and uncertainties we face.

During the year the group continued to invest in the long term future of the business. The centre now has a new wing of 20 beds offering state of the art facilities linked to New House. This new unit when commissioned will offer more high value beds to build on the success of both Mayfield and New House in offering the most up to date facilities and services to meet the needs of complex care clients.

Demand remains strong for high value clients and as a company we see it as important that we offer referral bodies not only existing beds but the option of utilising the next generation of care facilities as we continue to strengthen our brand as one of the leading providers of specialised care in the country.

The trend is set for higher fee level clients to play a greater role in our turnover, which will ensure we continue to raise average incomes across the site as overall figures will be enhanced with the addition of increased numbers of continuing care residents.

In addition to the investment in new buildings the business has continued the programme of improvements to existing premises on the centre to ensure that they also demonstrate our commitment to maintaining high standards across all units and ensure that we continue to meet all the latest compliance and regulatory requirements. This extensive refurbishment programme has continued throughout the year and should be completed in line with the planned timetable for commissioning of the new beds at New Court set in summer 2016.

It has been important that initiatives instigated the previous years were continued, with environmental upgrades and significant investment in the nurse management structure, the internal management systems and a more enhanced staff training programme. These various measures have continued to underpin relationships with the Local Authority and the CCG.

**Group strategic report
For the Year Ended 31 March 2016**

The Directors are satisfied that the profitability will continue to support the group's activities. The Directors anticipate that turnover and underlying profitability will increase and return towards previous levels in the coming year and the opening of the new unit in summer 2016 will further add to future profitability in the years to come. Where possible we have been continuing with the policy of replacing local authority funded beds with continuing care beds and those funded directly by the PCT's which generate higher income per bed space.

The business is always keen to position itself to meet the challenges of the changing climate of the care industry. The business has continued to consult with healthcare management specialists to assist in this process as we look to enhance our ability to meet the ever changing regulatory and compliance legislation. Staffing levels are now determined by clinical needs assessments and monthly internal audits benchmarking quality and compliance clearly demonstrate the quality of our services.

These investments in management auditing and independent risk assessment are essential in order to give local authorities and CQC inspectors the confidence that our service is not only compliant in today's regulatory framework, but is also on a continual improvement programme to ensure they are appropriate to meet the ever increasing demands going forward.

These are important commitments as we seek to maintain our status as one of the leading providers of care within the region and one which seeks to demonstrate we are continually looking to enhance and develop our services in order to receive the highest inspection ratings from the Care Quality Commission (CQC).

In line with many companies of our size, the business environment in which we operate continues to be challenging. In particular the growing responsibilities relating to compliance with regulations, both from local authorities and the HSE combined with ever more onerous employment laws means we have to continually upgrade our internal systems and policies to reflect the current demands being placed on us. With this ever changing environment we are mindful of the risks and uncertainties associated with our plans for future development of the business and that these may be subject to unforeseen future events outside our control. However, we will continue to show flexibility in our approach and respond to market conditions and opportunities as they arise.

Principal risks and uncertainties

The business' principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations.

Bank balances

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of money market facilities where funds are available. All of the business' cash balances are held in such a way that achieves a competitive rate of interest.

Trade debtors

Trade debtors are managed in respect of cash flow risk through regular monitoring of amounts outstanding. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Uncertainties

With the economy continuing to recover from a recessionary period, the group is aware that the prevailing government will be obliged to continue to be mindful of budgetary constraints and be forced to take some tough decisions on public sector spending in future years. In addition the government is now facing the unprecedented changes that may come from the June 2016 Brexit vote which may also alter the ongoing ability to fund NHS and social care sectors. We therefore will need to continue to ensure we are best prepared to meet these challenges, by maintaining our status as a preferred provider into the future. In particular should there be any further downturn in local authority or PCT budgets, which could restrict the level of individual fee rates for new resident placements it is essential that whatever placements are made, our units are considered in all referral options, as against others which may be forced off the preferred provider listings. We will therefore seek at every opportunity to engage the CQC to improve our quality and work with the local authorities and PCT's to ensure we are included on any tendering exercises and referral lists.

