brighterkind (CB) Limited

Annual report and consolidated financial statements

Registered number 08436114

31 December 2016

Contents

Strategic Report	1
Directors' report	7
Statement of directors' responsibilities in respect of the annual report, strategic report, directors' report and the financial statements	9
Independent auditor's report to the members of brighterkind (CB) Limited	10
Consolidated Profit and Loss Account and Other Comprehensive Income	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Cash Flow Statement	17
Notes	18

Strategic Report

Background and ownership structure

brighterkind (CB) Limited (the "company") is an intermediary holding company within the brighterkind (PC) Limited group of companies (the "group"). The company is ultimately owned by funds managed by Terra Firma Investments (GP) 3 Limited. The ultimate controlling party is Guy Hands.

brighterkind (MW) Limited, a 100% subsidiary of brighterkind (CB) Limited, was incorporated on 8 March 2013. On 11 April 2013 brighterkind (MW) Limited acquired 11 freehold care homes and 6 leasehold care homes through the acquisition of the Optimum Care and Optimum Leaseco group of companies.

On 20 March 2014, the group acquired a further 6 freehold care homes and 1 leasehold care home through the acquisition of the entire share capital of 5 Majesticare companies and their subsidiaries.

As at 31 December 2016 the group operated 1,570 beds across 24 homes and employed approximately 1,900 members of staff.

Principal activities

The group's principal activity is the operation of care homes for the elderly.

Health and social care sector review

Market overview

The group operates within the health care sector, providing healthcare for the elderly, focussing on the self-pay market.

The industry has seen a significant shift to private-sector providers, which represented only 5% of the market in 1993, but c80% at September 2014. The trend is expected to continue as Local Authorities seek to reduce their costs following central government cutbacks. The group expects that these factors will underpin the long-term sustainability of overall demand in the group's marketplace.

Elderly care market

The elderly care services market provides a wide range of services to residents including, but not limited to:

- Residential care: which includes the provision of accommodation, housekeeping services, meals, recreational social activities and well-being programmes
- Nursing care: which includes the provision of residential care plus nursing care services of varying levels, depending on the needs of the particular resident
- Continuing health care: which includes complex nursing care

Competition

The group competes in a fragmented market with a variety of for-profit and not-for-profit groups and the public sector. Most competition is local, based on relevant catchment areas and local placement and procurement initiatives.

Strategic report (continued)

Competitive strengths

The business benefits from a number of competitive strengths, including:

- *The group operates in an industry with a growing potential client base and favourable industry trends*

  Increased life expectancy is resulting in a rapidly ageing profile of the population of the United Kingdom. According to the UK Office for National Statistics, by 2046 the number of people aged 85 and over is projected to be more than 2.8 times larger than in 2015, reaching 4.5 million and accounting for 6% of the total population, and the population aged 65 and over is expected to account for 25% of the total population, compared to 17% in 2015.

- *High quality asset base*

  The group has a property portfolio of 24 high quality facilities, 17 of which are owned on a freehold basis and which were generally constructed in the past 10 years. There is continual investment in, and maintenance of, our facilities to high specifications, and the group believes that the high level of maintenance of its properties helps to maintain the quality of care standards, which are critical to attracting new residents and maintaining and improving occupancy rates.

- *High service quality recognised by regulatory bodies*

  The group has made substantial investments in training its employees and maintaining and improving its properties to ensure improving quality standards and to observe and enforce an established and constantly monitored set of policies and measures to ensure high levels of service quality and strict regulatory compliance.

Strategy and branding

In order to capitalise on the aforementioned high quality asset base and favourable market demographics, the group's strategy is to provide high quality elderly care focussing on the private pay market with hotel standard services and activity programmes designed for residents who see the option of a care home as a life enhancing choice. The group operates 24 homes which are traded under the "brighterkind" brand.

The funding profile of the independent sector care home market continues to shift towards private pay and therefore in the group's favour. An estimated 41% of independent sector care home residents were self-payers as of late 2014. During the year under review, the group traded at 55% *(2015: 55%)* private pay occupancy – significantly ahead of the national average.

The proportion of pure private pay residents in the market is anticipated to grow in the future as the rate of property ownership continues to expand among the elderly population and the group is well positioned to take advantage of these trends.

The group's senior leadership team continue to develop the brighterkind brand and service provision into a nationally recognised private pay proposition.

Strategic report (continued)

Financial review

These financial statements present the results of the company and its subsidiary undertakings (the "group") for the year ended 31 December 2016.

Key factors affecting the results of operations

The group's operating profit is affected by a number of factors including the number of effective beds (principally determined by acquisitions, although the group continues to monitor development opportunities), occupancy rates, payer and resident mix, fee rates, payroll and other expenses.

Effective beds: The group's results are impacted by the number of beds in the care homes, measured as effective beds, as the bed capacity determines the maximum number of residents that the group can care for. As at 31 December 2016, the group had 1,570 effective beds (*2015: 1,570*)

Occupancy rates: The group's results are also affected by the occupancy rates in its care homes. Occupancy rates are measured as the ratio of the average number of residents to the effective bed count for a particular period.

Payer and resident mix: Results are affected by the payer mix with privately funded residents positively affecting the group's results. Similarly, the changing mix of residents between those classified as "residential" and those classified as "nursing" together with the related levels of dependency can impact the group's results.

