Shaw healthcare (Group) Limited

Annual Report & Financial Statements

For the year ended **31 March 2018**

Registered number: 05391089

Shaw healthcare

wellness • happiness • kindness

Shaw healthcare (Group) Limited

Annual Report & Financial Statements

Contents

Officers and professional advisers

Directors

A Thomas, BA, FCA *(Chairman)*
P J Nixey, MA (Oxon) *(Chief Executive)*
S D Hughes
R S Brown, BSc, ACMA, ATII
H M Black
A C Savery, AIQS *(resigned 31 May 2017)*
E S Greenhalgh *(appointed 30 November 2017)*
A J T Pilgrim *(appointed 26 April 2018)*

Registered office

1 Links Court
Links Business Park
St Mellons
Cardiff
CF3 0LT

Principal bankers

Allied Irish Bank
2 Callaghan Square
Cardiff
CF10 5AZ

Auditor

Deloitte LLP
Statutory Auditor
5 Callaghan Square
Cardiff
CF10 5BT

Solicitors

Blake Morgan Solicitors
One Central Square
Cardiff
CF10 1FS

Actuary

Quantum Actuarial LLP
Cypress House
Pascal Close
Cardiff
CF3 0LW

Year at a glance

Turnover
£94.6 million
£93.0 million

Contracted income
£1.1 billion
£1.2 billion

Beds under management
2,098
2,107

Net debt
£34.2 million
£39.7 million

EBITDA
£11.3 million
£11.6 million

Net debt / EBITDA multiple
= 3.0
3.4

Numbers in red represent 2018 figures

Numbers if purple represent 2017 figures

Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006. This strategic report has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Shaw healthcare (Group) Limited and its subsidiary undertakings when viewed as a whole.

Principal activities

The principal activity of the company and the group is that of the provision of care services. These encompass a range of specialist nursing, residential, domiciliary care and supported living services for the elderly and for people with dementia, learning disabilities and mental health problems.

About us

Shaw healthcare (Group) Limited has grown from its origin as a registered housing association to one of the UK's leading healthcare providers largely through partnerships with public sector organisations responsible for both health and social care.

Shaw now employs close to 3,500 full and part-time staff to provide care to over 3,000 individuals and is unique as a major healthcare provider in being majority owned by our employees. It is one of the ten largest employee-owned companies in the United Kingdom.

Driven by the ethos to deliver "the quality of care we would want for our loved ones" and brand values of Wellness, Happiness and Kindness, Shaw operates 51 homes across England, Wales and Scotland and enjoys strong relationships with Local Authorities and the NHS, from which it derives over half of its income through long-term contracts.

'We provide a high standard of health and social care, placing the individual at the centre of all we do.'

A large proportion of Shaw's services is based on the provision of adult and social care in one of our residential environments. Our specialist knowledge in key areas of care means we are able to provide bespoke care packages based on the requirements of an individual, or a local authority's regional requirements.

Shaw provides a design, build and operate service for many local authorities with elderly care requirements. Our nurse-led dementia care based on the current best practices and our own therapeutic research has attracted overseas care providers, to whom we are delivering training in order for them to mirror Shaw methodologies for their residents. Our mental health services have received multiple awards for innovation and patient focused care – these services are designed for those with a primary diagnosis of mental illness with or without a physical disability, including patients who might have committed a criminal act. Other such specialised care services include learning disabilities, acquired brain injuries and intermediate care for those waiting for discharge from hospital care.

The operation of services also includes facilities management which we have developed to promote dignity at meal times, increasing hydration and facilitating dietary requirements to accommodate any cultural or medical consideration.

We also operate a home care service for those who wish to retain as much of their independence as possible and many of our services include extra care apartments where residents have their own front door key and letter box. Individuals can also visit our services for day care and respite when they wish to socialise or interact with their peer groups.

For some who wish to move on from residential care we also provide step-down services in a supported living environment.

Strategic report (continued)

Values

'Wellness : Happiness : Kindness'

Our vision is to provide the quality of care that we would want for our loved ones. Through prioritising the physical, mental and emotional wellness of our Service Users and employees, we will ensure they enjoy the quality of life they are entitled to.

Through our behaviour, we ensure happiness is a basic expectation of our Service Users, employees and customers when dealing with us. We will always treat everyone with integrity, kindness and respect.

Operational developments

Care provision for the elderly is approaching crisis point in the United Kingdom due to funding pressures and the rapid growth in demand caused by an ageing population and rising life expectancy. The population of over 85-year-olds has increased by almost a third over the last decade to circa 1.5 million people, and is expected to double within the next 25 years further increasing the demand for dementia-related and other specialist care.

In order to accelerate our growth and development to respond to this future demand, during the period Shaw entered into an investment partnership with Bridges Evergreen Holdings Limited ("Bridges") - a specialist sustainable and impact investor which shares similar values and ethos as ourselves and which has committed to provide financial support to Shaw over the long-term. Bridges' Scott Greenhalgh joined the Shaw board as a Non-Executive Director as part of the agreement which included the purchase of 2,285,713 £0.0005 ordinary shares from existing shareholders of the company for a cash price of £0.35 per share together with a subscription to 5 million A preference shares and 4.2 million redeemable preference shares at £1 per share. The A preference shares are entitled to a fixed annual dividend of 8% and are repayable at issue price in 2032. The B preference shares are entitled to a fixed annual dividend of 5% for the first five years and 8% subsequent to that and are repayable at issue price in 2032. Within the first five years the B preference shares can be converted to ordinary shares at a fixed price of £0.35 per share. The investment completed on 30 November 2017.

Strategic report (continued)

Developing our people

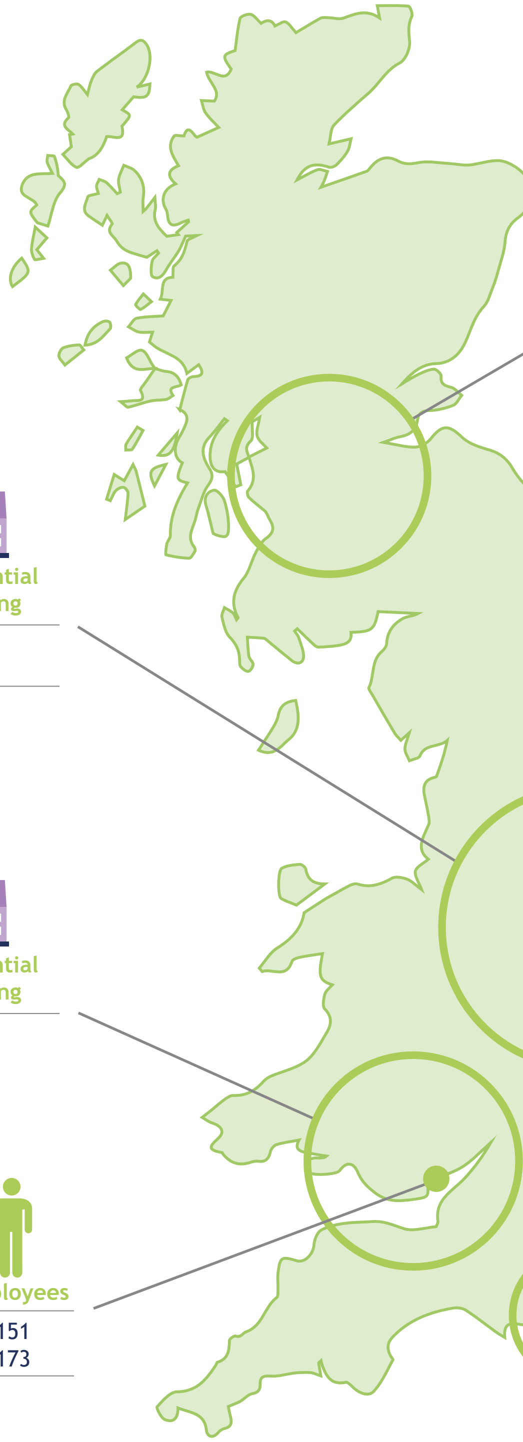
Operators in the care sector have long struggled with high staff turnover, which often has a detrimental effect on service quality. Shaw's focus on increased engagement, employee benefits, high quality training and development opportunities aims to reduce staff turnover and improve the quality and consistency of care which in turn can make Shaw a more attractive partner for health and social care commissioners.

Shaw provides most of its induction, foundation and advanced care training to its staff through its own training centre. In addition, trainers with significant specialisms have rewritten and developed support materials for the implementation of a number of operational processes. Moving away from solely providing training in the classroom is another efficiency which provides continuing professional development in a way which meets the needs and challenges of the business.

The vocational qualification element of the Learning and Development department is accredited by national awarding bodies: City and Guilds and Pearson Edexcel and, most recently, the Institute of Leadership and Management. During the year we enrolled over 100 (2017: 117) students to level 3 and 5 QCF courses, including additional Certificates and Awards. During the year, we successfully joined the Register of Apprenticeship Training Organisations (RoATO) and achieved the Matrix standard which enables us to deliver Apprenticeship Programmes, which commenced in October 2017. In addition to delivery of Levels 2 and 3 Care Apprenticeships, we are also delivering Levels 3 and 5 Management Apprenticeships.