In contrast, we also believe that the continuing economic uncertainty provides opportunities as well as pain, in that the lower interest rates in the group will help maintain higher profits in the coming twelve months. In addition, companies like ours that have a strong track record can attract finance for expansion, whereas others find funding is limited, and therefore their options to compete and invest are curtailed.

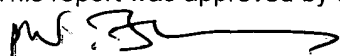
The CCG have just introduced a new tendering system for referrals known as "The Sproc tendering system". It remains to be seen how this will affect our pricing and annual referral numbers. Early indications are that there may be very many more referrals to consider, but pricing could become more challenging in some of the more traditionally lower fee care categories. We are fortunate that fee rates for the more complex residents with higher fees and more one:one care are less price sensitive as there are many fewer providers who can offer care to meet client needs.

Financial key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being turnover and profit margins.

Turnover and Operating Profit were impacted by two factors during the year, temporary lower occupancy levels and increased staffing costs. Going forward we will be working to optimise management and staffing levels to improve profitability and minimise the impact of the Living Wage which will be introduced at the start of the new financial year.

This report was approved by the board on 16 December 2016 and signed on its behalf.



Mr M V Thomas
Director

**Directors' report
For the Year Ended 31 March 2016**

The directors present their report and the financial statements for the year ended 31 March 2016.

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 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 Group's principal activities are the development and operation of specialised care home premises.

Results and dividends

The profit for the year, after taxation, amounted to £407,253 (2015 - £601,673).

No dividends have been declared during the year.

Directors

The directors who served during the year were:

Mr M V Thomas
Mr S K Forrester

Directors' report (continued)
For the Year Ended 31 March 2016

Employee involvement

Staff are all required to pass referecing before commencing employment and are all checked by DRS and POVA screening to ensure there are no previous incidents that could cause any concern in their suitability to work in a caring environment with vulnerable adults.

Regular meetings are held between senior managment and unit managers to discuss matters of concern during operational meetings. Employees are kept well informed about the progress and position of the company by means of regular departmental meetings, newsletters and updates of the staff handbook. All staff are supported with a Human Resources Department that is available to discuss any issues of staff welfare, sickness monitoring and discipline.

The company promotes a positive whistle blowing policy to encourage staff to bring forward any concerns that particularly effect the safeguarding of residents, patient care or that could be detrimental to the success or reputation of the company.

An employee stakeholder pension scheme is available to all new employees as required by the government.

Disabled employees

The company is an equal opportunities employer. In addition the company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible disabled employees receive appropriate training to promote their career development within the company. Any employees who become disabled are actively encouraged to remain within the organisation and where possible would be retrained for suitable alternative posts if they cannot continue to work within their existing roles.

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.

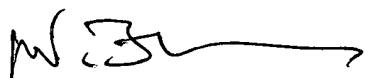
Post balance sheet events

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

Auditors

The auditors, Dains 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.



Mr M V Thomas
Director

Date: 16 December 2016

Independent auditors' report to the shareholders of NG Healthcare Limited

We have audited the financial statements of NG Healthcare Limited for the year ended 31 March 2016, set out on pages 9 to 34. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2016 and of the Group's profit or loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 those financial statements.

Independent auditors' report to the shareholders of NG Healthcare Limited (continued)

Matters on which we are required to report by exception

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.



Jonathan Dudley (Senior statutory auditor)

for and on behalf of

Dains LLP

Statutory Auditor
Chartered Accountants

Suite 2 Albion House
2 Etruria Office Village
Forge Lane
Etruria

Stoke on Trent

ST1 5RQ

Date: 16 December 2016

NG Healthcare Limited

Consolidated statement of income and retained earnings
For the Year Ended 31 March 2016

	Note	2016 £	2015 £
Turnover	4	7,710,970	7,956,259
Gross profit		7,710,970	7,956,259
Administrative expenses		(6,221,112)	(5,856,833)
Exceptional administrative expenses	14	-	(910,793)
Other operating income	5	20,000	26,306
Operating profit	6	1,509,858	1,214,939
Income from fixed assets investments	10	49,800	-
Interest receivable and similar income	11	2,247	4,397
Interest payable and expenses	12	(671,258)	(737,199)
Profit before tax		890,647	482,137
Tax on profit	13	(483,394)	119,536
Profit after tax		407,253	601,673
Retained earnings at the beginning of the year		(889,942)	(1,491,615)
		(889,942)	(1,491,615)
Profit for the year attributable to the owners of the parent		407,253	601,673
Retained earnings at the end of the year		(482,689)	(889,942)
Non-controlling interest at the beginning of the year		1	1
Profit for the year attributable to the non-controlling interest		-	-
Non-controlling interest at the end of the year		1	1

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of income and retained earnings.

