# HMCA/S plc

Registered number: 01362094

## Directors' report and financial statements

**For the year ended 30 June 2016**

TUESDAY
*A5HUF9DF*
A16 18/10/2016 #351
COMPANIES HOUSE

# HMCA/S PLC

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | B J Skrentny<br>T A Briggs<br>B A R Skrentny<br>A Baker<br>J M Blackmore<br>A D Harrop |
| **Company secretary** | M C Upton |
| **Registered number** | 01362094 |
| **Registered office** | Beech Hall<br>62 High Street<br>Knaresborough<br>North Yorkshire<br>HG5 0EA |
| **Independent auditor** | Mazars LLP<br>Chartered Accountants & Statutory Auditor<br>Mazars House<br>Gelderd Road<br>Gildersome<br>Leeds<br>LS27 7JN |
| **Bankers** | Barclays Bank Plc<br>Bank of Ireland<br>Santander<br>Ulster Bank Limited<br>ACC Bank Plc |
| **Solicitors** | Sebastians<br>St Bartholomew House<br>92 Fleet Street<br>London<br>EC4Y 1PB |

# HMCA/S PLC

## CONTENTS


| | Page |
|---|---|
| **Strategic Report** | 1 - 2 |
| **Directors' Report** | 3 - 5 |
| **Independent Auditor's Report** | 6 - 7 |
| **Statement of Comprehensive Income** | 8 |
| **Statement of Financial Position** | 9 |
| **Statement of Changes in Equity** | 10 |
| **Statement of Cash Flows** | 11 |
| **Notes to the Financial Statements** | 12 - 28 |

## STRATEGIC REPORT
## *FOR THE YEAR ENDED 30 JUNE 2016*

### Introduction

The directors present their Strategic report for the year ended 30 June 2016.

### Business review

The statement of comprehensive income is set out on page 8 and shows turnover for the year of £12,162,082 (2015: £11,914,261) and profit for the financial year of £1,356,291 (2015: £659,815). HMCA undertakes activities in the UK, Ireland and the EEA, but accounts in sterling only and is therefore susceptible to fluctuations in the Foreign Exchange market that is beyond our control.

In this current financial year the effect has been a foreign currency surplus of £232,037 (2015: deficit of £335,775) which has been included in the financial results for the year.

As the interest rate offered by financial institutions continues to fall the company has continued to actively manage its investment portfolio. Prior to the year end the directors took the opportunity to dispose of some foreign currency investments whilst exchange rates favoured the company. At 30 June 2016 the market value of fixed asset investments was £5,765,486 (2015: £9,442,696). The proceeds of these disposals were retained by the Company at 30 June 2016 in short term cash deposits.

The company's shareholders funds is disclosed in the statement of changes in equity on page 10 and has increased to £11,750,158 at 30 June 2016, an increase of £1,284,291 in the year. Called up share capital remains at £3,000,000.

HMCA has continued its policy of reviewing staffing levels in each department, making sure that we have the right staff with the right level of knowledge and training to ensure that we are in a strong position to develop the business. The Directors are pleased to report that we have increased staff levels by 20% compared to 2015. We will continue to recruit to enhance our customer service as required.

### Principal risks and uncertainties

The company offers customers a range of insurance benefits at competitive prices. The company bears currency risk as it receives both euro and sterling subscriptions from members whilst reporting in sterling. The company manages its exposure to currency risk by keeping income received in Euro accounts, unless the opportunity arises to take advantage of the weakness of sterling to convert euros into sterling.

As insurance premiums are paid mainly by direct debit and amounts owed to the company from customers are wholly immaterial at any given time, the company bears little credit risk. In the event that an insurance premium is not paid by a customer then that customer is not provided with insurance cover under the relevant products and the company will not be required to make payments to insurers.

In common with many businesses, the company relies on its IT infrastructure to deliver a high quality service to our customers, maintain our member records and produce timely, accurate and relevant financial and other information. The Board regularly reviews the software systems to ensure it maintains its integrity and continues to produce the quality information we need. Following a recent review, the Board has undertaken a major project to invest in our IT software as discussed in the Directors' report.

