

Registered number: 03291503

Ethelbert Specialist Homes Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2016

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Ethelbert Specialist Homes Limited

Company Information

Directors Bernie Davenport (deceased 2 November 2016)
Leslie Davenport
Lee Davenport
Andrew Marshall
Lawrence Best
Stewart Mars

Registered number 03291503

Registered office Cheesemans Farmhouse
Alland Grange Lane
Manston
Ramsgate
Kent
CT12 5BZ

Independent auditor Kreston Reeves LLP
Chartered Accountants & Statutory Auditor
37 St Margaret's Street
Canterbury
Kent
CT1 2TU

Bankers Barclays Bank Plc
9 St George's Street
Canterbury
Kent
CT1 2JX

Solicitors Parry Law
12/14 Oxford Street
Whitstable
Kent
CT5 1DE

Ethelbert Specialist Homes Limited

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Ethelbert Specialist Homes Limited

Strategic Report For the Year Ended 31 March 2016

Introduction

The directors of Ethelbert Specialist Homes Limited present their strategic report for the year ended 31 March 2016.

Business review

Trading for this year shows a decrease in operating profits mainly due to the extended closure of our nine-bedded home for major refurbishment.

Over this period and as reported in previous years, public spending continues to be considerably restricted and which continues to affect the ability of many local authorities to fully meet any proposed increases in existing placement fees. Increased fees have been agreed for most new placements although these are often below the current cost of living indexes. Local authorities are continuing to put their residential and fostering requirements out to competitive tender and whilst the company has been successful in achieving the top tiers in the majority of applications it remains that the focus is cost driven with tight restrictions on future increases for the life of the contract.

In respect of expenditure there has been a continuation of the strategies deployed in previous years in relation to on-going efficiency and streamlined management targets coupled with prudent financial planning and system changes across all areas of the operation.

Principal risks and uncertainties

The main business risk concerns the increasing pressures placed by financial constraints and the ongoing drive to reduce prices by local authorities. Whilst we fully support any strategy to improve the quality of care and general standards across children's services there is a need for proper financial investment to achieve this.

Current financial restraints restrict this and with changes introduced to the inspection and grading systems by Ofsted greater emphasis is being placed on the outcome awarded. The company continue to receive excellent outcomes across all its services but the ability to maintain these standards with reduced investment is becoming increasingly problematic.

Key performance indicators

The company sets itself Key Performance Indicators that are in line with the National Residential & Fostering Framework Contracts and the guidelines and parameters contained within The Children's Homes Regulations and the nine 'Quality Standards'.

We continue to work with placing authorities, national representative organisations and our governing body, Ofsted, to self-evaluate our performance and to ensure that the service we provide are developing and meeting the needs of the children placed.

Over the course of this year the company has further built on the outcomes achieved and has received excellent outcomes from statutory Ofsted inspections.

Ethelbert Specialist Homes Limited

Strategic Report For the Year Ended 31 March 2016

Future developments

The company continues to recruit foster carers to support the expansion of its fostering service into wider areas of Kent and London. The residential services continue to adapt their service provision to provide greater specialisation in key areas.

The head office, administration and support services for the company are currently spread across a number of sites many of which have been on long term rental agreements. In order to promote greater efficiency; improved communication and enhanced cost effectiveness a single freehold site has been acquired to amalgamate these services and is due for completion during mid-2017.

The junior age education resource for the company has for the past 16 years been operated on a long term rental agreement from a local mainstream school. This will be coming to an end during summer 2016 and work has commenced on an existing freehold site owned by the company to create a purpose built school for up to 20 children. This is due for completion during early-mid 2017.

This report was approved by the board on 30 November 2016 and signed on its behalf.



Leslie Davenport
Director

Ethelbert Specialist Homes Limited

Directors' Report For the Year Ended 31 March 2016

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

Principal activity

The company's principal activity during the year continued to be that of providers of quality childcare and education.

Dividends

The performance of the company is set out in the enclosed financial statements and a review of the results is set out in the strategic report.

