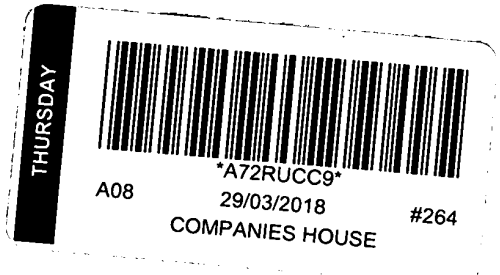
COMPANY REGISTRATION NUMBER: 03159421

Equilibrium Healthcare Limited

Financial Statements

For the Year Ended

30 June 2017



BEEVER AND STRUTHERS
Chartered accountant & statutory auditor
St. George's House
215 - 219 Chester Road
Manchester
M15 4JE

Equilibrium Healthcare Limited

Financial Statements

Year Ended 30 June 2017

Contents	Pages
Strategic Report	1 to 2
Directors' Report	3 to 4
Independent Auditor's Report to the Members	5 to 7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Company Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Financial Statements	14 to 27

Equilibrium Healthcare Limited

Strategic Report

Year Ended 30 June 2017

Principal Activities and Strategy

The principal activity of the company during the year continued to be the operation of the Moston Grange facility (operated through a wholly owned subsidiary, EHC Moston Grange Limited), a care home specialising in the care of individuals suffering from early onset dementia, although some may present with other mental or physical illness.

Also within the company are two of the three houses (Fallowfield one and two) which forms part of the hugely successful Fallowfield project. The service supports people with mental health and/or learning difficulties, within a home environment, via supported tenancies and this continued to strengthen during the year.

Our strategy is to ensure that the need of our service users are best served by working in collaboration with local clinical commissioning teams and local authorities. We aim to create working partnerships to ensure that care for our service users is seamless and that their individual care pathways always remain the focus of our service provision.

Business Review

The operation of Bigfoot Independent Hospital was phased out during the second quarter of this financial year. Emphasis was on the continuation of care to the service users and all were successfully relocated during that period. Consequently the business review can only compare continuing operations at the other two locations.

Revenues and gross margins at both locations approximated to the prior year with the reduction in turnover and gross profit mainly attributed to the Bigfoot Hospital closure.

We remain confident that the high levels of occupancy will continue for Moston Grange and Fallowfield and the strong relationships that we have with commissions and local authorities continues.

Principal Risks

Regulatory risk
The company is subject to increasingly high levels of regulation from the CQC and various other regulatory bodies. The quality of care is the primary objective and is constantly monitored by an experienced team through robust policies and procedures and regular internal audits. As referred to above, there is increasing pressure from central Government to discharge patients with learning disabilities from hospitals into community based facilities, which will have a significant impact on the Bigfoot Independent Hospital. Notwithstanding the above and the implementation of initiatives, which are outside of our control, we will decide upon the future of Bigfoot hospital during the first quarter of the next financial year

Competition risk
Pressure from competitors leads to increased pressure on prices and the opportunity to obtain referrals. Focus on the delivery of quality of care, moreover building and maintaining strong relationships with commissioners has enabled the company to remain competitive in the sector.

Credit risk
Revenue is predominantly publicly funded from Local Authorities, Clinical Commissioning Groups (CCGs) and other NHS Trusts. It is not considered a risk that the public bodies will cease to fund the services. The company delivers value for money services and works alongside authorities to provide a service aligned to their needs.

Employment risk
High quality and skilled employees are essential in delivering high quality care. The company focuses on staff retention as a priority and training and development programs are implemented for all employees.

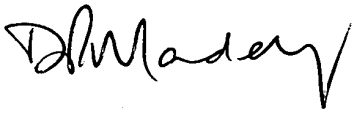
Financial Risk Management

Interrogation of procedures and controls has continued throughout the year, together with a constant review of BUAL (Business Unit Authority Listings), both of which have proved successful this year.

Our rigorous approach to reviewing the business, strategy and risk management will continue.

The company's funding requirements are managed alongside those of fellow members of the Equilibrium Healthcare Group Limited and members of the Equilibrium Healthcare Limited group, which are under the same ownership control, with funds provided between companies on an interest free basis, where required.

