Parent company accounts

Company Registration No. 08929371

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Cambian Group Limited (formerly Cambian Group plc)

Annual Report and Financial Statements

For the nine month period ended 30 September 2018

Cambian Group Limited

Contents

Cambian Group Limited

Current officers and professional advisers

Directors	A M Carrie J D Wiles
Company secretary	C Apthorpe
Company number	08929371
Registered office	4th Floor, Waterfront Manbre Wharf Manbre Road London W6 9RH
Auditor	Deloitte LLP Statutory Auditor London United Kingdom EC4A 3BZ

Strategic report

The Directors present the Strategic report for Cambian Group Limited ("the Company") and its subsidiaries (consolidated as "the Group") together with the audited financial statements for the nine month period ended 30 September 2018.

On 19 October 2018 the Group was acquired by CareTech Holdings PLC ("CareTech"). The Group has shortened its accounting period to nine months in order to align with the CareTech year-end, being 30 September. Comparatives are the full year ending 31 December 2017. Details of significant events since the balance sheet date, including this, are contained in the Director's report.

Principal activity

The principal activity of the Group is the provision of high quality specialist education and behavioural health services for children, offering a differentiated and integrated education and care model focusing on children with high severity needs across three divisions, namely residential care, specialist education and therapeutic fostering.

Business review

The consolidated statement of comprehensive income is set out on page 25.

Revenue for the nine month period was £152.6m (2017: £196.0m) and the Group made a loss before tax from continuing operations of £0.9m (2017: £9.0m loss, £6.8m pro-rata).

The Company's Key Performance Indicators ("KPIs") are turnover, Adjusted EBITDA and profit or loss before tax. Adjusted EBITDA is defined as earnings before net finance costs, tax, depreciation, amortisation, profit or loss on disposal of assets, merger and acquisition costs, IPO share option charges, and exceptional items. The Group assesses performance using Adjusted EBITDA as this reflects the underlying performance of the business and provides an additional useful comparison of how the business is managed and measured on a day to day basis. For a reconciliation of Adjusted EBITDA to operating profit please see page 41.

Movement in the KPIs in the year were as follows:

	9 months to 30 September 2018 £'000	Pro-rata 2017 £'000	2017 £'000	Movement
Turnover	152,578	146,964	195,952	-3.8%
Adjusted EBITDA	14,967	14,015	18,687	+6.8%
Loss before tax	(949)	(6,746)	(8,995)	+85.9%

For comparative purposes, financial KPIs have been presented on a pro-rata basis in 2017.

Turnover has increased during the year, driven by re-positioning to higher severity services resulting in an increase in average fees. The increase of 7% in adjusted EBITDA reflects the growth in revenue from improved fees and a reduction in overheads following a restructuring of the cost base.

Loss before tax from continuing operations has reduced by 86% primarily as a result of lower exceptional costs (see note 6 of the financial statements). In the prior year an impairment loss of £5.2m was recognised in the statement of profit and loss. This property was sold in 2018 for a profit of £1.9m that was recognised in the statement of profit and loss in the current year.

Non-financial KPIs are capacity, average utilisation percentage and regulatory rating percentage.

	2018	2017	Movement
Closing capacity (number)	1,595	1,643	-2.9%
Average utilisation (%)	76	78	-0.3%
Regulatory rating (%)	78	80	-2.5%

Closing capacity has decreased primarily as a result of the closure of an asset that could not be cost effectively re-positioned to higher severity.

Average occupancy decreased marginally during the period following the planned closure of one of the Specialist Education sites and the temporary closure of certain residential sites that have now reopened.

The Group remains committed to providing the highest quality specialist education and behavioural health services to children. Its regulatory scores continued to be in line with sector averages with 78% of services rated Good or Outstanding with Ofsted or CQC in the nine month period as compared with 80% in the prior year.

Following the change of control, it is no longer considered appropriate to use the following measures as KPIs as part of an enlarged group:

- Adjusted EBITDA margin
- Adjusted earnings per share
- Operating cash conversion
- Average daily fee

The Directors expect the general level of activity, including turnover and profit before tax, to increase as the Group takes on further placements, increasing occupancy, and continues to achieve full maturity.

Non-financial information

Principal risks and strategy

The Board believes that a robust assessment has been undertaken to assess the principal risks facing the business. Consideration has been given to those which could threaten the successful delivery of our strategy, impact on our future performance, solvency or liquidity. The Group's strategy is to look after children who have the highest needs by investing in a proven platform.

When considering risk we understand that quality and safeguarding is at the heart of everything Cambian does as a business. During the course of the review in early 2018, risks have been grouped under key themes, which a member of the executive management team have responsibility for, although it is recognised that these all have interdependencies. The table below lists the principal risks and uncertainties that may affect the Group and highlights the mitigating actions that are being taken.

Risk	Description and impact	Mitigation
Quality of service	Failure to provide a high quality and consistent level of care for the children and young people placed under our charge.	• Weekly and monthly site-level audits of quality and safeguarding in every meeting agenda • Comprehensive suite of policies and procedures defining expected practice • Monthly independent inspections of all care settings • Detailed process in place for foster family recruitment • Clearly defined operating framework with objectives and KPIs defined for each site and division • Supervision and appraisal process supported by ongoing monitoring and performance review • Staff induction/training programme requires staff to have understanding of regulatory requirements and quality standards • Continuous improvement plan
Regulatory breach	Loss or suspension of operating licences due to a major statutory, regulatory or contractual compliance breach.	• Lessons learned (including from regulatory inspections) discussed and shared at management meetings

Strategic report (continued)

Risk	Description and impact	Mitigation
		• Established manager, school improvement and independent visitor site visits to audit quality, undertake mock inspections and support sites in developing improvement plans • Robust safer recruitment policy and procedure across the whole organisation • Regional meetings with Regulator to ensure issues are understood earlier and dealt with more quickly • Independent visiting focused on themed areas for improvement
Service innovation	Insufficient innovation in our business model, service offerings or model of care reduces our competitiveness in the market.	• Interaction with key professional bodies in our therapy service areas of focus
Incident response	Inability to effectively react and respond to a major incident or systematic incidents in a timely and controlled manner.	• Each site has a detailed business continuity plan which is reviewed annually and signed off by management • Quality facilities management (QFM) system used for recording all property maintenance issues that need resolving • A prioritised maintenance schedule used for programming works • Reporting of injuries, diseases and dangerous occurrences (RIDDOR) incident reporting in place at all sites • Weekly incident reporting and serious untoward injuries (SUI) escalation process
Relationships	Failure to create and maintain strong relationships with commissioners to ensure referrals and conversions at appropriate prices.	• Databases capture data on customers, service users, billings and some contact information • Commissioning teams are allocated by geographic areas, to understand the local needs and dynamics of customers. Quarterly report produced showing number of placements against target for sales team. • Relentless communications between operations and commissioning managers with regard to new placements, those at risk and referrals processes
Systems and processes	Immaturity of financial and operational systems and processes prevents effective business operations and sustainable future growth.	• Have developed a mapping of systems to provide visibility and fully understand the overall systems landscape • Implementation of improved processes for billing and reporting, and introduction of improved processes accounts payable and payroll as part of a finance remediation plan
Attraction and retention	Failure to attract and maintain an effective, high quality resource and talent base may prevent the delivery of a high quality service to the service users. Uncertainty regarding outcome of takeover may unsettle staff and increase turnover rates	• New recruitment processes, messages and literature to attract hires in care and support workers have proven effective to increase applications • Induction processes improved and incentivisation scheme operating • Company has dedicated training pathways, resources and programmes that can deliver basic compliance training
Strategy and performance	Failure to develop, execute and operate a strategic plan that ensures continued viable growth.	• Annual budgeting process sets objectives and quantifiable KPI targets for each service • Each service conducts quarterly individual performance reviews with operations directors/regional managers to monitor all aspects of performance • Strategy focused on utilisation of existing capacity and increasing severity of service offering • Weekly site management and fortnightly sub-regional meetings to monitor performance
Integration	Failure to realise the benefits and synergies of effectively integrating new sites and acquisitions	• Acquisition opportunities assessed on fit with Cambian, their growth potential and their current performance (commercial, legal and financial due diligence) • Integration timetable developed for all acquisitions • Review of acquisition progress within the first 12 months
Business change	Failure to effectively deliver key business change programmes to improve controls and processes.	• Small, focused team engaged to deliver process improvements identified in the design phase of the business change programme • Project management office oversees Company change programme
Government action	Failure to anticipate or respond to changes in government policy or regulation.	• Intelligence gathered by senior management from press and other sources on proposed legislative and regulatory changes • Regular meetings with regulatory bodies at a regional level to review impact of inspection frameworks
National living wage	Additional costs of national living wage on "sleep-ins" could be material.	• The Group's view is that this practice is not in breach of the National Minimum Wage Act 1998 or the National Minimum Wage Regulations 2015 (although HMRC's enquiries are at a preliminary stage and it is not possible to say when HMRC may conclude their enquiries in this area or what the result of those enquiries may be)

Strategic report (continued)

Following the change of control, Cambian will align with CareTech policies and procedures, therefore reference is made to the principal risks and uncertainties included on pages 22 and 23 of the CareTech Annual Report and Accounts available on their website.

The Group's risk to Brexit is considered to be minimal as all of its operations and customers are within England and Wales, and its workforce has limited exposure to a withdrawal from the European Union. The main impact of Brexit is the potential negative on the macro-economic environment, giving rise to political uncertainty and volatility which could impact our ability to execute strategy.

Corporate and social responsibilities

Our commitment to our young people

We believe the success of those entrusted in our care is our most important corporate responsibility.

Their achievements provide us with a huge source of pride and also provide a significant benefit to society and the local communities where our services operate.

We are committed to playing a positive role in the communities in which we operate and recognise their contribution they make to help us.

Our commitment to the local communities in which our service operates

Building close ties with the local communities in which we work, helps them to understand the work that we do and the problems our young people face, whilst also providing therapeutic and educational benefits for those in our care.

We recognise that corporate social responsibility also extends as to how we treat our employees. By providing the training, support and development they need it helps us maintain our position as a leading provider of specialist behavioural health services in the UK for children.

Our commitment to our employees

The young people who we support expect great services, so we expect our staff to be professional and dedicated; focused on continually seeking to enable the young people in our care to achieve their personal best. Our intention is to be the employer of choice within our sector which is key to helping us achieve our ambition of Cambian being the leading provider of behavioural health services for young people. We have committed to a three year strategic HR plan which includes:

Cambian will celebrate the success of our people

2019/2020 will see the continued development of our employee recognition programme, our desire is to inclusively reward all our people and recognise those who work hard to help the young people in our care achieve their personal best, our homes and schools to meet the high-quality care standards we set ourselves and allow employees to share in the success of our business.

In addition, throughout the coming year through new employee recognition awards, there will be opportunities to recognise our commitment to continued personal development and to acknowledge the great work that is achieved across our company. We firmly believe that it is our responsibility to ensure that all our people have the opportunity to achieve their personal best.

We value our people

Our people are as diverse and as individual as the young people whom we support. We are committed to promoting equal opportunities and encourage all our people to treat one another and those we support with honesty and respect. We create a family environment in all our homes, schools and offices.

We are resolutely focused on providing equal opportunities to prospective and existing employees at Cambian and continue to strive to adopt best practice initiatives to ensure we remain consistent and equitable.

Strategic report (continued)

An employer of choice

We know we could do more to attract people to Cambian and improve how long they stay working with us. High turnover not only has an impact on costs, but we can often lose the vital skills that, in our homes and schools, can have a real impact on the young people in our care.

In 2019 we will continue our new employee branding. With our insight into our engagement exercises we now know why our people leave and at what points, and have actions in place to encourage people to stay. We will be in a position to improve our employee population so it is more representative and will be able to enjoy an improved conversion rate within all stages of our recruitment process.

Reward, recognition & communication

There is a need to improve attraction and retention of our employees and how valued people feel at Cambian. This needs to be felt as relevant, tangible and visible. Fairness is key at Cambian, our aspiration is that all our:

- People would see improvements to our approach to pay so it would be seen as fair, transparent and consistent;
- people feel at Cambian that we are doing the very best we can in terms of pay with the resource we have in this, aligned with our financial planning and organisational objectives;
- reward is benchmarked externally as appropriate to particular roles/areas;
- compensatory benefits are marketed well internally and externally; and
- non pay benefits are marketed well internally and are meaningful.

Our aspiration is to provide a highly competitive benefits and rewards package.

We also strive to be as environmentally friendly as possible. We recognise the need to care for and protect the environment in which we work and to reduce our carbon footprint.

Gender diversity

	Male	Female
Directors of the Group	7	1
Senior managers of the Group	4	1

For employees of the Group please refer to the Gender Pay Gap Reporting availabla on the Cambian website.