Strategic report (continued)

Care services and employees by region



Midlands

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care	Residential Housing
2018	26	926	1,485	657	1	40	83
2017	26	935	1,564	947	6	40	83

Wales & South West

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care	Residential Housing
2018	8	219	396	50	43	-	288
2017	7	219	420	50	43	51	288

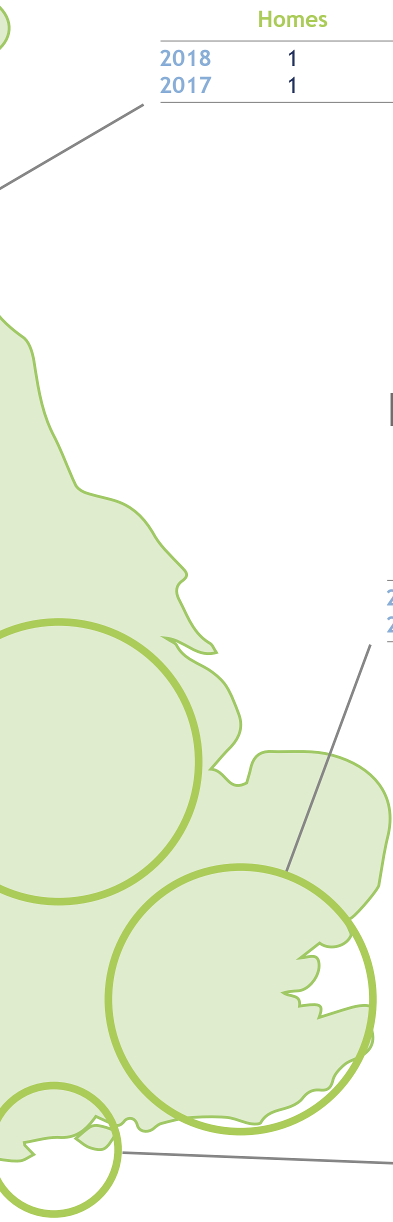
Head office

	Employees
2018	151
2017	173

Within the above numbers are six homes, 163 beds and 247 employees which are legally owned/employed by The Shaw Foundation Limited (2017: six homes, 163 beds and 260 employees). These homes are classed as deferred assets in the balance sheet, representing assets and contracts which were acquired from The Shaw Foundation Limited on 1 October 2006 but which did not transfer to the company on that date. The assets and contracts are expected to transfer in the future when specific conditions have been met. As the assets are transferred the employees will also transfer. Further information is included in note 11 to the financial statements. The above figures represent total employees at 31 March including both full-time and part-time employees.

Scotland

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care	Residential Housing
2018	1	21	147	-	9	100	-
2017	1	21	171	-	9	120	-



London & South East

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care	Residential Housing
2018	16	932	1,247	400	-	10	35
2017	17	932	1,255	400	-	10	35

South

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care	Residential Housing
2018	-	-	64	-	-	170	-
2017	-	-	-	-	-	-	-

Total

	Homes	Beds	Employees	Day Care	Supported Living	Domiciliary Care[1]	Residential Housing[2]
2018	51	2,098	3,490	1,107	53	320	406
2017	51	2,107	3,583	1,397	58	221	406

[1] 1 unit = 10 care hours

[2] Within Residential Housing are 288 (2017:288) houses that are not used to deliver care services.

Strategic report (continued)

Key performance indicators

Financial	2018	2017	Change
EBITDA [1]	£11.3m	£11.6m	(£0.3m)
Profit before tax	£7.7m	£4.1m	£3.6m
Net debt	(£34.2m)	(£39.7m)	£5.5m
Free cash [2]	£8.9m	£9.9m	(£1.0m)
Operational			
Services good or above with regulator [3]	84%	69%	15
Services with registered manager [4]	97%	95%	2
Services with over 90% QoL score	61%	35%	26

The above key performance indicators are used by the Board on a monthly basis to monitor the ongoing performance of the business from both a financial and non-financial perspective. The financial information is obtained from monthly management accounts which are also used to compile these financial statements. There has been a pleasing increase in the services fully compliant with the regulator in the period as a result of management implementing additional quality controls in the prior period in order to address the increased scope of the inspections being undertaken by the regulators. Our 'good' or above percentage in England stood at 85% compared with a national average of 78%.[5]

In the period we have also reviewed our own internal quality monitoring procedure – the Quality of Life (QoL) review and updated our targets and scoring criteria (the target was 85% in the comparative period). With focused training and regular audits our desire is to increase this number to ultimately achieve 100% of services with a 90% or higher score.

Financial performance

Turnover increased slightly during the period and gross profit after exceptional items was in line with prior year. An ability to improve occupancy in particular contributed to the maintenance of gross profit performance despite the impact of the national living wage continuing to increase our costs and agency spend increasing due to a shortage of available staff in the sector.

The Group benefited from a number of non-trading exceptional item adjustments in the period which for transparency have been summarised on the next page. Normalised profit before tax reduced on the prior period. The directors are pleased that net debt has fallen by a further £5.5 million and now stands at £34.2 million after netting off deferred finance costs. This represents 3.0 times EBITDA (2017: 3.4 times EBITDA).

1 EBITDA comprises underlying operating profit before exceptional items, depreciation and amortisation.

2 Free cash comprises non-ring-fenced cash. Also excludes the £8.6m from the Bridges investment.

3 Services in England, Scotland and Wales are deemed to be fully compliant if, at their most recent inspection, that is, by the Care Quality Commission (CQC), the independent regulator of health and social care in England, they were assessed as meeting selected outcomes (as defined by CQC) from the essential standards of quality and safety that were reviewed during their inspection within their terms of the Health and Social Care Act. Services in Wales and Scotland are inspected in a similar way by the respective regulators but compliance is measured against different criteria under the Care Standards Act for Wales or the Regulation of Care (Scotland) Act.

4 Includes services where a manager has been appointed and a registration application made but not yet processed by the regulator.

5 Statistic from 'The state of health care and adult social care in England 2016/17' published by CQC in October 2017.

Strategic report (continued)

Financial performance (continued)

	2018 £ million	2017 £ million
Reported profit before tax	**7.7**	**4.2**
Movement on interest rate swaps	(2.3)	(0.6)
Revaluation of investment property	(0.9)	-
Exceptional gain on pension curtailment	(0.7)	-
Profit on disposal of investment	(0.3)	-
Impairment of fixed assets	-	0.6
Normalised profit before tax	**3.5**	**4.2**

Expenditure on new business development continues and in the period we commenced an extra care scheme in conjunction with Dorset and Poole County Council delivering circa 2,000 of care hours per week.

The group has various long-term contracts for the provision of residential care services which expire between 2027 and 2041. The total value of contracted income, due up to the contract expiry dates on operational contracts, excluding domiciliary care is:

	At 31 March 2018 £ million	At 31 March 2017 £ million
Total value	1,114	1,162

Future developments

Controlling labour costs (by improving staff retention and by reducing staff agency usage) and increasing market bed occupancy continue to be the Group's immediate priorities. The third stage in the increase in the National Living Wage to £7.83 per hour in April 2018 will result in a significant increase in company staff costs which we anticipate will be difficult to fully recover from our customers. In an attempt to mitigate the impact of this on the Group's financial performance we continue to seek cost efficiencies in the business in addition to exploring ways of increasing the Group's revenue where possible through low capital intensive investments. To this end, the Group has entered into agreements with both Liverpool and Dorset and Poole County Councils to operate a further four services, funded and built by the Councils, from 2019.

Trading in the current year is in line with expectations and in line with the equivalent period in the prior year. As a result of this we expect the full year 2018/19 normalised profit to be similar to that in 2017/18.

Due to the strong cash and asset position of the Group, the Board have decided to recommend a final dividend payment of 0.25p per ordinary share for the year to be voted on at the Annual General Meeting in October 2018. This will be the first ever dividend payment made by the company and is testament to the dedication and hard work of our staff who have made the Group what it is today. A number of those staff are shareholders of the company.

Employee recognition

Shaw recognises the hard work and achievement of our staff through the annual Shaw Stars awards which celebrate the contribution and achievements of our people but also residents and families who play a pivotal role in delivering the group's core values. In addition to this, there is an Incentive Scheme allowing care home staff to be rewarded for a high level of regulatory compliance and financial management. We are committed to monitoring and improving Employee Engagement; during the year we conducted our second, annual, whole-company Engagement Survey and have also launched a range of initiatives such as 'Employee of the Month' and post year end we have launched a loyalty bonus to reward staff for their commitment to the Group.

Strategic report (continued)

Principal risks and uncertainties

Risk	Potential impact	Change from 2017	Key controls and mitigating factors
Cost increases as a result of legislative changes	The company is exposed to the risk of costs increasing in excess of inflation as a result of legislative changes introduced by the Government. This has included further increases to the National Living Wage and compulsory pension scheme auto-enrolment the company contributions of which are increasing from 2% to 3% over the next year. The gross impact of these changes in the 2018/19 budget is over £2m.		The directors attempt to mitigate the impact of these changes as far as possible by increasing revenue and operational efficiency. The directors remain concerned as to how these cost increases will be funded in the longer term as our local authority and NHS fees are not increasing in line with these cost uplifts.
Staffing and retention	Staff shortages are a significant risk within the industry as a whole. Agency workers are required to fill the employment voids which increases our operating cost base. We also rely on significant numbers of skilled labour from overseas countries, particularly from fellow EU countries. Post-Brexit there are questions as to whether this will continue to be possible and if so whether the additional administration and cost of sourcing EU staff will make it uneconomic in practice.		The risk is mitigated as far as possible by paying market rates of pay, extensive training and development and a staff incentive scheme which enables the employees to benefit from cash bonuses for achievement of key performance indicators. The economic implications resulting from the impact of Brexit are largely beyond the control of the company but in terms of staff recruitment, programmes in non-EU states are underway in an attempt to maintain a source of overseas skilled labour.
The increasing dependency of residents	The increasing frailty of elderly people referred to the group's homes under its existing local authority and NHS contracts presents a significant risk of costs outgrowing revenues. As elderly people in our care homes become more frail, best practice obliges the group to provide more hours of care. However, the local authorities and NHS trusts which have contracted with the group to provide these elderly person care services are reluctant to pay more than the standard price agreed for the block contract when the price was first determined by a competitive bid.		This risk is mitigated as far as possible through regular assessments of our residents' care needs, initiatives to continuously improve quality and efficiency of care delivery, and the development of strong relationships with our contract partners.