This report was approved by the board of directors on 26 March 2018 and signed on behalf of the board by:



D Madeley
Director

Registered office:
Bollin House
Riverside Park
Bollin Lane
Wilmslow
Cheshire
SK9 1DP

Equilibrium Healthcare Limited

Directors' Report

Year Ended 30 June 2017

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

Directors

The directors who served the company during the year were as follows:

P J Keely
H J Dudgeon
A White (resigned 27 October 2017)

D Madeley was appointed as a director on 7 November 2017.

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of Information in the Strategic Report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006(Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

Directors' Responsibilities Statement

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

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

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 26 March 2018 and signed on behalf of the board by:



D Madeley
Director

Registered office:
Bollin House
Riverside Park
Bollin Lane
Wilmslow
Cheshire
SK9 1DP

Equilibrium Healthcare Limited

Independent Auditor's Report to the Members of Equilibrium Healthcare Limited

Year Ended 30 June 2017

Opinion

We have audited the financial statements of Equilibrium Healthcare Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 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;
- 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 auditor's 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 or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on Which We are Required to Report by Exception

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

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, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and the 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.

Independent Auditor's Report to the Members of Equilibrium Healthcare Limited

(continued)

Year Ended 30 June 2017

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Beever & Struthers

Caroline Monk (Senior Statutory Auditor)

For and on behalf of
Beever and Struthers
Chartered accountant & statutory auditor

St. George's House
215 - 219 Chester Road
Manchester
M15 4JE

26 March 2018

Equilibrium Healthcare Limited

Consolidated Statement of Comprehensive Income

Year Ended 30 June 2017

	Note	2017 £	2016 £
Turnover	**4**	**4,770,580**	7,534,965
Cost of sales		**3,392,241**	4,676,666
Gross profit		**1,378,339**	2,858,299
Administrative expenses		**1,110,559**	1,076,796
Operating profit	**5**	**267,780**	1,781,503
Other interest receivable and similar income	**9**	**14,981**	39,201
Interest payable and similar expenses	**10**	**2,131**	2,220
Profit before taxation		**280,630**	1,818,484
Tax on profit	**11**	**(13,598)**	444,766
Profit for the financial year and total comprehensive income		**294,228**	1,373,718

All the activities of the group are from continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Consolidated Statement of Financial Position

30 June 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		**4,905,660**		5,055,148
Current assets					
Debtors	14	**1,843,043**		1,120,261	
Cash at bank and in hand		**16,300,619**		15,484,232	
		18,143,662		16,604,493	
Creditors: amounts falling due within one year	15	**7,069,770**		5,957,904	
Net current assets			**11,073,892**		10,646,589
Total assets less current liabilities			**15,979,552**		15,701,737
Creditors: amounts falling due after more than one year	16		**26,743**		29,939
Provisions					
Taxation including deferred tax	18		**113,979**		127,196
Net assets			**15,838,830**		15,544,602
Capital and reserves					
Called up share capital	20		**31,112**		31,112
Profit and loss account	21		**15,807,718**		15,513,490
Shareholders funds			**15,838,830**		15,544,602

These financial statements were approved by the board of directors and authorised for issue on 26 March 2018, and are signed on behalf of the board by:

D Madeley
Director

Company registration number: 03159421

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Company Statement of Financial Position

30 June 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	12		3,063,620		3,137,588
Investments	13		2		2
			3,063,622		3,137,590
Current assets					
Debtors	14	1,528,098		988,431	
Cash at bank and in hand		16,273,938		15,172,473	
		17,802,036		16,160,904	
Creditors: amounts falling due within one year	15	10,896,207		9,219,503	
Net current assets			6,905,829		6,941,401
Total assets less current liabilities			9,969,451		10,078,991
Creditors: amounts falling due after more than one year	16		8,568		9,604
Provisions					
Taxation including deferred tax	18		61,663		71,689
Net assets			9,899,220		9,997,698
Capital and reserves					
Called up share capital	20		31,112		31,112
Profit and loss account	21		9,868,108		9,966,586
Shareholders funds			9,899,220		9,997,698

The loss for the financial year of the parent company was £98,478 (2016: £858,729 profit).