Our environmental commitment

As a listed company during the nine month period ending 30 September 2018, we are required to report on our greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013). We are committed to reducing our impact on the environment and strive to use our resources in an efficient manner that minimises waste production and meets all legislative requirements. During 2018, we:

- promoted where feasible the use of rail travel and cycle to work schemes;
- encouraged all employees and those in our care to recycle as much as possible;
- continued to update our buildings and facilities so that they are more energy efficient to achieve the minimum BREAM standards where possible;
- continued to implement a range of energy efficiency projects including the introduction of more energy efficient condenser boilers into our facilities and better insulation specifications at all sites unless prohibited by Listed Building or Conservation Areas; and
- continued to review the market for new technologies to help reduce our emissions.

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Strategic report (continued)

GHG emissions data

	Global tonnes of CO_2e			
	1 January 2018 to 30 September 2018		1 January 2017 to 31 December 2017	
	total CO_2e	total CO_2e/r	total CO_2e	total CO_2e/r
Consumption of fuel by fleet vehicle	1,549	0.010	3,744	0.019
Electricity, heat, steam and cooling purchased by use for own facilities	4,893	0.032	6,637	0.034
Total	6,442	0.042	10,381	0.053

r = revenue

Greenhouse Gas Emissions (GHG emissions) reporting

Under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, we are required to report our GHG emissions for which we deem we are responsible and are material.

Reporting boundary

The data collated is consistent with what is required for consolidation purposes in the financial statements. An operationally controlled approach is used to define our organisational boundary and emissions such as business travel via commercial flights and or those not within our control, have not been reported.

Methodology

The GHG emissions report has been prepared in line with UK mandatory reporting requirements, set by the Department for Environment, Food and Rural Affairs (DEFRA). The mandatory requirement is for the disclosure of scope 1 and 2 emissions only. These are direct emissions such as heating, vehicle fuel and indirect emissions, for example purchased gas and electricity. The Group's total GHG footprint in line with DEFRA's mandatory reporting requirements is 21.6 million tonnes of CO_2e.

Intensity ratio

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue "r" in our intensity ratio calculation, as this is the most relevant indication of our growth and provides for a good comparative measure over time.

Along with our commitment to the environment, we recognise the need for strong social and governance practices including our commitment to acting ethically in all areas of our organisation and in meeting forthcoming data protection regulations.

Modern Slavery Act 2015

The Modern Slavery Act 2015 came into force in October 2015 consolidating legislation surrounding modern slavery and human trafficking. We have a zero tolerance approach towards modern slavery or human trafficking across all areas of our organisation including in our supply chains, and are committed to acting ethically and with integrity throughout all of our dealings.

We aim to work in partnership with all of our contractors, suppliers and other business partners to ensure that they share and work towards the same values we hold against slavery and human trafficking.

A full version of our Modern Slavery Act 2015 statement can be found on our website.

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Strategic report (continued)

Anti-bribery and corruption

The Company maintains a policy for anti-bribery and corruption and has a zero tolerance towards such activities. The Company requires compliance with the laws of the UK, including the Bribery Act 2010 in respect of its conduct both in the UK and overseas.

Internally we operate a suite of policies that are embedded into our culture and help govern our activities. Examples of these policies include:

- Code of Conduct Policy – this sets out the behaviours we expect of our employees when acting for Cambian.
- Recruitment Policy – all of our employees are recruited after a robust recruitment process in line with UK employment laws and are required to undertake appropriate CRB checks.
- Whistleblowing Policy – employees are encouraged to raise any concerns about wrongdoing or malpractice. We recognise the importance of allowing our employees to raise any concerns without the fear of retaliation.

We also continue to regularly monitor the risks we face. All risks are reviewed by either our Audit Committee or our Quality and Safeguarding Committee. Going forward, we plan to embed a new risk management framework and will continue to review and monitor our procedures and processes.

General Data Protection Regulations (GDPR)

Cambian takes its responsibilities as a data controller/processor very seriously and is committed to operating within the boundaries of any necessary data security regulations to include the Data Protection Act. Cambian has appointed a Data Protection Officer and is compliant with the requirements of both the GDPR and Data Protection Act. Prior to and since the 25 of May 2018, when the new law came into effect, we have made significant progress in ensuring compliance with data protection requirements and, by and large, the fundamentals are in place to evidence the organisation's commitment in this area.

Approved by the Board of Directors and signed on behalf of the Board by:

A M Carrie
Director
27 March 2019

Cambian Group Limited

Directors' remuneration report

On 19 October 2018, the Group's entire issued ordinary share capital was acquired by CareTech. On 18 October 2018 the members of Remuneration Committee resigned as members of the Board of Directors and consequently the Remuneration Committee. As such the Company no longer has a Remuneration Committee. The following were members of the Remuneration Committee during the nine month period ending 30 September 2018:

- Donald Muir
- Christopher Kemball
- Mike Butterworth

Annual statement

At the 2018 Annual General Meeting (AGM) on 22 June 2018, the shareholders voted by a majority of 99% of the votes cast to approve the directors' remuneration policy as set out in the Directors' Remuneration Report contained in the Cambian 2017 Annual Report and Accounts. The Cambian 2017 Annual Report and Accounts are available for inspection at the Company's registered address. Following the acquisition by CareTech, this policy will no longer apply. As such, no directors' remuneration policy has been presented.

Business context

On 30 January 2018, Cambian announced a £15 million return of capital to shareholders by way of a special dividend. This followed the sale of the Adult Services business in late 2016 and the Board's review of the Company's cash requirements, which resulted in a special dividend of 8.2p per ordinary (around 4% of share price prior to announcement).

The Board has decided not to announce an interim dividend given the acquisition of Cambian by CareTech.

Financial results and incentives

Over the year, Group revenues increased to £152.6 million (2017: £196.0 million, pro-rata £146.9 million) and Adjusted EBITDA increased to £15.0 million (2017: £18.7 million, pro-rata £14.0 million). The business has performed in line with the Board's expectations. LTIPs were first granted under the current plan in respect of 2016, following shareholder approval of the remuneration policy, and no awards under these plans vested during the period.

Key activities and decisions made during the period

1. Review of annual bonus outcomes

In respect of the 2018 financial year the financial target that underpins the performance targets for the payment of the bonus, which was the achievement of Adjusted EBITDA of not less than £24.0 million, was met on a pro-rata basis. As such, a pro-rata bonus was payable to the executive directors in respect of 2018.

2. Long Term Incentive Awards

No Long Term Incentive Awards were made given the acquisition of Cambian by CareTech.

3. Consideration of adjustments to awards in respect of special dividend

On 30 January 2018, Cambian announced a £15 million return of capital to shareholders by way of a special dividend. The LTIP and COP1 (see page 18 in the director's report) awards do not allow for dividend equivalents to be paid in respect of a special dividend. As such, the Committee applied its discretion within the policy to increase the number of options under both the 2017 LTIP award and the COP1 arrangement to compensate participants for the loss of value resulting from the special dividend. Award quanta were increased by 4% to reflect the reduction in share price resulting from the special dividend.

4. Change in control

The Remuneration Committee agreed, subject to Board approval that following the change in control on 19 October 2018, all LTIP awards should vest in full and not be time pro-rated. The Board duly approved. COP1 awards became exercisable in full following the change in control under the terms of the plan.

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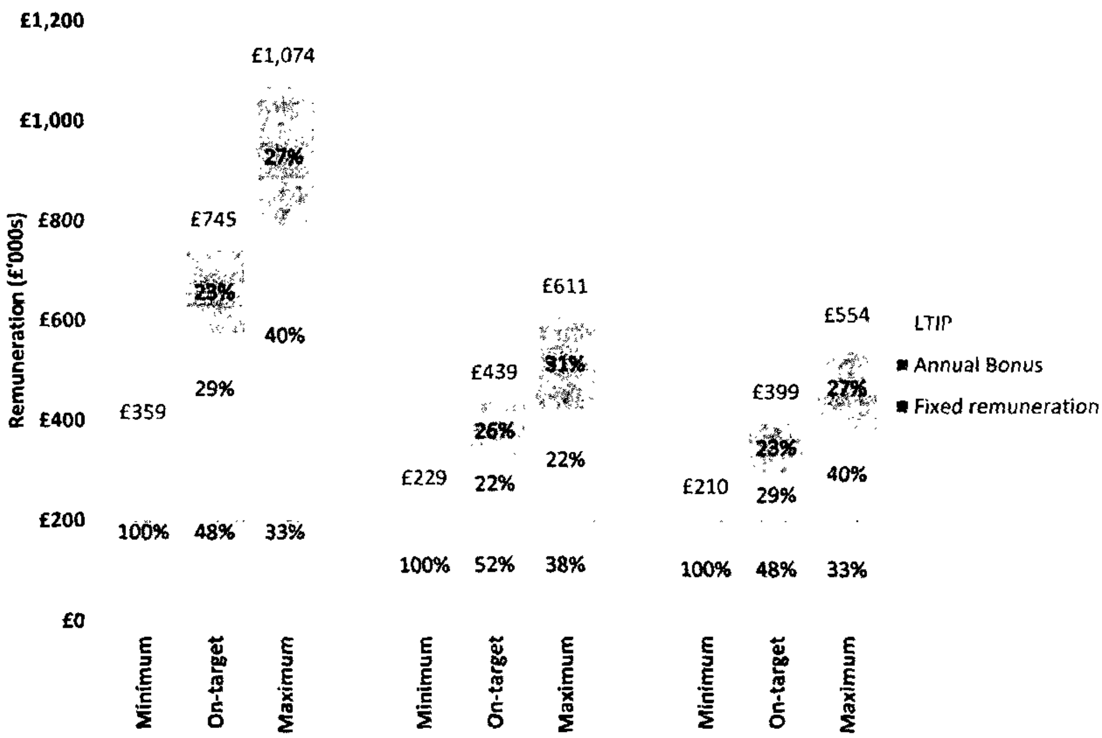
Directors' remuneration report (continued)

Illustrations of the application of the remuneration policy

The chart below illustrates the remuneration that would be paid to each of the executive directors, based on salaries at the start of financial year 2018, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus (Annual Option Plan) and (iii) LTIP.

Element	Description	Minimum	On-Target	Maximum
Fixed	Salary, benefits and pension	Included	Included	Included
Annual Bonus	Annual bonus (including deferred shares)	No annual variable	50% of maximum bonus	100% of maximum bonus
LTIP	Longer-term share-based reward	Nil	60% of maximum award	100% of maximum award



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Directors' remuneration report (continued)

Single total figure of remuneration

The below table represents the single total figure of remuneration for each executive director:

	Salary £'000		Benefits[2] £'000		Bonus £'000		LTIP £'000		Pension[3] £'000		Total £'000	
Executive directors	**2018[4]**	**2017**	**2018[4]**	**2017**	**2018[4]**	**2017**	**2018[4]**	**2017**	**2018[4]**	**2017**	**2018[4]**	**2017**
Saleem Asaria	286	375	30	52	214	Nil	Nil	Nil	43	56	573	483
Anoop Kang[1]	191	118	9	6	95	Nil	Nil	Nil	29	18	323	142
Anne Marie Carie	172	225	12	4	86	Nil	Nil	Nil	26	34	295	263
Total	**649**	**718**	**51**	**62**	**395**	**Nil**	**Nil**	**Nil**	**98**	**108**	**1,191**	**888**

1 Anoop Kang joined the Board on 12 July 201[illegible] and his single figure remuneration for 201[illegible] reflects the period served as executive director
2 Benefits include life and health insurance and the provision of a company car for Saleem Asaria, Anne Marie Carie and a car allowance for Anoop Kang
3 Cash salary supplements were paid in lieu of pension contributions in line with policy. No individual has a prospective entitlement to a defined benefit pension
4 Single figure remuneration figures represent the nine month period ending 30 September 2018

The below table represents the single total figure of remuneration for each non-executive director:

	Fees £'000			
Director	**2018[1]**	**2017**	**Roles**	**Appointed**
Christopher Kemball	94	125	Chairman	March 2014
Dr. Graham Rich	38	49	Senior independent director	July 2015
Donald Muir	35	44	Non-executive director	June 2016
Mike Butterworth	35	47	Non-executive director	April 2016
Alfred Foglio[2]	Nil	Nil	Non-executive director	March 2014

1 Single figure remuneration figures represent the nine month period ending 30 September 2018
2 Alfred Foglio is appointed by GI Partners and is not paid a fee by the Company for his services however, under the terms of the Relationship Agreement between the Company and GI Partners, he is entitled to repayment of expenses incurred up to a maximum of £40,000 per annum

Additional information regarding single figure table (audited)

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Bonus awards

In respect of the 2018 financial year, the financial target that underpins the performance targets for the payment of bonus, which was the achievement of Adjusted EBITDA of not less than £24.0 million, was deemed to be met. This was concluded during the change of control by the Board. Therefore a pro-rata bonus was payable to the executive directors in respect of 2018. Full details of achievement against the performance conditions are set out in the table below:

Performance condition	Weighting (%)	Threshold performance required	Target performance required	Maximum performance required	Actual performance
Adjusted EBITDA (£m)	100	24.0	24.0	25.0	Deemed met

Payments to past directors/payments for loss of office (audited)

There have been no payments made to past directors in the current period and prior year.