Strategic report (continued)

Low occupancy levels	Approximately 54% of the group's income derives from long-term block contracts with local authorities and the NHS, and is therefore secure (2017: 54%). Most of the remainder derives from the sale of bed places on the open market, with the associated risk that sales of empty bed places fall below expectation, causing a drop in revenue and resultant pressure on cash flow.	The directors have mitigated this risk by developing a sales and marketing strategy across the group and ensuring that adequate management time and resources are devoted to its implementation.
Current economic climate	The current economic environment and pressure on public sector bodies to cut costs have an impact on the group's ability to achieve annual inflationary increases in non-contracted residential and nursing fees. This year, as in previous years, it was necessary in many cases to maintain the same fee levels.	The risk is mitigated where possible by obtaining additional fees from our contract partners. The directors also look for commercial opportunities for diversification to lessen the impact of this risk on the business as a whole. Other financial risks are described in the Directors' report.
Regulatory and contractual breaches	If the group is judged by a contract partner or by the regulator to be providing poor care at any of its sites, and this can be proved, then it can be liable to financial penalties under a payment mechanism. If substantial and serious, the group's reputation is damaged and this can impair growth of the business. Any significant quality failing can also lead to a freeze in admissions into existing homes and a delay in the registration of new homes due to be commissioned.	The group has quality and training departments which exist to monitor and improve the quality of care services, while protecting against the reputational and commercial risks resulting from poor quality care. The quality department has a responsibility to report areas of concern to the Board of Directors on a monthly basis. The number of contractual financial penalties has remained at 1 in the period.

Approval

This report was approved by the Board of Directors on 27 September 2018 and signed on its behalf by:

P. J. Nixey

P J Nixey

Chief Executive

Directors' report

The directors present their annual report on the affairs of the group, together with the audited financial statements, for the year ended 31 March 2018.

Future developments and events after the balance sheet date

Details of future developments can be found in the Strategic report on page 8 and form part of this report by cross-reference.

Going concern

After making enquiries, 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, they continue to adopt the going concern basis in preparing the annual report and accounts.

A description of the key judgements supporting the adoption of the going concern basis can be found in note 1 to the financial statements.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in interest rates. The group's interest rate risk arises from borrowings issued at variable rates that expose the group to interest rate cash flow risk. Where significant, this risk is managed through the use of interest rate swaps. Interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The group's principal financial assets are bank balances and cash and trade and other receivables.

Most of the group's income derives from long-term contracts with public sector organisations; as such, the recoverability of amounts due is judged to be subject to low risk. The group has no significant concentration of credit risk with the balance of its income derived from the open market, with exposure spread over a number of counterparties and customers. Debtor amounts presented in the balance sheet are net of allowances for bad debts.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Certain bank loan agreements entered into by the group include covenant tests which must be met under the terms of the agreement. Covenants are monitored on an ongoing basis using actual and forecast financial information in order to ensure compliance.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Directors' report (continued)

Defined benefit schemes

As described in note 25, the group participated in five defined benefit schemes during the year which had a net pension liability of £1,888,000 at 31 March 2018 (2017: £3,003,000). For existing schemes, the group employs actuaries and investment managers to manage the risks as far possible. When assessing prospective new business opportunities, the board of directors takes into account the level of risk associated with participation in a defined benefit pension scheme.

Dividends

The directors recommend the payment of a 0.25p dividend per ordinary share for the year (2017: £nil). No interim dividend has been recommended or paid (2017: £nil).

Directors

The directors who served during the year and subsequently are as shown on page 1.

Disabled employees

People with disabilities, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures are in place to ensure that disabled employees are fairly treated and that their training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, the group is supportive, whether through re-training or re-deployment, so as to provide an opportunity for them to remain with the group.

Employee involvement

During the financial year the company continued the arrangements aimed at providing employees systematically with information on matters of concern to them as employees; consulting employees or their representatives on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests and achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

These arrangements include electronic and written communication as well as updates made to the intranet website.

Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors on 27 September 2018 and signed on its behalf by:

P. J. Nixey

P J Nixey
Chief Executive

Directors' responsibilities statement

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 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 the group and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed; 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.

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 may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Shaw healthcare (Group) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Shaw healthcare (Group) Limited and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including 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 which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes.

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 group and the parent 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 group's or the parent 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.

Independent auditor's report to the members of Shaw healthcare (Group) Limited (continued)

Other information

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

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

We have nothing to report in 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 group's and the parent 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 group or the parent 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.

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

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

Independent auditor’s report to the members of Shaw healthcare (Group) Limited (continued)

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

We have nothing to report in respect of these matters.

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.

David Hedditch *(Senior statutory auditor)*
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
Date 27 September 2018

Consolidated profit and loss account

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	94,575	93,027
Operating costs (including in 2018 exceptional income of £746,000 (2017: £Nil))	5	(73,594)	(72,827)
Gross profit		20,981	20,200
Administrative expenses (including in 2018 exceptional costs of £Nil (2017: £577,000))		(11,915)	(11,817)
Operating profit		9,066	8,383
Profit on disposal of operations	13	278	-
Gain arising on revaluation of investment property	12	949	-
Finance costs (net)	4	(2,612)	(4,241)
Profit before taxation	5	7,681	4,142
Tax on profit	8	(1,762)	(925)
Profit for the financial year		5,919	3,217

The results for both the current and prior year were all derived from continuing operations of the company.

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		5,919	3,217
Remeasurement of net defined benefit liability	25	490	(795)
Tax relating to components of other comprehensive income		(88)	132
Other comprehensive income/(expense)		402	(663)
Total comprehensive income		6,321	2,554

Consolidated balance sheet

At 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets - goodwill	10	1,225	1,639
Deferred assets	11	737	737
Tangible assets	12	79,711	80,392
		81,673	82,768
Current assets			
Debtors			
- due within one year	14	4,690	4,587
- due after one year	14	358	540
Cash at bank and in hand		43,929	34,455
		48,977	39,582
Creditors: amounts falling due within one year	15	(17,529)	(16,322)
Net current assets		31,448	23,260
Total assets less current liabilities		113,121	106,028
Creditors: amounts falling due after more than one year	16	(86,452)	(85,398)
Provisions for liabilities	19	(5,963)	(6,804)
Net assets		20,706	13,826
Capital and reserves			
Called-up share capital	22	50	50
Other reserves	22	743	689
Equity Reserve	22	502	-
Profit and loss account	22	19,411	13,087
Shareholders' funds		20,706	13,826

The financial statements of Shaw healthcare (Group) Limited, registered number 05391089, were approved by the Board of Directors and authorised for issue on 27 September 2018. They were signed on its behalf by:

P J Nixey
Chief Executive

R S Brown
Chief Financial Officer

Company balance sheet

At 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Deferred assets	11	737	737
Tangible assets	12	19,122	17,757
Investments	13	4,713	4,364
		24,572	22,858
Current assets			
Debtors			
- due within one year	14	4,573	2,850
- due after one year	14	8,165	10,237
Cash at bank and in hand		10,274	3,352
		23,012	16,439
Creditors: amounts falling due within one year	15	(4,295)	(3,964)
Net current assets		18,717	12,475
Total assets less current liabilities		43,289	35,333
Creditors: amounts falling due after more than one year	16	(14,060)	(7,176)
Provisions for liabilities	19	(2,421)	(2,264)
Net assets		26,808	25,893
Capital and reserves			
Called-up share capital	22	50	50
Other reserves	22	436	435
Equity reserve	22	502	-
Profit and loss account	22	25,820	25,408
Shareholders' funds		26,808	25,893

The profit for the financial year dealt with in the financial statements of the parent company was £352,000 (2017: £3,119,000). The profit for the year included an exceptional provision against debtors of £3,083,000 (2017: £nil). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

The financial statements of Shaw healthcare (Group) Limited, registered number 05391089, were approved by the Board of Directors and authorised for issue on 27 September 2018. They were signed on its behalf by:

P. J. Nixey

P J Nixey

Chief Executive

R S Brown

Chief Financial Officer

Consolidated statement of changes in equity

At 31 March 2018

	Called-up share capital £'000	Other reserve £'000	Equity reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2016	50	637	-	10,476	11,163
Profit for the financial year	-	-	-	3,217	3,217
Remeasurement of net defined benefit liability	-	-	-	(795)	(795)
Tax relating to items of other comprehensive income	-	-	-	132	132
Total comprehensive income	-	-	-	2,554	2,554
Transfer between reserves	-	52	-	(52)	-
Credit to equity for equity-settled share-based payment	-	-	-	109	109
At 31 March 2017	50	689	-	13,087	13,826
Profit for the financial year	-	-	-	5,919	5,919
Remeasurement of net defined benefit liability	-	-	-	490	490
Tax relating to items of other comprehensive income	-	-	-	(88)	(88)
Total comprehensive income	-	-	-	6,321	6,321
Transfer between reserves	-	54	-	(54)	-
Recognition of equity component of convertible preference shares	-	-	502	-	502
Credit to equity for equity-settled share-based payment	-	-		57	57
At 31 March 2018	50	743	502	19,411	20,706