The directors do not recommend the payment of an ordinary dividend (2015: £100,000).

The directors having paid preference share dividends of £11,000 on 5.5% preference shares and £126,000 on 6% preference shares do not recommend a further dividend on preference shares.

Directors

The directors who served during the year were:

Bernie Davenport (deceased 2 November 2016)
Leslie Davenport
Lee Davenport
Andrew Marshall
Lawrence Best
Stewart Mars

Financial instruments

The company's principal financial instruments comprise of bank balances, bank loans, trade creditors, trade debtors, finance leases and long term preference shares. The main purpose of these instruments is to raise funds for and finance the company's operations. Due to the nature of the financial instruments used by the company there is minimal exposure to price risk.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility.

In respect of loans these comprise loans from the directors and loans from financial institutions. The interest rate on the loans from financial institutions is variable but the monthly repayments are fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments. The loans from the directors are interest free and payable on demand. The directors are aware of the company's financial requirements and have determined that these will only be repaid, in whole or in part, when finance is available.

The company has preference share capital which is treated as debt in accordance with United Kingdom Generally Accepted Accounting Practice due to the obligation on the company to meet future dividend payments. The liquidity risk in respect of these is managed in the same way as loans above.

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

Matters covered in the strategic report

Disclosure in respect of future developments has been included as part of the strategic report.

Ethelbert Specialist Homes Limited

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

Disclosure of information to auditor

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

- so far as 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

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

Auditor

Under section 487(2) of the Companies Act 2006, Kreston Reeves LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 30 November 2016 and signed on its behalf.



Leslie Davenport
Director

Ethelbert Specialist Homes Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.

Ethelbert Specialist Homes Limited

Independent Auditor's Report to the Shareholders of Ethelbert Specialist Homes Limited

We have audited the financial statements of Ethelbert Specialist Homes Limited for the year ended 31 March 2016, set out on pages 8 to 26. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements.

Ethelbert Specialist Homes Limited

Independent Auditor's Report to the Shareholders of Ethelbert Specialist Homes 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, 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.

Kreston Reeves LLP

Nigel Fright FCCA (senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Chartered Accountants
Statutory Auditor

Canterbury

30 November 2016

Ethelbert Specialist Homes Limited

Statement of Comprehensive Income For the Year Ended 31 March 2016

	Note	2016 £	2015 £
Turnover	4	8,687,839	9,536,417
Cost of sales		(6,982,581)	(7,476,792)
Gross profit		1,705,258	2,059,625
Administrative expenses		(1,555,006)	(1,581,727)
Operating profit	5	150,252	477,898
Interest receivable and similar income	9	3,845	5,188
Interest payable and expenses	10	(170,429)	(177,732)
(Loss)/profit before tax		(16,332)	305,354
Tax on (loss)/profit	11	(24,291)	(103,881)
(Loss)/profit for the year		(40,623)	201,473

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

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

Ethelbert Specialist Homes Limited
Registered number: 03291503

Balance Sheet
As at 31 March 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	13		-		-
Tangible assets	14		4,325,054		4,419,075
			4,325,054		4,419,075
Current assets					
Debtors: amounts falling due within one year	15	468,072		380,514	
Cash at bank and in hand	16	959,739		1,238,308	
		1,427,811		1,618,822	
Creditors: amounts falling due within one year	17	(920,990)		(1,043,149)	
Net current assets			506,821		575,673
Total assets less current liabilities			4,831,875		4,994,748
Creditors: amounts falling due after more than one year	18		(2,785,755)		(2,894,131)
Provisions for liabilities					
Deferred tax	22	-		(13,874)	
			-		(13,874)
Net assets			2,046,120		2,086,743
Capital and reserves					
Called up share capital	23		100,000		100,000
Profit and loss account	24		1,946,120		1,986,743
			2,046,120		2,086,743

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2016.



Leslie Davenport

Director



Andrew Marshall

Director

The notes on pages 12 to 26 form part of these financial statements.