The company does not have any bank loan, overdraft or other loan facilities at 30 June 2016 and trades from accumulated cash surpluses. Management monitors cash flow and balances on a weekly basis as part of the overall control procedures. The Board reviews the management accounts on a monthly basis to monitor cash flow.

The company holds a portfolio of investments. These are managed by an internal investment committee, in conjunction with the company's investment broker and are deemed to be invested in medium risk positions.

**Financial key performance indicators**

The Directors approve expenditure on a daily basis and various reports are produced on a regular basis to monitor the performance of the company. Management accounts are produced promptly each month and circulated to all Board members. The Board considers cash flow and balances on both a weekly and monthly basis. The target of the Board is to improve the financial position of the company compared to the previous year and to maintain a significant level of net assets.

**Other key performance indicators**

New business and lapse numbers are analysed daily by the directors with a standard report showing how many live and lapsed members we have every day compared to the preceding year.

This report was approved by the board on 28/9/16 and signed on its behalf.

**B J Skrentny**
Director

## DIRECTORS' REPORT
### *FOR THE YEAR ENDED 30 JUNE 2016*

The directors present their report and the financial statements for the year ended 30 June 2016.

**Reporting framework**

The financial statements have been prepared for the first time under the new Financial Reporting Standard FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The transition to FRS 102 included restatement of prior year balances, the effects of which are detailed in note 29.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the 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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company 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; and
- 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £1,356,291 (2015 - £659,815).

Dividends totalling £72,000 (2015: £60,000) were paid during the year.

**Directors**

The directors who served during the year were:

B J Skrentny
T A Briggs
B A R Skrentny
A Baker
J M Blackmore
A D Harrop (appointed 8 December 2015)
J E Curry (resigned 8 December 2015)

**Future developments**

The philosophy of the company is to continually grow and expand whilst keeping within the general market we have traded within for over 35 years. To achieve this we must look at different ways to attract new customers. The company generates a substantial amount of new business via postal marketing and responses but has also developed its web based and telephone responses.

Our Customer Services Team has been expanded with new staff members who help run our dedicated new customer helpline that allows us to ensure that every new and potential customer has the opportunity to speak to a knowledgeable member of staff before they take the decision to join. It is the Directors' opinion that there can be no replacement for the personal touch, a view which is reflected in the feedback we receive from new members.

After the year end, the Board has committed the company to a major investment in new software that will replace and enhance our systems and controls. We will be working with our software supplier and key underwriter over the coming months to ensure a smooth transition to the new software.

We continue to strive to ensure our staff have all the right tools to continue with our expected high level of customer service well into the future.

**Qualifying third party indemnity provisions**

Appropriate directors' and officers' liability insurance cover is in place in respect of all the company's directors.

**Other branches in the European Union**

HMCA/S plc has offices in Dublin and Gibraltar.

**Matters covered in the strategic report**

The mandatory disclosures in relation to the principle risks and uncertainties are considered by the directors to be of strategic importance. These have therefore been included in the Strategic Report.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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's auditor is aware of that information.

**Post balance sheet events**

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

**Going concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. On this basis the going concern basis of accounting is continued to be adopted in preparing the financial statements.

### Auditors

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28/9/16 and signed on its behalf.

B J Skrentny

**B J Skrentny**
Director

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HMCA/S PLC

We have audited the financial statements of HMCA/S plc for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is 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'.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Auditing Practices Board's Ethical Standards for Auditors. 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.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HMCA/S PLC

**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, 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 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.

Ian Wrightson,

Ian Wrightson (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Date: 5th October 2016.

## HMCA/S PLC

## STATEMENT OF COMPREHENSIVE INCOME
### *FOR THE YEAR ENDED 30 JUNE 2016*

| | Note | 2016 £ | 2015 £ |
|---|---|---|---|
| Turnover | 4 | 12,162,082 | 11,914,261 |
| Cost of sales | | (7,378,432) | (7,079,716) |
| **Gross profit** | | 4,783,650 | 4,834,545 |
| Administrative expenses | | (4,236,124) | (3,971,361) |
| Other operating income | 5 | 3,041 | 3,750 |
| Gain/ (loss) arising on fair value of investments | | 797,848 | (418,034) |
| **Operating profit** | 7 | 1,348,415 | 448,900 |
| Income from fixed assets investments | | 328,277 | 353,441 |
| Loss on disposal of investments | | (133,822) | (5,396) |
| Interest receivable and similar income | 12 | 2,303 | 1,056 |
| **Profit before tax** | | 1,545,173 | 798,001 |
| Tax on profit | 13 | (188,882) | (138,186) |
| **Profit for the year** | | 1,356,291 | 659,815 |

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

There was no other comprehensive income for 2016 or 2015.