Company statement of changes in equity

At 31 March 2018

	Called-up share capital £'000	Other reserve £'000	Equity reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2016	50	435	-	22,183	22,668
Profit for the financial year	-	-	-	3,119	3,119
Re-measurement of net defined benefit liability	-	-	-	(4)	(4)
Tax relating to items of other comprehensive income	-	-	-	1	1
Total comprehensive income	-	-	-	3,116	3,116
Credit to equity for equity-settled share-based payment	-	-	-	109	109
At 31 March 2017	50	435	-	25,408	25,893
Profit for the financial year	-	-	-	352	352
Remeasurement of net defined benefit liability	-	-	-	3	3
Tax relating to items of other comprehensive income	-	-	-	1	1
Total comprehensive income	-	-	-	356	356
Recognition of equity component of convertible preference shares	-	1	-	(1)	-
Credit to equity for equity-settled share-based payment	-	-	502	-	502
Credit to equity for equity-settled share-based payment	-	-	-	57	57
At 31 March 2018	50	436	502	25,820	26,808

Consolidated cash flow statement

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash flows from operating activities	23	10,763	11,462
Cash flows from investing activities			
Purchase of equipment		(987)	(480)
Interest received		70	67
Net cash flows from investing activities		(917)	(413)
Cash flows from financing activities			
Repayments of borrowings		(4,378)	(3,285)
Interest paid		(4,676)	(4,851)
Proceeds on issue of preference shares		8,682	-
Net cash flows from financing activities		(372)	(8,136)
Net increase in cash and cash equivalents		9,474	2,913
Reconciliation to cash at bank and in hand:			
Opening balance		34,455	31,542
Net increase in the year		9,474	2,913
Closing balance		43,929	34,455

Notes to the financial statements

For the year ended 31 March 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Shaw healthcare (Group) Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in Wales. The address of the registered office is given on page 5. The nature of the group's operations and its principal activities are set out in the strategic report on pages 7 to 15.

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 Shaw healthcare (Group) Limited is considered to be pound sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Shaw healthcare (Group) 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, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

For the year ended 31 March 2018, Shaw healthcare (Brentry) Limited, company house number 06898750, was entitled to exemption from audit under S479A of the Companies Act 2006 relating to subsidiary companies.

b. Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. In addition, the Directors' report includes the group's objectives, policies and processes for managing its financial risk; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Approximately 54% of the group's operating income derives from long-term contracts with local authorities and NHS trusts, and is therefore secure. Most of the remainder derives from the sale of bed places on the open market, with the associated risk that sales of empty bed places fall below expectation, causing a drop in revenue and resultant pressure on cash flow. The directors have mitigated this risk by developing a sales and marketing strategy across the group and ensuring that adequate management time and resources are devoted to its implementation.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

c. Going concern (continued)

The group bears the risk of cost inflation although this is partly offset by annual indexation clauses in its long-term contracts. The group also bears the risk of poor cost control, especially in relation to staff costs and other direct costs such as food, energy, medical and cleaning supplies. This risk is mitigated through a comprehensive framework of controls and performance indicators and by entering into fixed price agreements where possible and appropriate.

The company and several of its subsidiaries are subject to bank covenant tests which are monitored regularly by management. With two exceptions, all tests have been, and are projected to be, achieved with adequate headroom. The exceptions relate to those businesses operating properties in Pembroke, and are described below.

In May 2011 the directors took the decision to close the care facility operated by Shaw (Pembroke) Specialist Services Limited while considering its future. The facility has remained closed during the year ended 31 March 2018 and is expected to remain closed for the foreseeable future. The company's bankers have issued covenant deferral letters in respect of their covenant tests and the directors consider it likely that further covenant deferral letters will be issued by the bank while the facility remains closed. Whilst these circumstances create material uncertainties over the availability of finance, the company can rely on short-term support from the group to meet operating cash flow requirements, and written letters of support for the period 12 months after the date of signing the audit report, to this effect, have been received from subsidiaries of Shaw healthcare (Group) Limited. The group's formal commitment is to guarantee loan interest but not capital repayments.

Surehaven (Pembroke) Limited reported operating losses for the year due to the facility not achieving the level of occupancy that was expected. This resulted in potential breaches of the combined banking covenants, incorporating the results of Shaw (Pembroke) Specialist Services Limited, when tested on a quarterly basis. The company's bankers have issued covenant deferral letters in respect of these tests and the directors consider it likely that further covenant deferral letters will be issued by the bank in the future. Whilst these circumstances create material uncertainties over the availability of finance, the company can rely on short-term support from the group to meet operating cash flow requirements, and written letters of support have been received from subsidiaries of Shaw healthcare (Group) Limited. The group's formal commitment is to guarantee loan interest but not capital repayments.

The directors have considered the current and forecast performance of the remainder of the Shaw business and, in particular, the ability of the business to fund the operations of the entities described above. The directors have concluded that, while the circumstances described above represent material uncertainty in the financial statements of the respective subsidiary companies, they do not affect the ability of the group as a whole to continue as a going concern.

Where compliance with loan covenants is achieved with minimal headroom, as is the case with those businesses running properties in Hereford, Ledbury and Nailsea, the group has the ability to improve cash flow through deferring the payment of inter-company fees and lending cash to the affected subsidiary. The majority of the property-owning subsidiaries have their own banking facilities and the security on these loans is ring-fenced from the rest of the group. These arrangements provide a degree of protection to the rest of the group as a last resort in the unlikely scenario that any of these individual businesses were to fail.

At 31 March 2018 the group held £8,937,000 of cash outside ring-fenced companies, and in total held £43,929,000 of cash (2017: £9,882,000 and £34,455,000 respectively). The strong cash position has been achieved as a result of continued tight control of working capital which gives the group the flexibility to address its business risks, reduce its indebtedness and invest in suitable new opportunities.

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, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

d. Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

e. Deferred assets

Deferred assets represent net assets acquired by the company from The Shaw Foundation Limited (formerly Shaw healthcare (Homes) Limited) on 1 October 2006. These assets and contracts did not transfer to the company on that date, but were expected to do so in the future subject to specific conditions being met. An agreement exists between the company and The Shaw Foundation whereby the company enjoys the benefits and bears the burdens of these deferred assets until the date of transfer.

On 3 January 2012 the directors signed a deed of amendment (the Deed) varying the original terms of the business transfer agreement between the company and The Shaw Foundation in respect of the clauses relating to the deferred assets. The effect of the Deed was to classify the deferred assets as either “ten-year assets” – being those facilities which are expected to transfer to the company in the future as originally intended – or “trust assets” – being those assets which, for legal and commercial reasons, are not expected to transfer but which, while operational, will continue to be run by The Shaw Foundation under existing arrangements with benefits and burdens passing to the company as described above.

f. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings	-	1.67% - 10% straight-line
Long leasehold land and buildings	-	Over the shorter of the lease term or 50 years
Furniture and equipment	-	20% - 33.3% straight-line
Capitalised development costs	-	Over 30 years

For buildings, depreciation is charged from the date the buildings were first put into use or, in the case of care homes, the date of registration.

For capitalised development costs, depreciation is charged from the date of completion of the construction project to which the development costs relate.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investment properties for which fair value can be measured reliably without undue cost of effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

g. Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

g. Financial instruments (continued)

(i) 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 balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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 group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the group, 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.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

g. Financial instruments (continued)

(ii) Investments

In the company balance sheet, investments in subsidiaries are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Convertible financial instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible instrument denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity. Where the financial liability component meets the criteria in (i) above, the finance costs of the financial liability are recognised over the term of the debt using the effective interest method. If those criteria are not met, the financial liability component is measured at fair value through profit and loss.

(v) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

(vi) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

h. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

1. Accounting policies (continued)

h. Impairment of assets (continued)

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

i. 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 substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

1. Accounting policies (continued)

i. Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. Turnover

Turnover is stated net of VAT and arises in the United Kingdom. It is recognised when the significant risks and rewards are considered to have been transferred to the customer. The group recognises revenue for non-contracted market beds as care is provided for and contracted block beds as it is made available.

Development fees charged in respect of new contracts are recognised in the year that staff costs and overheads are charged to the profit and loss account. The development fees are allocated under “Housing and management services fees” in note 3.

Sales of residential properties which were constructed solely for resale are recorded as property sales in turnover. Revenue is recognised at the point of unconditional exchange of contracts. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

k. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

l. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised in other comprehensive income and reported under equity.

m. Leases

The group as lessee

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.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

n. Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

o. Share-based payment

Company share option plan

The company operates an equity-settled company share option plan for certain directors and employees. Equity-settled share-based payments arising from this plan are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. Expected volatility used in the model is determined by considering the potential change in value of the company's shares in the future based on management's best estimate of future performance. The expected life used in the model takes into consideration expected future performance and behavioural considerations.

At each balance sheet date, the company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and makes a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The latest options were granted in November 2016.

1. Accounting policies (continued)

p. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations its carrying amount is the present value of those cash flows.