All amounts relate to continuing operations.

The notes on pages 13 to 34 form part of these financial statements.

Consolidated balance sheet
As at 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	16	(10,244,398)	(10,477,225)
Tangible assets	17	27,176,403	27,347,541
Investments	18	904,407	960,513
		<u>17,836,412</u>	<u>17,830,829</u>
Current assets			
Stocks	19	3,987	3,557
Debtors: amounts falling due within one year	20	1,689,854	1,002,624
Cash at bank and in hand		318,391	902,469
		<u>2,012,232</u>	<u>1,908,650</u>
Creditors: amounts falling due within one year	21	(6,630,108)	(6,268,493)
Net current liabilities		<u>(4,617,876)</u>	<u>(4,359,843)</u>
Total assets less current liabilities		<u>13,218,536</u>	<u>13,470,986</u>
Creditors: amounts falling due after more than one year	22	(13,700,722)	(14,360,425)
Provisions for liabilities			
Net assets		<u>(482,186)</u>	<u>(889,439)</u>
Capital and reserves			
Called up share capital	26	502	502
Profit and loss account	27	(482,689)	(889,942)
Equity attributable to owners of the parent Company		<u>(482,187)</u>	<u>(889,440)</u>
Non-controlling interests		1	1
		<u>(482,186)</u>	<u>(889,439)</u>

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



Mr M V Thomas
Director

Date: 16 December 2016


The notes on pages 13 to 34 form part of these financial statements.

NG Healthcare Limited
Registered number:07139177

Company balance sheet
As at 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	17	8,466,224	8,548,527
Investments	18	14,398,508	14,398,508
		<u>22,864,732</u>	<u>22,947,035</u>
Current assets			
Debtors: amounts falling due within one year	20	117,030	130,281
Cash at bank and in hand		16,150	16,208
		<u>133,180</u>	<u>146,489</u>
Creditors: amounts falling due within one year	21	(8,738,822)	(8,302,760)
Net current liabilities		<u>(8,605,642)</u>	<u>(8,156,271)</u>
Total assets less current liabilities		<u>14,259,090</u>	<u>14,790,764</u>
Creditors: amounts falling due after more than one year	22	(13,700,722)	(14,360,425)
Net assets		<u><u>558,368</u></u>	<u><u>430,339</u></u>
Capital and reserves			
Called up share capital	26	502	502
Profit and loss account	27	557,866	429,837
		<u><u>558,368</u></u>	<u><u>430,339</u></u>

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

16 December 2016


Mr M V Thomas

Director

The notes on pages 13 to 34 form part of these financial statements.

Consolidated statement of cash flows
For the Year Ended 31 March 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	407,253	601,673
Adjustments for:		
Amortisation of intangible assets	(232,827)	(232,827)
Depreciation of tangible assets	282,415	262,904
Impairments of fixed assets	56,106	-
Interest paid	671,258	737,199
Interest receivable	(2,247)	(4,397)
Income from fixed assets & dividends	(49,800)	-
Taxation	483,394	(119,536)
(Increase)/decrease in stocks	(430)	-
(Increase)/decrease in debtors	(703,224)	521,263
(Decrease) in creditors	(144,261)	(750,479)
Corporation tax	-	(111,500)
Net cash generated from operating activities	767,637	904,300
Cash flows from investing activities		
Purchase of tangible fixed assets	(111,277)	(38,312)
Interest received	2,247	4,397
Income from investments	49,800	-
Net cash from investing activities	(59,230)	(33,915)
Cash flows from financing activities		
Repayment of loans	(621,227)	(585,072)
Interest paid	(671,258)	(737,199)
Net cash used in financing activities	(1,292,485)	(1,322,271)
Net (decrease) in cash and cash equivalents	(584,078)	(451,886)
Cash and cash equivalents at beginning of year	902,469	1,354,355
Cash and cash equivalents at the end of year	318,391	902,469
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	318,391	902,469
	318,391	902,469