The notes on pages 12 to 28 form part of these financial statements.

**HMCA/S PLC**
Registered number: 01362094

**STATEMENT OF FINANCIAL POSITION**
***AS AT 30 JUNE 2016***

| | Note | £ | 2016 £ | £ | 2015 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **14** | | 1,022,136 | | 1,081,851 |
| Investments | **15** | | 5,765,486 | | 9,442,696 |
| | | | 6,787,622 | | 10,524,547 |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | **16** | 622,441 | | 459,837 | |
| Current asset investments | **17** | 3,500,000 | | - | |
| Cash at bank and in hand | **18** | 2,972,545 | | 1,332,812 | |
| | | 7,094,986 | | 1,792,649 | |
| Creditors: amounts falling due within one year | **19** | (2,015,052) | | (1,778,581) | |
| **Net current assets** | | | 5,079,934 | | 14,068 |
| **Total assets less current liabilities** | | | 11,867,556 | | 10,538,615 |
| **Provisions for liabilities** | | | | | |
| Deferred tax | **21** | (117,398) | | (72,748) | |
| | | | (117,398) | | (72,748) |
| **Net assets** | | | 11,750,158 | | 10,465,867 |
| **Capital and reserves** | | | | | |
| Called up share capital | **22** | | 3,000,000 | | 3,000,000 |
| Profit and loss account | | | 8,750,158 | | 7,465,867 |
| | | | 11,750,158 | | 10,465,867 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28/9/16

**B J Skrentny** X B J Skrentny X
Director

The notes on pages 12 to 28 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 30 JUNE 2016*

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 July 2015 | 3,000,000 | 7,465,867 | 10,465,867 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 1,356,291 | 1,356,291 |
| **Total comprehensive income for the year** | - | 1,356,291 | 1,356,291 |
| Dividends: Equity capital | - | (72,000) | (72,000) |
| **Total transactions with owners** | - | (72,000) | (72,000) |
| **At 30 June 2016** | 3,000,000 | 8,750,158 | 11,750,158 |

## STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 30 JUNE 2015*

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| At 1 July 2014 | 3,000,000 | 7,866,052 | 10,866,052 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 659,815 | 659,815 |
| **Total comprehensive income for the year** | - | 659,815 | 659,815 |
| Dividends: Equity capital | - | (60,000) | (60,000) |
| Bonus issue of share capital | - | (1,000,000) | (1,000,000) |
| **Total transactions with owners** | - | (1,060,000) | (1,060,000) |
| **At 30 June 2015** | 3,000,000 | 7,465,867 | 10,465,867 |

The notes on pages 12 to 28 form part of these financial statements.