Statement of directors' shareholdings (audited)

There are no current shareholding requirements in operation at the Company's allotted share capital is 100% owned by CareTech following the change in control. Prior to the change in control shareholding requirements in operation at the Company were 200% of base salary for the CEO and 150% of base salary for other executive directors. Executive directors are required to build up their shareholdings over a reasonable amount of time, which is normally five years. The number of shares of the Company in which each person who served as a director had a beneficial interest and details of long-term incentive interests as at 30 September 2018 are set out in the table below.

Director	**Shareholding requirement (% of salary)**	***Shareholding* at 30 September (% salary)**	***Shares held* directly - Beneficially owned**	**Options under COP 1 Unvested or unexercised**	***Outstanding* options under LTIPs**	**Shareholding requirement met?**
Saleem Asaria	200	1,031	2,027,235	1,750,936	567,580	Yes
Anoop Kang	150	n/a	-	-	252,178	No
Anne Marie Carrie	150	4	4,694	-	340,547	No

[1] The share price of [illegible] pence as at 30 September 2018 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested or unexercised LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Non-executive directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	**Shares held 30 September 2018**
Christopher Kemball	108,199
Dr. Graham Rich	36,000
Mike Butterworth	50,750
Donald Muir	Nil
Al Foglio	Nil

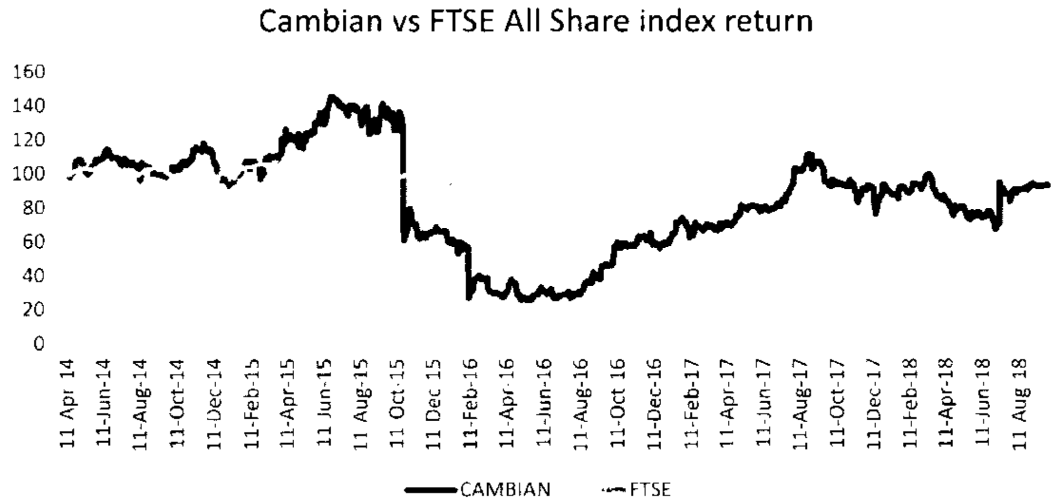
Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE All Share index. The graph shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income. The Committee considers that the FTSE All Share index is the appropriate index because the Company has been a member of this since listing. This graph has been calculated in accordance with Regulations. It should be noted that the Company listed in April 2014 and therefore only has a listed share price for the period of 11 April 2014 to 30 September 2018.

Cambian Group Limited

Directors' remuneration report (continued)

Comparison of overall performance and pay (TSR graph) (continued)



Chief Executive historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last five years valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Committee has chosen to disclose remuneration only for the five most recent financial years:

Chief Executive 2018	2018	2017	2016	2015	2014
Total single figure (£'000)	573	483	566	563	9,439[1]
Annual bonus payment level achieved (% of maximum opportunity)	50%	0%	0%	0%	0%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a	n/a	n/a
Option vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a	n/a	n/a

1 This includes awards under Continuation Option Plan 1 on the IPO and otherwise made on the success of the IPO

Change in CEO's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2017 to 2018 compared with the average percentage change for employees.

Change in CEO's remuneration compared with employees (continued)

The CEO's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits, excluding his allowance in lieu of pension, and annual bonus (including any amount deferred). The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of all employees (including part-time and casual staff) using P60 and P11D data from tax years 2018 and 2017. Part time employees have been excluded from the analysis.

	Salary			**Taxable benefits**			**Bonus**		
	2018	**2017**	**% change**	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**
CEO (£'000)[1]	286	281	1.7%	30	39	-23.1%	214	Nil	n/a
Total staff costs (£'000)[1]	76,880	74,108	3.7%	8,593	7,517	14.3%	1,338	1,021	31.1%
Number of employees	4,438	4,539	-2.2%	4,438	4,539	-2.2%	4,438	4,539	-2.2%
Average per employee (£)	17,323	16,327	6.1%	1936	1,656	16.9%	301	225	33.8%
CEO pay ratio to average employee	16.5:1	17.2:1	-4.2%	15.5:1	23.6:1	-34.2%	756.3:1	n/a	n/a

1 2017 has been presented on a 9 month pro-rata basis as a comparator, and 2018 represents the nine month period ending 30 September 2018

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2018 and 2017 financial years compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2018 financial year (£m)[1]	**Disbursements from profit in 2017 financial year (£m)**	**% change**
Profit distributed by way of dividend[2]	15	50	-70.0%
Overall spend on pay including executive directors[3]	86	109	5.2%

1 2018 figures represent the nine month period ending 30 September 2018
2 % change has not been calculated on a pro rata basis for dividends due to the timing and nature of these payments
3 % change has been calculated on a 9 month pro rata basis for 2017 as a comparator

Implementation of remuneration policy in financial year 2019

Following the change of control no information is provided.

Consideration by the directors of matters relating to directors' remuneration

Composition and terms of reference of the Committee

For the nine month period ending 30 September 2018, the Board had delegated to the Remuneration Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the executive directors, the Chairman and other members of the executive management team. The Company consulted with key shareholders in respect of remuneration policy and the introduction of new incentive arrangements. The terms of reference for the Committee are available from the Company Secretary at the registered office.

All members of the Committee were independent non-executive directors. The Committee received assistance from the Company Secretary, who attended meetings by invitation, except when issues relating to their own remuneration were being discussed. Alfred Foglio, the representative of GI Partners, the Company's largest shareholder, and the CEO also attended by invitation on occasions. The Committee met four times during the nine month period ending 30 September 2018.

Following the change of control on 19 October 2018, the members of the Remuneration Committee resigned.

Directors' remuneration report (continued)

Consideration by the directors of matters relating to directors' remuneration (continued)

Advisers to the Committee

The Committee has engaged the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration adviser and they attended meetings of the Committee by invitation. PwC were appointed by the committee in 2014 following a review of advisers post the IPO of the Company.

During the financial period ending 30 September 2018, PwC advised the Committee on all aspects of remuneration policy for executive directors and members of the executive management committee. PwC also provided advice to the Company in relation to the drafting and implementation of executive and employee incentives. Fees paid during the year for these services were £23,000 based on time and materials.

The Committee is satisfied that the advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

Shareholder voting at general meeting

Our most recent remuneration report and remuneration policy received the following votes from shareholders (broken down as follows):

Resolution	AGM year	Votes for	% votes cast	Votes against	% votes cast	Votes withheld	Total votes cast
Remuneration report	2018	117,662,314	99.97	39,748	0.03	406,223	118,108,285
Remuneration report	2017	116,350,640	99.59	480,315	0.41	0	116,830,955

The remuneration report was approved by the Board on 27 March 2018 and signed on its behalf by:

Anne Marie Carrie

A M Carrie
Director
27 March 2019

Directors' report

The Directors present the annual report on the affairs of the Company, together with the audited financial statements for the nine month period ending 30 September 2018.

Going concern

The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for a minimum of twelve months after signing. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 of the financial statements.

Future developments

Cambian Group Limited intends to continue to act as a provider of high quality specialist education and behavioural health services for children in the United Kingdom. Our vision is to become the highest quality provider of specialist children's education and behavioural health services in the UK. Further details of the Group's future plans can be found in the CareTech annual report which can be obtained on their company website.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Group's principal financial assets are bank balances, cash and trade debtors.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. No changes to the impairment provisions were made on transition to IFRS 9 as the majority of trade receivables are with local authorities controlled by the UK government.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, CareTech, of which the Group is a member, prepares annual cash flow forecasts reflecting known commitments and anticipated project. Borrowing facilities are arranged as necessary to finance requirements. CareTech has available bank facilities, with cash flow from profits, to fund present commitments. Term facilities are utilised to fund capital expenditure and short-term flexibility is achieved by the utilisation of cash resources in respect of financial liabilities. The Group prepares and monitors a cash flow forecast which reflects known commitments and ensures financial instruments are arranged, in conjunction with CareTech, as necessary to facilitate the requirements.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Post balance sheet events

On 19 October 2018, the Group's entire issued ordinary share capital was acquired by CareTech by way of a scheme of arrangement of Cambian under Part 26 of the Companies Act. This is in line with the Rule 2.7 Offer as announced on 16 August 2018. As a result Cambian Group plc, a public company, has re-registered as Cambian Group Limited, a private company, on 16 November 2018. As a result, all LTIPs vested in full.

In November 2018 an intercompany loan was issued from the Group to CareTech for £65million, increased to £70million in December 2018.

Dividends

The Directors do not recommend the payment of a dividend (2017: 0.39 pence per share). A special dividend of 8.2 pence per share was paid on 28 February 2018 (2017: 27.1 pence per share).

Directors

The Directors, who served throughout the nine month period except as noted, were as follows:

C Kemball	(resigned 18 October 2018)
A Foglio	(resigned 18 October 2018)
Dr. G Rich	(resigned 18 October 2018)
M Butterworth	(resigned 18 October 2018)
D Muir	(resigned 18 October 2018)
M S Asaria	(resigned 18 October 2018)
A M Carrie	
A Kang	(resigned 18 October 2018)
J D Wiles	(appointed 18 October 2018)

The interests of the directors who held office during 2018 in the share capital of the Company as at 30 September 2018 (or at the date of their resignation) are set out below:

Director's name	No. shares	Percentage %
C Kemball	108,199	0.06
A Foglio	Nil	Nil
Dr. G Rich	36,000	Nil
M Butterworth	Nil	Nil
D Muir	Nil	Nil
M S Asaria	2,027,235	1.1
A M Carrie	4,694	0.003
A Kang	Nil	Nil
J D Wiles	Nil	Nil

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report. The Company's articles of association permit it to indemnify directors of the Company (or of any associated company) in accordance with the Companies Act 2006. The Company may fund expenditure incurred by directors in defending proceedings against them.

Directors' report (continued)

Significant shareholdings

As of 27 March 2019 the Company was owned 100% by CareTech.

As at 30 September 2018, the Company had been advised of the following significant shareholders each holding more than 3% of the Company's issued share capital.

Shareholders	No. shares	Percentage %
GI Partners	40,819,536	22.16
Griffiths R I	37,299,405	20.25
Teleios Capital Partners LLC	36,071,499	19.58
Lombard Odier Asset Management Europe	29,927,897	16.25
Kabouter Management LLC	6,370,077	3.46
Van Heijst H M	6,262,500	3.40

Capital structure

As at 30 September 2018, the Company had 184,198,746 issued ordinary shares of 1 pence each. The Company has, and as at 30 September 2018 had, one class of ordinary shares and each share carries the right to one vote at general meetings of the Company and to participate in any dividends declared in accordance with the articles of association. No person has any special rights of control over the Company's share capital.

The authority under the Companies Act 2006 granted on 22 June 2018 at the Company's 2018 AGM for the directors to issue new shares for cash remained valid until the change of control on 19 October 2018, where it became a privately owned company.

Cambian Group Employee Benefit Trust (the "EBT")

The EBT, a discretionary trust for the benefit of executive directors and employees, was established on 14 April 2014. The trustee, Lutea Trustees Limited (incorporated in Jersey), is not a subsidiary of the Company. The EBT operates in conjunction with the Cambian Group 2014 Long-Term Incentive Plan, the Cambian Group Annual Share Option Plan, the Cambian Group IPO Continuation Plan No.1 and the Cambian Group IPO Continuation Plan No.2 (together, the "Employee Plans"). The number of shares held by the EBT at any time, when added to the number of shares held by any other trust established by the Company for the benefit of employees, will not exceed 5% of the issued share capital of the Company.