The liability for the cost of maintenance is recognised in the accounting period in which the work is carried out.

q. Development contracts and stocks

All costs incurred on the development of new schemes are charged to the profit and loss account in the year in which they are incurred until the scheme is considered certain to proceed, at which point the costs are capitalised. Development work in progress is valued at the lower of cost and net realisable value.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group'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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit pension scheme

The group contributes to a number of defined benefit pension schemes. The accounting cost of these benefits and the present value of the pension liabilities involve judgements about uncertain events including such factors as the life expectancy of the members, the salary progression of current employees, price inflation and the discount rate used to calculate the net present value of the future pension payments. Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and judgement regarding future expectations and external actuarial specialists are also used to assist in this exercise. The value of the net pension liability as at the balance sheet date was £1,888,000 (2017: £3,003,000).

Impairment of tangible assets

Tangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit (subsidiary) is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Indicators that an impairment review is required are a subsidiary incurring a loss for the year or not performing in line with its operational model. The value-in-use calculations require judgement in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows, and discount rate for each subsidiary. The future cash flows used in the value-in-use calculations are based on the latest board-approved financial plans. The discount rate is derived from the group's post-tax weighted average cost of capital which is assessed each year and adjusted for the risk specific to the subsidiary for which the future cash flow estimates have not been adjusted. The carrying amount of tangible assets at the balance sheet date was £79,711,000 (2017: £80,392,000) after an impairment charge of £Nil (2017: £577,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

3. Turnover and revenue

An analysis of the group's turnover by class of business is set out below.

Turnover	2018 £'000	2017 £'000
Care home residential fees	82,793	80,835
Domiciliary care fees	2,622	3,069
Housing and management services fees	4,879	4,476
Service contract income	2,505	2,401
Other income	1,465	1,620
Grants received	253	560
Property sales	58	66
	94,575	93,027

An analysis of the group's turnover by geographical market is set out below.

Turnover	2018 £'000	2017 £'000
United Kingdom	94,389	93,027
China	186	-
	94,575	93,027

The turnover shown in the profit and loss account represents amounts recognised during the year in line with the group's revenue recognition policies, exclusive of any Value Added Tax.

An analysis of the group's revenue including turnover is as follows:

	2018 £'000	2017 £'000
Turnover	94,575	93,027
Investment income	61	67
	94,636	93,094

Notes to the financial statements (continued)

For the year ended 31 March 2018

4. Finance costs (net)

	2018 £'000	2017 £'000
Interest payable and similar charges	2,642	4,260
Less: Investment income (see note 20)	(61)	(67)
Other finance costs	31	48
	2,612	4,241

Investment income	£'000	£'000
Other interest receivable and similar income	61	67

Interest payable and similar charges	£'000	£'000
Bank loans and overdrafts (see note 20)	4,676	4,851
Preference share dividends	232	-
Movement on interest rate swaps	(2,266)	(591)
	2,642	4,260

Other finance costs (income)	£'000	£'000
Net interest on defined benefit liability (see note 25)	31	48

Notes to the financial statements (continued)

For the year ended 31 March 2018

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets (note 12)	2,571	2,508
Impairment of tangible fixed assets (note 12)	-	577
Amortisation of goodwill (note 10)	414	164
Impairment of trade debtors (note 14)	40	140
Reversal of past impairment losses on trade debtors (note 14)	(117)	(116)
Operating lease rentals	1,287	1,441
Loss on disposal of fixed assets	46	20
Profit on disposal of subsidiary (note 13)	(278)	-
Settlement of deferred benefit pension deficit	(746)	-

An impairment charge of £nil was recognised during the year (2017: £577,000) in respect of one of the freehold facilities at Pembroke Dock. The impairment charge recognised took into account revised cash flow forecasts in light of anticipated future occupancy levels at the facility. In the period an exceptional gain of £746,000 was recognised (2017: £nil) in relation to the settlement of a deferred pension deficit following the retirement of the final active member.

Impairments of tangible fixed assets are included in administrative expenses.

Amortisation of tangible fixed assets is included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor and its associates for other services to the group		
The audit of the company's subsidiaries	66	69
Total audit fees	86	89
Other assurance services	-	-
Total audit and assurance fees	86	89
Fees payable to the company's auditor and its associates in respect of associated pension schemes	-	-

No services were provided pursuant to contingent fee arrangements.

Notes to the financial statements (continued)

For the year ended 31 March 2018

6. Staff numbers and costs

The average monthly number of employees (including executive directors and part-time employees) was:

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Provision of care and related services	3,025	3,205	705	693
Administration	247	255	177	177
	3,272	3,460	882	870

Their aggregate remuneration comprised:

	£'000	£'000	£'000	£'000
Wages and salaries	49,675	50,239	16,904	16,151
Social security costs	3,461	3,366	1,390	1,289
Other pension costs	737	776	198	203
Share based payment (note 9)	57	109	57	109
	53,930	54,490	18,549	17,752

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Notes to the financial statements (continued)

For the year ended 31 March 2018

7. Directors' remuneration and transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	737	742
Sums paid to third parties in respect of director services	6	-
Company contributions to money purchase pension schemes	40	42
	783	784

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	2	3
Exercised options over shares in the company	1	3
Had awards receivable in the form of shares under a long-term incentive scheme	-	-

	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	250	231
Company contributions to money purchase schemes	-	-

The highest paid director did not exercise any share options in the year.

Notes to the financial statements (continued)

For the year ended 31 March 2018

8. Tax on profit

The tax charge comprises:

	2018 £'000	2017 £'000
Current tax on profit		
UK corporation tax	1,378	960
Adjustments in respect of prior years	-	(35)
Total current tax	1,378	925
Deferred tax		
Origination and reversal of timing differences	385	(85)
Adjustments relating to prior years	(1)	85
Total deferred tax	384	-
Total tax on profit	1,762	925

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£'000	£'000
Group profit before tax	7,681	4,142
Tax on group profit at 19% (2017: 20%)	1,459	828
Effects of:		
- Expenses not deductible for tax purposes	197	91
- Ineligible depreciation	282	301
- Effect of changes in tax rate	(74)	(222)
- Non-taxable income	(82)	-
- Adjustments to tax charge in respect of previous years	(1)	50
- Deferred tax not provided	(5)	(1)
- Other timing differences	(14)	(122)
Group total tax charge for year	1,762	925

Notes to the financial statements (continued)

For the year ended 31 March 2018

8. Tax on profit (continued)

Taxable losses of £1,484,000 (2017: £1,517,000) have been carried forward to set off against future profits.

The standard rate of tax applied to profit is 19% (2017: 20%). The Finance Act 2016, which provides for a further planned reduction in corporation tax to 17% from 1 April 2020, was substantively enacted on 15 September 2016. There is no expiry date on timing differences, unused tax losses or tax credits.

A deferred tax asset of £163,000 (2017: £127,000) has not been recognised in respect of tax losses carried forward and short-term timing differences. This asset has not been recognised as there is insufficient evidence that the asset can be utilised in the foreseeable future.

9. Share-based payments

Equity-settled share option schemes

The company recognised share-based payments/charges in the year amounting to £57,000 (2017: £109,000), comprising £57,000 (2017: £109,000) in respect of its equity-settled company share option plan and £nil (2017: £nil) in respect of its equity-settled share incentive plan.

Equity-settled company share option plan

The company set up a company share option plan in April 2009 for certain directors and employees. Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of the grant. The fair value of the share options at the grant date was calculated using a model approximating the Black-Scholes model.

The options vest in four annual tranches. The grant of each tranche of options is conditional on participating directors and employees being employed on the relevant vesting anniversary. There are no other performance conditions attached to the options. The options expire if they remain unexercised after a period of ten years from the date of the grant.

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at the beginning of the period	11,555,000	0.05	14,140,000	0.004
Granted during the period	-	-	6,500,000	0.085
Forfeited during the period	-	-	(1,085,000)	0.004
Exercised during the period	(1,980,000)	0.004	(7,000,000)	0.004
Expired during the period	-	-	(1,000,000)	0.004
Outstanding at the end of the period	9,575,000	0.059	11,555,000	0.05
Exercisable at the end of the period	6,325,000	0.048	6,680,000	0.024

In the year no share options were granted (2017: 6,500,000 at an option price of £0.085 per share).

Equity-settled share incentive plan

In January 2010 the company set up an equity-settled share incentive plan whereby all qualifying employees received an entitlement to free shares which vest over a three-year period or sooner in certain circumstances. In the year ended 31 March 2010, 1,500,000 shares were issued valued at £0.004. Based on this valuation, the fair value of grant of shares was negligible, and accordingly no cost was recognised in the profit and loss account in that year.

On 26 April 2013, 1,500,000 shares were issued valued at £0.085 which vest over a three-year period. Accordingly, the company recognised no expense to equity-settled share-based payments in 2018 (2017: £nil).

Notes to the financial statements (continued)

For the year ended 31 March 2018

10. Intangible fixed assets - goodwill

Group	£'000
Cost	
At 1 April 2017 and 31 March 2018	3,534
Amortisation	
At 1 April 2017	1,895
Charge for the year	414
At 31 March 2018	2,309
Net book value	
At 31 March 2018	1,225
At 31 March 2017	1,639

Goodwill is written off on a straight-line basis over its useful economic life, which is 20 years.

11. Deferred assets

On 1 October 2006 the company completed the acquisition of virtually the entire business of The Shaw Foundation Limited (then called Shaw healthcare (Homes) Limited) which included its care homes and the benefits and burdens of the contracts it had with local authorities and the NHS to develop and operate these facilities and services, and associated employees at home and head office level.