## STATEMENT OF CASH FLOWS
### *FOR THE YEAR ENDED 30 JUNE 2016*

| | 2016 £ | 2015 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | 1,356,291 | 659,815 |
| **Adjustments for:** | | |
| Depreciation of tangible assets | 153,584 | 141,066 |
| Profit on disposal of tangible assets | (5,850) | - |
| Interest received | (2,303) | (1,056) |
| Income from investments | (328,277) | (353,441) |
| Taxation charges | 188,882 | 138,186 |
| Increase in debtors | (162,604) | (131,412) |
| Increase in creditors | 352,095 | 52,959 |
| (Decrease)/increase in amounts owed to related parties | (29,371) | 8,618 |
| (Gain)/loss arising on fair value adjustments | (797,848) | 418,034 |
| Corporation tax paid | (230,486) | (147,031) |
| Loss on disposal of investments | 133,823 | 5,394 |
| **Net cash generated from operating activities** | 627,936 | 791,132 |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | (93,869) | (56,779) |
| Sale of tangible fixed assets | 5,850 | - |
| Purchase of listed investments | (5,078,784) | (2,916,667) |
| Sale of listed investments | 9,391,042 | 1,717,921 |
| Purchase of unlisted and other investments | (185,294) | (108,085) |
| Sale of unlisted and other investments | 214,272 | 273,344 |
| Purchase of short term unlisted investments | (3,500,000) | - |
| Interest received | 2,303 | 1,056 |
| Income from investments | 328,277 | 353,441 |
| **Net cash from investing activities** | 1,083,797 | (735,769) |
| **Cash flows from financing activities** | | |
| Dividends paid | (72,000) | (60,000) |
| **Net cash used in financing activities** | (72,000) | (60,000) |
| **Net increase/(decrease) in cash and cash equivalents** | 1,639,733 | (4,637) |
| Cash and cash equivalents at beginning of year | 1,332,812 | 1,337,449 |
| **Cash and cash equivalents at the end of year** | 2,972,545 | 1,332,812 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | 2,972,545 | 1,332,812 |

## 1. General information

HMCA/S PLC, company number 01362094, is registered in under the Companies Act in England and Wales.

HMCA/S PLC offers customers a range of insurance benefits at competitive prices and is a cover holder for various insurance products provided by a panel of underwriters.

## 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 29.

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

The following principal accounting policies have been applied:

### 2.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1.

The company has considerable financial resources and strong relationships with both customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfuly.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. On this basis the going concern basis of accounting is continued to be adopted in preparing the financial statements.

### 2.3 Turnover and cost of sales

Turnover comprises the total of subscriptions and management fees. Cost of sales comprises payments to insurers. Turnover is recognised as principal (gross) on the basis that the company acts as an undisclosed agent for the ultimate principal. Both turnover and cost of sales are recognised as and when received or paid. In respect of policy subcriptions received by direct debit, these are taken to income when received. The directors believe that this reflects the substance of the transaction as in all cases, other than the 30 day cooling off period, policies are non-cancellable. The same terms apply in respect of the cost of sales associated with these policies.

## 2. Accounting policies (continued)

### 2.4 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.

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, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---|---|
| Freehold property | - 2% |
| Motor vehicles | - 25% |
| Fixtures & fittings | - 20% |
| Computer equipment | - 20% and 33% |

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 Statement of Comprehensive Income.

### 2.5 Investments

Listed investments are re-measured to fair value at each reporting date. Fair value gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period.

Unlisted investments whose fair value can be reliably determined, are re-measured to fair value at each reporting date. Fair value gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment.

### 2.7 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.

## 2. Accounting policies (continued)

### 2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

### 2.9 Creditors

Short term creditors are measured at the transaction price.

### 2.10 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

### 2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

## 2. Accounting policies (continued)

### 2.12 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### 2.13 Pensions

**Defined contribution pension plan**

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

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

### 2.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

### 2.15 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

### 2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

## 2. Accounting policies (continued)

### 2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 reporting date.

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

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

**Assessing indicators of impairment**

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key 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 discussed below.

**(i) Estimating value in use**

Where an indication of impairment exists, the directors have carried out an impairment review to determine the recoverable amount of the asset, which is the higher of fair value less cost to sell and value in use. The value in use calculation has required the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and determine a suitable discount rate in order to calculate present value.

**(ii) Determining residual values and useful economic lives of tangible assets**

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of tangible assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is also applied, when determining the residual values for fixed assets. When determining the residual value, the directors have assessed the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

## 4. Turnover

All turnover is attributable to the Company's principal activity as disclosed in the directors' report with the exception of management fees receivable. The company operates in the UK, Ireland and EEA.

All turnover arose within the United Kingdom and Ireland.