The EBT is funded by loans from the Company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy conditional share awards granted under the Employee Plans. For the purpose of the financial statements, the EBT is consolidated into the Company and Group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 2 on page 30 of the financial statements.

In relation to its operation in conjunction with the Employee Plan, the EBT does not transfer the beneficial interest in the shares to the executive directors and employees until such share awards are vested. On establishment of the EBT, the Company contributed an initial trust fund of £1,000 and provided a sum of £34,662 to the EBT by way of gift for the purpose of subscribing at par for 3,466,222 ordinary shares of one penny each. As at 30 September 2018, the EBT held a non-beneficial interest in 1,793,406 shares in the Company.

While any shares are held by the EBT it will refrain from exercising any voting rights unless the Company otherwise directs and is not obliged to exercise such voting rights in a manner requested by the employee beneficiaries. The EBT has agreed to waive dividends in respect of any shares held in the EBT unless and to the extent otherwise directed by the Company.

Rights attaching to shares under the articles of association

Prior to the change of control on 19 October 2018, the following rights applied to shares.

The Company's articles of association do not contain any specific restrictions on the size of a shareholder's holding.

Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the articles of association, on a show of hands every member who is present in person or by proxy and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he, she or it is the holder.

Restrictions on voting

No member shall, unless the Board otherwise determines, be entitled to be present at or vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him, her or it or to exercise any right as a member unless all calls or other sums presently payable by him, her or it in respect of that share have been paid to the Company. In addition, any member (or other person appearing to be interested in the shares (a third party)), who having been served with a notice under section 793 of the Companies Act 2006 by the Company (requiring such member to disclose to the Board in writing within such reasonable period as may be specified in such notice, details of any past or present beneficial interest of such member or any such third party in the shares or any other interest of any kind whatsoever which a member or third party may have in the shares and the identity of the person having or having had any such interest) fails to do so, may be disenfranchised by service of a notice by the Board.

Transfer

Any member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided, in the CREST Regulations and the rules of any relevant system. Subject to the articles of association, any member may transfer all or any of his, her or its certificated shares by an instrument of transfer in any usual or common form or in any other form which the Board may approve.

Subject to the provisions of the Companies Act 2006, the Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully paid share provided that where such a share is a member of a class of share admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.

The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in the CREST Regulations, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may, in its absolute discretion, decline to register any duly executed and stamped instrument of transfer of a certificated share unless the instrument of transfer is: (i) left at the registered office of the Company, or at such other place as the Board may decide for registration and is accompanied by the certificate for the shares to be transferred and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution of the transfer; or (ii) in respect of only one class of share; and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Amendment of the Company's articles of association

Any amendments to the Company's articles of association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Following the change of control the shares are now owned 100% by CareTech.

Related party transactions

Details of all related party transactions are set out in note 32 to the financial statements.

Branches

The Company has no branch offices.

Greenhouse gas emissions

Disclosures concerning the Group's greenhouse gas emissions are contained in the Strategic Report on page 6.

Disabled employees

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

Charitable and political contributions

The Company made no political donations and has not incurred any political expenditure during this period in excess of £2,000, nor has it made any contributions to a non-EU political party.

Employee consultation

The Group remains keen to involve all employees and keep them informed of matters affecting not only the performance of the Group, but more importantly, them as the Group's employees. In 2018 Cambian sent out regular email updates to all employees reporting on the progress of the business and operational highlights. The Group also carried out an engagement survey to ask staff what matters to them, which was followed up with a further engagement workshop. Staff forums across the Group were also used to give staff a voice on what matters to them. Certain directors, heads, principals and home managers also visited sites and met with employees to gather their feedback.

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.

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

A M Carrie
Director
27 March 2019

Cambian Group Limited

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 such financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under Financial Reporting Standards (FRS) 101 Reduced Disclosure Framework. 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. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to 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 statement may differ from legislation in other jurisdictions.

Cambian Group Limited

Independent auditor's report to the members of Cambian Group Limited

Report on audit of financial statements

Opinion

In our opinion:

- the financial statements of Cambian Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- 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;
- the related notes 1 to 34; and
- the related notes to the parent company financial statements 1 to 12.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 Financial Reporting Council's (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.

Cambian Group Limited

Independent auditor's report to the members of Cambian 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 FRC'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 period 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.

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.

S. Tubridy

Sara Tubridy FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 March 2019

Cambian Group Limited
Consolidated statement of comprehensive income
For the nine month period ended 30 September 2018

	Note	Nine month period ended 30 September 2018 £'000	Year ended 31 December 2017 £'000
Continuing operations			
Revenue		152,578	195,952
Cost of sales		(111,423)	(158,513)
Gross profit		41,155	37,439
Administrative expenses		(41,918)	(46,253)
Operating loss	7	(763)	(8,814)
Profit before tax and exceptional items		1,701	2,350
Exceptional items within administrative expenses	6	(2,464)	(11,164)
Operating loss	7	(763)	(8,814)
Finance income	8	139	218
Finance costs	9	(324)	(399)
Loss before tax[1]		(948)	(8,995)
Tax	10	621	1,198
Loss for the period from continuing operations	7	(327)	(7,797)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	11	750	(3,566)
Profit/(loss) for the period[1]		423	(11,363)

There was no other comprehensive income in either period other than that passing through the statement of comprehensive income.

[1] Wholly attributable to owners of the ultimate holding company

The notes on pages 29 to 64 form an integral part of these financial statements.

Cambian Group Limited
Consolidated balance sheet
At 30 September 2018

	Note	30 September 2018	31 December 2017
		£'000	£'000
Goodwill	12	75,783	75,783
Other intangible assets	13	38,496	41,678
Property, plant and equipment	14	164,723	170,703
Non-current assets		279,002	288,164
Trade and other receivables	15	22,117	22,609
Cash and cash equivalents	16	81,994	83,056
Prepayments		1,425	1,906
Accrued income	17	1,337	1,318
Current assets		106,873	108,889
Total assets		385,875	397,053
Trade and other payables	18	(26,413)	(22,208)
Provisions	19	(2,105)	(1,603)
Deferred revenue	17	(24,922)	(28,491)
Current tax liability		(2,848)	(1,729)
Obligations under finance leases	20	(205)	(132)
Short term borrowings	31	(28)	-
Current liabilities		(56,521)	(54,163)
Net current assets		50,352	54,726
Obligations under finance leases	20	-	(144)
Provisions	19	(12,830)	(9,777)
Deferred tax liability	21	(19,375)	(21,540)
Non-current liabilities		(32,205)	(31,461)
Total liabilities		(88,726)	(85,624)
Net assets		297,149	311,429
Capital and reserves			
Called up share capital	22	1,842	1,842
Share premium account		20,499	20,499
Merger reserves	23	391,459	391,459
Other reserves	24	(137,784)	(138,494)
Profit and loss account		21,132	36,123
Total equity		297,149	311,429

The financial statements of Cambian Group Limited (registered number 08929371) were approved by the Board of Directors and authorised for issue on 27 March 2019.

Signed on behalf of the Board of Directors

A M Carrie
Director
27 March 2019

Consolidated statement of changes in equity
For the nine month period ended 30 September 2018

	Called up share capital	Share premium account	Merger reserve	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	1,842	20,499	391,459	(139,665)	97,172	371,307
Loss for the year	-	-	-	-	(11,363)	(11,363)
Dividends paid (note 33)	-	-	-	-	(49,686)	(49,686)
Credit to equity for share based payments (note 24)	-	-	-	1,171	-	1,171
Balance at 31 December 2017	1,842	20,499	391,459	(138,494)	36,123	311,429
Profit for the period and total comprehensive income	-	-	-	-	423	423
Dividends paid (note 33)	-	-	-	-	(15,413)	(15,413)
Credit to equity for share based payments (note 24)	-	-	-	710	-	710
Balance at 30 September 2018	1,842	20,499	391,459	(137,784)	21,133	297,149

The notes on pages 29 to 64 form an integral part of these financial statements

Cambian Group Limited

Consolidated cash flow statement
For the nine month period ended 30 September 2018

	Note	30 September 2018 £'000	31 December 2017 £'000
Net cash flow from operating activities	28	15,819	29,884
Proceeds on disposal of property, plant and equipment		6,014	1,081
Purchases of property, plant and equipment		(7,857)	(10,764)
Sale of Adult Services business – discontinued operations		-	(3,985)
Net cash used in investing activities		(1,843)	(13,668)
Repayments of obligations under finance leases		(79)	(294)
Dividends paid		(15,413)	(49,686)
Net cash flow used in financing activities		(15,492)	(49,980)
Net decrease in cash and cash equivalents		(1,516)	(33,764)
Increase in cash held on behalf of clients		454	163
Cash and cash equivalents at beginning of year		83,056	116,657
Cash and cash equivalents at end of period	16	81,994	83,056

Cambian Group Limited

Notes to the financial statements
For the nine month period ended 30 September 2018

1. General information

Cambian Group Limited ("Company") is a private Company limited by shares incorporated in England and Wales under the Companies Act and is registered in England. The address of the Company's registered office is shown on page 1. The principal activity of the Company and its subsidiaries ("Group") is the provision of high quality behavioural health services.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRS's adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The historical cost convention has been applied except in respect of those financial instruments that have been measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Period of accounts

The period covered by these financial statements is for the nine month period ended 30 September 2018. The Group changed its accounting reference date in order to harmonise our reporting date with our new parent company CareTech Holdings PLC ("CareTech") which acquired the Group on 19 October 2018. For this reason the amounts presented in the financial statements are not entirely comparable with the twelve month period ending 31 December 2017.

2. Significant accounting policies (continued)

Going concern

As indicated on page 16 of the annual report, the directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis of accounting in preparing the financial statements. The directors have considered the Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance. The directors have also considered the change of control. The directors are satisfied that the Group and Company should be able to operate within the level of its current facilities.

Basis of consolidation

The consolidated financial information incorporates the financial statements of the Company and entities controlled by the Company (the "subsidiaries") made up to 31 December each year and the nine month period ending 30 September 2018. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the "acquisition date"). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets acquired in business combinations are comprised of customer relationships, and contractual obligations entered into by the vendor not to provide competing services with the Group for a determined period ("non-compete agreements").

2. Significant accounting policies (continued)

Intangible assets acquired in a business combination (continued)

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and charged to administrative expenses on the following basis:

Customer relationships	7 to 18 years
Non-compete agreements	Shorter of the agreement term or 5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Tax

The tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the UK where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by year-end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following basis:

Buildings	2%
Fixtures, fittings and equipment	20% - 33%
Motor vehicles	20% – 25%

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. Significant accounting policies (continued)

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Financial instruments

The accounting policies with reference to financial instruments below reflect both the policy under both IAS 39 and IFRS 9. Where a change in policy has been implemented as a result of IFRS 9, this has been reflected within the notes below and is further detailed in note 31.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

All financial assets, other than cash and cash equivalents and derivatives, are classified as "loans and receivables".

Loans and receivables (updated from 1 January 2018)

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market were classified as loans and receivables under IAS 39. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Under IFRS 9, the business model under which each portfolio of trade receivables held, has been assessed. The Group hold loans and receivable in order to collect the contractual cash flows and is therefore measured at amortised cost.

Impairment of financial assets (updated from 1 Jan 2018)

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39.

2. Significant accounting policies (continued)

Impairment of financial assets (updated from 1 Jan 2018) (continued)

For trade receivables, the Group uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses. For trade receivables, the Group recognises a loss allowance for expected credit losses at amount equal to the lifetime expected credit loss (ECL). This is recorded through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Aside from trade receivables, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. In certain circumstances the Group is required to undertake the responsibility of Corporate Appointee for individuals under the Group's care, as they lack the capacity to manage their own finances. The responsibility involves safeguarding the individual's financial assets and ensuring that the support they receive from the UK Government is apportioned appropriately. The Group segregates these funds from its own in restricted bank accounts and records a corresponding liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2. Significant accounting policies (continued)

Revenue recognition (under IAS 18)

The Group recognises revenue from the following major source:

- Care services provided to children in England and Wales. The majority of the Group's customers are state owned entities such as local authorities.

Revenue is measured at the fair value of the consideration received or receivable in respect of services provided in the normal course of business, net of discounts, estimated rebates and VAT. In all cases revenue is recognised over the period in which the service is provided. Additional services provided by the Group are recognised on provision of the service. Sales rebate accruals and provisions are established in the same period as the revenue to which they relate. Residential and fostering services are recognised over time as the entity's efforts are expended evenly through the period, whereas educational services are recognised when the young person is in school, over the academic year, as this is when the customer is receiving the educational services.