**Notes to the financial statements
For the Year Ended 31 March 2016**

1. General information

NG Healthcare Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given at the front of these financial statements. The nature of the group's operations and its principal activities are set out in the strategic report on pages 1 to 4.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 32.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group 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 income and retained earnings 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 April 2014.

2.3 Going concern

The balance sheet for the company shows net current liabilities of £8,605,642.

The balance sheet of the group shows net current liabilities of £4,617,876 and net liabilities of £482,186 at the balance sheet date.

Having reviewed the ongoing performance of the company and the group and also considered the ongoing relationship with the group's bankers and the fact that £4,354,025 of creditors due in less than one year are due to related parties, the directors consider it appropriate to prepare the financial statements of NG Healthcare Limited on a going concern basis.

2. Accounting policies (continued)

2.4 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Rendering of services

Turnover 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 turnover 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

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of income and retained earnings over its useful economic life.

Other intangible assets

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

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

2.6 Tangible fixed assets

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

**Notes to the financial statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as detailed below.

Depreciation is provided on the following basis:

Freehold property	- Straight line basis over 50 years
Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 5 to 15 years straight line
Assets under construction	- Nil

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 income and retained earnings.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

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

2.8 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.

2.9 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. Accounting policies (continued)

2.10 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.

2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated statement of income and retained earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of income and retained earnings.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Finance costs

Finance costs are charged to the Consolidated statement of income and retained earnings 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.

2.14 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 income and retained earnings 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.

2.15 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2.16 Borrowing costs

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

2. Accounting policies (continued)

2.17 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 income and retained earnings 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.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of income and retained earnings, 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.

2.19 Exceptional items

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

Notes to the financial statements
For the Year Ended 31 March 2016

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

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

No significant judgments have had to be made by management in preparing these financial statements.

The directors, who are also key management have made estimates in relation to the valuation and the provision against other fixed asset investments. This relates to the fair value of the investment in various LLPs. The carrying value of other fixed asset investments in these financial statements is £904,407.

4. Turnover

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

All turnover arose within the United Kingdom.

5. Other operating income

	2016 £	2015 £
Other operating income	-	6,306
Sundry income	20,000	20,000
	<u>20,000</u>	<u>26,306</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	282,415	262,904
Amortisation of intangible assets, including goodwill	(232,827)	(232,827)
Defined contribution pension cost	<u>196,312</u>	<u>13,840</u>

Notes to the financial statements
For the Year Ended 31 March 2016

7. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	21,000	20,000
	<u>21,000</u>	<u>20,000</u>
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	1,800	1,667
	<u>1,800</u>	<u>1,667</u>

8. Employees

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

	2016 £	2015 £
Wages and salaries	3,666,699	3,554,928
Social security costs	220,719	199,721
Cost of defined contribution scheme	196,312	13,840
	<u>4,083,730</u>	<u>3,768,489</u>

The group also incurred agency staff costs of £768,858 (2015 - £792,599).

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

	2016 No.	2015 No.
Number of administrative staff	9	10
Number of nursing staff	293	293
	<u>302</u>	<u>303</u>

Notes to the financial statements
For the Year Ended 31 March 2016

9. Directors' and key management remuneration

	2016 £	2015 £
Directors' emoluments	198,086	200,772
Company contributions to defined contribution pension schemes	180,000	-
	<u>378,086</u>	<u>200,772</u>

During the year retirement benefits were accruing to 1 director (2015 - NIL) in respect of defined contribution pension schemes.

The highest paid director received emoluments of £86,428 (2015 - £119,326).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £180,000 (2015 - £NIL).