## 5. Other operating income

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Net rents receivable | 3,041 | 3,750 |

## 6. Fair value movements

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Gain/ (loss) on foreign exchange retranslation | 312,311 | (385,526) |
| Gain/ (loss) on revaluation of investments | 485,537 | (32,508) |
| | 797,848 | (418,034) |

## 7. Operating profit

The operating profit is stated after charging:

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Depreciation of tangible fixed assets | 153,584 | 141,066 |
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 13,750 | 17,100 |
| Exchange differences | (80,274) | 49,751 |
| Operating lease rentals | 48,638 | 48,674 |
| Defined contribution pension cost | 173,687 | 98,000 |

## 8. Auditor's remuneration

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 13,750 | 17,100 |
| **Fees payable to the Company's auditor in respect of:** | | |
| Other services relating to taxation | 2,500 | 3,100 |
| All other services | 14,622 | 7,797 |
| | 17,122 | 10,897 |

## 9. Employees

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

| | 2016 £ | 2015 £ |
|---|---|---|
| Wages and salaries | 1,109,546 | 974,224 |
| Social security costs | 100,002 | 87,503 |
| Cost of defined contribution scheme | 173,687 | 98,000 |
| | 1,383,235 | 1,159,727 |

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

| | 2016 No. | 2015 No. |
|---|---|---|
| Employees including directors | 35 | 29 |

## 10. Directors' remuneration

| | 2016 £ | 2015 £ |
|---|---|---|
| Directors' emoluments | 303,391 | 248,448 |
| Company contributions to defined contribution pension schemes | 116,313 | 44,558 |
| | 419,704 | 293,006 |

During the year retirement benefits were accruing to 5 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £66,781 (2015 - £60,585). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £71,250 (2015 - £1,957).

## 11. Income from investments

| | 2016 £ | 2015 £ |
|---|---|---|
| Income from fixed asset investments | 328,277 | 353,441 |

Income from fixed asset investments comprises dividends and interest received on listed and unlisted investments for the period.

## 12. Interest receivable

| | 2016 £ | 2015 £ |
|---|---|---|
| Other interest receivable | 2,303 | 1,056 |

## 13. Taxation

| | 2016 £ | 2015 £ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 122,682 | 211,017 |
| Adjustments in respect of previous periods | 21,550 | - |
| **Total current tax** | 144,232 | 211,017 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 44,650 | (72,831) |
| **Total deferred tax** | 44,650 | (72,831) |
| **Taxation on profit on ordinary activities** | 188,882 | 138,186 |

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

| | 2016 £ | 2015 £ |
|---|---|---|
| Profit on ordinary activities before tax | 1,545,173 | 798,001 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%) | 309,035 | 165,585 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 27,259 | 16,750 |
| Non-taxable fair value movements | (159,570) | 86,742 |
| Unrealised chargeable gains/ (losses) | 54,164 | (62,174) |
| Dividends from UK companies | (63,556) | (68,717) |
| Adjustments to tax charge in respect of prior periods | 21,550 | - |
| **Total tax charge for the year** | 188,882 | 138,186 |

## 14. Tangible fixed assets

| | Land and Buildings £ | Motor vehicles £ | Fixtures & fittings £ | Computer equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 July 2015 | 908,826 | 274,993 | 126,049 | 249,413 | 1,559,281 |
| Additions | - | 50,540 | 19,668 | 23,661 | 93,869 |
| Disposals | - | (32,877) | - | - | (32,877) |
| At 30 June 2016 | 908,826 | 292,656 | 145,717 | 273,074 | 1,620,273 |
| **Depreciation** | | | | | |
| At 1 July 2015 | 30,400 | 167,533 | 104,334 | 175,163 | 477,430 |
| Charge owned for the period | 3,804 | 65,682 | 11,771 | 72,327 | 153,584 |
| Disposals | - | (32,877) | - | - | (32,877) |
| At 30 June 2016 | 34,204 | 200,338 | 116,105 | 247,490 | 598,137 |
| **Net book value** | | | | | |
| At 30 June 2016 | 874,622 | 92,318 | 29,612 | 25,584 | 1,022,136 |
| At 30 June 2015 | 878,426 | 107,460 | 21,715 | 74,250 | 1,081,851 |

In October 2011 the directors obtained an independent valuation of a property that cost £596,082 at a level of £725,000. This valuation is not reflected in the financial statements.