Revenue invoiced in advance is included in deferred revenue until the service is provided.

Operating profit

Operating profit is stated after charging restructuring and exceptional costs but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state- managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Finance lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised immediately in profit or loss.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Exceptional items

Exceptional items reflect items of expenditure which, individually or, if of a similar type, in aggregate, need to be disclosed separately due to their size or incidence in order to obtain a more clear and consistent presentation of the Group's underlying performance.

2. *Significant accounting policies (continued)*

Adoption of new and revised standards

In the current year, the following new and revised standards and interpretations have been adopted and where relevant the impact of those changes have been set out below:

IFRS 9	Financial Instruments
IFRS 15	*Revenue from Contracts with Customers*
Clarifications to IFRS 15 (Apr 2016)	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2 (Jun 2016)	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 (Sept 2016)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40 (Dec 2016)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments

Change in accounting policies – IFRS 9

The Group has adopted IFRS 9 Financial Instruments. The date of initial application was 1 January 2018. In accordance with the transaction provisions in the Standard, comparatives have not been restated. The Group has not applied the requirements of IFRS 9 to instruments that were derecognised prior to 1 January 2018. . There has been no change in presentation as a result of this as the Group has no complex financial instruments.

The Group has reviewed its financial assets and liabilities from the impact of IFRS 9 as follows:

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit and loss and fair value through other comprehensive income.

The Group's financial assets at 30 September 2018 consist primarily of trade receivables, which will continue to be reflected at amortised cost as the Group's business model is to collect contractual cash flows from customers, which are solely payments of principal and interest.

In respect of the classification and measurement of financial liabilities, the accounting has remained largely the same as under IAS 39. Financial liabilities are measured at amortised cost or at fair value through profit and loss. Financial liabilities are classified as at FVTPL when the liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as FVTPL.

2. Significant accounting policies (continued)

Change in accounting policies – IFRS 9 (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application.

Category	Original Measurement category under IAS 39	New measurement category under IFRS 9	Carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
			£'000	£'000	£'000
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	22,609	N/A	22,609
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	83,056	N/A	83,056
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(22,208)	N/A	(22,208)

Impairment of financial assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The ECL model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

The main area of focus to the Group is considered to be the impairment provisioning of trade receivables.

Gross trade receivables at 30 September 2018 were £22.8m (2017: £22.8m), with an impairment provision under IAS 39 of £0.7m (2017: £0.2m). The credit risk associated with trade receivables with local authorities controlled by the UK Government is considered low.

An assessment has been completed regarding the impact of impairment losses recognised for trade receivables under IFRS 9 at 30 September 2018, through estimating the credit loss based on actual credit loss experience over the past three years. Based on this assessment, the impact of credit losses recognised under IFRS 9 is not materially different to the losses recognised under IAS 39.

Hedge accounting

The Group has not been impacted by changes associated with hedge accounting.

Change in accounting policies – IFRS 15

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 and has adopted the modified retrospective approach without restatement of comparatives. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This has not resulted in any significant adjustments to the Group's revenue recognition policy, as set out in note 2.

Contract assets and liabilities

IFRS 15 requires that contract assets be reported separately from contract liabilities in the balance sheet. The Group recognises a contract asset when a contract has been agreed with a customer and a service user has been admitted to our facilities however no sales invoice has been raised. This is disclosed as accrued income.

2. Significant accounting policies (continued)

Change in accounting policies – IFRS 15

Contract assets and liabilities (continued)

The Group will estimate the accrued income using the agreed contractual rate and the number of days where the service user was receiving care from the Group.

The other amendments listed above which were adopted did not affect the amounts reported in the financial statements.

Standards not affecting the reported results and financial position

At the date of authorisation of these financial statements the Group had not applied the following new and revised IFRSs that have been issued but are not yet effective:

Title	Subject	Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 (Oct 2017)	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28 (Oct 2017)	Long-term Interests in Associates and Joint Ventures	1 January 2019 per IASB. EU adoption date to be confirmed
Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2015-17 Cycle	1 January 2019 per IASB. EU adoption date to be confirmed
Amendments to IAS 19 (Feb 2018)	Plan Amendment, Curtailment or Settlement	1 January 2019 per IASB. EU adoption date to be confirmed
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020 per IASB. EU adoption date to be confirmed
Amendments to IFRS 3 (Oct 2018)	Definition of Business	1 January 2020 per IASB. EU adoption date to be confirmed
Amendments to IAS 1 and IAS 8 (Oct 2018)	Definition of Material	1 January 2020 per IASB. EU adoption date to be confirmed
IFRS 17	Insurance Contracts	1 January 2021 per IASB. EU adoption date to be confirmed
Amendments to IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed

The directors expect that the adoption of the standards listed above, other than IFRS 16, will not have a material impact on the financial information of the Group in future reporting periods.

Management are currently performing a detailed review of the Group's lease arrangements and are deciding on how IFRS 16 will be implemented and are considering which practical expedients might apply and whether or not the standard will be implemented on a full or partial retrospective basis. The full impact of IFRS 16 is therefore not yet known.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies
The following are the critical judgements 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 historical financial information. Those involving estimations are dealt with separately below.

Exceptional items
The directors have used judgement in determining those items which, individually or, if of a similar type, in aggregate, need to be disclosed separately due to their size or incidence in order to obtain a more clear and consistent presentation of the Group's underlying performance.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Sleep-ins
Cambian operates a number of sites where individuals "sleep in" overnight and are paid an allowance for so doing. It is the Group's view that this practice is not in breach of the National Minimum Wage Act 1998 or the National Minimum Wage Regulations 2015 (as amended and in force). Following the decision in Whittlestone v BJP Home Support Limited [2013] UKEAT, HMRC has made enquiries of Cambian and, the Board believes, other care service providers, regarding payments for individuals who are engaged in a "sleep in". HMRC's enquiries are at a preliminary stage and it is, therefore, not possible to say when HMRC may conclude their enquiries in this area nor what the result of those enquiries may be. If it is ultimately judicially determined that Cambian had to pay each individual engaged in a "sleep in" an amount calculated by reference to the National Living Wage, the additional cost could be material. The amount has not been separately disclosed to avoid prejudicing the dispute.

On 13 July 2018, the Court of Appeal overturned an Employment Tribunal decision made in 2016, which had ruled that social care staff should be paid the National Minimum Wage ('NMW') for sleep-in shifts. The Court of Appeal ruled that sleep-in shifts fall into an exception from the NMW as staff are only 'available for work', which means the NMW would only be payable when the person was awake and working and not while asleep.

3. Critical accounting judgements and key sources of estimation uncertainty

Sleep-ins (continued)

On 8 August 2018 the trade union organisation, UNISON, appealed to the Supreme Court against this decision. On 13 February 2019 the Supreme Court has permitted this appeal. On the basis of this uncertainty Cambian has maintained its historical and current provisions.

Revenue estimation

The Group earns revenues following the provision of care, where there is risk in the accuracy of the calculation of revenue, by virtue of the range of services and associated rate. A 10% change in assumptions regarding revenue estimation would increase/decrease trade debtors by £0.5m.

Onerous contract

Cambian is a party to an exclusive supply agreement in respect of pharmaceutical supplies at its sites. This contract does not automatically transfer with the Adult Services business. The supplier has indicated that in its view the sale is in breach of the agreement and is seeking either a novation of the agreement or compensation. No litigation has yet been formally threatened or commenced, and the directors have used their judgement to provide for this. In 2018, the directors obtained specialist legal advice on the matter and following this, the provision for this onerous contract has been reduced by £0.8 million. The amount has not been separately disclosed to avoid prejudicing the dispute.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

Following the sale of the Adult Services business, management has determined there is one remaining operating segment. The Group supplies care services to children in England and Wales. The majority of the Group's customers are state owned entities such as local authorities. As such the Group have determined that because there is only one type of service, in one geographical location to one specific type of customer, it is appropriate to report our revenue as a single segment.

On 28 December 2016, Cambian Group made a substantial disposal with the sale of the Adult Services business. Prior to this disposal, Cambian Group provided behavioural healthcare services to both children and adults. Following this disposal Cambian Group is wholly focused on Children's Services. As required by accounting standards, Children's Services are treated as "continuing operations" and Adult Services are treated as "discontinued operations".

The Group assesses performance using Adjusted EBITDA as its primary measure. This reflects the underlying performance of the business and provides an additional useful comparison of how the business is managed and measured on a day to day basis. Our KPIs are aligned to our strategy and together are used to measure the performance of our business and form the basis of the performance measures for remuneration.

Adjusted EBITDA is defined as earnings before net finance costs, tax, depreciation, amortisation, profit or loss on disposal of assets, merger and acquisition costs, IPO share option charges, and exceptional items.

All revenue for the Group is generated from within the UK.

4. Business and geographical segments (continued)

Revenues and results

The following is an analysis of the Group's revenue and results in the nine months to 30 September 2018 based on continuing operations:

	9 months to 30 September 2018 £000	12 months to 31 December 2017 £000
Revenue	152,578	195,952
Cost of sales	(111,423)	(158,513)
Gross profit	41,155	37,439
Administrative expenses	(26,188)	(18,752)
Adjusted EBITDA[1]	14,967	18,687
Depreciation	(9,771)	(11,124)
Amortisation	(3,182)	(4,250)
Profit on disposal of property, plant and equipment [2]	90	137
Charge on IPO option plans[3]	(403)	(1,100)
Operating profit before exceptional items	1,701	2,350
Exceptional items[4]	(2,464)	(11,164)
Operating loss	(763)	(8,814)
Finance income	139	218
Finance costs	(324)	(399)
Loss before tax	(948)	(8,995)
Tax	621	1,198
Loss before sale of discontinued operations	(327)	(7,797)
Profit/(loss) on sale of discontinued operations	750	(3,566)
Profit/(loss) for the year	423	(11,363)

[1] Excludes depreciation, amortisation, loss on disposal of property, plant and equipment, merger and acquisition costs, charge on IPO option plans and exceptional items
[2] Profit on disposal of property, plant and equipment excludes profit on disposal of sites which are classified as exceptional. There were no exceptional site disposals in 2017, only in 2018.
[3] The charge on IPO option plans arises on Continuation Option Plan shares awarded, the impact of which is excluded from Adjusted EBITDA. Charges on future share based awards will be included within Adjusted EBITDA.
[4] Exceptional items in 2018 include a profit on disposal of £1.9 million which has been classified as exceptional. This related to a site which had been impaired in 2017 (impairment having been recognised as exceptional) and was subsequently sold for more than its carrying value. Please see note 6.

4. Business and geographical segments (continued)

The Group's trading revenue arises from contracts with customers. The majority of the Group's customers are state owned entities such as local authorities. The Group has no significant sources of income aside from these contracts. Accordingly, no further analysis of customer contract revenue has been presented.

5. Staff costs

Their aggregate remuneration comprised:

	9 months to 30 September 2018 £000	12 months to 31 December 2017 £000
Wages and salaries	76,810	98,811
Social security costs	7,084	8,638
Other pension costs	1,509	1,384
Share based payments charge	710	1,520
	86,113	110,353

The average monthly number of employees during the year was:

	9 months to 30 September 2018 Number	12 months to 31 December 2017 Number
Nursing, Care and Support Staff	3,988	3,965
Estates, sales and marketing, quality, management and administration	607	574
	4,595	4,539

6. Exceptional items

	9 months to 30 September 2018 £000	12 months to 31 December 2017 £000
Impairment of property, plant and equipment	-	5,177
Profit on sale of property, plant and equipment	(1,858)	-
Sleep-ins	549	3,460
Costs associated with the disposal of Adult Services business	-	1,245
Post disposal restructuring and reorganisation costs	829	888
IT System cost	1,641	642
Reversal of prior period exceptional provision	-	(248)
Transaction fees associated with the CareTech acquisition	1,303	-
	2,464	11,164

6. Exceptional items (continued)

In 2017, an impairment charge of £5.2m relating to one of Cambian's sites was recognised. In 2018, this site was closed and sold. The purchase price of this site was more than the carrying value, resulting in a profit on sale in 2018.

Sleep-ins is the provision for 2016 and prior years relating to the potential impact of National Minimum Wage Regulations 2015 (see note 3). Costs associated with the disposal of the Adult Services business relate to costs related specifically to the disposal and largely consist of professional fees associated with the completion process and staff retention incentives incurred during the transitional services agreement. Post disposal restructuring and reorganisation costs relate to costs incurred in restructuring the central functions. IT systems costs relate predominantly to professional fees incurred in connection with process simplification and system costs following the sale of the Adult Services business. Reversal of prior period exceptional provision relates to a tax liability provided for relating to the acquisition of By the Bridge Holdings Limited.