10. Income from investments

	2016 £	2015 £
Income from fixed asset investments	49,800	-
	<u>49,800</u>	<u>-</u>

11. Interest receivable

	2016 £	2015 £
Other interest receivable	2,247	4,397
	<u>2,247</u>	<u>4,397</u>

12. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	507,905	558,351
Other loan interest payable	163,353	178,758
Other interest payable	-	90
	<u>671,258</u>	<u>737,199</u>

Notes to the financial statements
For the Year Ended 31 March 2016

13. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	201,200	48,300
Adjustments in respect of previous periods	266,200	17,277
	<u>467,400</u>	<u>65,577</u>
Total current tax	<u>467,400</u>	<u>65,577</u>
Deferred tax		
Origination and reversal of timing differences	15,994	(185,113)
Total deferred tax	<u>15,994</u>	<u>(185,113)</u>
Taxation on profit/(loss) on ordinary activities	<u>483,394</u>	<u>(119,536)</u>

Notes to the financial statements
For the Year Ended 31 March 2016

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	890,647	482,137
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	178,129	101,249
Effects of:		
Non-taxable consolidation adjustments	(12,819)	(11,313)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,605	132,914
Capital allowances for year lower than depreciation	29,066	14,198
Utilisation of tax losses	-	(30,407)
Adjustments to tax charge in respect of prior periods	266,200	17,277
Short term timing difference leading to an increase (decrease) in taxation	(6,781)	-
Other tax charge/ (relief) on exceptional items	-	(156,748)
Movement in deferred tax	15,994	(185,113)
Marginal relief	-	(1,593)
Total tax charge for the year	483,394	(119,536)

During the year the company settled an ongoing enquiry with HMRC in respect of an investment made in previous years. This has been included within 'adjustments to tax charge in respect of prior periods' noted above.

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on acquisition of property at fair value.

14. Exceptional items

	2016 £	2015 £
Employee Benefit Trust settlement	-	910,793
	-	910,793

On the 20 November 2014, the group settled its Employee Benefit Trust. Following discussions with HM Revenue and Customs, this settlement resulted in a net cost to the group of £nil (2015 - £910,793).

Notes to the financial statements
For the Year Ended 31 March 2016

15. Parent company profit for the year

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 income and retained earnings in these financial statements. The profit after tax of the parent Company for the year was £128,029 (2015 - loss £232,879)

16. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 April 2015	<u>(11,641,360)</u>
At 31 March 2016	<u>(11,641,360)</u>
Amortisation	
At 1 April 2015	(1,164,135)
Charge for the year	(232,827)
At 31 March 2016	<u>(1,396,962)</u>
Net book value	
At 31 March 2016	<u><u>(10,244,398)</u></u>
At 31 March 2015	<u><u>(10,477,225)</u></u>

**Notes to the financial statements
For the Year Ended 31 March 2016**

17. Tangible fixed assets

Group

	Freehold property £	Assets under construction £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 April 2015	26,701,829	1,889,516	37,850	1,011,207	29,640,402
Additions	-	69,753	-	41,524	111,277
Transfers between classes	1,959,269	(1,959,269)	-	-	-
At 31 March 2016	<u>28,661,098</u>	<u>-</u>	<u>37,850</u>	<u>1,052,731</u>	<u>29,751,679</u>
Depreciation					
At 1 April 2015	1,263,459	-	33,268	996,134	2,292,861
Charge for the period on owned assets	264,783	-	1,146	16,486	282,415
At 31 March 2016	<u>1,528,242</u>	<u>-</u>	<u>34,414</u>	<u>1,012,620</u>	<u>2,575,276</u>
Net book value					
At 31 March 2016	<u>27,132,856</u>	<u>-</u>	<u>3,436</u>	<u>40,111</u>	<u>27,176,403</u>
At 31 March 2015	<u>25,438,370</u>	<u>1,889,516</u>	<u>4,582</u>	<u>15,073</u>	<u>27,347,541</u>

Included in freehold property is freehold land at valuation of £3,000,000 (2015: £3,000,000) which is not depreciated.