Fee rates: The fee rates that the group charges for its services are generally subject to annual adjustments applicable from April except for self-funding residents for whom the increase applies from January.

Payroll costs: The group's most significant operating expense is payroll costs, which represent the staff costs incurred in providing services and running the group's facilities. Payroll costs can be split into two categories: site-based payroll costs and central and regional support costs. Site-based payroll includes agency costs that are incurred to obtain the service of nurses and care staff on a temporary basis to meet staffing requirements that cannot be satisfied by the group's permanent workforce.

Key performance indicators ("KPIs")

The group monitors the performance of its business using the following KPIs:

- Turnover: £60.6m (*Year ended 31 December 2015: £56.5m*)

- Earnings before interest, tax, depreciation, and amortisation (EBITDA) before exceptionals: £17.3m (*Year ended 31 December 2015: £15.9m*)

In addition, the group monitors occupancy as its main operational KPI:

- Occupancy: 91.9% *(Year ended 31 December 2015: 91.2%)* – significantly above the sector average of 88.4% *(Knight Frank report)*

Strategic report (continued)

Principal risks and uncertainties

The group's management structures, coupled with its policies and procedures, are designed to enable the achievement of business objectives while controlling the risks associated with the environment in which it operates. The group has a risk management process in place which is designed to identify, manage and mitigate business risk. Regular reporting of these risks and the monitoring of actions and controls is conducted by the Audit Committee, which reports its findings to the board.

The material risks and uncertainties affecting the group, their potential impact, together with the means by which the group manages them are as follows:

Financial risks

- *Reduction in the demand for our services*

  Mitigation: the group continues to invest in its assets and staff in order to provide an attractive and competitive proposition to the self-funded market.

- *Interest rate risk*

  Mitigation: 75% of the group's bank loan is hedged using Interest Rate Swaps ("IRS"). As a result, the group has fixed LIBOR of 1.2375% on 50% of its bank loans and 2.015% on 25% of its bank loans.

- *Failure to comply with debt covenants*

  Mitigation: our covenants are monitored on a monthly basis and are constantly assessed in light of any changes within the group.

Operational risks

- *Reputational risk*

  Mitigation: in order to mitigate this risk as far as possible, we have implemented rigorous clinical governance, carry out substantial employee training, employee inductions and employee reference procedures, including a criminal background check for all frontline staff.

- *Regulatory risk*

  Mitigation: the group devotes a considerable amount of time to the management of regulatory matters. Compliance with the on-going requirements of these licences and changes arising from the evolving regulatory environment mean that significant attention by senior management has been, and will continue to be, dedicated to regulatory compliance.

- *Shared management and corporate services*

  The group shares brighterkind management resources and certain corporate services with Elli Investments Limited. Elli Investments Limited is currently in negotiations with stakeholders to agree a sustainable capital structure for the longer term.

  Mitigation: all shared management and services could be set up on a standalone basis in a reasonable period of time and at reasonable cost with minimal operational impact on the group.

Corporate Social Responsibility

Investing in our people

The group continues to invest in its most important asset – its 1,900 employees. Their performance is critical if we are to deliver the group's demanding objectives. Considerable progress has been made to create the framework, structure and support required to enable our employees to both fulfil their potential and deliver a high quality service to our residents. During 2016 additional training and development courses have been provided at all levels of management from home level through to senior operational management.

Strategic report (continued)

Corporate Social Responsibility (continued)

Investing in our people (continued)

The group provides induction training to all new recruits, including those which are employed on a temporary basis. We have a comprehensive computer training programme which incorporates formal, informal, scheduled and unscheduled learning for our staff. The system provides the group with the ability to continually communicate a diverse range of industry critical information, disperse knowledge and share best practice with every care home.

We believe it is important that employees feel recognised and rewarded for the work that they do. We ensure that our employees are appropriately remunerated and benchmark our salaries and benefits against our key competitors, the local market and the NHS.

Community involvement and charitable giving

The group is proud that its care homes and facilities form part of the communities they serve. These community links are especially important when the majority of residents previously lived locally and maintaining these bonds are key to resident experience.

The group's care homes engage with many community organisations in a variety of ways. In addition to the annual gardening competition, community tea parties and summer fairs, the group is proud to freely offer facilities as meeting points for local charities and increasingly provides advice to those living locally such as dementia seminars.

The group also raises funds for causes that local communities believe in, as well as supporting the wider community by raising funds for national charities.

Health and safety

The group is committed to the highest standards of health and safety for our clients, staff and visitors, in compliance with statutory requirements. To this end, clearly defined policies, procedures, roles and responsibilities are in place, and supervision, instruction, information and appropriate training are provided. A management information system is in place to monitor safety standards and to review and report incidents. Policies and training needs are kept under review and the main board receives monthly incident reports.

Complaints, concerns and incidents

The group is committed to the highest standards of openness, probity and accountability.

The group operates a comprehensive complaints policy, enabling clients, their families, employees and third parties to raise concerns or make complaints. The principles of the Public Interest Disclosure Act are applied where relevant and a dedicated confidential line is provided for whistleblowing. The group has comprehensive processes for recording and reporting wider incidents and also for surveying service users' views as to the quality of the service offered.

