Company Registration No. 02230827 (England and Wales)

ST. CLOUD CARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ST. CLOUD CARE LIMITED

COMPANY INFORMATION

Directors	A Rubinstein E Robson
Company number	02230827
Registered office	The Boynes Upper Hook Road Upton on Severn Worcestershire WR8 0SB
Auditor	Harold Everett Wreford LLP 2nd Floor 38 Warren Street London W1T 6AE
Bankers	Barclays Bank PLC

ST. CLOUD CARE LIMITED

CONTENTS

ST. CLOUD CARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for the year ended 31 December 2018.

Review of the business
The results for the year and financial position of the company are as shown in the annexed financial statements.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Despite the challenging market conditions in the care industry the company has delivered satisfactory results in the year. In this environment, the company focused on managing occupancy and costs to maintain profitability.

Revenue

The fee income for the year ended 31 December 2018 has increased by 1.91% in comparison with last year.

This year overall bed occupancy has decreased and whilst this is disappointing, it has to be read against a continuing background of fiscal cuts to public sector health and social care budgets and very difficult winter at the beginning of the year. Sales per registered bed have advanced to £1,054 per week, including voids. There remains scope for improvement in occupancy with around 58 beds vacant across the company at the year-end.

Profitability

Profitability has slightly improved at gross level but fallen at operating levels, reflecting the challenging labour related environment.

Non-Current Assets

The company continues to follow its strategy of investing in its Buildings and Fixtures and Fittings, with continuing investment into chattels of a significantly higher quality to further enhance the overall service experience offered to our customers.

PRINCIPAL RISKS AND UNCERTAINTIES
The company has a well-established process of identifying business risks, evaluating controls and establishing and executing action plans. In the directors' opinion the key risks are:

Human Resources: It is essential the company continues to recruit, retain and motivate high calibre personnel, particularly those appointed to senior positions.

Management of operations: The company has made strides in bringing consistency to the management of its clinical and other services and continues a close dialogue with external stakeholders we work with.

Strategic Review of Operations: Dementia care services are offered throughout the three counties in which the company trades. More development of the company's compliance and staff management systems is still required but ultimately the directors believe this will yield improved management of the company's care homes.

FINANCIAL KEY PERFORMANCE INDICATORS
We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole. The key performance measures that the directors use to monitor the progress of the company's objectives are:

Occupancy levels - These have decreased slightly overall, however, there remains scope for room occupancy rate to improve.

Fee levels - These continue a positive trend as a greater proportion of our trade arises in more complex care needs.

Gross Profit - Gross profit has increased from 38.2% to 39.6%.

OTHER KEY PERFORMANCE INDICATORS
Staff and Agency Costs - The company continues to recruit the vast majority of its staff directly and focuses on containing the use of agency staff to make sure we safely manage to deliver a high quality standard of care. Given the industry-wide skill shortages across the care sector, staff costs inevitably rise. Agency costs comprise 11% of total staff wages given the 24/7 demands our services place on our staff.

On behalf of the board

A Rubinstein
Director
25/3/19

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The principal activity of the company continued to be that of the provision of residential and nursing care for the elderly in the United Kingdom.

Results and dividends
The profit for the year, after taxation, amounted to £1,389,846 (31.12.2017 - £1,476,893).

During the year, the company paid a total dividend of £1,000,000 (31.12.2017 - £0).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Rubinstein
E Robson

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Supplier payment policy
It is the company's normal practice to agree terms of transactions, including payment terms with suppliers. Provided suppliers perform in accordance with the agreed terms it is the company's policy that payment is made accordingly.

Financial instruments
The Company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling. The Company does not enter into any formally designated hedging arrangements.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
Details of the number of persons employed and gross remuneration are contained in note 6 to the financial statements.

The company provides relevant information to employees and involves them in matters of concern to themselves through an information dissemination network operated through the care homes' managers and administration managers. The company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment.

Future developments
The Company operates as owning and managing the care homes and there are no planned changes in the business activities of the Company and directors believe that the Company will continue to trade at similar levels over the next 12 months. There are initiatives to improve occupancy. The Company demonstrated its commitment to investing in the training and development of its staff.