Notes to the financial statements
For the Year Ended 31 March 2016

17. Tangible fixed assets (continued)

Company

	Freehold property £	Assets under construction £	Total £
Cost or valuation			
At 1 April 2015	6,725,242	1,889,516	8,614,758
Additions	-	69,753	69,753
Transfers between classes	1,959,269	(1,959,269)	-
At 31 March 2016	<u>8,684,511</u>	<u>-</u>	<u>8,684,511</u>
Depreciation			
At 1 April 2015	66,231	-	66,231
Charge for the period on owned assets	152,056	-	152,056
At 31 March 2016	<u>218,287</u>	<u>-</u>	<u>218,287</u>
Net book value			
At 31 March 2016	<u>8,466,224</u>	<u>-</u>	<u>8,466,224</u>
At 31 March 2015	<u>6,659,011</u>	<u>1,889,516</u>	<u>8,548,527</u>

Included in freehold property is freehold land at valuation of £3,000,000 (2015: £3,000,000) which is not depreciated.

**Notes to the financial statements
For the Year Ended 31 March 2016**

18. Fixed asset investments

Group

	Other fixed asset investments £
Cost or valuation	
At 1 April 2015	960,513
At 31 March 2016	<u>960,513</u>
Impairment	
Charge for the period	<u>56,106</u>
At 31 March 2016	<u>56,106</u>
Net book value	
At 31 March 2016	<u><u>904,407</u></u>
At 31 March 2015	<u><u>960,513</u></u>

The group has previously invested £350,000, £355,513 and £255,000 in Pangorda Productions LLP, Big Screen Productions 21 LLP and Integrated Planning Opportunities No. 17 LLP respectively. The group has neither: dominance, influence or control, nor significant influence over each LLP.

Notes to the financial statements
For the Year Ended 31 March 2016

18. Fixed asset investments (continued)

Company

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Nightingale Group Limited	United Kingdom	Ordinary	100 %	Operation of a specialised care home
Restfold Nursing Care Limited	United Kingdom	Ordinary	100 %	Indirectly held dormant subsidiary

The aggregate of the share capital and reserves as at 31 March 2016 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) £
Nightingale Group Limited	4,934,718	159,124
Restfold Nursing Care Limited	100	-
	4,934,818	159,124

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2015	14,398,508
At 31 March 2016	14,398,508
Net book value	
At 31 March 2016	14,398,508
At 31 March 2015	14,398,508

Notes to the financial statements
For the Year Ended 31 March 2016

19. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods and goods for resale	3,987	3,557	-	-
	3,987	3,557	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £127,739 (2015 - £114,361).

Notes to the financial statements
For the Year Ended 31 March 2016

20. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	458,389	143,677	-	-
Other debtors	1,085,773	685,107	2	2
Prepayments and accrued income	18,084	30,238	-	-
Deferred taxation	127,608	143,602	117,028	130,279
	<u>1,689,854</u>	<u>1,002,624</u>	<u>117,030</u>	<u>130,281</u>

21. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	657,569	619,093	657,569	619,093
Trade creditors	601,452	663,681	-	-
Amounts owed to group undertakings	-	-	5,958,653	5,712,899
Corporation tax	515,700	48,300	73,000	-
Taxation and social security	89,999	82,345	-	-
Other creditors	4,510,485	4,411,728	2,049,600	1,970,768
Directors current accounts	120,638	352,452	-	-
Accruals and deferred income	134,265	90,894	-	-
	<u>6,630,108</u>	<u>6,268,493</u>	<u>8,738,822</u>	<u>8,302,760</u>

The bank loan is secured by a fixed and floating charge over all assets of Nightingale Group Limited.

The loan was taken out on 31 March 2011 and is amortising over 20 years including a 12 month capital repayment holiday with a lending margin of 1.53% above 3 month LIBOR.

Bank loans are stated net of loan fees paid on issue

Notes to the financial statements
For the Year Ended 31 March 2016

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	13,700,722	14,360,425	13,700,722	14,360,425
	13,700,722	14,360,425	13,700,722	14,360,425

The bank loan is secured by a fixed and floating charge over all assets of Nightingale Group Limited.

The loan was taken out on 31 March 2011 and is amortising over 20 years including a 12 month capital repayment holiday with a lending margin of 1.53% above 3 month LIBOR.