Although the entire sale was completed on 1 October 2006, some assets and contracts did not transfer to the company on that date as they were subject to specific conditions being met. The consideration for such assets and contracts is referred to as deferred assets. An agreement exists between the company and The Shaw Foundation whereby the company enjoys the benefits and bears the burdens of these deferred assets until the date of transfer.

On 3 January 2012 the directors signed a deed of amendment (the Deed) varying the original terms of the business transfer agreement between the company and The Shaw Foundation in respect of the clauses relating to the deferred assets. The effect of the Deed was to classify the deferred assets as either "ten-year assets" – being those facilities which are expected to transfer to the company in the future as originally intended – or "trust assets" – being those assets which, for legal and commercial reasons, are not expected to transfer but which, while operational, will continue to be run by The Shaw Foundation under existing arrangements with benefits and burdens passing to the company as described above.

Deferred assets amounting to £737,000 (2017: £737,000) are included under fixed assets.

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Tangible fixed assets

Group	Investment properties £'000	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Capitalised development costs £'000	Furniture and equipment £'000	Total £'000
Cost or valuation						
At 1 April 2017	16,250	59,934	28,874	823	6,919	112,800
Additions	-	434	-	-	553	987
Revaluations	949	-	-	-	-	949
Disposals	-	(84)	-	-	(137)	(221)
At 31 March 2018	17,199	60,284	28,874	823	7,335	114,515
Depreciation						
At 1 April 2017	-	16,763	9,367	253	6,025	32,408
Charge for the year	-	870	1,357	32	312	2,571
Disposals	-	(45)	-	-	(130)	(175)
At 31 March 2018	-	17,588	10,724	285	6,207	34,804
Net book value						
At 31 March 2018	17,199	42,696	18,150	538	1,128	79,711
At 31 March 2017	16,250	43,171	19,507	570	894	80,392

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £8,946,000 (2017: £8,946,000). Capitalised finance costs written off in the profit and loss account during the year amounted to £248,000 (2017: £248,000).

An impairment charge of £nil was recognised during the year (2017: £577,000) in respect of one of the freehold facilities at Pembroke Dock. The impairment charge recognised takes into account revised cash flow forecasts in light of anticipated future occupancy levels at the facility.

Freehold land and buildings include £6,748,694 (2017: £6,748,694) of land which is not depreciated.

Investment properties

Investment properties are stated based on a valuation undertaken by Bruton Knowles in 2018. Bruton Knowles are independent RICS registered valuers with experience in the location and class of investment property being valued and the valuation was prepared in accordance with the Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors. The significant assumptions used were a discount rate of 8.25%, a discounted cash flow term of 35 years and a market valuation subject to existing tenancies rather than vacant possession. The directors do not believe that there has been any significant change to the assumptions or the property portfolio since the date of the valuation and continue to recognise the portfolio at this valuation.

Included within Housing and Management Services fees in note 3, rental income on these properties equated to £1,500,000 in both periods. No contingent rents have been recognised as income in either period. The rental agreements held with tenants do not obligate either party to long-term lease commitments. Over 98% of the balance relates to freehold properties with the remainder representing properties on a 999-year lease.

At the balance sheet date, if the investment properties had not been revalued they would have been included at a net book value of £1,120,000 (2017: £1,178,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Tangible fixed assets (continued)

Company	Investment properties £'000	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 April 2017	16,250	1,516	1,840	19,606
Additions	-	225	385	610
Revaluations	949	-	-	949
Disposals	-	(30)	(48)	(78)
At 31 March 2018	17,199	1,711	2,177	21,087
Depreciation				
At 1 April 2017	-	351	1,498	1,849
Charge for the year	-	54	126	180
Disposals	-	(24)	(40)	(64)
At 31 March 2018	-	381	1,584	1,965
Net book value				
At 31 March 2018	17,199	1,330	593	19,122
At 31 March 2017	16,250	1,165	342	17,757

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £406,000 (2017: £406,000). Capitalised finance costs of £20,000 were expensed to the profit and loss account during the year (2017: £20,000).

Freehold land and buildings include £361,696 (2017: £361,696) of land which is not depreciated.

Further information on the investment properties basis of valuation and historical cost is disclosed on the previous page.

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Fixed asset investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2017	4,802
Additions	534
Disposals	(1)
At 31 March 2018	5,335
Provision for impairment	
At 1 April 2017	438
Charge for the year	185
Disposals	(1)
At 31 March 2018	622
Net book value	
At 31 March 2018	4,713
At 31 March 2017	4,364

On 1 October 2017 the group sold its 100% interest in the ordinary share capital of My Care My Home Limited (registered number 07611603) to Nixey, a director of the group, for a cash consideration of £1,000. In addition to this the loans owed between My Care My Home Limited and the group totalling £343,000 remained as outstanding and will be settled at a future date. The loss up to the date of disposal was £6,222 and for its last financial year the profit after tax was £4,145.

The profit on disposal of £278,000 relates to the transfer of net liabilities at the point of sale.

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Fixed asset investments (continued)

Principal group investments

The parent company and the group have investments in the following 20 subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Shaw healthcare Limited	England and Wales	Provision of care services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw healthcare (FM Services) Limited	England and Wales	Provision of facilities management services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw healthcare (Specialist Services) Limited	England and Wales	Development and operation of care homes for people with very challenging care needs	£1 ordinary shares	100
Shaw healthcare (Herefordshire) Limited	England and Wales	Development and management of five Herefordshire County Council (HCC) care homes, providing care and day care services under a 30 year contract with HCC; also the development of extra-care flats for sale and rental	£1 ordinary shares	100
Shaw healthcare (Developments) Limited	England and Wales	Purchase and development of land and facilities	£1 ordinary shares	100
Shaw healthcare (Ledbury) Limited	England and Wales	Development and operation of a community healthcare facility (GP surgery plus 24/7 minor injury service, NHS outpatients' facility and inpatients' beds) under a 25-year contract with Herefordshire Primary Care Trust together with nursing home and acquired brain injury unit	£1 ordinary shares	100
Shaw healthcare (Managed Services) Limited	England and Wales	Provision of management services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw Community Living (DCA) Limited	England and Wales	Provision of domiciliary care and supported living services under contract to local authorities and as requested by individuals	£1 ordinary shares	100
Shaw healthcare (Barton) Limited	England and Wales	Development and operation of a community healthcare facility (GP surgery and NHS outpatients' facility plus inpatient beds) under a 30-year contract with East Staffordshire Primary Care Trust plus development and sale of extra-care flats	£1 ordinary shares	100
Shaw healthcare (de Montfort) Limited	England and Wales	Development and management of seven Northamptonshire County Council (NCC) care homes, providing care services under a 30 year contract with NCC	£1 ordinary shares	100

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Fixed asset investments (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Shaw healthcare (Northamptonshire) Limited	England and Wales	Development and management of four specialist reablement day and care centres under a 25 year PFI contract with Northamptonshire County Council	£1 ordinary shares	100
Shaw healthcare (North Somerset) Limited	England and Wales	Management of a redeveloped North Somerset County Council (NSCC) care home, providing care and day care services under a contract with NSCC	£1 ordinary shares	100
Surehaven Limited	England and Wales	The development of specialist care in medium and low-secure private hospitals	£1 ordinary shares	100
Shaw healthcare (West Sussex) Limited	England and Wales	Management of 12 West Sussex County Council (WSCC) care homes providing care and day care services under a 30-year contract with WSCC	£1 ordinary shares	100
Shaw healthcare (Nailsea) Limited	England and Wales	Development and operation of a residential, nursing and specialist care complex under a contract with North Somerset County Council	£1 ordinary shares	100
Shaw (Pembroke) Specialist Services Limited	England and Wales	Development and operation of care homes for people with very challenging care needs	£1 ordinary shares	100 (i)
Surehaven (Pembroke) Limited	England and Wales	The development of specialist care in medium and low-secure private hospitals	£1 ordinary shares	100 (i)
Surehaven Glasgow Limited	England and Wales	The development of specialist care in medium and low-secure private hospitals	£1 ordinary shares	100 (i)
Shaw Community Living (SLS) Limited	England and Wales	Provision of supported living services under contract to local authorities	£1 ordinary shares	100
Shaw healthcare (Brentry) Limited	England and Wales	Non-trading	£1 ordinary shares	100 (i)

(i) Wholly-owned by a subsidiary of the parent company.

All subsidiary undertakings have been included in the consolidation and share the same registered address as the parent company which is as noted on page 5.

The parent company also has an investment in Shaw healthcare Management Consulting (Shanghai) Co. Limited, a Wholly Foreign-Owned Enterprise, incorporated in China, registered at Room 62, 4F, Building B,LL Land Tower, No.580, West Nanjing Road, Shanghai. The company provides management, care advisory and training services to the care industry in China.

Notes to the financial statements (continued)

For the year ended 31 March 2018

14. Debtors

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year:				
Trade debtors	2,642	3,093	584	20
Amounts owed by group undertakings	-	-	3,185	1,752
Amounts owed by related parties	603	312	356	312
Other taxation and social security	-	-	4	-
Other debtors	609	413	28	6
Prepayments and accrued income	836	769	416	760
	4,690	4,587	4,573	2,850
Amounts falling due after more than one year:				
	£'000	£'000	£'000	£'000
Deferred tax	339	540	-	-
Amounts owed by group undertakings	-	-	8,165	10,237
Other debtors	19	-	-	-
	358	540	8,165	10,237

Trade debtors are stated net of provisions totalling £138,000 (2017: £215,000).