Ethelbert Specialist Homes Limited

**Statement of Changes in Equity
For the Year Ended 31 March 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	100,000	1,986,743	2,086,743
Loss for the year	-	(40,623)	(40,623)
At 31 March 2016	100,000	1,946,120	2,046,120

**Statement of Changes in Equity
For the Year Ended 31 March 2015**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2014	100,000	1,885,270	1,985,270
Profit for the year	-	201,473	201,473
Dividends: Equity capital	-	(100,000)	(100,000)
At 31 March 2015	100,000	1,986,743	2,086,743

The notes on pages 12 to 26 form part of these financial statements.

Ethelbert Specialist Homes Limited

**Statement of Cash Flows
For the Year Ended 31 March 2016**

	2016 £	2015 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(40,623)	201,473
Adjustments for:		
Depreciation of tangible assets	115,353	116,857
Loss on disposal of tangible assets	(1,792)	303
Interest paid	170,429	177,732
Interest received	(3,845)	(5,188)
Taxation	24,291	103,881
(Increase) in debtors	(84,543)	(503)
(Decrease) in creditors	(21,172)	(125,307)
Corporation tax	(106,870)	(105,372)
Net cash generated from operating activities	<u>51,228</u>	<u>363,876</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(25,530)	(51,774)
Sale of tangible fixed assets	5,990	140
Interest received	3,845	5,188
HP interest paid	(8,716)	(3,863)
Net cash from investing activities	<u>(24,411)</u>	<u>(50,309)</u>
Cash flows from financing activities		
Repayment of loans	(141,830)	(159,192)
Repayment of finance leases	(1,843)	(1,474)
Equity dividends paid	-	(100,000)
Interest paid	(161,713)	(173,869)
Net cash used in financing activities	<u>(305,386)</u>	<u>(434,535)</u>
Net (decrease) in cash and cash equivalents	<u>(278,569)</u>	<u>(120,968)</u>
Cash and cash equivalents at beginning of year	<u>1,238,308</u>	<u>1,359,276</u>
Cash and cash equivalents at the end of year	<u><u>959,739</u></u>	<u><u>1,238,308</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>959,739</u>	<u>1,238,308</u>
	<u><u>959,739</u></u>	<u><u>1,238,308</u></u>

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

1. General information

Ethelbert Specialist Homes Limited is a limited liability company incorporated in England and Wales. The address of the registered office is Cheesemans Farmhouse, Alland Grange Lane, Manston, Ramsgate, Kent, CT12 5BZ.

The company's principal activity during the year continued to be that of providers of quality childcare and education.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The company's functional currency is Pounds Sterling.

The company's financial statements are presented to the nearest £.

The following principal accounting policies have been applied:

2.2 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 as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

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

All intangible assets are considered to have a finite useful life and are amortised to the profit and loss account over their economic useful life.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, under both the straight line and reducing balance bases.

Depreciation is provided on the following bases:

Freehold buildings	- 2% straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% reducing balance
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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

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

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

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

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

2.8 Creditors

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

2.9 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.11 Operating leases: the company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.12 Leased assets: the company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.14 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

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

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgements have had the most significant impact on amounts recognised in the financial statements and the company's key sources of estimation uncertainty:

Lease commitments

The company has entered into a range of lease commitments in respect of property, plant and equipment. The classification of these leases as either financial or operating leases requires the directors to consider whether the terms and conditions of each lease are such that the company has acquired the risks and rewards associated with the ownership of the underlying assets.

Tangible fixed assets

The company has recognised tangible fixed assets with a carrying value of £4,325,054 at the reporting date (see note 14). These assets are stated at their cost less provision for depreciation and impairment. The company's accounting policy sets out the approach to calculating depreciation for immaterial assets acquired. For material assets such as land and buildings the company determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the directors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

Where there are indicators that the carrying value of tangible assets may be impaired the company undertakes tests to determine the recoverable amount of assets. These tests require estimates of the fair value of assets less cost to sell and of their value in use. Wherever possible the estimate of the fair value of assets is based upon observable market prices less incremental cost for disposing of the asset. The value in use calculation is based upon a discounted cash flow model, based upon the company's forecasts for the foreseeable future which do not include any restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well expected future cash flows and the growth rate used for extrapolation purposes.