Auditor
The auditor, Harold Everett Wreford LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Statement of disclosure to auditor
Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

A Rubinstein
Director
Date: 25/3/19

ST. CLOUD CARE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ST. CLOUD CARE LIMITED

Opinion

We have audited the financial statements of St. Cloud Care Limited (the 'company') for the year ended 31 December 2018 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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 and 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 returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 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 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

D J Scott (Senior Statutory Auditor)
for and on behalf of Harold Everett Wreford LLP

26 March 2019

Chartered Accountants
Statutory Auditor

2nd Floor
38 Warren Street
London
W1T 6AE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Revenue	4	12,861,842	12,621,216
Cost of sales		(7,765,557)	(7,791,765)
Gross profit		5,096,285	4,829,451
Other operating income		28,884	21,488
Administrative expenses		(2,840,661)	(2,466,943)
Operating profit	5	2,284,508	2,383,996
Investment revenues	8	12,802	2,713
Finance costs	9	(633,591)	(543,739)
Profit before taxation		1,663,719	1,842,970
Income tax expense	10	(273,873)	(366,077)
Profit and total comprehensive income for the year	22	1,389,846	1,476,893

The income statement has been prepared on the basis that all operations are continuing operations.

ST. CLOUD CARE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	12	17,327,346	17,488,251
Current assets			
Inventories	13	17,589	17,589
Trade and other receivables	14	565,322	463,054
Cash and cash equivalents		4,133,595	4,303,201
		4,716,506	4,783,844
Total assets		22,043,852	22,272,095
Current liabilities			
Trade and other payables	17	1,688,221	2,720,394
Current tax liabilities		157,004	203,541
Borrowings	16	14,655,283	925,000
		16,500,508	3,848,935
Net current (liabilities)/assets		(11,784,002)	934,909
Non-current liabilities			
Borrowings	16	1,317,603	14,534,506
Deferred tax liabilities	18	774,168	826,927
		2,091,771	15,361,433
Total liabilities		18,592,279	19,210,368
Net assets		3,451,573	3,061,727
Equity			
Called up share capital	20	50,000	50,000
Revaluation reserve	21	1,258,379	1,277,076
Retained earnings	22	2,143,194	1,734,651
Total equity		3,451,573	3,061,727

ST. CLOUD CARE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the board of directors and authorised for issue on 25/3/19 and are signed on its behalf by:

A. Rubinstein

A Rubinstein
Director

Company Registration No. 02230827

ST. CLOUD CARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital	Revaluation reserve	Retained earnings	Total
		£	£	£	£
Balance at 1 January 2017		50,000	1,335,504	199,330	1,584,834
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	1,476,893	1,476,893
Transfers		-	(58,428)	58,428	-
Balance at 31 December 2017		50,000	1,277,076	1,734,651	3,061,727
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	1,389,846	1,389,846
Dividends	**11**	-	-	(1,000,000)	(1,000,000)
Transfers		-	(18,697)	18,697	-
Balance at 31 December 2018		50,000	1,258,379	2,143,194	3,451,573

ST. CLOUD CARE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**27**		2,774,442		2,758,291
Interest paid			(557,062)		(467,210)
Tax paid			(373,169)		(463,714)
Net cash inflow from operating activities			1,844,211		1,827,367
Investing activities					
Purchase of property, plant and equipment		(135,453)		(260,561)	
Proceeds on disposal of property, plant and equipment		150		13,087	
Interest received		12,802		2,713	
Net cash used in investing activities			(122,501)		(244,761)
Financing activities					
Proceeds from borrowings		33,684		-	
Unamortised finance cost		-		76,530	
Repayment of bank loans		(925,000)		(925,000)	
Dividends paid		(1,000,000)		-	
Net cash used in financing activities			(1,891,316)		(848,470)
Net (decrease)/increase in cash and cash equivalents			(169,606)		734,136
Cash and cash equivalents at beginning of year			4,303,201		3,569,065
Cash and cash equivalents at end of year			4,133,595		4,303,201

1 Accounting policies

Company information

St. Cloud Care Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Boynes, Upper Hook Road, Upton on Severn, Worcestershire, WR8 0SB.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

As at 31 December 2018, the Company is in a net current liability position of £11,784,002 (31 December 2017 net current asset : £934,909).