Where complaints and concerns are raised these are investigated in accordance with the policy. Any complaint is taken seriously and handled sensitively and efficiently. An initial acknowledgement is sent within two working days. The complaint will be investigated and assessed to determine what action should be taken. This may involve an internal enquiry or a more formal investigation. Following investigation a full written response will be provided to the complainant, usually within twenty working days. For disclosures that concern potential criminal allegations, the group will normally inform the police, subject to Data Protection restrictions.

Strategic report (continued)

Corporate Social Responsibility (continued)

Environmental policy

The group seeks excellence in every aspect of its business and recognises the importance of good environmental practice.

Energy efficiency

The group is part of the CRC Energy Efficiency Scheme and the Board and senior management team are committed to reducing the group's carbon emissions footprint. The group continues to look for new initiatives for energy saving investment including capital investment and raising of employee awareness.

Employees

The directors would like to take this opportunity to thank all employees for their dedication and hard work over the past year. It is their on-going commitment and focus that has enabled the group to deliver a high quality of care.

The group aims to provide equal opportunities regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin, recognising that the continued success of the group depends upon its ability to attract, motivate and retain people of the highest calibre.

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

The group encourages staff involvement through a process of communication and participation. This involves the provision of information through normal management channels including regular management briefing letters, annual conferences and meetings.

By order of the Board

PG Thomas

P G Thomas
Director

28 April 2017

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year was £6,984,000 (*2015: £1,461,000 loss*). The directors do not recommend the payment of a dividend with respect to ordinary shares (*2015: £nil*).

Going concern and liquidity management

At the time of approving the financial statements, the directors have a reasonable expectation that the company and the group have adequate resources to continue to meet their liabilities as and when they fall due for the 12 months after the date of approval of these accounts. With this in mind, the directors have formally considered and concluded that the preparation of the financial statements on a going concern basis is appropriate. Further details are shown in the "Going concern" section of note 1 to the financial statements.

Corporate Governance

The directors of brighterkind (CB) Limited believe that effective corporate governance is a fundamental aspect of a well-run business and are committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

To ensure that key policy and strategic decisions are made by the board, certain matters must be brought to the directors and wider group board for approval, including but not limited to: final approval of the annual accounts and budget, major acquisitions and disposals and any changes to the group's financing arrangements and financial policies.

The directors also have access to the advice and services of the Company Secretary and external advisors, as appropriate.

Fixed assets

A valuation of the group's properties was carried out by an external independent valuer in March 2016, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued, on an individual property basis for balance sheet purposes. As at 31 December 2016 the directors reviewed the property portfolio in line with the requirements of FRS 102 Chapter 27 *Impairment of assets*. As a result of this review, the value of the group's freehold assets has been increased by £1.35m, being the reversal of a past impairment.

Directors

The directors who held office during the financial year and up to the date of signing the financial statements are listed below:

B R Taberner (resigned 15 February 2016)

I Smith (resigned 15 February 2016)

M C Royston

J R A Richardson (appointed 15 February 2016)

P G Thomas (appointed 15 February 2016)

R N Barr (appointed 15 February 2016)

L D Woods (appointed 15 February 2016)

S M Julius (appointed 15 February 2016)

Directors' report (continued)

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Registered office

The registered office is: Norcliffe House, Station Road, Wilmslow, Cheshire, SK9 1BU

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the group's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

PG Thomas

P G Thomas
Director
28 April 2017

Statement of directors’ responsibilities in respect of the annual report, strategic report, directors’ report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and parent company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of brighterkind (CB) Limited

We have audited the financial statements of brighterkind (CB) Limited for the year ended 31 December 2016 set out on pages 12 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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.

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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of brighterkind (CB) Limited (continued)

Matters on which we are required to report by exception

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

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

Frances Simpson

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA
28 April 2017

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	*1,2*	**60,634**	56,480
Cost of sales		**(37,267)**	(34,751)
Gross profit		**23,367**	21,729
Administrative expenses - ordinary		**(9,685)**	(9,715)
Administrative income / (expenses) - exceptional	*4*	**1,263**	(6,036)
		(8,422)	(15,751)
Group operating profit		**14,945**	5,978
Ordinary activities		**13,682**	12,014
Exceptional activities		**1,263**	(6,036)
Interest receivable and other income	*7*	**4**	2
Interest payable and similar charges	*7*	**(5,720)**	(5,714)
Net interest payable and similar charges		**(5,716)**	(5,712)
Profit on ordinary activities before taxation		**9,229**	266
Tax on profit on ordinary activities	*8*	**(2,245)**	(1,727)
Profit /(loss) for the financial year		**6,984**	(1,461)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	*17*	**(628)**	105
Total comprehensive income for the financial year		**6,356**	(1,356)

Non-GAAP measure: pre-exceptional Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		
Analysed as:		
Operating profit before exceptional items as analysed above	**13,682**	12,014
Add back: depreciation of tangible fixed assets	**3,389**	3,721
Deduct: amortisation of capital grants	**-**	(136)
Add back: amortisation of goodwill	**276**	276
	17,347	15,875

The notes on pages 18 to 37 form part of the financial statements.

All amounts relate to continuing operations.