Transaction fees relate to non-contingent costs incurred in relation to the potential sale of the Group. Restructuring and reorganisation costs relate predominantly to costs incurred in the closure of one of its sites.

Some of the exceptional costs are capital in nature and therefore not tax deductible, and it is estimated that £2.4m (2017: £5.3m) of the exceptional costs will be deductible which has reduced the tax charge by £0.5m (2017: £1.0m).

A cash outflow of £3.4m (2017: £12.4m) occurred as a result of exceptional items, and is included as part of net cash inflow from operating activities.

7. Operating loss

The following items have been charged/(credited) in arriving at operating loss:

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Rental of land and buildings	1,653	2,452
Rental of other assets	2,046	2,716
Impairment of property, plant and equipment	-	5,177
Depreciation of property, plant and equipment	9,771	11,124
Profit on disposal of property, plant and equipment	(1,948)	(138)
Amortisation of intangibles	3,182	4,250
Provision for doubtful debts	722	219

7. Operating loss (continued)

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	52	89
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	139	235
Audit fees	191	324
Audit related assurance services	60	72
Other assurance services	15	46
Non- audit fees	75	118
Total audit and non-audit fees	266	442

All audit and non-audit fees are inclusive of VAT.

8. Finance income

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Interest income on bank deposits	139	218

9. Finance costs

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Bank loan charges	316	380
Interest on obligations under finance leases	8	19
	324	399

10. Tax

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Current year	2,198	2,087
Prior year adjustment	(654)	396
Current tax	1,544	2,483
Current year	(2,589)	(3,242)
Prior year adjustment	424	(439)
Deferred tax	(2,165)	(3,681)
Total tax credit on profit	(621)	(1,198)

Corporation tax is calculated at 19.0% (2017: 19.3%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the loss in the income statement as follows:

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Loss before tax	(948)	(8,995)
Tax on profit at standard UK corporation tax rate of 19.0% (2017: 19.3%)	(180)	(1,731)
Tax effect of expenses that are not deductible in determining taxable profit	79	1,907
Short-term timing differences	(469)	(1,301)
Difference in tax rates	37	(31)
Unrecognised temporary differences	-	1
Adjustments in respect of prior years	(235)	(43)
Discontinued operations	147	-
Total tax credit for the year	(621)	(1,198)

The tax credit for the year was £0.6 million (2017: £1.2 million), equating to an effective tax rate of 14.1% (2017: 18.2%) on an underlying basis before exceptional items. The difference between the current statutory rate and the effective tax rate is principally due to accelerated depreciation on impaired assets.

In February 2019, the UK Government enacted the Finance Act 2019. This did not change the main rate of UK corporation tax previously enacted.

11 Discontinued operations

On 5 December 2016, the Group entered into a sale agreement to dispose of Cambian Healthcare Limited and its subsidiaries, Care Aspirations Developments Limited and its subsidiaries, and Cambian Care Services, ("the Adult Services business"), which carried out all of the Group's Adult Services operations. The disposal was completed on 28 December 2016, on which date control of the Adult Services business passed to the acquirer, Cygnet Health Care Limited ("Cygnet").

A profit of £144.3 million arose on the disposal of the Adult Services business, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets sold. Under the terms of the Share Purchase Agreement, Cambian delivered a Closing Summary Statement on 24 April 2017 to Cygnet. On 15 September 2017 following formal negotiations between Cambian and Cygnet the purchase price decreased by £4.0 million to £379.0 million.

During 2016, as part of the transaction, it was identified that Cambian was a party to an exclusive supply agreement in respect of pharmaceutical supplies at its sites. This contract did not automatically transfer with the adult services business. The supplier indicated that in its view the sale is in breach of the agreement and is seeking either a novation of the agreement or compensation. Litigation has been formerly threatened but not yet commenced, and the directors have used their judgement to provide for this. In 2018, the directors obtained specialist legal advice on the matter and following this, the provision for this onerous contract has been reduced by £0.8 million.

The following table provides a breakdown of discontinued operations:

	9 months to 30 September 2018 £'000	12 months to 31 December 2017 £'000
Purchase price adjustment	-	(4,015)
Directly attributable costs	-	449
	-	**(3,566)**
Onerous contract	750	-
Profit/(loss) after tax for discontinued operations	**750**	**(3,566)**

12 Goodwill

	30 September 2018 £'000	31 December 2017 £'000
Cost		
At 1 January and end of reporting period	76,102	76,102
Impairment		
At 1 January and at end of reporting period	(319)	(319)
Net book value	75,783	75,783

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The Group's Child business is the sole CGU to which goodwill is allocated.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount, which is the higher of fair value less cost of disposal and the value in use of the CGU, is compared to the carrying value of goodwill.

Fair value less cost of disposal has been used in the current period following the change of control on 19 October 2018 as this is deemed to be more accurate by directors. Consequently the purchase price of £366.0m paid by CareTech has been used to support the carrying value of goodwill.

13 Other intangible assets

	Customer relationships £'000	Non compete agreements £'000	Total £'000
Cost			
At 1 January 2017, at 31 December 2017 and 30 September 2018	60,299	341	60,640
Amortisation			
At 1 January 2017	(14,647)	(65)	(14,712)
Charge for the year	(4,223)	(27)	(4,250)
At 31 December 2017	(18,870)	(92)	(18,962)
Charge for the period	(3,166)	(16)	(3,182)
At 30 September 2018	(22,036)	(108)	(22,144)
Net book value			
At 30 September 2018	38,263	233	38,496
At 31 December 2017	41,429	249	41,678

14 Property, plant and equipment

	Land and *buildings*	Fixtures, *fittings and* equipment	Motor *vehicles*	Assets under *construction*	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2017	197,143	34,503	1,049	6,366	239,061
Additions	1,701	5,046	33	3,984	10,764
Transfers	1,389	1,249	(27)	(2,611)	
Disposals	(1,315)	(205)	(367)	(2)	(1,889)
At 31 December 2017	**198,918**	**40,593**	**688**	**7,737**	**247,936**
Additions	574	3,620	6	3,657	7,857
Transfers	2,387	180	-	(2,567)	-
Disposals	*(8,828)*	*(16,753)*	*(281)*	-	*(25,862)*
At 30 September 2018	**193,051**	**27,640**	**413**	**8,827**	**229,931**
Depreciation and impairment					
At 1 January 2017	(41,771)	(19,666)	(441)		(61,878)
Charge for the year	(4,571)	(6,514)	(39)		(11,124)
Impairment losses recognised in profit and loss	(5,177)	-			(5,177)
Disposals	456	267	223		946
At 31 December 2017	**(51,063)**	**(25,913)**	**(257)**	–	**(77,233)**
Charge for the year	(3,216)	(6,517)	(38)	-	(9,771)
Disposals	5,135	16,389	272	-	21,796
At 30 September 2018	**(49,144)**	**(16,041)**	**(23)**	-	**(65,208)**
Net book value					
At 31 December 2017	147,855	14,680	431	7,737	170,703
At 30 September 2018	**143,907**	**11,599**	**390**	**8,827**	**164,723**

In addition, the Group's obligations under finance leases (see note 20) are secured by the lessor's title to the leased assets, which have a carrying amount of £0.2m (2017: £0.3m). These assets are included under motor vehicles.

Cambian has no contractual commitments for the acquisition of property, plant and equipment as at 30 September 2018.

15. Debtors

	30 September 2018 £'000	31 December 2017 £'000
Trade receivables	20,524	20,352
Allowance for doubtful debts	(13)	(219)
	20,511	20,133
Other receivables	2,315	2,476
Allowance for doubtful debt	(709)	-
Trade and other receivables	22,117	22,609

Invoices to customers are due for payment within 60 days of issue. Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date. The Group's exposure to credit risk is limited due to its customers being principally local authorities controlled by the UK Government. The average age of receivables is 46 days (2017: 41 days).

The Group does not hold collateral or other credit enhancements over its trade receivables nor does it have a legal right of offset against amounts owed by the Group to the counterparty.

The directors consider that the carrying amount of trade receivables approximates their fair value.

Ageing of past due but not impaired receivables:

	30 September 2018 £'000	31 December 2017 £'000
Between 61-120 days	1,241	2,029
Greater than 120 days	-	
	1,241	2,029

16. Cash and cash equivalents

	30 September 2018 £'000	31 December 2017 £'000
Cash and bank balances	80,586	82,102
Cash held on behalf of clients	1,408	954
	81,994	83,056

Cash and cash equivalents include cash held on behalf of clients, which is not available for use by the Group. All interest earned on these funds is returned back to the client and is not included in the Group's statement of comprehensive income. An equivalent liability of £1.4m (2017: £1.0m) exists for this amount and is included in note 18.

17. Accrued income, contract liabilities and deferred revenue

	Accrued income £'000	Deferred revenue £'000
At 1 January 2017	1,318	(28,491)
Revenue recognised in the reporting period that was included in the deferred revenue balance at the beginning of the period	-	28,491
Revenue recognised in the reporting period from performance obligations satisfied in previous periods	(1,318)	-
Revenue billed in period but relates to future periods	-	(24,922)
New accrued revenue	1,337	-
At 30 September 2018	**1,337**	**(24,992)**

The Group's practice is to bill in advance for the education and residential services that it provides. This income is held in deferred revenue until the service is provided. Residential and fostering services are recognised over time as the entity's efforts are expended evenly through the period, whereas educational services are recognised when the young person is in school, over the academic year, as this is when the customer is receiving the educational services.

Fostering services, and in certain other circumstances a local authority will enter into a contract and place a service user with Cambian before an invoice can be raised for this service. The Group will recognise this as accrued revenue until an invoice is raised for the service, at which point this will be transferred to trade debtors.

The directors consider that the carrying value of accrued income and deferred revenue approximates fair value.

18. Creditors – amounts falling due within one year

	30 September 2018 £'000	31 December 2017 £'000
Trade payables	1,413	1,031
Accruals	15,817	11,483
Social security and other taxes	2,319	2,813
Other payables	5,456	5,927
Client money payable	1,408	954
	26,413	22,208

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 64 days (2017: 43 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors consider that the carrying value of trade payables approximates fair value.

19. Provisions

	30 September 2018 £'000	31 December 2017 £'000
At 1 January	11,380	5,492
Provisions recognised	4,322	5,888
Provisions released	(767)	-
At end of reporting period	14,935	11,380

Provisions principally comprise an amount provided for "sleep-ins" and a provision for an onerous contract relating to the supply of pharmaceutical supplies. These have been explained in note 3 to the financial statements.

	30 September 2018 £'000	31 December 2017 £'000
Current	2,105	1,603
Non-current	12,830	9,777
At end of reporting period	14,935	11,380

20. Obligations under finance leases

	30 September 2018 £'000	31 December 2017 £'000
Amounts payable under finance leases		
Within one year	205	132
In the second to fifth year inclusive	-	144
Present minimum value of lease payments	205	276
Amounts payable under finance leases analysed as		
Amounts due for settlement within 12 months	205	132
Amounts due for settlement after 12 months	-	144
Present minimum value of lease payments	205	276

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3.0 years (2017: 3.0 years). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of either 17% or 19% (2017: 17% or 19%), dependent on when the amount is expected to unwind.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Tax losses £'000	Property, plant and equipment £'000	Other temporary differences £'000	Intangible assets £'000	Total £'000
At January 2017	(1)	18,293	(1,170)	8,099	25,221
Credit to profit or loss	(439)	(1,228)	(1,197)	(817)	(3,681)
At 31 December 2017	(440)	17,065	(2,367)	7,282	21,540
Charge/(credit) to profit or loss	326	(830)	(1,059)	(602)	(2,165)
At 30 September 2018	(114)	16,235	(3,426)	6,680	19,375

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the directors believe it is probable that these assets will be recovered.

In addition to the recognised losses disclosed above the Group has unused tax trading losses at the balance sheet date, relating to non-trade deficits and management expenses, of £16.5m (2017: £16.5m) available for offset against suitable future taxable profits. A deferred tax asset has not been recognised in respect of any of these losses as it is not considered probable that there will be sufficient future taxable profits available.

At the balance sheet date the Group has unused tax capital losses of £4.1m (2017: £3.9m) available for offset against future capital gains. No deferred tax asset has been recognised for these losses as no future capital gains are currently expected to arise.

22. Called up share capital

	30 September 2018 Number of shares	31 December 2017 Number of shares	30 September 2018 £'000	31 December 2017 £'000
Authorised, issued and fully paid – ordinary shares of 1p each:				
Balance at start and end of reporting period	184,198,746	184,198,746	1,842	1,842

Following admission to the London Stock Exchange in April 2014 the ordinary shares rank equally for voting purposes. Each ordinary share holds one vote and ranks equally for any dividend declared.