The current loan with Barclays Bank is due to mature on 14th November 2019. The directors believe that prior to that date the loan will either be extended by Barclays Bank or refinanced by an alternative lender.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Company's revenues are derived from one primary source: contracted services income which is billed monthly in accordance with specific agreement with the residents.

Revenue represents income receivable from health and care provision services rendered and goods supplied.

Revenue is recognised in the accounting period in which the company obtains the right to consideration in exchange for its performance.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Over 50 years on a straight-line basis
Fixtures and fittings	10% on a straight-line basis
Motor vehicles	25% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

1 Accounting policies **(Continued)**

1.5 Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

1 Accounting policies **(Continued)**

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

1 Accounting policies **(Continued)**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

2 Adoption of new and revised standards and changes in accounting policies

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

IFRS 9 *Financial Instruments* took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The company has reassessed the classification and measurement of financial instruments and this has not given rise to any changes.

IFRS 15 *Revenue from Contracts with Customers* also took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The revenue recognition accounting policy applied prior to adoption of IFRS 15 by the company is consistent with the requirements of IFRS 15, and therefore adoption of the standard has not affected amounts recognised in the current or comparative periods.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 2 (amendments)	Share-Based Payments : 1 January 2018
IFRS 9	Financial Instruments Recognition and Measurement : 1 January 2018
IFRS 15	Revenue from Contracts with Customers : 1 January 2018
IAS 40 (amendments)	Investment Properties : 1 July 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration: 1 January 2018

2 Adoption of new and revised standards and changes in accounting policies (Continued)

Standards which are in issue but not yet effective

Any standards and interpretations that have been issued but are not yet effective have not been applied by the company in these financial statements. Application of these Standards and Interpretations will not have a material effect on the financial statements in future periods.

The following standards and interpretations (and amendments thereto) have been issued by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) which are not yet effective and have not been adopted, many of which are either not relevant to the company or have no material effect on the financial statements of the company.

IFRS 16	Leases : 1 January 2019
IFRIC Interpretation 23	Uncertainity Over Income Tax Treatments :1 January 2019
IFRS 9 (amendments)	Prepayments Features with Negative Compensation: 1 January 2019
Amendments to IAS 1 and IAS 8	Definition of Material : 1 January 2020
IFRS 17	Insurance Contracts : 1 January 2021

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the company prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard of interpretation but the need for endorsement restricts the company's discretion to early adopt standards.

3 Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

(i) Provisions

The Company has recognised provisions for impairment of trade receivables, employee bonuses, income tax and deferred tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

4 Revenue

The Company has only one source of revenue, being the provision of care service. An analysis of the company's revenue is as follows:

	2018	2017
	£	£
Revenue analysed by class of business		
Nursing home fees	12,861,842	12,621,216

	2018	2017
	£	£
Other significant revenue		
Interest income	12,802	2,713

5 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	7,200	6,000
Depreciation of property, plant and equipment	295,450	297,287
Loss on disposal of property, plant and equipment	758	405
Cost of inventories recognised as an expense	7,765,557	7,791,765

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
Care staff, domestic staff and admin	348	358
Management	18	17
	366	375

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	6,622,354	6,530,963
Social security costs	528,439	516,735
Pension costs	72,948	40,424
	7,223,741	7,088,122

6 Employees (Continued)

There are no key management personnel other than the directors.

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	100,626	93,682

8 Investment income

	2018	2017
	£	£
Interest income		
Bank deposits	12,802	2,713

Total interest income for financial assets that are not held at fair value through profit or loss is £12,802 (2017 - £2,713).

9 Finance costs

	2018	2017
	£	£
Interest on bank overdrafts and loans	491,378	467,210
Other interest payable	65,684	-
Total interest expense	557,062	467,210
Finance cost amortised	76,529	76,529
	633,591	543,739

10 Income tax expense

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	326,632	349,004
Deferred tax		
Origination and reversal of temporary differences	(52,759)	17,073
Total tax charge	273,873	366,077

10 Income tax expense **(Continued)**

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £	2017 £
Profit before taxation	1,663,719	1,842,970
Expected tax charge based on a corporation tax rate of 19.00%	316,107	350,164
Effect of expenses not deductible in determining taxable profit	929	4,013
Depreciation	56,135	56,485
Capital allowances	(46,539)	(66,130)
Deferred tax	(52,759)	17,073
Rate adjustment	-	4,472
Taxation charge for the year	273,873	366,077