Consolidated Balance Sheet

at 31 December 2016

	Note	**2016 £000**	2015 £000
Fixed assets			
Goodwill	*9*	**4,604**	4,880
Tangible assets	*10*	**113,201**	113,570
		117,805	118,450
Current assets			
Debtors	*12*	**4,804**	2,819
Cash at bank and in hand		**28,263**	21,936
		33,067	24,755
Creditors: amounts falling due within one year	*13*	**(16,809)**	(14,524)
Net current assets		**16,258**	10,231
Total assets less current liabilities		**134,063**	128,681
Creditors: amounts falling due after more than one year	*14*	**(80,240)**	(81,287)
Provisions for liabilities	*15*	**(916)**	(843)
Net assets		**52,907**	46,551
Capital and reserves			
Called up share capital	*17*	**31,391**	31,391
Capital contribution reserve	*17*	**16,327**	16,327
Cash flow hedging reserve	*17*	**(1,070)**	(442)
Profit and loss account	*17*	**6,259**	(725)
Shareholder's funds		**52,907**	46,551

The notes on pages 18 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 28 April 2017 and were signed on its behalf by:

J R A Richardson
Director

P G Thomas
Director

Company Balance Sheet
at 31 December 2016

	Note	**2016 £000**	2015 £000
Fixed assets			
Investments	*11*	**31,391**	31,391
Current assets			
Debtors due after more than one year	*12*	**42,434**	36,899
Creditors: amounts falling due within one year	*13*	**(2,732)**	(1,626)
Net current assets		**39,702**	35,273
Total assets less current liabilities		**71,093**	66,664
Creditors: amounts falling due after more than one year	*14*	**(18,425)**	(16,022)
Net assets		**52,668**	50,642
Capital and reserves			
Called up share capital	*17*	**31,391**	31,391
Capital contribution	*17*	**16,327**	16,327
Profit and loss account	*17*	**4,950**	2,924
Shareholder's funds		**52,668**	50,642

The notes on pages 18 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 28 April 2017 and were signed on its behalf by:

Jeremy Richardson.

J R A Richardson
Director

DG Thomas

P G Thomas
Director

Company registered number: 8436114

Consolidated Statement of Changes in Equity

	Capital contribution reserve	**Profit & loss account**	**Called up share capital**	**Cash flow hedging reserve**	**Total equity**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2015	**16,327**	**736**	**31,391**	**(547)**	**47,907**
Total comprehensive income for the year					
Loss for the year	-	(1,461)	-	-	(1,461)
Movement in fair value of interest rate swap	-	-	-	105	105
Total comprehensive income for the year	**-**	**(1,461)**	**-**	**105**	**(1,356)**
Balance at 31 December 2015	**16,327**	**(725)**	**31,391**	**(442)**	**46,551**
Balance at 1 January 2016	**16,327**	**(725)**	**31,391**	**(442)**	**46,551**
Total comprehensive income for the year					
Profit for the year	-	6,984	-	-	6,984
Movement in fair value of interest rate swap	-	-	-	(628)	(628)
Total comprehensive income for the year	**-**	**6,984**	**-**	**(628)**	**6,356**
Balance at 31 December 2016	**16,327**	**6,259**	**31,391**	**(1,070)**	**52,907**

Company Statement of Changes in Equity

	Capital contribution reserve	Profit & loss account	Called up share capital	Total equity
	£000	£000	£000	£000
Balance at 1 January 2015	**16,327**	**1,837**	**31,391**	**49,555**
Total comprehensive income for the year				
Profit for the year	-	1,087	-	1,087
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	1,087	-	1,087
Balance at 31 December 2015	**16,327**	**2,924**	**31,391**	**50,642**
Balance at 1 January 2016	**16,327**	**2,924**	**31,391**	**50,642**
Total comprehensive income for the year				
Profit for the year	-	2,026	-	2,026
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	2,026	-	2,026
Balance at 31 December 2016	**16,327**	**4,950**	**31,391**	**52,668**

Consolidated Cash Flow Statement

for year ended 31 December 2016

	2016	2015
	£000	£000
Cash flows from operating activities		
Profit/(loss) for the year	**6,984**	(1,461)
Adjustments for:		
Depreciation, amortisation and impairment	**2,315**	9,769
Net interest payable and similar charges	**5,716**	5,712
Deferred grants	**-**	(136)
Taxation	**2,245**	1,727
	17,260	15,611
(Increase) / Decrease in trade and other debtors	**(2,015)**	398
Decrease / (Increase) in trade and other creditors	**1,632**	(1,483)
	16,877	14,526
Interest received	**4**	2
Tax paid	**(1,500)**	(874)
Net cash from operating activities	**15,381**	13,654
Cash flows from investing activities		
Purchase of tangible fixed assets	**(1,670)**	(1,964)
Net cash from investing activities	**(1,670)**	(1,964)
Cash flows from financing activities		
Interest paid	**(3,534)**	(3,277)
Repayment of borrowings	**(3,850)**	(2,725)
Net cash from financing activities	**(7,384)**	(6,002)
Net increase in cash and cash equivalents	**6,327**	5,688
Cash and cash equivalents at 1 January	**21,936**	16,248
Cash and cash equivalents at 31 December	**28,263**	21,936

Notes
(forming part of the financial statements)