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

| | 2016 £ | 2015 £ |
|---|---|---|
| Buildings | 699,622 | 703,426 |
| Land | 175,000 | 175,000 |
| | 874,622 | 878,426 |

## 15. Fixed asset investments

| | Listed investments £ | Unlisted investments £ | Total £ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 July 2015 | 8,725,554 | 717,142 | 9,442,696 |
| Additions | 5,078,784 | 185,294 | 5,264,078 |
| Disposals | (9,524,864) | (214,272) | (9,739,136) |
| Foreign exchange movement | 310,632 | 1,679 | 312,311 |
| Revaluations | 433,115 | 52,422 | 485,537 |
| At 30 June 2016 | 5,023,221 | 742,265 | 5,765,486 |
| **Net book value** | | | |
| At 30 June 2016 | 5,023,221 | 742,265 | 5,765,486 |
| At 30 June 2015 | 8,725,554 | 717,142 | 9,442,696 |

## 16. Debtors

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade debtors | 311,554 | 424,537 |
| Other debtors | 33,247 | 35,300 |
| Prepayments | 277,640 | - |
| | 622,441 | 459,837 |

## 17. Current asset investments

| | 2016 £ | 2015 £ |
|---|---|---|
| Short term deposit | 3,500,000 | - |

## 18. Cash and cash equivalents

| | 2016 £ | 2015 £ |
|---|---|---|
| Cash at bank and in hand | 2,972,545 | 1,332,812 |

## 19. Creditors: Amounts falling due within one year

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade creditors | 1,512,139 | 1,381,861 |
| Amounts owed to other participating interests | - | 29,371 |
| Corporation tax | 14,291 | 100,545 |
| Taxation and social security | 41,690 | 33,348 |
| Accruals and deferred income | 446,932 | 233,456 |
| | 2,015,052 | 1,778,581 |

## 20. Financial instruments

| | 2016 £ | 2015 £ |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at fair value through profit or loss | 5,765,486 | 9,442,696 |
| Financial assets measured at amortised cost | 3,844,801 | 459,837 |
| Cash and cash equivalents | 2,972,545 | 1,332,812 |
| | 12,582,832 | 11,235,345 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | (1,959,071) | (1,644,688) |

Financial assets measured at fair value through profit or loss comprise listed and unlisted fixed asset investments (note 16)

Financial assets measured at amortised cost comprise trade and other debtors (note 17) and current asset investments (note 18).

Financial Liabilities measured at amortised cost comprise creditors: amounts falling due within one year (note 20) but excluding corporation tax and taxation and social security.

## 21. Deferred taxation

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| At beginning of year | (72,748) | (145,579) |
| Charged to the profit or loss | (44,650) | 72,831 |
| **At end of year** | (117,398) | (72,748) |

The provision for deferred taxation is made up as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Accelerated capital allowances | (7,333) | (16,847) |
| Unrealised chargeable gains | (110,065) | (55,901) |
| | (117,398) | (72,748) |

## 22. Share capital

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Allotted, called up and fully paid** | | |
| 3,000,000 Ordinary shares of £1 each | 3,000,000 | 3,000,000 |

## 23. Dividends

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Dividends paid on equity capital | 72,000 | 60,000 |

## 24. Capital commitments

At 30 June 2016 the Company had capital commitments as follows:

| | 2016 £ | 2015 £ |
|---|---|---|
| Contracted for but not provided in these financial statements | 2,612,000 | - |
| | 2,612,000 | - |

At the year end the company had committed to the purchase of freehold property amounting to £2,612,000. This transaction was completed shortly after the year end.

## 25. Pension commitments

The pension costs, as shown in note 9, represent the company's contribution to a group personal pension plan for employees. There are no pension creditors outstanding at the year end. The company pays all the adminstration costs of the pension scheme and no commission is deducted by the pension advisors.

## 26. Commitments under operating leases

At 30 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 £ | 2015 £ |
|---|---|---|
| Not later than 1 year | 49,535 | 48,119 |
| Later than 1 year and not later than 5 years | 118,238 | 152,524 |
| Later than 5 years | 39,931 | 42,196 |
| | 207,704 | 242,839 |

## 27. Related party transactions

Included within cost of sales is £7,077,479 (2015: £6,765,669) representing insurance premiums payable to The Care Insurance Company Limited (TCICL), a related party by virtue of common ultimate ownership. During the year the company charged TCICL £377,412 (2015: £404,261) in respect of management fees and reimbursement of computer expenses. At the year end the Company owed TCICL £1,243,289 (2015: 1,084,755).