These financial statements were approved by the board of directors and authorised for issue on 26 March 2018, and are signed on behalf of the board by:

D Madeley
Director

Company registration number: 03159421

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Consolidated Statement of Changes in Equity

Year Ended 30 June 2017

	Called up share capital £	Profit and loss account £	**Total £**
At 1 July 2015	31,112	14,139,772	14,170,884
Profit for the year		1,373,718	1,373,718
Total comprehensive income for the year	–	1,373,718	1,373,718
At 30 June 2016	31,112	15,513,490	**15,544,602**
Profit for the year		294,228	**294,228**
Total comprehensive income for the year	–	294,228	**294,228**
At 30 June 2017	31,112	15,807,718	**15,838,830**

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Company Statement of Changes in Equity

Year Ended 30 June 2017

	Called up share capital £	Profit and loss account £	Total £
At 1 July 2015	31,112	9,107,857	9,138,969
Profit for the year		858,729	858,729
Total comprehensive income for the year	–	858,729	858,729
At 30 June 2016	31,112	9,966,586	**9,997,698**
Profit for the year		(98,478)	**(98,478)**
Total comprehensive income for the year	–	(98,478)	**(98,478)**
At 30 June 2017	31,112	9,868,108	**9,899,220**

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Consolidated Statement of Cash Flows

Year Ended 30 June 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	**294,228**	1,373,718
Adjustments for:		
Depreciation of tangible assets	**180,497**	207,494
Other interest receivable and similar income	**(14,981)**	(39,201)
Interest payable and similar expenses	**2,131**	2,220
Loss on disposal of tangible assets	**18,383**	–
Tax on profit	**(13,598)**	444,766
Accrued expenses	**220,698**	258,600
Changes in:		
Trade and other debtors	**(682,555)**	(30,793)
Trade and other creditors	**342,238**	539,727
Cash generated from operations	**347,041**	2,756,531
Interest paid	**(2,131)**	(2,220)
Interest received	**14,981**	39,201
Tax paid	**(189,947)**	(504,789)
Net cash from operating activities	**169,944**	2,288,723
Cash flows from investing activities		
Purchase of tangible assets	**(49,208)**	(69,452)
Proceeds from sale of tangible assets	**(184)**	–
Net cash used in investing activities	**(49,392)**	(69,452)
Cash flows from financing activities		
Payments of finance lease liabilities	**(3,196)**	(3,135)
Net cash used in financing activities	**(3,196)**	(3,135)
Net increase in cash and cash equivalents	**117,356**	2,216,136
Cash and cash equivalents at beginning of year	**11,867,557**	9,651,421
Cash and cash equivalents at end of year	**11,984,913**	11,867,557
Represented by:		
Cash at bank and in hand	**16,300,619**	15,484,232
Related party debt	**(4,315,913)**	(3,616,675)
Cash and cash equivalents at end of year	**(11,984,913)**	**11,867,557)**

The notes on pages 14 to 27 form part of these financial statements.

Equilibrium Healthcare Limited

Notes to the Financial Statements

Year Ended 30 June 2017

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Bollin House, Riverside Park, Bollin Lane, Wilmslow, Cheshire, SK9 1DP.

2. Statement of Compliance

These financial statements have been prepared in accordance with FRS102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'

3. Accounting Policies

Basis of Preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure Exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS102:

(a) No cash flow statement has been presented for the company.

Consolidation

The financial statements consolidate the financial statements of Equilibrium Healthcare Limited and its subsidiary undertaking, EHC Moston Grange Limited.

These are adjusted, where appropriate, to conform to group accounting policies.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

3. **Accounting Policies** *(continued)*

Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Tangible fixed assets are depreciated over their useful lives taking into account residual value, where appropriate. The actual lives of the assets and residual values are assessed annually. The depreciation charge for the year and total depreciation provision are disclosed in the tangible fixed asset note.

- Determination of recoverability of trade debtors. A specific provision is made against certain debts where in the opinion of the directors the debt is not fully recoverable. The amount charged to the profit and loss account for doubtful debts in the current year was £28,458 (prior year: £nil). Trade debtors are stated net of the total bad debt provision of £89,174 (prior year: £75,715) and other debtors are net of the total bad debt provision of £45,000 (prior year: £45,000).

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Determination of whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Revenue Recognition

The turnover shown in the profit and loss account represents services provided during the year.

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.

Income Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

3. **Accounting Policies** *(continued)*

Income Tax *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible Assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold Property	-	2% straight line
Solar Panels	-	4% straight line
Capital Refurbishment	-	25% reducing balance
Fixtures, Fittings and Equipment	-	25% reducing balance

No depreciation is charged on freehold land.

Investments

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

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.

3. **Accounting Policies** *(continued)*

Finance Leases and Hire Purchase Contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period is arises.