1 Accounting policies

brighterkind (CB) Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102")* as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period
- No separate parent company Cash Flow Statement with related notes is included
- Key Management Personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except derivative financial instruments which are stated at their fair value, and intercompany loans at non-commercial interest rates which are stated initially at fair value and then at amortised cost.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.2 Going concern

The group has bank facilities which comprise the following elements:

- "Facility A1": £6,250,000 with repayment instalments every six months increased to £500,000 in September 2013 to £1,250,000 in September 2015. The balance is due for repayment in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility A2": £3,375,000 with repayment instalments every six months increased to £300,000 in September 2014 to £675,000 in September 2015. The balance is due for repayment in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility B1": £38,000,000 repayable in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility B2": £19,000,000 repayable in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- Revolving credit facility: £3,000,000 which remains undrawn at the time of signing the financial statements, and is available until April 2019. Interest is charged at LIBOR plus 2.40% - 3.75% depending on the group's leverage

In order to manage exposure to fluctuating interest rates, two interest rate swaps have been entered into. The first swap had an initial notional value of £37,500,000 at July 2013 which amortises to £29,438,000 at December 2018 with a fixed payable interest rate of 1.2375%. The second interest rate swap was entered into from 30 June 2014. The swap had an initial notional value of £18,750,000 at June 2014 which amortises to £14,756,000 at December 2018 with a fixed interest rate of 2.015%.

These debt facilities provide brighterkind (CB) Limited and its subsidiaries with a stable and secure financial structure.

The forecasts and projections of the group, sensitised to take into account all reasonably foreseeable changes in trading performance, show that it has sufficient funding and covenant headroom within its current financing arrangements for at least the next 12 months from the date of these accounts.

On this basis the directors of brighterkind (CB) Limited have a reasonable expectation that the company, and the group, have adequate resources to continue to meet its liabilities as and when they fall due for the foreseeable future. The directors therefore believe it is appropriate to prepare these financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Of the profit for the financial period, a profit of £2,026,000 (2015*: £1,087,000)* is dealt with in the stand alone accounts of brighterkind (CB) Limited.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.4 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Freehold buildings – straight line basis over 45 years
- Equipment and fixtures – straight line basis over 3 – 5 years
- Motor vehicles – straight line basis over 4 years

No depreciation is provided on freehold land or buildings under construction.

Direct costs incurred in enabling a care facility to become registered are capitalised and are included in the cost of the facility.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.7 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.9 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years, representing the period over which the future economic benefits are anticipated to be realised.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.10 Impairment excluding deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.13 Turnover

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, stated net of value added tax. Revenue is recognised as the service has been provided and the revenue associated with that service can be measured reliably. All turnover arises from operations in the United Kingdom and is attributable to fees for the provision of healthcare.

Notes (Continued)

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, interest on intercompany loans not at a market rate of interest, amortisation of debt issue costs, and unwinding of the discount on provisions .

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

1.16 Exceptional items

Items that are material in size and non-recurring in nature are presented as exceptional items in the profit and loss account. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, change to business process, gains or losses on the disposal or impairment of assets, reversal of previous impairments, and other significant non-recurring gains or losses.

Notes (continued)

(forming part of the financial statements)

2 Segmental information

All activities arose in the United Kingdom, are derived from the principal activities of the group and are in relation to continuing operations.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	2015
	£000	£000
(Reversal of) / Impairment of tangible fixed assets	**(1,350)**	5,772
Depreciation of tangible fixed assets	**3,389**	3,721
Amortisation of capital grants	**-**	(136)
Amortisation of goodwill	**276**	276
Amounts received by auditors and their associates in respect of:		
- audit of these financial statements	**10**	10
- audit of subsidiaries pursuant to legislation	**35**	35
- other services relating to taxation	**5**	5
- other assurance services	**3**	3
Operating lease rentals:		
- buildings	**4,464**	4,372

4 Exceptional items

The operating profit during the year includes an exceptional credit of £1,350,000 relating to the reversal of previous property impairments and costs of £87,000 relating to re-branding *(2015: £264,000 cost relating to rebranding costs and a £5,772,000 cost of property impairment).*

Notes (continued)

(forming part of the financial statements)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Healthcare facilities	**1,787**	1,863
Administration	**60**	60
	1,847	1,923

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**28,210**	26,113
Social security costs	**1,907**	1,850
Pension	**112**	76
	30,229	28,039

The company had no employees during the current or prior year.

6 Directors' remuneration

The group incurs an annual service charge of £100,000 *(2015: £100,000)* from Elli Investments Limited in respect of shared management, including the provision of directors, and corporate services.

In addition, payments totalling £40,000 *(2015: £nil)* were made directly by the group in respect of the services of one director.

7 Net interest payable and similar charges

	2016	2015
	£000	£000
Interest payable:		
On debt repayable after more than one year	**2,817**	3,119
Amortisation of fair value adjustment on loan from parent undertaking	**2,403**	2,090
Amortisation of debt issue cost	**400**	446
Other finance costs	**100**	59
Total interest payable and finance charges	**5,720**	5,714
Bank interest receivable	**(4)**	(2)
Net interest payable and similar charges	**5,716**	5,712

Notes (continued)
(forming part of the financial statements)

8 Taxation

Total tax expense recognised in the profit and loss account is shown below. No tax expense has been recognised in other comprehensive income or equity in the current or prior year.

