

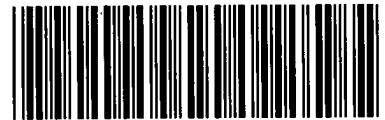
**Company Registration No. 03519503**

**CMG Homes Limited**

**Annual Report and Financial Statements**

**For the year ended 28 February 2017**

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# **CMG Homes Limited**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Statement of changes in equity</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **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  
Reading  
United Kingdom

# CMG Homes Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2017. 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 (2016: £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.

During the previous year the Group refinanced its bank debt with a new five year facility agreement.

Recent trading activity across the Group 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 2021. 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.

### 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 7 July 2017.



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**

We have audited the financial statements of CMG Homes Limited for the year ended 28 February 2017 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 (United Kingdom 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, 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 annual 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 28 February 2017 and of its 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 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 (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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report.



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Tobias Wright FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom  
7 July 2017



## CMG Homes Limited

### Profit and loss account For the year ended 28 February 2017

	Notes	2017 £	2016 £
Turnover	2	7,849,033	8,209,221
Cost of sales		(4,660,755)	(4,685,688)
<b>Gross profit</b>		<u>3,188,278</u>	<u>3,523,533</u>
Administrative expenses		(3,188,278)	(3,523,533)
<b>Result on ordinary activities before taxation</b>	3	-	-
Tax on result on ordinary activities	4	(50,050)	(4,000)
<b>Loss for the period after taxation</b>		<u>(50,050)</u>	<u>(4,000)</u>

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

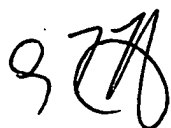
All of the activities of the Company are classed as continuing.

# CMG Homes Limited

## Balance sheet 28 February 2017

	Notes	2017 £	2016 £
<b>Current assets</b>			
Cash at bank and in hand		143,267	261,642
Deferred tax	10	124,948	174,998
		<u>268,215</u>	<u>436,640</u>
<b>Creditors: amounts falling due in less than one year</b>	5	<u>(201,658)</u>	<u>(233,033)</u>
<b>Net current assets</b>		66,557	203,607
<b>Creditors: amounts falling due in more than one year:</b>	6	(785,713)	(732,713)
Provisions for liabilities and charges	7	<u>(734,987)</u>	<u>(874,987)</u>
<b>Net liabilities</b>		<u>(1,454,143)</u>	<u>(1,404,093)</u>
<b>Capital and reserves</b>			
Called up share capital	9	1,000	1,000
Profit and loss account		<u>(1,455,143)</u>	<u>(1,405,093)</u>
<b>Total shareholder's deficit</b>		<u>(1,454,143)</u>	<u>(1,404,093)</u>

These financial statements of Company number 03519503 were approved by the Board of Directors and authorised for issue on 7 July 2017. 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 2017

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 28 February 2015</b>	1,000	(1,401,093)	(1,400,093)
Loss for the financial year	-	(4,000)	(4,000)
<b>At 29 February 2016</b>	<u>1,000</u>	<u>(1,405,093)</u>	<u>(1,404,093)</u>
Loss for the financial year	-	(50,050)	(50,050)
<b>At 28 February 2017</b>	<u>1,000</u>	<u>(1,455,143)</u>	<u>(1,454,143)</u>

# CMG Homes Limited

## Notes to the financial statements For the year ended 28 February 2017

### 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 incorporated in the United Kingdom under the Companies Act. 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.

Management have prepared detailed forecasts for the period to February 2021. 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.

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

# CMG Homes Limited

## Notes to the financial statements (continued) For the year ended 28 February 2017

### 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 2017

### 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

##### Dilapidation provisions

Uncertainty exists over the valuation of payments to be made under dilapidations on leased property. Management have engaged a specialist in a prior period to provide an estimated valuation of the costs associated to restore the property to its original condition as required under clauses contained within the lease agreements. Management have evaluated the previous assessment performed by a specialist and amended to reflect changes in the leased properties.

### 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. Result on ordinary activities before taxation

	2017	2016
	£	£
<b>This is stated after charging:</b>		
Operating lease costs – other	1,170,859	1,261,028

Auditor's remuneration of £6,942 (2016: £8,198) 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 (2016: £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 (2016: £nil).

# CMG Homes Limited

## Notes to the financial statements (continued) For the year ended 28 February 2017

### 4. Taxation

	2017 £	2016 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	28,000	4,017
Effect of changes in tax rates	22,050	(17)
Total deferred tax charge (note 10)	<u>50,050</u>	<u>4,000</u>
<b>Factors affecting current tax for the year:</b>		
Result on ordinary activities before taxation	-	-
At standard rate of 20% (2016: 20.1%)	-	-
Effects of:		
Group relief	34,833	14,868
Transfer pricing adjustment	(6,833)	(10,851)
Tax rate changes	22,050	(17)
Total tax charge for the year	<u>50,050</u>	<u>4,000</u>

### 5. Creditors: amounts falling due within one year

	2017 £	2016 £
Accruals and deferred income	<u>201,658</u>	<u>233,033</u>

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

	2017 £	2016 £
Amounts owed to Group undertakings	<u>785,713</u>	<u>732,713</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 2017

#### 7. Provisions for liabilities and charges

	2017 £	2016 £
Property dilapidation provision	734,987	874,987

Movement on provisions during the year was as follows:

	2017 £	2016 £
Balance at the beginning of the year	874,987	894,987
Released during the year	(140,000)	(20,000)
Balance at the end of the year	734,987	874,987

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	
	2017 £'000	2016 £'000
Total future minimum lease payments under non-cancellable operating leases		
(i) not later than one year	641	876
(ii) later than one year & not later than 5 years	2,563	3,505
(iii) later than 5 years	8,060	11,898

#### 9. Share capital

	2017 £	2016 £
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 2017

### 10. Deferred taxation

The deferred tax asset is made up as follows:

	£
At 1 March 2016	174,998
Charged to the profit and loss account (note 4)	(50,050)
	<hr/>
At 28 February 2017	124,948
	<hr/> <hr/>

	2017	2016
	£	£
Short term timing differences	124,948	174,998
	<hr/> <hr/>	<hr/> <hr/>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2016.

Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 28 February 2017 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 2017 amounted to £58,019,649 (2016: £74,960,000). 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.

CMG Holdco Limited is the smallest and largest Group Company to consolidate these financial statements for the year ended 28 February 2017 and their financial statements are publicly available.