On 19 October 2018, the Group's entire issued ordinary share capital was acquired by CareTech by way of a scheme of arrangement of Cambian under Part 26 of the Companies Act. As a result Cambian Group plc, a public company, has re-registered as Cambian Group Limited, a private company, on 16 November 2018. Cambian's shares are no longer listed on the London Stock Exchange. Please see the Directors' Report for further information.

23. Merger reserve

Cambian Group plc acquired Cambian Capital Limited, Care Aspirations Capital Limited and Advanced Childcare Capital Limited and their underlying subsidiaries on 15 April 2014. The difference between the initial cost of Cambian Group plc's investments in these subsidiaries (determined by reference to their fair value at the date of acquisition) and the nominal value of the shares issued in exchange is classified as a merger reserve as required by section 612 of the Companies Act 2006.

24. Other reserves

	30 September 2018 £'000	31 December 2017 £'000
At 1 January	138,494	139,665
Credit to equity for equity-settled share-based payments	(710)	(1,171)
At end of reporting period	137,784	138,494

Other reserves of £145.8m arose at the date of the IPO, when the Group was formed and accounted for under the pooling of interest method. As a result, the consolidated financial statements of the Company were presented as a continuation of an existing Group, under the basis of ultimate control.

Other items in other reserves include the purchase of Cambian Group plc shares by the Employee Benefit Trust, and the credit to equity for equity-settled share-based payments.

25. Share based payments

	30 September 2018 Number of shares	31 December 2017 Number of shares
At 1 January	3,577,166	3,221,556
Expired during the year	(2,666)	(174,448)
Granted during the year	159,929	1,968,209
Exercised during the year	(2,666)	(1,438,150)
At end of reporting period	3,731,763	3,577,166

	30 September 2018 Number of shares	31 December 2017 Number of shares
Exercisable at the end of the period	Nil	25,776
	Pence per share	Pence per share
Weighted average share price of options exercised during the period	1.55	1.56

26. Share based payments (continued)

The entity has a forfeitable share scheme for the executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if they cease to be an employee of the Group before the vesting date, unless otherwise determined by the Board.

During 2014, and prior to IPO, nil-cost options were awarded to certain employees and executives of the Group under Continuation Option Plan 1 and Continuation Option Plan 2. 3,199,997 nil-cost options over ordinary shares were awarded under Continuation Option Plan 1, and a third of these become exercisable on each of the third, fourth and fifth anniversaries of the date of IPO and remain exercisable until the tenth anniversary of the date of IPO. 246,225 nil-cost options over ordinary shares were awarded under Continuation Option Plan 2, and these become exercisable 18 months from the date of IPO and remain exercisable until the tenth anniversary of the date of IPO. All of the nil-cost options awarded under these plans were awarded at the then fair value market price of 225 pence.

The total fair value charge of £7.8m is being expensed over the vesting periods, ranging between 18 months and 5 years. The total expense recognised in the year was £0.4m (2017: £1.0m) (note 5).

The number of shares under option under COP1 were adjusted during the period to preserve the rights of the holder as a result of the special dividend paid on 26 February 2018.

On 15 February 2017 nil-cost options were awarded to certain executives of the Group under its Long-Term Incentive Plan. 663,982 nil-cost options over ordinary shares were awarded, these become exercisable on the third anniversary on the date of grant subject to an absolute total shareholder return metric being met and these remain exercisable until the tenth anniversary of the grant date.

On 18 July 2017 nil-cost options were awarded to certain employees and executives of the Group under its Long-Term Incentive Plan. 1,087,917 nil-cost options over ordinary shares were awarded, these become exercisable on the third anniversary on the date of grant subject to an absolute total shareholder return metric being met and these remain exercisable until the tenth anniversary of the grant date.

The total fair value charge of £1.3m in relation to the 2017 Long Term Incentive Plans is being expensed over the vesting period. The total expense recognised in the year was £0.3m (2017: £0.3m). The fair value charge was calculated using a Monte-Carlo model incorporating the total shareholder return metric and the following table sets out the assumptions used:

	LTIP	**LTIP**
Grant date	15 February 2017	18 July 2017
Expected life (years)	3	3
Projection period (years)	2.8	2.4
Share price at grant date	136p	178p
Risk free rate	0.2%	0.3%
Volatility[1]	73.0%	78.0%
Dividend yield[2]	Nil	Nil
Exercise price	Nil	Nil
Grant date	15 February 2017	18 July 2017

Notes:

[1] This assumption is based on the historic volatility of the Company's share price to the grant date, calculated using daily share price data over a period commensurate with the projection period.

[2] A special dividend of £50m is assumed to be paid six months from grant.

26. Share based payments (continued)

The number of shares under option under the Long Term Incentive Plans was adjusted during the period to protect the rights of the holder as a result of the special dividend paid on 26 February 2018. This affects the options awarded on 15 February 2017 and on 18 July 2017.

On 16 August 2018, the Boards of CareTech Holdings PLC ("CareTech") and Cambian Group plc ("Cambian") announced that they had reached agreement on the terms of a recommended acquisition of Cambian by CareTech. No share options could be exercised until the transaction had completed. Consequently at 30 September 2018, no share options were exercisable. Please see the Directors' Report for further information.

27. Subsidiaries

Detailed below is a list of subsidiaries of Cambian Group Ltd. The operating subsidiaries are engaged in either owning property (Property) or in the provision of high quality behavioural health services to children (Trading). Additionally, Cambian Group Ltd has subsidiaries that are non-trading, act as holding companies, or are dormant (Non-trading). All shares held are ordinary shares.

Company	Country of registration or incorporation	Ownership percentage held	Voting rights percentage	Type
Cambian Group Holdings Limited*	Great Britain[1]	100%	100%	Non-trading
Cambian Capital Limited*	Jersey[2]	100%	100%	Non-trading
Cambian Developments Limited	Jersey[2]	100%	100%	Non-trading
Cambian Finance Limited	Jersey[2]	100%	100%	Non-trading
Cambian Manco Limited	Jersey[2]	100%	100%	Non-trading
Cambian Developments I Limited	Jersey[2]	100%	100%	Non-trading
Cambian Developments II Limited	Jersey[2]	100%	100%	Property
Cambian Holdings Limited	Jersey[2]	100%	100%	Non-trading
Cambian Properties II Limited	Jersey[2]	100%	100%	Non-trading
Cambian Properties (UK) Limited	Great Britain[1]	100%	100%	Non-trading
Cambian Heritage I Limited	Great Britain[1]	100%	100%	Non-trading
Cambian Heritage II Limited	Great Britain[1]	100%	100%	Property
Cambian Education Services Limited	Great Britain[1]	100%	100%	Trading
Cambian Asperger Syndrome Services Limited	Great Britain[1]	100%	100%	Trading
Cambian Autism Services Limited	Great Britain[1]	100%	100%	Trading
Care Aspirations Capital Limited*	Jersey[2]	100%	100%	Non-trading
Care Aspirations Finance Limited	Jersey[2]	100%	100%	Non-trading
Care Aspirations Holdings Limited	Jersey[2]	100%	100%	Non-trading
Cambian Signpost Limited	Great Britain[1]	100%	100%	Trading
Cambian Whinfell School Limited	Great Britain[1]	100%	100%	Trading
Advanced Childcare Capital Limited*	Jersey[2]	100%	100%	Non-trading
Advanced Childcare Finance Limited	Jersey[2]	100%	100%	Non-trading
Advanced Childcare Holdings Limited	Jersey[2]	100%	100%	Non-trading
Advanced Childcare Group Limited	Great Britain[1]	100%	100%	Non-trading
Advanced Childcare Services Limited	Great Britain[1]	100%	100%	Non-trading

27. Subsidiaries (continued)

Company	Country of registration or incorporation	Ownership percentage held	Voting rights percentage	Type
Cambian Childcare Properties Limited	Great Britain[1]	100%	100%	Property
Cambian Childcare Limited	Great Britain[1]	100%	100%	Trading
Continuum Care and Education Group Limited	Great Britain[1]	100%	100%	Non-trading
Clifford House Limited	Great Britain[1]	100%	100%	Non-trading
Independent Childcare Group of Schools Limited	Great Britain[1]	100%	100%	Non-trading
SACCS Limited	Great Britain[1]	100%	100%	Non-trading
Elite Children's Care Limited	Great Britain[1]	100%	100%	Non-trading
Herts Care Group Limited	Great Britain[1]	100%	100%	Non-trading
Inhoco 2993 Limited	Great Britain[1]	100%	100%	Non-trading
SACCS Care Limited	Great Britain[1]	100%	100%	Non-trading
Farrow House Limited	Great Britain[1]	100%	100%	Non-trading
Cambian Care (Powys) Limited	Great Britain[1]	100%	100%	Non-trading
Herts Care (Escourt and Supervision Services) Limited	Great Britain[1]	100%	100%	Non-trading
Herts Care Limited	Great Britain[1]	100%	100%	Non-trading
Green Corns Limited	Great Britain[1]	100%	100%	Non-trading
Herts Care Property Limited	Great Britain[1]	100%	100%	Non-trading
Cambian FS Limited	Great Britain[1]	100%	100%	Non-trading
By the Bridge Management Company Limited	Great Britain[1]	100%	100%	Non-trading
By the Bridge Holdings Limited	Great Britain[1]	100%	100%	Non-trading
By the Bridge Limited	Great Britain[1]	100%	100%	Trading
By the Bridge North West Limited	Great Britain[1]	100%	100%	Trading
Interact Care Limited	Great Britain[1]	100%	100%	Trading

In the opinion of the Directors, the net book value of the investments is not less than stated.
* Held directly by Cambian Group Limited.
Registered office
[1] 4th Floor, 4th Floor, Waterfront Manbre Wharf, Manbre Road, Hammersmith, England, W6 9RH
[2] 9 Burrard Street, St Helier, Jersey JE4 5SE

Exemption from audit by parent guarantee

The Company being the ultimate shareholder of its subsidiaries has decided to take the exemption from audit of a number of subsidiaries for the nine month period ending 30 September 2018 under Sections 479A and 479C of the Companies Act 2006 and the Company will provide a guarantee for the liabilities for those entities as at 30 September 2018 incorporated in Great Britain as detailed above.

The entities listed above which are incorporated in Jersey will not be covered by the parent company guarantee as they are incorporated in Jersey.

28. Net cash from operating activities

	30 September 2018 £'000	31 December 2017 £'000
Loss for the year from continuing operations before tax	(948)	(8,995)
Adjustments for		
Finance costs	324	399
Finance income	(139)	(218)
Profit on disposal and write-off of property, plant and equipment	(1,948)	(138)
Impairment on property, plant and equipment	-	5,177
Amortisation of intangible assets	3,183	4,250
Depreciation of property, plant and equipment	9,771	11,124
Other non-cash items	710	1,342
Operating cash flows before movements in working capital	10,953	12,941
Decrease in receivables	954	19,729
Increase/(decrease) in payables	4,518	(4,635)
Cash inflow before interest and tax	16,425	28,035
Interest paid	(183)	(123)
Tax (paid)/received	(423)	1,972
	15,819	29,884

28. Net cash from operating activities (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	At 1 Jan 2018	Cashflows	Fair value changes	Other	At 30 September 2018
	£'000	£'000	£'000	£'000	£'000
Obligations under finance leases	276	(73)	-	2	205
Total liabilities from financing activities	276	(73)	-	2	205

	At 1 Jan 2017	Cashflows	Fair value changes	Other	At 31 December 2017
	£'000	£'000	£'000	£'000	£'000
Obligations under finance leases	550	(292)		18	276
Total liabilities from financing activities	550	(292)	–	18	276

29. Commitments

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

	30 September 2018	31 December 2017
	£'000	£'000
The Group as lessee		
Lease payments under operating leases recognised as an expense in the year	3,699	5,168

29. Commitments (continued)

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Premises		Equipment	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	£'000	£'000	£'000	£'000
Payable within one year	1,591	1,680	1,080	1,259
Payable within two to five years	1,623	1,869	1,935	1,934
Payable in greater than five years	927	388	-	-
	4,141	3,937	3,015	3,193

Operating lease payments represent rentals payable by the Group for its central Head Office properties, a portion of its operating properties and other operating leases. Leases are generally negotiated for a term of between three and ten years for properties and between three and five years for other operating leases.