Financial Instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

Debtors

Amounts owed by group companies due within one year are measured at the undiscounted amount of the cash or other consideration expected to be received. All other debtors are measured at transaction price, less any impairment.

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.

Creditors

Amounts owed to group companies due within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid. All other creditors are measured at transaction price.

4. Turnover

Turnover arises from:

	2017	2016
	£	£
Rendering of services	**4,770,580**	7,534,965

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	**180,497**	207,494
Loss on disposal of tangible assets	**18,383**	–
Impairment of trade debtors	**28,458**	(185,000)
Operating lease costs	**1,355**	2,220

During the year Tyrell Investments Limited, a company incorporated in Guernsey, provided consultancy services to the group totalling £424,000 (2016 - £300,000). At the year end, total costs of £724,000 was included within accruals in relation to these services.

6. Auditor's Remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	**9,384**	5,630

7. Staff Costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Care home staff	**116**	142

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	**2,530,155**	3,715,295
Social security costs	**232,159**	324,674
	2,762,314	4,039,969

In addition to the above staff costs, agency costs of £408,790 (2016: £502,636) have been incurred in relation to the provision of care.

8. Directors' Remuneration

Key management personnel are defined as the directors. The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	–	101,646

The directors have received their remuneration from Equilibrium Healthcare Limited, EHC Harnham House Limited, EHC Moston Grange Limited and EHC Oakland House Limited, companies under common control. The total remuneration received in the year amounted to £Nil (2016 - £203,288). The highest paid director received £Nil (2016 - £101,644).

In addition to the above cost, director's fees of £40,760 (2016 - £61,580) have been incurred in respect of one director. These fees were recharged by Leap 29 Limited.

9. Other Interest Receivable and Similar Income

	2017	2016
	£	£
Interest on cash and cash equivalents	**14,981**	39,201

10. Interest Payable and Similar Expenses

	2017	2016
	£	£
Interest on obligations under finance leases and hire purchase contracts	**2,131**	2,220

11. Tax on Profit

Major components of tax (income)/expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	**77,019**	426,514
Adjustments in respect of prior periods	**(77,400)**	–
Total current tax	**(381)**	426,514
Deferred tax:		
Origination and reversal of timing differences	**(13,217)**	18,252
Tax on profit	**(13,598)**	444,766

11. Tax on Profit *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	**280,630**	1,818,484
Profit on ordinary activities by rate of tax	**55,424**	363,697
Adjustment to tax charge in respect of prior periods	**(77,400)**	–
Effect of expenses not deductible for tax purposes	**7,776**	81,069
Effect of capital allowances and depreciation	**2,602**	–
Effect of revenue exempt from tax	**(2,000)**	–
Tax on profit	**(13,598)**	444,766

12. Tangible Assets

Group	Freehold property £	Solar panels £	Capital refurbishment £	Furniture, fittings and equipment £	**Total £**
Cost					
At 1 July 2016	6,009,752	47,513	755,199	772,425	**7,584,889**
Additions	–	–	17,229	31,979	**49,208**
Disposals	–	–	(178,773)	(332,339)	**(511,112)**
At 30 June 2017	6,009,752	47,513	593,655	472,065	**7,122,985**
Depreciation					
At 1 July 2016	1,233,450	5,290	601,774	689,227	**2,529,741**
Charge for the year	111,178	1,058	40,576	27,685	**180,497**
Disposals	–	–	(170,422)	(322,491)	**(492,913)**
At 30 June 2017	1,344,628	6,348	471,928	394,421	**2,217,325**
Carrying amount					
At 30 June 2017	4,665,124	41,165	121,727	77,644	**4,905,660**
At 30 June 2016	4,776,302	42,223	153,425	83,198	5,055,148

12. Tangible Assets *(continued)*

Company	Freehold property £	Solar panels £	Capital refurbishment £	Furniture, fittings and equipment £	Total £
Cost					
At 1 July 2016	3,851,398	15,120	155,390	200,557	**4,222,465**
Additions	–	–	5,544	25,067	**30,611**
Disposals	–	–	(120,350)	(26,675)	**(147,025)**
At 30 June 2017	3,851,398	15,120	40,584	198,949	**4,106,051**
Depreciation					
At 1 July 2016	788,567	1,510	131,725	163,075	**1,084,877**
Charge for the year	77,030	302	7,302	16,007	**100,641**
Disposals	–	–	(120,350)	(22,737)	**(143,087)**
At 30 June 2017	865,597	1,812	18,677	156,345	**1,042,431**
Carrying amount					
At 30 June 2017	2,985,801	13,308	21,907	42,604	**3,063,620**
At 30 June 2016	3,062,831	13,610	23,665	37,482	3,137,588