11 Dividends

	2018 per share	2017 per share	2018 £	2017 £
Amounts recognised as distributions to equity holders:				
Ordinary shares				
Interim dividend paid	20.00	-	1,000,000	-

12 Property, plant and equipment

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2017	17,851,124	1,073,668	65,405	18,990,197
Additions	62,210	198,351	-	260,561
Disposals	-	(1,050)	(24,000)	(25,050)
At 31 December 2017	17,913,334	1,270,969	41,405	19,225,708
Additions	16,808	100,477	18,168	135,453
Disposals	-	(2,982)	(1,250)	(4,232)
At 31 December 2018	17,930,142	1,368,464	58,323	19,356,929
Accumulated depreciation and impairment				
At 1 January 2017	527,247	879,857	44,624	1,451,728
Charge for the year	252,617	41,746	2,924	297,287
Eliminated on disposal	-	(645)	(10,913)	(11,558)
At 31 December 2017	779,864	920,958	36,635	1,737,457

12 Property, plant and equipment (Continued)

	Freehold land and buildings	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Charge for the year	252,953	39,301	3,196	295,450
Eliminated on disposal	-	(2,074)	(1,250)	(3,324)
At 31 December 2018	1,032,817	958,185	38,581	2,029,583
Carrying amount				
At 31 December 2018	16,897,325	410,279	19,742	17,327,346
At 31 December 2017	17,133,470	350,011	4,770	17,488,251

13 Inventories

	2018	2017
	£	£
Raw materials	17,589	17,589

14 Trade and other receivables

	2018	2017
	£	£
Trade receivables	471,481	398,395
Provision for bad and doubtful debts	(40,498)	(39,246)
	430,983	359,149
Other receivables	35,444	23,124
Prepayments	98,895	80,781
	565,322	463,054

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

There are no amounts included above due in more than one year.

15 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

15 Trade receivables - credit risk (Continued)

Movement in the allowances for doubtful debts

	2018	2017
	£	£
Balance at 1 January 2018	39,246	47,279
Allowance reversed	1,252	(8,033)
Balance at 31 December 2018	40,498	39,246

16 Borrowings

	2018	2017
	£	£
Secured borrowings at amortised cost		
Bank loans	14,800,000	15,725,000
Unamortised finance cost	(144,717)	(265,494)
Loans from parent undertaking	1,317,603	-
	15,972,886	15,459,506

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018	2017
	£	£
Current liabilities	14,655,283	925,000
Non-current liabilities	1,317,603	14,534,506
	15,972,886	15,459,506

16 Borrowings (Continued)

The shareholder loan is repayable on 20 December 2027 and the Company may repay any part of the loan or any part of the interest to the shareholder at any time without penalty. Interest has been charged at the rate of 5% per annum on the loan and interest charged for the year amounted to £65,684.

The Barclays Bank loan is secured by a mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company. Freehold land and buildings have been pledged as security for bank loans under a mortgage charge.

Interest rate is chargeable at 2.3% over the London Interbank Offered Rate (LIBOR) on the bank loans. Interest is charged on the loan in arrears. Any interest charged but unpaid as at 31 December 2018 has been included within current liabilities. The unamortised finance cost is charged to the income statement over the terms of the bank loans.

In accordance with the loan agreement, Barclays Bank loan will mature on 14th November 2019.

St. Cloud Care Limited has undertaken several financial covenants with the lender in connection with this loan which are tested on a quarterly basis. These covenants comprise:

A Cash Flow Cover not to be less than 1.30:1
B Net Leverage not to exceed 6.25:1 incrementally decreasing to 4.50:1 from 31 March 2019
C Loan to Value must not exceed 60% at any time
D An aggregate Minimum Cash Balance of £2m must be maintained at all times

At the balance sheet date, there were no breaches.