Amounts owed to the parent company by group undertakings comprise 10 (2017: 10) loans repayable in instalments over periods from 5 to 21 years, and 7 (2017: 7) short-term loans with no defined repayment profile, but for which the parent company has guaranteed that repayment will not be demanded within one year. Interest charged on the loans during the year ranged from 0.5% to 15%. Loans receivable constitute financing transactions and are measured at the present value of the future cash flows, discounted at a market rate of interest.

Amounts owed by group undertakings are stated net of provisions totalling £9,507,000 (2017: £6,577,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

15. Creditors – amounts falling due within one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans and overdrafts (see note 17)	3,753	3,451	450	423
Other loans (see note 17)	954	933	761	760
Trade creditors	2,472	2,305	611	726
Amounts owed to related parties	1	-	-	-
Amounts owed to group undertakings	-	-	18	80
Corporation tax	1,062	711	226	58
Other taxation and social security	1,829	1,857	406	379
Other creditors	918	905	75	114
Accruals and deferred income	6,540	6,160	1,748	1,424
	17,529	16,322	4,295	3,964

16. Creditors – amounts falling due after more than one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans (see note 17)	58,481	62,228	4,469	4,920
Other loans (see note 17)	6,553	7,507	331	1,091
Other creditors	1,744	2,029	-	-
Accruals and deferred income	2,925	3,038	-	-
Debt component of preference shares	8,418	-	8,418	-
Derivative financial instruments (see note 21)	8,331	10,596	842	1,165
	86,452	85,398	14,060	7,176

Notes to the financial statements (continued)

For the year ended 31 March 2018

17. Borrowings

Borrowings are repayable as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans				
Between one and two years	3,991	3,758	480	451
Between two and five years	12,588	12,288	1,637	1,536
After five years	41,902	46,182	2,352	2,933
On demand or within one year	3,753	3,451	450	423
	62,234	65,679	4,919	5,343

A total of 10 (2017: 10) bank loans are secured over 25 (2017: 25) separate properties in addition to the group's remaining portfolio of residential houses in South Wales and its associated bank account. The loans are repayable in instalments over periods from one to 21 years. Interest charged during the year ranged from 2.54% to 6.72%. The loans are due to be repaid between 2018 and 2036.

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Other loans				
Between one and two years	227	954	10	761
Between two and five years	862	767	35	32
After five years	5,464	5,786	285	298
On demand or within one year	954	933	761	760
	7,507	8,440	1,091	1,851

A total of 5 (2017: 5) other loans are secured over 13 (2017: 13) separate properties and are repayable in instalments over periods from one to 18 years. Interest charged during the year ranged from 2.75% to 15%. The loans are due to be repaid between 2018 and 2038.

Notes to the financial statements (continued)

For the year ended 31 March 2018

17. Borrowings (continued)

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Preference shares				
After five years	8,418	-	8,418	-

Preference shares comprise 5 million A Preference shares and 4.2 million B Preference shares issued for £1 per share in November 2017. Interest accrues and is paid annually at 8% on the A shares and 5% on the B shares until 2022 and 8% on the B shares after 2022.

All preference shares are to be redeemed at par in 2032. The B Preference shares can be converted into ordinary shares of the company at any time between the date of issue and November 2022 at a fixed value of £0.35 per ordinary share.

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total borrowings				
Due after more than one year	73,452	69,735	13,218	6,011
On demand or within one year	4,707	4,384	1,211	1,183
	78,159	74,119	14,429	7,194

The bank loans are stated net of deferred finance costs of £1,876,000 (2017: £1,488,000). These costs will be allocated to the profit and loss account over the term of the loan. Deferred finance costs written off during the year amounted to £128,000 (2017: £117,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Convertible preference shares

The preference shares are convertible into ordinary shares at a fixed price of £0.35 per share at any time prior to 30 November 2022. The net proceeds received from the issue of the convertible preference shares have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	£'000
Nominal value of convertible preference shares issued	4,200
Equity component	(502)
Liability at date of issue	3,698
Interest charged	98
Liability component at 31 March 2018	3,796

The liability component has been classified as basic and is consequently measured at amortised cost. The interest charged for the year is calculated by applying an effective interest rate of 8% to the liability component. The fair value of the embedded option is calculated as the difference between the effective interest rate and the actual interest rate of the preference shares for the period that they have conversion properties.

19. Provisions for liabilities

	Deferred taxation £'000	Dilapidation provision £'000	Pension deficit (note 25) £'000	Total £'000
Group				
At 1 April 2017	3,609	192	3,003	6,804
Charged to profit and loss account	181	5	(625)	(439)
Charged to other comprehensive income	88	-	(490)	(402)
At 31 March 2018	3,878	197	1,888	5,963

	Deferred taxation £'000	Dilapidation provision £'000	Other £'000	Total £'000
Company				
At 1 April 2017	2,072	192	-	2,264
Charged to profit and loss account	152	5	-	157
At 31 March 2018	2,224	197	-	2,421

Notes to the financial statements (continued)

For the year ended 31 March 2018

19. Provisions for liabilities (continued)

Deferred tax

Deferred tax is provided as follows:

	2018 £'000	2017 £'000
Group		
Accelerated capital allowances	3,283	3,330
Potential gain on property revaluation	2,429	2,282
Tax losses available	(90)	(89)
Other timing differences	(2,083)	(2,454)
Provision for deferred tax	3,539	3,069
Split		
Deferred tax asset (see note 14)	(339)	(540)
Deferred tax liability	3,878	3,609
	3,539	3,069
Company		
Depreciation in excess of capital allowances	(41)	(20)
Potential gain on property revaluation	2,429	2,282
Other timing differences	(164)	(190)
Provision for deferred tax	2,224	2,072

Deferred tax assets and liabilities are offset only where the group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the group. The provision is expected to unwind over the next 1-7 years.

Dilapidation provision

The dilapidation provision relates to three leasehold properties. Under the terms of the leases, repair work will have to be undertaken, in addition to that charged to the profit and loss account, in order to maintain the properties to the required standard, as requested by the lessor. The provision is expected to unwind over the next 4-10 years.

Defined benefit scheme liability

The provision for the defined benefit scheme liability is discussed in greater detail in note 25. The provision is expected to unwind over the next 5-10 years.

Notes to the financial statements (continued)

For the year ended 31 March 2018

20. Financial instruments

The carrying value of the group's financial assets and liabilities are summarised by the category below:

	2018 £'000	2017 £'000
Financial assets		
Measured at undiscounted amount receivable - Trade and other debtors (see note 14)	3,563	3,506
Financial liabilities		
Measured at amortised cost		
- Loans payable (see note 16 ,17)	69,741	74,119
- Preference shares	8,418	-
Measured at fair value through profit and loss		
- Derivative financial instruments (see note 21)	8,331	10,596
- Convertible preference shares (see note 18)	3,796	-
Measured at undiscounted amount payable		
- Trade and other creditors (see note 15, 16)	5,134	5,239
	95,420	89,954

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018 £'000	2017 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost (see note 4)	61	67
Total interest expense for financial liabilities at amortised cost (see note 4)	4,939	4,899
Movement on interest rate swaps (see note 4)	(2,266)	(591)
Impairment losses		
On financial assets measured at amortised cost (see note 12)	-	577

Notes to the financial statements (continued)

For the year ended 31 March 2018

21. Derivative financial instruments

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Notional principal value		Fair value	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Outstanding 'receive floating pay fixed' contracts	37,300	39,284	(8,331)	(10,596)

Interest rate swap agreements based on floating LIBOR have been entered into by the following group companies:

- Shaw healthcare (Group) Limited;
- Shaw healthcare (Ledbury) Limited;
- Shaw healthcare (Northamptonshire) Limited;
- Shaw healthcare (Barton) Limited;
- Shaw healthcare (Nailsea) Limited;
- Shaw healthcare (Herefordshire) Limited; and
- Surehaven Glasgow Limited.

Interest rates are fixed at rates ranging from 4.58% to 6.72% (excluding margin). The agreements expire between 30 June 2022 and 31 March 2035. The fair value of the agreement held by the parent company at 31 March 2018 was a liability of £841,702 (2017: £1,165,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

22. Called-up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called-up and fully-paid		
100 million ordinary shares of £0.0005 each	50	50
5 million 8% A preference shares of £0.01 each	-	-
4.2 million 5% B preference shares of £0.0014 each	-	-

The company has one class of ordinary shares which carry no right to fixed income.

The convertible and non-convertible preference shares are presented as a liability with an equity component classified as an equity reserve (see note 17) and accordingly are excluded from called-up share capital in the balance sheet.

Options have been granted under the equity-settled share schemes to subscribe for ordinary shares of the company as described in note 9.

The group and company's other reserves are as follows:

The other reserve contains amounts transferred from the profit and loss reserve to reflect the intention of the group to carry out certain major repairs or replacement of equipment in the future where it is not appropriate to recognise a liability for the expense at the balance sheet date.