	2016	2015
	£000	£000
Current tax		
Current tax on income for the year	**2,214**	1,571
Adjustments in respect of prior periods	**(42)**	2
Total current tax	**2,172**	1,573
Deferred tax (see note 15)		
Origination and reversal of timing differences	**53**	100
Amounts in respect of prior periods	**20**	54
Total deferred tax	**73**	154
Total tax recognised in profit and loss	**2,245**	1,727

	2016	2015
	£000	£000
Reconciliation of effective tax rate		
Profit/(loss) for the year	**6,984**	(1,461)
Total tax expense	**2,245**	1,727
Profit excluding taxation	**9,229**	266
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	**1,846**	54
Effects of:		
Non-deductible expenses	**676**	2,005
Reduction in tax rate on deferred tax balances	**(48)**	(77)
Current year movement in unrecognised deferred tax assets	**(307)**	(486)
Current year movement in recognised deferred tax	**100**	176
Adjustments in respect of prior periods	**(22)**	55
Total tax expense included in profit and loss	**2,245**	1,727

Factors that may affect future current and total tax charge:

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes (continued)

(forming part of the financial statements)

9 Intangible fixed assets

	Goodwill
	£000
Cost	
Balance at 1 January 2016 and 31 December 2016	5,526
Amortisation	
Balance at 1 January 2016	646
Amortisation for the year	276
Balance at 31 December 2016	922
Net book value	
At 1 January 2016	4,880
At 31 December 2016	**4,604**

Amortisation

The amortisation charge is recognised in Administrative expenses in the profit and loss account.

On 11 April 2013 brighterkind (CB) Limited acquired, via a direct subsidiary, Optimum Care Limited and Optimum Leaseco Limited and their subsidiary undertakings. Goodwill of £3,289,000 arose on this transaction and is being amortised over 20 years.

On 20 March 2014 brighterkind (CB) Limited acquired, via a direct subsidiary, the trade and freehold properties of six care homes and one leasehold care home via the acquisition of the entire share capital of five companies. Goodwill of £2,237,000 arose on this transaction and is being amortised over 20 years.

Notes (continued)

(forming part of the financial statements)

10 Tangible fixed assets

Group	Land and buildings £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2016	119,813	9,262	28	129,103
Additions	-	1,670	-	1,670
Balance at 31 December 2016	**119,813**	**10,932**	**28**	**130,773**
Depreciation and impairment				
Balance at 1 January 2016	9,957	5,552	24	15,533
Depreciation charge for the year	1,757	1,628	4	3,389
Reversal of previous impairment losses	(1,350)	-	-	(1,350)
Balance at 31 December 2016	**10,364**	**7,180**	**28**	**17,572**
Net book value				
At 1 January 2016	109,856	3,710	4	113,570
At 31 December 2016	**109,449**	**3,752**	**-**	**113,201**

The company had no tangible fixed assets in the current or prior year.

Security

The group's properties and other assets are pledged as security against the group's long term loans.

Reversal of previous impairment

A valuation of the group's properties was carried out by an external independent valuer in March 2016, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued, on an individual property basis for balance sheet purposes. As at 31 December 2016 the directors reviewed the property portfolio in line with the requirements of FRS 102 Chapter 27 *Impairment of assets* having regard to the current and expected trading in individual care homes with particular focus on occupancy levels, fee rates, and payroll costs. As a result of this review, the value of the group's freehold assets has been increased by £1.35m following the reversal of a previous impairment and included within exceptional activities.

Land and buildings

The net book value of land and buildings comprises:

	2016 £000	2015 £000
Freehold	**106,886**	107,313
Leasehold	**2,563**	2,543
	109,449	109,856

Notes (continued)

(forming part of the financial statements)

11 Fixed asset investments

Company	2016 £000
The company's investment in its direct subsidiary is as follows:	
At beginning and end of year	**31,391**

A list of the company's subsidiary undertakings is shown below. All of the companies are wholly owned subsidiaries and are incorporated in, and operate in, the United Kingdom. The registered office of all subsidiary undertakings is: Norcliffe House, Station Road, Wilmslow, Cheshire, SK9 1BU.

Company	Nature of business
brighterkind (MW) Limited	*Holding company
brighterkind Limited	Operator of care homes
Optimum Leaseco Limited	Intermediate holding company
Optimum Debtco Limited	Intermediate holding company
Cedars Health Care Limited	Operator of care homes
Crabwall Claremont Limited	Operator of care homes
Alphacare Holdings Limited	Operator of care homes
Optimum FS Homes Skipton Limited	Dormant
Avery Mews Limited	Operator of care homes
Avery Lodge Limited	Operator of care homes
Broadway Halls Care Services Limited	Operator of care homes
Elm Bank Healthcare Limited	Operator of care homes
Optimum FS Homes 999 Limited	Dormant
Optimum FS Care Services Limited	Dormant
Optimum FS Care Developments Limited	Operator of care homes
Bamfield Lodge Limited	Operator of care homes
Hall Park Healthcare Limited	Operator of care homes
Cepen Lodge Limited	Operator of care homes
Brampton View Limited	Operator of care homes
Avery House Healthcare Limited	Operator of care homes
Boroughbridge Manor Limited	Operator of care homes
Cookridge Court Limited	Operator of care homes
Leeming Bar Limited	Operator of care homes
Scarborough Hall Limited	Operator of care homes
Lawton Group Holdings	Intermediate holding company
Lawton Group Limited	Operator of care homes
Tewkesbury Fields Holdings Limited	Intermediate holding company
Tewkesbury Care Home Limited	Operator of care homes
Lawton Rise Holdings Limited	Intermediate holding company
Lawton Rise Care Home Limited	Operator of care homes
Lawton Manor Holdings Limited	Intermediate holding company
Lawton Manor Care Home Limited	Operator of care homes
Highfields Care Home Limited	Operator of care homes

