

Company Registration No. 03519503

CMG Homes Limited

Annual Report and Financial Statements

For the year ended 28 February 2018



CMG Homes Limited

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CMG Homes Limited

Officers and professional advisers

Directors

P Kinsey
D Spruzen
G J Fitton

Secretary

G J Fitton

Registered Office

The Care House
Randalls Way
Leatherhead
Surrey
KT22 7TW

Bankers

NatWest
PO Box 3415
Bishopsgate
London
EC2P 2AP

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

CMG Homes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2018. The directors' report has been prepared in accordance with the provisions applicable to Companies entitled to the small Companies exemption. Accordingly, the directors have elected to exercise the exemption available to small companies from preparing a strategic report.

Principal activity

The principal activity of CMG Homes Limited "the Company" during the year was to act as agent on behalf of Care Management Group Limited in the leasing of care home properties for use by the Group in providing residential care for people with learning disabilities and complex needs, including mental health needs.

Results, dividends and future developments

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The Company did not pay a dividend during the year (2017: £nil).

No change to the Company's operations is expected in the foreseeable future and no post balance sheet events have occurred at the date of signing these accounts.

Going concern

CMG Homes Limited is part of the CMG Group, of which CMG Holdco Limited is the ultimate parent Company.

The directors have carefully considered the going concern basis underlying the preparation of the financial statements.

Recent trading activity across the Group and the Company has been in line with expectations. Referral levels have been maintained during the year and the quality of the services continued to improve which in turn lead to improved occupancy levels. This occupancy growth is expected to continue in the following year. The Group is cash generative and funds have continued to be reinvested to increase capacity levels and drive growth.

Management have prepared detailed forecasts for the Group for the period to February 2023. Net debt levels, servicing costs and covenant requirements are closely monitored and managed according to strict management processes. Management have considered the expected availability of working capital and achievement of covenants required.

The directors believe that the Group and the Company are well placed to manage its risks successfully despite the current economic conditions which create uncertainty.

Based on their forecast review and other factors described above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

The Company has received a letter of support from its parent company to provide support as required to settle its net liability position.

Directors

The directors who served the Company during the year and since the year end are set out on page 1.

Directors' indemnities

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

Principal risks and uncertainties

The directors have assessed the level of risk within the business and believe it to be similar to comparable UK based care and support organisations, where sound working capital management and good purchaser relations are essential to the future well-being of the Company. The directors believe that the current controls and processes within the business are appropriate and adequate to achieve this position.

The risks of the Company are managed as a Group and are fully disclosed within the CMG Holdco Limited consolidated accounts.

CMG Homes Limited

Directors' report (continued)

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

Approved by the Board of Directors and signed on behalf of the Board on 23 August 2018.



G J Fitton
Director

CMG Homes Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of CMG Homes Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CMG Homes Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the members of CMG Homes Limited

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

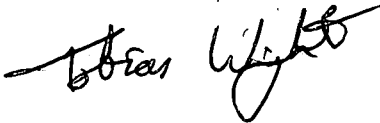
Independent auditor's report to the members of CMG Homes Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report and in preparing the directors report; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Tobias Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 August 2018

CMG Homes Limited

Profit and loss account For the year ended 28 February 2018

	Notes	2018 £	2017 £
Turnover	2	6,500,695	7,849,033
Cost of sales		(4,316,461)	(4,660,755)
Gross profit		<u>2,184,234</u>	<u>3,188,278</u>
Administrative expenses		(2,184,234)	(3,188,278)
Loss before taxation	3	-	-
Taxation	4	(6,575)	(50,050)
Loss for the year after taxation		<u>(6,575)</u>	<u>(50,050)</u>

The Company has no recognised gains and losses in the current or preceding year other than the result for the year as included above. Accordingly no statement of comprehensive income has been presented.

All of the activities of the Company are classed as continuing.