4. Turnover

The whole of the turnover is attributable to the company's principal activity being the provision of quality childcare and education.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	115,353	116,857
Other operating lease rentals	65,145	63,065
Profit/(loss) on the disposal of tangible fixed assets	(1,792)	303

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	<u>11,640</u>	<u>11,460</u>

7. Employees

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

	2016 £	2015 £
Wages and salaries	4,564,043	4,681,758
Social security costs	410,073	434,441
Cost of defined contribution scheme	93,107	94,289
	<u>5,067,223</u>	<u>5,210,488</u>

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

	2016 No.	2015 No.
Management	25	28
Administration	26	29
Maintenance	16	20
Residential social workers	101	101
Education	31	32
	<u>199</u>	<u>210</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	413,286	432,669
Company contributions to defined contribution pension schemes	17,495	17,495
	<u>430,781</u>	<u>450,164</u>

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

The highest paid director received remuneration of £114,444 (2015 - £114,985).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,170 (2015 - £6,170).

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

9. Interest receivable

	2016 £	2015 £
Bank interest receivable	3,845	5,188
	<u>3,845</u>	<u>5,188</u>

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	24,713	36,869
Preference share dividends	137,000	137,000
Finance leases and hire purchase contracts	8,716	3,863
	<u>170,429</u>	<u>177,732</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	41,180	106,870
Adjustments in respect of previous periods	-	102
Total current tax	<u>41,180</u>	<u>106,972</u>
Deferred tax		
Origination and reversal of timing differences	(16,889)	(3,091)
Total deferred tax	<u>(16,889)</u>	<u>(3,091)</u>
Taxation on profit on ordinary activities	<u>24,291</u>	<u>103,881</u>

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2016 £	2015 £
Profit on ordinary activities before tax	<u>(16,333)</u>	<u>305,354</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	(3,267)	64,124
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,400	28,770
Depreciation in excess of capital allowances	158	13,334
Adjustments to tax charge in respect of prior periods	-	102
Marginal relief	-	(2,449)
Total tax charge for the year	<u>24,291</u>	<u>103,881</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2016 £	2015 £
Dividends paid on equity capital	-	100,000
Dividends paid on shares classed as debt	137,000	137,000
	<u>137,000</u>	<u>237,000</u>

Ethelbert Specialist Homes Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

13. Intangible assets

	Goodwill £
Cost	
At 1 April 2015	650,000
At 31 March 2016	<u>650,000</u>
Amortisation	
At 1 April 2015	650,000
At 31 March 2016	<u>650,000</u>
Net book value	
At 31 March 2016	<u>-</u>
At 31 March 2015	<u>-</u>

14. Tangible fixed assets

	Land and Buildings £	Motor vehicles £	Furniture, Fittings and Equipment £	Total £
Cost or valuation				
At 1 April 2015	4,905,723	223,470	273,869	5,403,062
Additions	-	25,530	-	25,530
Disposals	-	(11,650)	-	(11,650)
At 31 March 2016	<u>4,905,723</u>	<u>237,350</u>	<u>273,869</u>	<u>5,416,942</u>
Depreciation				
At 1 April 2015	651,533	149,084	183,370	983,987
Charge for period on owned assets	69,684	21,367	21,740	112,791
Charge for period on financed assets	-	2,562	-	2,562
Disposals	-	(7,452)	-	(7,452)
At 31 March 2016	<u>721,217</u>	<u>165,561</u>	<u>205,110</u>	<u>1,091,888</u>
Net book value				
At 31 March 2016	<u>4,184,506</u>	<u>71,789</u>	<u>68,759</u>	<u>4,325,054</u>
At 31 March 2015	<u>4,254,190</u>	<u>74,386</u>	<u>90,499</u>	<u>4,419,075</u>

Ethelbert Specialist Homes Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

14. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Motor vehicles	7,686	10,248

Included in land and buildings is freehold land at cost of £1,390,548 which is not depreciated.