17 Trade and other payables

	Current 2018 £	2017 £
Trade payables	695,682	541,559
Amount due to parent undertaking	149,993	1,363,913
Accruals	232,239	202,492
Social security and other taxation	129,624	132,470
Other payables	480,683	479,960
	1,688,221	2,720,394

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs
	£
Deferred tax liability at 1 January 2017	809,854
Deferred tax movements in prior year	
Charge to profit or loss	17,073
Deferred tax liability at 1 January 2018	826,927
Deferred tax movements in current year	
Credit to profit or loss	(52,759)
Deferred tax liability at 31 December 2018	774,168

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018	2017
	£	£
Deferred tax liabilities	774,168	826,927

19 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £72,948 (2017 - £40,424).

20 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

21 Revaluation reserve

	2018	2017
	£	£
At beginning of year	1,277,076	1,335,504
Transfer to retained earnings	(18,697)	(58,428)
At end of year	1,258,379	1,277,076

22 Retained earnings

	2018	2017
	£	£
At the beginning of the year	1,734,651	199,330
Profit for the year	1,389,846	1,476,893
Dividends	(1,000,000)	-
Transfer from revaluation reserve	18,697	58,428
At the end of the year	2,143,194	1,734,651

23 Capital risk management

The company is not subject to any externally imposed capital requirements.

The company seeks to manage its capital to ensure that it is able to continue as a going concern. The capital structure of the company consists of loans and equity comprising issued share capital and retained earnings.

24 Financial instruments

In common with other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

Substantive changes to the company's exposure to interest-bearing indebtedness are disclosed below. Proceeds from the issue of the company's shares will be utilised to provide working capital and to reduce borrowings within the company. There have been no other substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

	2018	2017
	£	£
Trade receivables	430,983	359,149
Other receivables	35,444	23,124
Cash and cash equivalents	4,133,595	4,303,201
Trade and other payables	695,682	2,720,394
Interest-bearing loans and borrowings	16,117,603	15,725,000

General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk arises principally from the company's trade and other receivables and cash and cash equivalents. It is a risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Capital

The company considers its capital to comprise its ordinary share capital and the retained earnings as its capital reserves. Details of the company capital are disclosed in the statements of changes in equity.

24 Financial instruments **(Continued)**

Liquidity risk

Liquidity risk arises principally from the company's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the company arise in respect of operational and administrative expenditure, trade and other payables and the servicing on interest- bearing debt.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

Interest rate risk

The company is exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements.

The fair value of obligations under trade and other payables is equal to the book values.

Currency risk

The company is not exposed to any significant currency risk.

25 Related party transactions

Directors' emoluments are required to be disclosed as related-party transactions. The directors of St. Cloud Care Limited received emoluments amounting to £100,626 during the year ended 31 December 2018 (2017 - £93,682). Included in the aforementioned amount the company was charged a director's fee amounting to £4,800 (2017 - £4,800) for E.Robson by CBGA Robson LLP in which E. Robson is a member.

Included within interest-bearing loans and borrowings note 16 and trade and other payables note 17 are amounts due to shareholders as follows:

	31/12/2018	31/12/2017
	£	£
Care investments UK S.a.r.l	1,317,603	1,283,919

The Company accrued for management fees amounting to £ nil to Ravad Ltd (2017: £13,330) and £70,000 to Golden House Limited (2017: £66,650) the joint ultimate controlling parties of the immediate parent company.

26 Controlling party

The immediate parent company is Care Investments UK S.a.r.l, a company registered in Luxembourg. The registered office is 64 Rue Principal, L-5367 Shuttrange, Luxembourg.

As at 31 December 2018, the joint ultimate controlling parties were Golden House Limited and Ravad Limited who own Golden House Ravad - Care Homes England, Limited Partnership, the shareholder of Care Investments UK Sarl. Both ultimate controlling parties are incorporated in Israel.

27 Cash generated from operations

	2018	2017
	£	£
Profit for the year after tax	1,389,846	1,476,893
Adjustments for:		
Taxation charged	273,873	366,077
Finance costs	633,591	543,739
Investment income	(12,802)	(2,713)
Loss on disposal of property, plant and equipment	758	405
Depreciation and impairment of property, plant and equipment	295,450	297,287
(Decrease) Amortised finance costs	-	(76,529)
Other non-cash movement	44,248	
Movements in working capital:		
Increase in inventories	-	(819)
Increase in trade and other receivables	(102,268)	(80,488)
Increase in trade and other payables	251,746	234,439
Cash generated from operations	2,774,442	2,758,291