The equity reserve represents the equity component of the convertible preference shares.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

Notes to the financial statements (continued)
For the year ended 31 March 2018

23. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2018 £'000	2017 £'000
Operating profit	9,066	8,383
Adjustment for:		
Impairment loss on property, plant and equipment	-	577
Depreciation and amortisation	2,985	2,672
Loss on disposal of fixed assets	46	20
Share-based payment expense	57	109
UK corporation tax paid	(793)	(684)
Operating cash flow before movement in working capital	11,361	11,077
Decrease/(increase) in debtors	67	(903)
(Decrease)/increase in creditors	(11)	1,139
Increase in provisions	5	79
Adjustment for pension funding	(659)	70
Cash generated by operations	10,763	11,462

Restrictions on cash and cash equivalents

Cash at bank and in hand as at 31 March 2018 includes £34,992,000 (2017: £24,583,000) held in ring-fenced companies.

Analysis of changes in net debt:

	At 1 April 2017 £'000	Cash flows £'000	At 31 March 2018 £'000
Cash at bank and in hand	34,455	9,474	43,929
Debt due within one year	(4,384)	(323)	(4,707)
Debt due after more than one year	(69,735)	(3,717)	(73,452)
	(39,664)	5,434	(34,230)

Notes to the financial statements (continued)

For the year ended 31 March 2018

24. Financial commitments

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

	2018		2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group				
- within one year	739	412	744	511
- between one and five years	2,399	705	2,861	775
- after five years	1,775	-	1,775	-
	4,913	1,117	5,380	1,286
Company				
- within one year	739	116	739	203
- between one and five years	2,399	194	2,861	205
- after five years	1,775	-	1,775	-
	4,913	310	5,375	408

Purchase of Homefield House

On 27 March 2007 the company entered into an agreement with The Shaw Foundation which conferred on the company the option to purchase Homefield House, a registered care home owned and operated by The Shaw Foundation. The consideration for the purchase was fixed at £1,560,000, of which £312,000 was paid at the time of entering into the agreement. The option is effective until 30 September 2019.

Under the same agreement, if the above option expires without being exercised then The Shaw Foundation may require the company to purchase Homefield House for the same consideration within 30 days of the end of the option period described above.

The payment of £312,000 already made is included in debtors falling due within one year on the basis that, in the event that neither option is exercised, The Shaw Foundation will repay this amount to the company.

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Employee benefits

Group

Defined contribution schemes

The group participates in two defined contribution pension schemes: the Shaw Group Pension Scheme and NEST, the workplace pension scheme set up by the Government for auto-enrolment. The pension cost charge for the year for these schemes amounted to £339,000 (2017: £320,000). The group also participates in the Kent County Council Pension Fund which is treated as a defined contribution scheme on the grounds of materiality. Contributions to the scheme in the year were £2,000 (2017: £2,000).

Defined benefit schemes

During the year the group participated in the following defined benefit schemes:

- Northamptonshire County Council Pension Fund;
- Worcestershire County Council Pension Fund;
- West Sussex County Council Pension Fund;
- Avon Pension Fund; and
- Shaw healthcare (Group) Pension Fund.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016. An approximate roll-forward of the liabilities of the schemes as at 31 March 2018 has been made by an actuary, taking into account known member movements and other cash flows over the period. The results of this are summarised below.

Defined benefit schemes

	Valuation at	
	2018	2017
Key assumptions used:		
Discount rate	2.6%	2.5%
Future pension increases	2.4%	2.4%
Inflation - CPI	2.4%	2.4%
Future salary increases	2.6%	2.6%

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Employee benefits (continued)

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2018 years	2017 years
Retiring today:		
Males	22.9	22.9
Females	24.9	24.9
Retiring in 20 years:		
Males	25.0	25.1
Females	27.3	27.3

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2018 £'000	2017 £'000
Current service cost	(548)	(427)
Employer contributions	459	497
Net interest cost	(31)	(48)
Administration costs incurred during the period	(1)	-
Effect of any curtailments or settlements	746	-
	625	22

Amounts recognised in the statement of other comprehensive income/changes in equity in respect of these defined benefit schemes are as follows:

	2018 £'000	2017 £'000
Actuarial gain on assets	556	5,165
Actuarial gain/(loss) on liabilities	596	(5,529)
Pension assets not recognised in respect of schemes in surplus	(662)	(431)
	490	(795)

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Employee benefits (continued)

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	(35,776)	(38,429)
Fair value of scheme assets	35,850	36,727
Pension assets not recognised in respect of schemes in surplus	(1,962)	(1,301)
Net liability recognised in the balance sheet	(1,888)	(3,003)

Movements in the present value of defined benefit obligations were as follows:

	2018 £'000	2017 £'000
At 1 April	38,429	32,332
Service cost	548	427
Interest cost	917	1,123
Actuarial gains and losses	(596)	5,529
Contributions from scheme participants	76	93
Effects of any curtailments or settlements	(2,528)	-
Benefits paid	(1,070)	(1,075)
At 31 March	35,776	38,429

Movements in the fair value of scheme assets were as follows:

	2018 £'000	2017 £'000
At 1 April	36,727	30,973
Interest income	886	1,074
Actuarial gains and losses	556	5,165
Contributions from the employer	459	497
Contributions from scheme participants	76	93
Effects of any curtailments or settlements	(1,783)	-
Non-investment expenses	(1)	-
Benefits paid	(1,070)	(1,075)
At 31 March	35,850	36,727

25. Employee benefits (continued)

The analysis of the major categories of scheme assets as a percentage of total assets at the balance sheet date was as follows:

	2018 %	2017 %
Equity instruments	65	75
Bonds	24	14
Property	7	7
Cash	3	3
Other	1	1

The estimated amount of employer contributions expected to be paid to the scheme during the year ending 31 March 2019 is £360,000.

Company

Defined benefit schemes

During the year the company participated in the Shaw healthcare (Group) Pension Fund.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016. An approximate roll-forward of the liabilities of the schemes as at 31 March 2018 has been made by an actuary, taking into account known member movements and other cash flows over the period. The results of this are summarised below.

	Valuation at	
	2018	2017
Key assumptions used:		
Discount rate	2.6%	2.5%
Future pension increases	2.4%	2.4%
Inflation - CPI	2.4%	2.4%
Future salary increases	2.6%	2.6%

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Employee benefits (continued)

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2018 years	2017 years
Retiring today:		
Males	22.1	22.0
Females	24.1	24.0
Retiring in 20 years:		
Males	23.4	23.3
Females	25.6	25.5

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2018 £'000	2017 £'000
Current service cost	66	53
Employer contributions	(53)	(48)
Net interest cost	(9)	(10)
	4	(5)

Amounts recognised in the statement of other comprehensive income in respect of the defined benefit schemes are as follows:

	2018 £'000	2017 £'000
Actuarial (loss)/gain on plan assets	(12)	203
Actuarial gain/(loss) on defined benefit obligation	56	(102)
Total gain pre-adjustment	44	101
Adjustment in respect of pension asset not recognised	(40)	(105)
Total gain/(loss)	4	(4)

Notes to the financial statements (continued)
For the year ended 31 March 2018

25. Employee benefits (continued)

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	(863)	(835)
Fair value of plan assets	1,282	1,214
Pension assets not recognised in respect of schemes in surplus	(419)	(379)
Net liability recognised in the balance sheet	-	-

Movements in the present value of defined benefit obligations were as follows:

	2018 £'000	2017 £'000
At 1 April	835	653
Interest cost	22	24
Current service cost	66	53
Member contributions	9	10
Actuarial (gain)/loss	(56)	102
Benefits paid	(13)	(7)
At 31 March	863	835

Movements in the fair value of scheme assets were as follows:

	2018 £'000	2017 £'000
At 1 April	1,214	926
Interest income	31	33
Actuarial (loss)/gain	(12)	203
Member contributions	9	10
Employer contributions	53	49
Benefits paid	(13)	(7)
At 31 March	1,282	1,214

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Employee benefits (continued)

The analysis of the major categories of scheme assets as a percentage of total assets at the balance sheet date was as follows:

	2018 %	2017 %
Equity instruments	74	73
Bonds	26	27

The estimated amount of employer contributions expected to be paid to the scheme during the year ending 31 March 2019 is £52,000.

26. Related party transactions

Other related party transactions

The total remuneration for key management personnel for the period totalled the remuneration disclosed in note 7.

During the year the group recognised income of £970,000 (2017: £1,211,000) and costs of £843,000 (2017: £894,000) in respect of transactions with The Shaw Foundation Limited, a company related by way of common directors. Amounts owed to The Shaw Foundation Limited of £1,047 (2017: £nil) are disclosed under amounts owed to related parties in note 15 to the financial statements. Amounts owed from The Shaw Foundation Limited of £101,912 (2017: £nil) are disclosed under amounts from related parties in note 14 to the financial statements. In addition as noted in note 24 to the financial statements, amounts owed by The Shaw Foundation Limited relating to a deposit paid linked to an option to purchase a leasehold property total £312,000 (2017: £312,000).

The group also made loan repayments during the year of £917,000 (2017: £147,000) in respect of loans owed to The Shaw Foundation Limited. No additional loans were granted by The Shaw Foundation Limited during the period (2017: £nil). Loans owed by the group to The Shaw Foundation of £6,654,000 (2017: £7,507,000) are included within other loans in note 16 to the financial statements.

Since 1 October 2017, My Care My Home Limited has been a company related by way of a common director as disclosed in note 13. The group recognised income of £64,461 in respect of transactions with the company and had amounts owed to My Care My Home Limited of £nil and amounts owed from My Care My Home Limited of £343,000 at the year-end as disclosed in note 14 to the financial statements.

27. Controlling party

There is no ultimate controlling party as no corporate body or individual has more than a 30% holding in the share capital of the company.

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