15. Debtors

	2016 £	2015 £
Trade debtors	300,500	250,813
Other debtors	72,883	76,302
Prepayments and accrued income	91,674	53,399
Deferred taxation	3,015	-
	<u>468,072</u>	<u>380,514</u>

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	959,739	1,238,308
	<u>959,739</u>	<u>1,238,308</u>

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans	97,200	142,132
Trade creditors	167,964	177,847
Corporation tax	41,180	106,870
Taxation and social security	184,387	183,091
Net obligations under finance lease and hire purchase contracts	11,478	1,843
Other creditors	326,839	344,128
Accruals and deferred income	91,942	87,238
	<u>920,990</u>	<u>1,043,149</u>

Secured loans

The bank loans are secured by a fixed and floating charge over the assets of the company.

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

	2016 £	2015 £
Bank loans	485,755	582,653
Net obligations under finance leases and hire purchase contracts	-	11,478
Share capital treated as debt	2,300,000	2,300,000
	<u>2,785,755</u>	<u>2,894,131</u>

Secured loans

The above amounts relate to bank loans which are secured by a fixed and floating charge over the assets of the company. The bank loans are repayable within 10-15 years at variable rates of interest.

There is also a debenture secured over all of the land and buildings owned by the company.

The ageing of the bank loans is disclosed in note 19 below.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

19. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Bank loans	97,200	142,132
Amounts falling due 2-5 years		
Bank loans	382,416	407,101
Amounts falling due after more than 5 years		
Bank loans	103,339	175,552
	<u>582,955</u>	<u>724,785</u>

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	11,478	1,843
Between 2-5 years	-	11,478
	<u>11,478</u>	<u>13,321</u>

21. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	373,383	327,116
	<u>373,383</u>	<u>327,116</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(3,481,177)	(3,647,319)
	<u>(3,481,177)</u>	<u>(3,647,319)</u>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial Liabilities measured at amortised cost comprise bank loans, trade creditors, net obligations under finance lease and hire purchase contracts, other creditors, accruals and preference shares.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

22. Deferred taxation

	2016 £	2015 £
At beginning of year	(13,874)	(16,965)
Charged to the profit or loss	16,889	3,091
At end of year	3,015	(13,874)

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	3,015	(13,874)
	3,015	(13,874)

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000
	2016 £	2015 £
Shares classified as debt		
Allotted, called up and fully paid		
200,000 5.5% cumulative preference shares of £1 each	200,000	200,000
2,100,000 6% cumulative preference shares of £1 each	2,100,000	2,100,000
	2,300,000	2,300,000

The preference shares carry no voting rights and have no set redemption date and upon winding up of the company are not entitled to any premium.

24. Reserves

Profit & loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

Ethelbert Specialist Homes Limited

Notes to the Financial Statements For the Year Ended 31 March 2016

25. Pension commitments

The company contributes towards personal pension schemes for certain employees. The assets of these schemes are held separately from those of the company by independently administered funds. The pension cost charge represents contributions payable by the company to the funds, which amounted to £93,107 (2015 - £94,289).

26. Commitments under operating leases

At 31 March 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	53,358	55,963
Later than 1 year and not later than 5 years	45,671	72,101
	<u>99,029</u>	<u>128,064</u>

27. Related party transactions

	2016 £	2016 £
Amount due to directors	33,173	61,063
Ordinary dividends paid to directors and their close family	-	76,000
Ordinary dividends paid to other related parties with significant influence	-	24,000
Preference dividends paid to directors	126,000	126,000
	<u>159,173</u>	<u>287,063</u>

Key Management Personnel

Key management comprises solely the directors of the company. See note 8 for disclosure of directors' remuneration and key management compensation.

28. Controlling party

It is the opinion of the directors that there is no ultimate controlling party.