Arcadia 7 Limited, a company in which T A Briggs, a director of HMCA/S PLC, is also a director was charged rent of £3,000 (2015: £3,000).

T A Briggs and J M Blackmore are directors and B A Skrentny is the beneficial owner of HMCA Services Limited. HMCA Services Limited charged the company £1,620,554 (2015: £1,258,578) during the year in respect of printing, mailing, stationary, postage and marketing services. At the year end the Company owed HMCA Services Limited £nil (2015: £10,991).

Charitable donations of £nil (2015: £53,750) were made to Turn Trust, in which B A Skrentny was the unpaid chief executive until April 2016. B A Skrentny is a close family member of J D Skrentny, the owner of HMCA/S PLC and is also a director of the company.

## 28. Controlling party

At 30 June 2016 the ultimate controlling party was J D Skrentny.

**29. First time adoption of FRS 102**

| | Note | As previously stated 1 July 2014 £ | Effect of transition 1 July 2014 £ | FRS 102 (as restated) 1 July 2014 £ | As previously stated 30 June 2015 £ | Effect of transition 30 June 2015 £ | FRS 102 (as restated) 30 June 2015 £ |
|---|---|---|---|---|---|---|---|
| Fixed assets | | 8,859,601 | - | 8,859,601 | 10,524,547 | - | 10,524,547 |
| Current assets | | 2,805,049 | - | 2,805,049 | 1,792,649 | - | 1,792,649 |
| Creditors: amounts falling due within one year | | (1,653,019) | - | (1,653,019) | (1,778,581) | - | (1,778,581) |
| **Net current assets** | | 1,152,030 | - | 1,152,030 | 14,068 | - | 14,068 |
| **Total assets less current liabilities** | | 10,011,631 | - | 10,011,631 | 10,538,615 | - | 10,538,615 |
| Provisions for liabilities | 2 | - | (145,579) | (145,579) | - | (72,748) | (72,748) |
| **Net assets** | | 10,011,631 | (145,579) | 9,866,052 | 10,538,615 | (72,748) | 10,465,867 |
| Capital and reserves | 1 | 10,011,631 | (145,579) | 9,866,052 | 10,538,615 | (72,748) | 10,465,867 |

**29. First time adoption of FRS 102 (continued)**

| | Note | As previously stated 30 June 2015 £ | Effect of transition 30 June 2015 £ | FRS 102 (as restated) 30 June 2015 £ |
|---|---|---|---|---|
| Turnover | | 11,914,261 | - | 11,914,261 |
| Cost of sales | | (7,079,716) | - | (7,079,716) |
| | | 4,834,545 | - | 4,834,545 |
| Administrative expenses | | (3,971,361) | - | (3,971,361) |
| Other operating income | | 3,750 | - | 3,750 |
| Gain/ (loss) arising on fair value of investments | 1 | - | (418,034) | (418,034) |
| **Operating profit** | 1 | 866,934 | (418,034) | 448,900 |
| Income from investments | | 353,441 | - | 353,441 |
| Amounts written off investments | | (5,396) | - | (5,396) |
| Interest receivable and similar income | | 1,056 | - | 1,056 |
| Taxation | 2 | (211,017) | 72,831 | (138,186) |
| **Profit on ordinary activities after taxation** | | 1,005,018 | (345,203) | 659,815 |

Explanation of changes to previously reported profit and equity:

1 Fair value adjustments - The adoption of FRS102 has resulted in a transitional adjustment to the Statement of Comprehensive Income increasing costs by £418,034. The adjustment is to recognise the foreign exchange movement and gain or loss on the fair value revaluation of listed and unlisted investments in the period. These amounts were previously recognised directly in foreign exchange reserve and revaluation reserve in the Statement of Financial Position.

2 Deferred tax recognition - The adoption of FRS102 has resulted in a transitional adjustment to recognise deferred tax assets and liabilities in respect of unrealised gains and losses on listed and unlisted investments. The effect of this to the 2015 Statement of Comprehensive Income is a credit totalling £72,831.