Bank loans are stated net of loan fees paid on issue

23. Loans

Bank loans are due for repayment as detailed below:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	657,569	619,093	657,569	619,093
	657,569	619,093	657,569	619,093
Amounts falling due 1-2 years				
Bank loans	704,563	659,703	704,563	659,703
	704,563	659,703	704,563	659,703
Amounts falling due 2-5 years				
Bank loans	12,996,159	13,700,722	12,996,159	13,700,722
	12,996,159	13,700,722	12,996,159	13,700,722
	14,358,291	14,979,518	14,358,291	14,979,518

The bank loan is secured by a fixed and floating charge over all assets of Nightingale Group Limited.

The loan was taken out on 31 March 2011 and is amortising over 20 years including a 12 month capital repayment holiday with a lending margin of 1.53% above 3 month LIBOR.

Bank loans are stated net of loan fees paid on issue.

Notes to the financial statements
For the Year Ended 31 March 2016

24. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	318,391	902,469	16,150	16,208
Financial assets that are debt instruments measured at amortised cost	1,689,854	1,002,624	117,030	130,281
	2,008,245	1,905,093	133,180	146,489
Financial liabilities				
Financial liabilities measured at amortised cost	(20,330,830)	(20,628,918)	(22,439,544)	(22,663,186)
	(20,330,830)	(20,628,918)	(22,439,544)	(22,663,186)

Financial assets measured at fair value through profit or loss comprise bank balances.

Financial assets that are equity instruments measured at cost less impairment comprise debtors.

Financial liabilities measured at amortised cost comprise creditors.

25. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	143,602	(41,511)
Charged to profit or loss	(15,994)	185,113
At end of year	127,608	143,602

Notes to the financial statements
For the Year Ended 31 March 2016

25. Deferred taxation (continued)

Company

	2016 £	2015 £
At beginning of year	130,279	137,109
Charged to profit or loss	(13,251)	(6,830)
At end of year	117,028	130,279

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(14,414)	(14,671)	(24,963)	(27,490)
Tax losses carried forward	141,991	157,769	141,991	157,769
Short term timing differences	31	504	-	-
	127,608	143,602	117,028	130,279

26. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
502 Ordinary shares shares of £1 each	502	502

27. Reserves

Profit & loss account

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

28. Minority interests

Minority interests relates to one B ordinary share held in trust with no voting rights, nor any capital rights other than its £1 nominal value.

**Notes to the financial statements
For the Year Ended 31 March 2016**

29. 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 £196,312 (2015 - £13,840). Contributions totalling £173 (2015 - £2,522) were payable to the fund at the balance sheet date.

30. Related party transactions

Nightingale Capital Limited is a related party as the directors of this company are the 100% shareholders of that company. During the year the group has received monies totalling £213,129 (2015 - £278,135) on behalf of Nightingale Capital Limited. The group made payments totalling £218,688 (2015 - £1,362,370) on behalf of Nightingale Capital Limited. There was also a management charge made to Nightingale Capital Limited of £20,000 (2015 - £20,000) for services rendered during the period and interest of £163,353 (2015 - £140,115) charged by Nightingale Capital Limited on loan balances due. The group owed £4,233,386 (2015 - £4,095,591) to Nightingale Capital Limited at the balance sheet date.

Directors' loan accounts

Mr M V Thomas was owed by the group £120,638 (2015 - £352,452) at the balance sheet date. Total debits to the loan account during the year amounted to £404,264 (2015 - £414,691). Total credits to the loan account during the year amounted to £172,451 (2015 - £808,610). No interest was charged during the year.

Mr S K Forrester owed the group £1,083,912 (2015 - £684,148) at the balance sheet date. Total debits to the loan account during the year amounted to £2,292,130 (2015 - £387,656). Total credits to the loan account during the year amounted to £1,892,366 (2015 - £758,401). The maximum overdrawn balance during the year was £1,096,690. No interest was charged during the year.

Transactions with directors

During the year the group paid rent of £13,125 (2015 - £22,500) to Mr M V Thomas and rent of £13,125 (2015 - £22,500) to Mr S K Forrester in respect of property owned by the directors at full market value.

31. Controlling party

The directors do not consider there to be an ultimate controlling party.

32. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.