CMG Homes Limited

Balance sheet 28 February 2018

	Notes	2018 £	2017 £
Current assets			
Cash at bank and in hand		1,223,641	143,267
Deferred tax	10	118,373	124,948
		<u>1,342,014</u>	<u>268,215</u>
Creditors: amounts falling due in less than one year	5	<u>(121,094)</u>	<u>(201,658)</u>
Net current assets		1,220,920	66,557
Creditors: amounts falling due in more than one year	6	<u>(1,985,326)</u>	<u>(785,713)</u>
Provisions for liabilities and charges	7	<u>(696,312)</u>	<u>(734,987)</u>
Net liabilities		<u><u>(1,460,718)</u></u>	<u><u>(1,454,143)</u></u>
Capital and reserves			
Called up share capital	9	1,000	1,000
Profit and loss account		<u>(1,461,718)</u>	<u>(1,455,143)</u>
Total shareholder's deficit		<u><u>(1,460,718)</u></u>	<u><u>(1,454,143)</u></u>

These financial statements of Company number 03519503 were approved by the Board of Directors and authorised for issue on 23 August 2018. They were signed on its behalf by:



G J Fitton
Director

CMG Homes Limited

Statement of changes in Equity For the year ended 28 February 2018

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 29 February 2016	1,000	(1,405,093)	(1,404,093)
Loss for the financial year	-	(50,050)	(50,050)
At 28 February 2017	<u>1,000</u>	<u>(1,455,143)</u>	<u>(1,454,143)</u>
Loss for the financial year	-	(6,575)	(6,575)
At 28 February 2018	<u>1,000</u>	<u>(1,461,718)</u>	<u>(1,460,718)</u>

CMG Homes Limited

Notes to the financial statements For the year ended 28 February 2018

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted are described below. The accounting policies have been consistently applied in the current and preceding year.

a. General information and basis of accounting

CMG Homes Limited is a company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of CMG Homes Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

CMG Homes Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. CMG Homes Limited is consolidated in the financial statements of its ultimate parent, CMG Holdco Limited, which may be obtained from the registered office shown on page 1. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

CMG Homes Limited is part of the CMG Group, of which CMG Holdco Limited is the ultimate parent Company.

The directors have carefully considered the going concern basis underlying the preparation of the financial statements.

Recent trading activity has been in line with expectations. Referral levels have been maintained during the year and the quality of the services continued to improve which in turn lead to improved occupancy levels. This occupancy growth is expected to continue in the following year. The business is cash generative and funds have been continued to be reinvested to increase capacity levels and drive growth.

The Company has received a letter of support from its parent company to provide support as required to settle its net liability position.

Management have prepared detailed forecasts for the period to February 2023. Net debt levels, servicing costs and covenant requirements are closely monitored and managed according to strict management processes. Management have considered the expected availability of working capital and achievement of covenants required.

The directors believe that the Group is well placed to manage its risks successfully despite the current economic conditions which create uncertainty.

Based on their forecast review and other factors described above, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future which can support the Company as required. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

CMG Homes Limited

Notes to the financial statements (continued) For the year ended 28 February 2018

1. Accounting policies (continued)

c. Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and if this amount is capable of being reliably estimated. The provision in the financial statements provides against bringing the properties back to the required state of repair at the end of the lease.

d. Turnover

Turnover represents sales and services to third party customers in the care sector, stated net of any applicable value added tax. Turnover is recognised when the services are provided.

e. Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

f. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse.

g. Financial instruments

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

CMG Homes Limited

Notes to the financial statements (continued) For the year ended 28 February 2018

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key source of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. There are no sources of estimation uncertainty at the end of 2018, that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2019.

Critical accounting judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

2. Turnover

Turnover, all of which arises in the United Kingdom, is attributable to the principal activity of the Company, being the provision of residential care for people with learning disabilities and complex needs including mental health needs.

3. Loss before taxation

	2018	2017
	£	£
This is stated after charging:		
Operating lease costs – other	765,917	1,170,859

Auditor's remuneration of £6,942 (2017: £6,942) is borne by the Company's parent Company, Care Management Group Limited, and was not recharged in the current or prior year.

Other than the directors, the Company had no employees (2017: nil). The directors received remuneration paid by Care Management Group Limited in respect of their services to Group Companies. The portion that relates to the Company is £nil (2017: £nil).