* held directly

Notes (continued)
(forming part of the financial statements)

12 Debtors

	Group 2016 £000	**Company 2016 £000**	Group 2015 £000	Company 2015 £000
Trade debtors	**3,529**	**-**	1,627	-
Corporation tax receivable	**-**	**-**	30	-
Amounts owed by group undertakings due after more than one year	**-**	**42,434**	-	36,899
Prepayments, other debtors and accrued income	**1,275**	**-**	1,162	-
	4,804	**42,434**	2,819	36,899

All of the group's debtors are due within one year.

13 Creditors: amounts falling due within one year

	Group 2016 £000	**Company 2016 £000**	Group 2015 £000	Company 2015 £000
Bank loans	**3,850**	**-**	3,850	-
Trade creditors	**1,340**	**-**	759	-
Amounts owed to related undertakings	**2,250**	**2,732**	1,653	1,626
Taxation and social security	**530**	**-**	417	-
Other creditors	**2,719**	**-**	2,709	-
Accruals and deferred income	**4,924**	**-**	3,947	-
Other financial liabilities (see note 18)	**1,070**	**-**	442	-
Accrued interest and finance costs	**126**	**-**	747	-
	16,809	**2,732**	14,524	1,626

Notes (continued)
(forming part of the financial statements)

14 Creditors: amounts falling after more than one year

	Group 2016 £000	**Company 2016 £000**	Group 2015 £000	Company 2015 £000
Bank loans	**62,775**	**-**	66,625	-
Debt issue costs	**(960)**	**-**	(1,360)	-
Bank loans net of issue costs	**61,815**	**-**	65,265	-
Amounts owed to parent undertakings	**18,425**	**18,425**	16,022	16,022
	80,240	**18,425**	81,287	16,022

At 31 December 2016 the group had the following credit facilities:

- "Facility A1": A principal of £12,000,000 with repayment instalments of £1,250,000 every six months. The balance is due for repayment in April 2019. At 31 December 2016 £6,250,000 of the facility was outstanding. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility A2": A principal of £6,000,000 with repayment instalments of £675,000 every six months. The balance is due for repayment in April 2019. At 31 December 2016 £3,375,000 of the facility was outstanding. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility B1": £38,000,000 repayable in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- "Facility B2": £19,000,000 repayable in April 2019. Interest is charged at LIBOR plus 2.50% - 3.85% depending on the group's leverage
- Revolving credit facility of £3,000,000 which remains undrawn at the time of signing the financial statements, and is available until April 2019. Interest is charged at LIBOR plus 2.40% - 3.75% depending on the group's leverage

The borrowings are secured by means of a composite guarantee and debenture generating a fixed and floating charge on the group's properties and assets, and are repayable in full on either a sale, change of control or listing of the group.

The amounts due to parent undertakings are due for repayment in 2019 and up to 20 March 2014 accrued interest at 15% on a compounding basis. From 20 March 2014 the terms of the loan were amended at which point it became non-interest bearing and the previous interest accrued of £3,662,000 was waived.

In line with FRS 102 the loan was adjusted to fair value on 20 March 2014 on transition to FRS 102 by discounting the future cash flows at the market rate of interest. An entry of £12,665,000 was reflected in the capital contribution reserve in 2014 to reflect this.

Notes (continued)
(forming part of the financial statements)

14 Creditors: Amounts falling due after more than one year (*continued*)

Maturity of credit facilities

The maturity profile of the group's credit facilities, net of debt issue costs, at 31 December was as follows:

	2016	2015
	£000	£000
In less than 1 year	**3,850**	3,850
In 2 to 5 years	**80,240**	82,647
In more than 5 years	**-**	-
	84,090	86,497

15 Provisions

	Deferred tax provision £000
Balance at 1 January 2016	**843**
Charged to profit and loss account	**73**
Balance at 31 December 2016	**916**

Deferred tax provisions are attributable to the following:

	Group	**Company**	Group	Company
	2016	**2016**	2015	2015
	£000	**£000**	£000	£000
Accelerated capital allowances	**916**	**-**	843	-
Deferred tax provision	**916**	**-**	843	-

16 Employee benefits

The group operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £112,000 *(2015: £76,000).*

Notes (continued)

(forming part of the financial statements)

17 Capital and reserves

Share capital

	Ordinary shares	
	No.	**£000**
Issued at 1 January and 31 December 2016	**31,391,085**	**31,391**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

All shares are classified in shareholder's funds.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other comprehensive income