30. Retirement benefit scheme

The Company operates a stakeholder pension scheme as required by the Welfare Reform and Pensions Act 1999 and The Stakeholder Pensions Scheme Regulations 2000. The Company does not contribute to the scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The Group contributes to a defined benefit scheme for the benefit of the teaching staff employed by subsidiary companies. The assets are administered by the Teachers' Pension Scheme. The Teachers' Pension Scheme(TPS) is a multi-employer scheme run by the UK Government where the employer's liability is limited to providing defined contributions on behalf of its employees. As such, the scheme is treated as a defined contribution scheme. Although members of TPS may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The total cost charged to income of £1.5m (2017: £1.4m) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 30 September 2018, contributions of £0.4m (31 December 2017: £0.3m) due in respect of the current reporting year had not been paid over to the schemes.

30. Retirement benefit scheme (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuationreport.aspx

31. Financial instruments

The Group seeks to reduce exposures to interest rate and other financial risks, to ensure liquidity is available to meet the foreseeable needs of the Group and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

31. Financial instruments (continued)

	30 September 2018 £'000	31 December 2017 £'000
Categories of financial instrument		
Cash and bank balances	81,994	83,056
Loans and receivables (measured at amortised cost)	22,117	22,609
Financial assets	104,111	105,665
Financial liabilities recorded at amortised cost	(1,413)	(1,031)
Financial liabilities	(1,413)	(1,031)

Capital risk

The Group's objectives when managing capital (defined as borrowings plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while optimising returns to shareholders through an appropriate balance of debt and equity funding.

As at 30 September 2018 there is a Revolving Credit Facility (RCF) of £30m in place (31 December 2017:£30m). Following Cambian Group Limited's acquisition by CareTech Holdings plc, the RCF was cancelled in October 2018. At year end Cambian Group Limited were liable for commitment fees on the RCF of £28,000 (2017: £nil).

	30 September 2018 £'000	31 December 2017 £'000
Cash at bank and in hand	81,994	83,056
Borrowings		
Amounts due under hire purchase obligations	(205)	(276)
Accrued commitment fees on RCF agreement	(28)	-
Net cash	81,761	82,780

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts. The Group maintains sufficient cash balances to ensure that it has sufficient funds for general corporate purposes including working capital.

31. Financial instruments (continued)

Credit risk

Credit risk is the risk that a customer may default on their obligation to the Group in relation to lending, settlement and other financial activities. The Group's credit risk primarily arises from trade and other receivables. The amounts included in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a very low operational credit risk due to the Group providing services principally to local authorities. The Group has no significant concentration of credit risk, with the exposure spread over a large number of local authorities and combined commissioning groups. The credit risk on liquid funds is considered to be low, as virtually all of the customers are backed by the UK Government. The Group invests its excess funds in cash and cash equivalents and term-deposits being regarded as highly liquid and secure products, and only with financial institutions with strong credit ratings.

Interest rate risk

The Group is not exposed to significant interest rate risk as it has no outstanding borrowings.

Foreign currency risk

The Group does not trade internationally, and has no material foreign currency risk.

Maturity of non-derivative financial instruments

The Group's non-derivative financial assets consist of cash and trade and other receivables, both of which are non-interest bearing. The Group's expected maturity for its non-derivative financial assets is less than one year.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing 3-month LIBOR rate at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Trade and other payables £'000	Obligations under finance leases £'000	Total £'000
30 September 2018			
- within one year	26,413	205	26,618
- between two and five years	-	-	-
	26,413	205	26,618

31. Financial instruments (continued)

	Trade and other payables £'000	Obligations under finance leases £'000	Total £'000
31 December 2017			
- within one year	22,208	132	22,340
- between two and five years	-	144	144
	22,208	276	22,484

The Group had the following undrawn committed borrowing facilities:

	30 September 2018 £'000	31 December 2017 £'000
Facilities expiring		
Within one year	-	-
In more than one year but less than five years	30,000	30,000

The undrawn facilities relate to funding capital expenditure. In order to draw on the facilities, the Group has a requirement to provide documentation relating to the capital expenditure, in line with the loan agreements.

Following Cambian Group Limited's acquisition by CareTech Holdings plc, the RCF was cancelled in October 2018. At year end Cambian Group Limited were liable for commitment fees on the RCF of £28,000 (2017: £nil).

32. Related party transactions

The Group's significant related parties are:

- its subsidiary undertakings; non-executive and executive directors;
- members of the senior executive team (together being key management);
- GI Partners and GI Partners UK Limited (being a shareholder with representation on the Board); and
- PHS Group (a hygiene business chaired by Christopher Kemball, our Chairman, who took no part in the negotiations).

Balances and transactions between the holding companies and their subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

32. *Related party transactions (continued)*

	Payments in the year		Balance outstanding at year end	
	30 September 2018 £'000	31 December 2017 £'000	30 September 2018 £'000	31 December 2017 £'000
Fees payable to GI Partners:	26	40	-	-
Transactions with PHS Group	40	65	1	2
Short-term employee benefits	1,095	780	-	-
Post-employment benefits	98	108	-	-
Share-based payments	563	1,063	-	-
Key management	1,756	1,951	-	-

Further information about individual director's remuneration, which forms part of these financial statements, is included on pages 10 and 14 of the directors' remuneration report which are described as having been audited.

All related party transactions are all considered to be on arm's-length terms and in the ordinary course of business.

33. Dividends

	30 September 2018 £'000	31 December 2017 £'000
Amounts recognised as distributions to equity holders in the year		
Special dividend of 8.2p (2017: 27.1p) per share	14,957	49,431
Interim dividend for the year ended 31 December 2017 of 0.14p per share	-	255
Final dividend for the year ended 31 December 2017 of 0.25p per share	456	-
	15,413	49,686

34. Post balance sheet events

On 19 October 2018, the Group's entire issued ordinary share capital was acquired by CareTech by way of a scheme of arrangement of Cambian under Part 26 of the Companies Act. This is in line with the Rule 2.7 Offer as announced on 16 August 2018. As a result Cambian Group plc, a public company, has re-registered as Cambian Group Limited, a private company, on 16 November 2018.

In November 2018 an intercompany loan was issued from the Group to CareTech for £65million, increased to £70million in December 2018.

Cambian Group Limited
Parent company balance sheet
For the nine month period ended 30 September 2018

	Note	30 September 2018 £'000	31 December 2017 £'000
Non-current assets			
Investments	3	369,301	368,995
Non-current assets		369,301	368,995
Trade and other receivables	4	22,848	6,209
Current tax asset		3,788	2,790
Cash and cash equivalents		48,607	65,875
Prepayments and accrued income		13	940
Current assets		75,256	75,814
Total assets		444,557	444,809
Trade and other payables	5	(2,417)	(6,347)
Short term borrowings	6	(28)	-
Current liabilities		(2,445)	(6,347)
Net current assets		72,811	69,467
Net assets		442,112	438,462
Capital and reserves			
Called up share capital	7	1,842	1,842
Share premium account		20,499	20,499
Merger reserves		391,459	391,459
Other reserves		8,007	7,296
Profit and loss account		20,305	17,366
Total equity		442,112	438,462

The financial statements of Cambian Group Limited (registered number 08929371) were approved by the Board of Directors and authorised for issue on 27 March 2019.

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The company reported a profit for the nine month period ended 30 September 2018 of £17.7m (twelve months ended 31 December 2017: £2.9m loss).

Signed on behalf of the Board of Directors

A M Carrie
Director
27 March 2019

Cambian Group Limited
Parent company statement of changes in equity
For the nine month period ended 30 September 2018

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017	1,842	20,499	391,459	6,125	1,323	421,248
Profit for the year	-	-	-		65,729	65,729
Dividends paid (note 7)	-	-	-		(49,686)	(49,686)
Credit to equity for share based payments (note 25 of consolidated accounts)	-	-	-	1,171	-	1,171
Balance at 31 December 2017	1,842	20,499	391,459	7,296	17,366	438,462
Profit for the period	-	-	-	-	18,353	18,353
Dividends paid (note 7)	-	-	-	-	(15,413)	(15,413)
Credit to equity for share based payments (note 25 of consolidated accounts)	-	-	-	710	-	710
Balance at 30 September 2018	1,842	20,499	391,459	8,006	20,306	441,412

Cambian Group Limited
Notes to the parent company financial statements
For the nine month period ended 30 September 2018

1. **Summary of significant accounting policies**

Basis of preparation

The individual financial statements of Cambian Group Limited (the "Company") have been prepared in accordance with UK law and applicable UK accounting standards. The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS) 100, issued by the Financial Reporting Council (FRC). Accordingly, the financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework. The financial statements have been prepared on a historical cost basis except in respect of those financial instruments that have been measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Accounting policies for financial instruments have been listed under part of the accounting policies for the main Group's consolidated accounts.

Period of accounts

The period covered by these financial statements is for the nine month period ended 30 September 2018. The Company changed its accounting reference date in order to harmonise our reporting date with our new parent company CareTech Holdings PLC ("CareTech") which acquired the Group on 19 October 2018. For this reason the amounts presented in the financial statements are not entirely comparable with the twelve month period ending 31 December 2017.

Investments in subsidiary companies

Investments in subsidiaries are recognised at cost less, where appropriate, provisions for impairment. All investments held by the Company are in its subsidiaries.

Going concern

As indicated on page 16 of the Annual Report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Share capital

Ordinary shares are classified as equity and the shares are fully paid up. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are shown as a deduction from equity.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

There were no critical judgements that the directors have made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the historical financial information. Those involving estimations are dealt with separately below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of investments

Determining whether an investment is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the entity to estimate the future cash flows expected to arise, and a suitable discount rate in order to calculate present value (see note 3).

3. Investments

	30 September 2018 £'000	31 December 2017 £'000
At 1 January	368,995	368,753
Additions	306	242
At 30 September 2018/ 31 December 2017	369,301	368,995

4. Trade and other receivables

	30 September 2018 £'000	31 December 2017 £'000
Amounts due within one year:		
Other debtors	1	209
Amounts owed by Group undertakings owned and controlled by Cambian Group Limited	22,847	6,000
Trade and other receivables	22,848	6,209

4. Trade and other receivables (continued)

The interest receivable from Group undertakings is accrued and received at a rate of 5% on fixed balances, whilst other trading balances do not attract interest. Amounts due from Group undertakings are repayable on demand. Interest of £628,219 (2017: £1,364,384) has been received in the year.

5. Trade and other payables

	30 September 2018 £'000	31 December 2017 £'000
Amounts due within one year:		
Trade creditors	35	484
Accruals	1,682	1,458
Provisions	700	-
Amounts owed to Group undertakings owned and controlled by Cambian Group Limited	-	4,405
Trade and other payables	2,417	6,347

The interest payable to Group undertakings is accrued and paid at a rate of 5% on fixed balances, whilst other trading balances do not attract interest. Amounts due to Group undertakings are repayable on demand. Interest of £nil (2017: £126,027) has been paid in the year.

Provisions have been explained in note 3 to the consolidated group accounts.

6. Short term borrowings

	30 September 2018 £'000	31 December 2017 £'000
Accrued commitment fees	28	-
Short term borrowings	28	-

This relates to commitment fees due on the £30m RCF which was in place at 30 September 2018.

7. Called up share capital

	30 September 2018 Number of shares	31 December 2017 Number of shares	30 September 2018 £'000	31 December 2017 £'000
Authorised, issued and fully paid – ordinary shares of 1p each:				
Balance at start and end of reporting period	184,198,746	184,198,746	1,842	1,842

8. Other reserves

Other reserves relate to the credit to equity for equity-settled share-based payments. Please see notes 23 and 24 of the Group accounts for further information.

9. Dividends

	30 September 2018 £'000	31 December 2017 £'000
Amounts recognised as distributions to equity holders in the year		
Special dividend of 27.1p per share	-	49,431
Interim dividend for the year ended 31 December 2017 of 0.14p per share	-	255
Special dividend of 8.2p (2016: 27.1p) per share	14,957	-
Final dividend for the year ended 31 December 2017 of 0.25p per share	456	-
	15,413	49,686

10. Subsidiaries

A list of subsidiaries is provided in note 27 of the Group accounts.

11. Staff costs

The company had no employees in the period. The directors did not receive any remuneration for their service to the Company. The directors were remunerated through other Group companies.

12. Post balance sheet events

On 19 October 2018, the Group's entire issued ordinary share capital was acquired by CareTech by way of a scheme of arrangement of Cambian under Part 26 of the Companies Act. This is in line with the Rule 2.7 Offer as announced on 16 August 2018. As a result Cambian Group plc, a public company, has re-registered as Cambian Group Limited, a private company, on 16 November 2018.

In November 2018 an intercompany loan was issued from the Group to CareTech for £65million, increased to £70million in December 2018.

Prior to 19 October 2018, Cambian Group Limited was a publically listed company. From 19 October 2018 onwards, the parent and ultimate controlling party is CareTech Holdings plc, a Company incorporated in United Kingdom whose registered address is Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire EN6 1AG . Consolidated financial statements are available on request from this address