CMG Homes Limited

Notes to the financial statements (continued) For the year ended 28 February 2018

4. Taxation

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	7,381	28,000
Effect of changes in tax rates	(806)	22,050
	<u>6,575</u>	<u>50,050</u>
Total deferred tax charge (note 10)	<u>6,575</u>	<u>50,050</u>
Factors affecting current tax for the year:		
Result before taxation	-	-
At standard rate of 19% (2017: 20%)	-	-
Effects of:		
Group relief	19,280	34,833
Transfer pricing adjustment	(11,899)	(6,833)
Tax rate changes	(806)	22,050
	<u>6,575</u>	<u>50,050</u>
Total tax charge for the year	<u>6,575</u>	<u>50,050</u>

5. Creditors: amounts falling due within one year

	2018 £	2017 £
Accruals and deferred income	<u>121,094</u>	<u>201,658</u>

6. Creditors: amounts falling due in more than one year

	2018 £	2017 £
Amounts owed to Group undertakings	<u>1,985,326</u>	<u>785,713</u>

Amounts owed to Group undertakings are unsecured and interest free. They are repayable in more than five years. Amounts could be requested on demand at the discretion of the directors of each Group undertaking. The parent company has indicated they would not demand repayment of the intercompany balance if it was to impact the going concern position of the Company.

CMG Homes Limited

Notes to the financial statements (continued) For the year ended 28 February 2018

7. Provisions for liabilities and charges

	2018 £	2017 £
Property dilapidation provision	696,312	734,987

Movement on provisions during the year was as follows:

	2018 £	2017 £
Balance at the beginning of the year	734,987	874,987
Released during the year	(38,675)	(140,000)
Balance at the end of the year	696,312	734,987

The property provision relates to the cost of bringing the properties back to the required state of repair at the end of the lease.

8. Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2018 £'000	2017 £'000
Total future minimum lease payments under non-cancellable operating leases		
(i) not later than one year	647	641
(ii) later than one year & not later than 5 years	2,589	2,563
(iii) later than 5 years	7,494	8,060

9. Share capital

	2018 £	2017 £
Called up, allotted and fully paid 1,000 ordinary shares of £1 each	1,000	1,000

CMG Homes Limited

Notes to the financial statements (continued) For the year ended 28 February 2018

10. Deferred tax

The deferred tax asset is made up as follows:

	£	
At 1 March 2017	124,948	
Charged to the profit and loss account (note 4)	(6,575)	
	<u>118,373</u>	
At 28 February 2018		<u>118,373</u>
	<u>2018</u>	<u>2017</u>
	£	£
Short term timing differences	<u>118,373</u>	<u>124,948</u>

The closing deferred tax asset as at 28 February 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future years.

11. Related party transactions

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions between members of the Group where the entities are wholly-owned by the parent company.

No loans are held or have been held at any time during the year between the Company and a director.

The key management personnel of the Company are also the key management personnel of the Group and other group companies. Management do not believe it is possible to assign these costs to each individual company. Disclosure of key management personnel costs are disclosed in the accounts of CMG Holdco Limited.

12. Financial commitments

The Company is party to cross guarantees for the bank debts due by all companies within the CMG Holdco Limited Group. Total amounts due as at 28 February 2018 amounted to £64,270,949 (2017: £58,019,649). The Company's assets are securitised against the loan held.

Operating lease commitments are disclosed within note 8.

13. Ultimate parent Company and controlling party

CMG Holdco Limited is the ultimate parent undertaking of the Company incorporated in England and Wales. The majority of the issued ordinary share capital of CMG Holdco Limited is held by Court Cavendish Limited, their registered office is The Care House, Randalls Way, Leatherhead, Surrey, KT22.7TW.

CMG Holdco Limited is the smallest Company to consolidate these financial statements for the year ended 28 February 2018. Court Cavendish Limited is the largest group of which the Company is a member and which prepares consolidated accounts and their financial statements are publicly available.

Court Cavendish was under the control of Dr CB Patel throughout the current year and prior year by virtue of his 90% interest in the issued share capital of the company.