Group	**Cash flow hedging reserve £000**	**Capital contribution reserve £000**	**Profit and loss account £000**	**Total £000**
At beginning of year	**(442)**	**16,327**	**(725)**	**15,160**
Effective portion of changes in fair value of cash flow hedges	(628)	-	-	(628)
Retained profit for the financial year	**-**	**-**	6,984	6,984
At end of year	**(1,070)**	**16,327**	**6,259**	**21,516**
Company				
At beginning of year	**-**	**16,327**	**2,924**	**19,251**
Retained profit for the financial year	-	-	2,026	2,026
At end of year	**-**	**16,327**	**4,950**	**21,277**

Notes (continued)

(forming part of the financial statements)

18 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2016 £000	**Company 2016 £000**	Group 2015 £000	Company 2015 £000
Assets measured at cost less impairment	**33,067**	**42,434**	24,725	36,899
Liabilities measured at amortised cost	**(95,979)**	**(21,157)**	(95,369)	(17,648)
Liabilities measured at fair value through profit or loss	**(1,070)**	**-**	(442)	-
	(63,982)	**21,277**	(71,086)	19,251

Financial instruments measured at fair value

In order to manage exposure to fluctuating interest rates, the group has entered into two interest rate swaps. The swaps had a notional value of £36,000,000 and £18,300,000 at December 2014 which amortise to £29,438,000 and £14,756,000 respectively at December 2018, with fixed interest payable at rates shown below. These debt facilities provide brighterkind (CB) Limited and its subsidiaries with a stable and secure financial structure.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on terms of maturity of each contract and using market interest rates for a similar instrument at measurement date.

A charge of £628,000 has been recognised within Other Comprehensive Income in the year *(2015: £105,000 credit)* to record the change in the fair value of the interest rate swaps.

Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.12.29(a) for the cash flow hedge accounting models.

Group	**2016 £000**	2015 £000
Less than one year	**(546)**	(478)
Between one and five years	**(655)**	(984)
Interest rate swaps (liabilities) – expected cash flows	**(1,201)**	(1,462)
Interest rate swaps (liabilities) – carrying amount	**(1,070)**	(442)

The interest rates used to discount estimated cash flows where applicable are based on LIBOR and were 0.37% *(2015: 0.57%).*

The cash flows associated with the cash flow hedging instruments are not anticipated to affect profit or loss as the hedge is considered fully effective.

Notes (continued)
(forming part of the financial statements)

19 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2016	2015
Group	**£000**	£000
Contracted	**226**	297

Annual commitments under non-cancellable operating leases are as follows:

	2016	2015
Group	**£000**	£000
Less than one year	**4,680**	4,525
Between one and five years	**18,720**	18,100
More than five years	**95,505**	96,736
Land and buildings	**118,905**	119,361

During the year a total of £4,464,000 (*2015: £4,372,000*) was recognised in the profit and loss in respect of operating leases.

The company had no capital or operating lease commitments at 31 December 2016 or 31 December 2015.

20 Related parties

Terra Firma Investments (GP) 3 Limited, acting as general partner of Terra Firma Capital Partners III LP, has the ability to exercise a controlling influence over the company through the holding of shares in a parent of the company. The directors therefore consider Terra Firma Investments (GP) 3 Limited to be a related party. As the company has the ability to exercise a controlling influence over its subsidiary undertakings, which are members of the group, the directors consider these subsidiary undertakings to be related parties.

As the company is a wholly owned subsidiary of FSHC Group Holdings Limited, the directors have taken advantage of the exemption in FRS 102 Chapter 33.21 and therefore have not disclosed related party transactions or balances with parent and fellow subsidiary undertakings.

Transactions with key management personnel

Total compensation of key management personnel (including the directors with authority and responsibility for planning, directing and controlling the group's activities) in the year amounted to £106,000 (*2015: £40,000).*

Other key management personnel within the group are remunerated by related undertakings. The group incurs an annual service charge of £100,000 *(2015: £100,000)* from Elli Investments Limited in respect of shared management and corporate services.

Notes (continued)

(forming part of the financial statements)

21 Ultimate parent company and parent company of larger group

The company's immediate parent undertaking is brighterkind (PC) Limited, a company incorporated in the United Kingdom for which the registered address is the same as that of the group. The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

The largest group in which the results of the company are consolidated is that headed by FSHC Group Holdings Limited. The consolidated financial statements of this company will be available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

22 Accounting estimates and judgements

Key sources of estimation uncertainty

- *Carrying value of goodwill:* The group carries goodwill as an intangible asset on its balance sheet in respect of two past acquisitions. The company reviews the amortisation period when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill is tested for impairment when there is an indication that goodwill or an intangible asset may be impaired. Any such review of recoverability of goodwill will be inherently uncertain due to the forecasting of future cash flows, the setting of a discount rate, and the setting of profit growth rates, which are the basis of the assessment of recoverability.
- *Carrying value of property, plant and equipment:* Property, plant and equipment is reviewed for indicators of impairment annually. A valuation of the group's properties was carried out by an external valuer in March 2016. Given the proximity to the year end, this valuation has been used to support the directors' assessment of carrying value of property, plant and equipment as at 31 December 2016.
- *Carrying value of investments (company balance sheet):* The company carries investments on its balance sheet in respect of shareholdings in subsidiary undertakings. Investment carrying value is reviewed annually for impairment. Any such review will be inherently uncertain due to forecasting of future cash flows, the setting of a discount rate, and the setting of profit growth rates associated with the subsidiary undertakings.