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group	Solar panels £
At 30 June 2017	**41,165**
At 30 June 2016	42,223

Company	Solar panels £
At 30 June 2017	**13,308**
At 30 June 2016	13,610

13. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 July 2016 and 30 June 2017	**2**
Impairment	
At 1 July 2016 and 30 June 2017	**–**

13. Investments *(continued)*

Company	Shares in group undertakings £
Carrying amount	
At 1 July 2016 and 30 June 2017	**2**
At 30 June 2016	2

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
EHC Moston Grange Limited	Ordinary £1	100

14. Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade debtors	**226,398**	358,369	**48,893**	218,324
Prepayments and accrued income	**33,694**	39,407	**13,013**	19,856
Corporation tax repayable	**40,227**	–	**32,138**	–
Directors loan account	**670,000**	–	**660,000**	–
Other debtors	**872,724**	722,485	**774,054**	750,251
	1,843,043	1,120,261	**1,528,098**	988,431

Included in other debtors is a loan to MB Legal Marketing Limited of £45,000 (2016: £45,000). This debt had been provided for (2016: fully provided for). The loan is not interest bearing.

Other debtors include transactions with companies under common control as disclosed within the related party transactions note.

15. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade creditors	**117,244**	122,918	**12,373**	76,470
Amounts owed to group undertakings	**–**	–	**3,234,291**	2,925,409
Accruals and deferred income	**799,691**	578,993	**161,595**	312,549
Corporation tax	**–**	150,101	**–**	85,714
Obligations under finance leases and hire purchase contracts	**3,168**	3,168	**1,008**	1,008
Other creditors	**6,149,667**	5,102,724	**7,486,940**	5,818,353
	7,069,770	5,957,904	**10,896,207**	9,219,503

15. Creditors: amounts falling due within one year *(continued)*

Other creditors include transactions with companies under common control as disclosed within the related party transactions note.

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Obligations under finance leases and hire purchase contracts	**26,743**	29,939	**8,568**	9,604

17. Finance Leases and Hire Purchase Contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Not later than 1 year	**3,168**	3,168	**1,008**	1,008
Later than 1 year and not later than 5 years	**12,670**	12,670	**4,032**	4,032
Later than 5 years	**14,073**	17,269	**4,536**	5,572
	29,911	33,107	**9,576**	10,612

18. Provisions

Group	**Deferred tax (note 19)**
	£
At 1 July 2016	**127,196**
Additions	**(13,217)**
At 30 June 2017	**113,979**

Company	**Deferred tax (note 19)**
	£
At 1 July 2016	**71,689**
Additions	**(10,026)**
At 30 June 2017	**61,663**

19. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Included in provisions (note 18)	**113,979**	127,196	**61,663**	71,689

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Accelerated capital allowances	**113,979**	134,004	**61,663**	72,539
Short term timing differences	**–**	(6,808)	**–**	(850)
	113,979	127,196	**61,663**	71,689

20. Called Up Share Capital

Authorised share capital

	2017		2016	
	No.	**£**	No.	£
Ordinary shares of £0.20 each	**155,062**	**31,012**	155,062	31,012
Ordinary shares of £1 each	**100**	**100**	100	100
	155,162	**31,112**	155,162	31,112

Issued, called up and fully paid

	2017		2016	
	No.	**£**	No.	£
Ordinary shares of £0.20 each	**155,062**	**31,012**	155,062	31,012
Ordinary shares of £1 each	**100**	**100**	100	100
	155,162	**31,112**	155,162	31,112

21. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

22. Operating Leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Not later than 1 year	**12,851**	15,197	**11,904**	13,841
Later than 1 year and not later than 5 years	**35,339**	48,190	**32,736**	44,640
	48,190	63,387	**44,640**	58,481

23. Directors' Advances, Credits and Guarantees

Group

During the year advances totalling £400,000 were made to P J Keely, a director of the group. This loan does not bear interest. The maximum amount outstanding during the year was £450,000.

During the year advances totalling £260,000 were made to H J Dudgeon, a director of the group. This loan does not bear interest. The maximum amount outstanding during the year was £220,000.

Both of the Director's loan account balances were repaid within 9 months of the year end.

Company

During the year advances totalling £400,000 were made to P J Keely, a director of the company. This loan does not bear interest. The maximum amount outstanding during the year was £400,000.

During the year advances totalling £260,000 were made to H J Dudgeon, a director of the company. This loan does not bear interest. The maximum amount outstanding during the year was £260,000.

Both of the Director's loan account balances were repaid within 9 months of the year end.

24. Related Party Transactions

Group

The group was under the control of Mr P J Keely throughout the current and previous year. Mr P J Keely is the majority shareholder.

Included in other debtors is an amount of £26,175 (2016 - £26,175) due from Equilibrium Healthcare Group Limited, £651,403 (2016 - £695,339) due from Leap29 Limited (*) (a wholly owned subsidiary of Leap29 Holdings Limited).

Included within other creditors is £4,917,864 (2016 - £4,321,495) due to EHC Oakland House Limited (a wholly owned subsidiary of Equilibrium Healthcare Group Limited) and an amount of £950,073 (2016 - £547,409) due from EHC Harnham House Limited (a wholly owned subsidiary of Equilibrium Healthcare Group Limited).

P J Keely, H Dudgeon and A White were each directors of Equilibrium Healthcare Group Limited, EHC Harnham House Limited and EHC Oakland House Limited during the year. P J Keely and A White were directors of Leap29 Limited and Leap29 Holdings Limited during the year.

P J Keely also owns the majority of the issued share capital of Leap29 Holdings Limited and Equilibrium Healthcare Group Limited. The balances arose through the transfer of funds and joint banking facilities.

(*) Included in this balance is £700,000 (2016 - £700,000) in respect of a loan made to Leap29 Limited. This loan does not bear interest and has no scheduled repayment date.

Leap 29 Limited recharged the group £40,760 (2016 - £61,850) in respect of director's fees relating to A White. Additional fees of £56,351 provided for in respect of A White in 2016 were released in 2017.

Included within other debtors is a balance of £109,500 owed by Evernova Capital Limited, a company of which P J Keely is a director and shareholder. This loan does not bear interest and has no scheduled repayment date. A further £1.9 million was advanced to Evernova Capital Limited in July 2017.

The directors are considered to be the key management personnel of the group.

24. Related Party Transactions *(continued)*

Company

The company was under the control of P J Keely throughout the current and previous year. P J Keely is the majority shareholder.

Included in other debtors is an amount of £26,175 (2016 - £26,175) due from Equilibrium Healthcare Group Limited and an amount of £652,733 (2016 - £723,469) due from Leap29 Limited (*) (a wholly owned subsidiary of Leap29 Holdings Limited).

Included within other creditors is £4,496,780 (2016 - £3,907,088) due to EHC Oakland House Limited (a wholly owned subsidiary of Equilibrium Healthcare Group Limited) and an amount of £2,906,859 (2016 - £1,847,819) due to EHC Harnham House Limited (a wholly owned subsidiary of Equilibrium Healthcare Group Limited).

P J Keely, H Dudgeon and A White were each directors of Equilibrium Healthcare Group Limited, EHC Harnham House Limited and EHC Oakland House Limited during the year. P J Keely and A White were directors of Leap29 Limited and Leap29 Holdings Limited during the year.

P J Keely also owns the majority of the issued share capital of Leap29 Holdings Limited and Equilibrium Healthcare Group Limited. The balances arose through the transfer of funds and joint banking facilities.

(*) Included in this balance is £700,000 (2016 - £700,000) in respect of a loan made to Leap29 Limited. This loan does not bear interest and has no scheduled repayment date.

Leap 29 Limited recharged the company £20,380 (2016 - £31,060) in respect of director's fees relating to A White. Additional fees of £26,982 provided for in respect of A White in 2016 were released in 2017.

Included within other debtors is a balance of £9,500 (2016 - £nil) owed by Evernova Capital Limited, a company of which P J Keely is a director and shareholder. This loan does not bear interest and has no scheduled repayment date. A further £1.9 million was advanced to Evernova Capital Limited in July 2017.

The directors are considered to be the key management personnel of the company.

25. Controlling Party

In the opinion of the directors the parent company is controlled by Mr P J Keely by virtue of owning 53% of the issued share capital.