Company Registration No. 04280519 (England and Wales)

CAMBIAN CHILDCARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

CAMBIAN CHILDCARE LIMITED

COMPANY INFORMATION

Directors	C K Dickinson	(Appointed 28 March 2019)
	F Sheikh	(Appointed 28 March 2019)
	H Sheikh	(Appointed 28 March 2019)
	J Ivers	(Appointed 28 March 2019)
	J D Wiles	
	M Ore	(Appointed 10 May 2019)
Company number	04280519	
Registered office	Metropolitan House 3 Darkes Lane Potters Bar Hertfordshire EN6 1AG	

CAMBIAN CHILDCARE LIMITED

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CAMBIAN CHILDCARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present the strategic report and financial statements for the year ended 30 September 2019.

Review of the business
The company's Key Performance Indicators ("KPIs") are net assets and profit before tax:

	12 months to September 2019	9 months to September 2018	Movement
Net assets	£13.4m	£4m	335%
Profit / (loss) before tax	£11.5m	£1.2m	958%

Non-financial KPIs are not material for the company as they are reviewed on a Group basis.

Business risks and strategy

There is a going concern risk because the subsidiaries in which Cambian Group Holdings Limited holds investments rely on publicly funded entities in the UK for substantially all of their revenues. The loss or reduction of such funding, or changes to procurement methods, could negatively impact their occupancy rates which could have a corresponding material adverse effect on the Company's business, results of operations, financial condition or prospects. The company and its subsidiaries mitigate that risk by having established a good working relationship with its customers and by remaining in constant and transparent dialogue with the publicly funded entities with which it does business.

The company and its subsidiaries operate in a highly regulated business environment, which is subject to political and regulatory scrutiny. Failure to comply with regulations or the introduction of new regulations or standards with which the company and its subsidiaries do not comply could lead to substantial penalties, including the loss of registration on some or all of their facilities. This risk is mitigated by focusing on quality of care for service users and consistently maintaining high regulatory scores from regulators.

On behalf of the board

C Dickinson
....
C K Dickinson
Director
15/07/20
....

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activities
The principal activity of the Company is specialist care of looked after children including a breadth of therapeutic, residential and special education services.

Results and dividends
The results for the year are set out on page 3.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M S Asaria	(Resigned 18 October 2018)
A M Carrie	(Resigned 30 May 2019)
A Kang	(Resigned 18 October 2018)
C K Dickinson	(Appointed 28 March 2019)
F Sheikh	(Appointed 28 March 2019)
H Sheikh	(Appointed 28 March 2019)
J Ivers	(Appointed 28 March 2019)
J D Wiles	
M Ore	(Appointed 10 May 2019)

Qualifying third party indemnity provisions
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 reporting date.

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

Employee involvement
The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

On behalf of the board

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C K Dickinson
Director

Date: ....15/07/20.....

CAMBIAN CHILDCARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Year ended 30 September 2019 £'000	Period ended 30 September 2018 £'000
Revenue	4	93,040	67,528
Cost of sales		(66,106)	(55,632)
Gross profit		26,934	11,896
Administrative expenses		(16,558)	(11,090)
Operating profit	5	10,376	806
Investment income	7	1,162	441
Finance costs	8	(5)	(10)
Profit before taxation		11,533	1,237
Tax on profit	9	(2,186)	(358)
Profit and total comprehensive income for the financial year	24	9,347	879

The income statement has been prepared on the basis that all operations are continuing operations.

CAMBIAN CHILDCARE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Intangible assets - goodwill	10	3,854	3,854
Other intangible assets	10	98	98
Property, plant and equipment	11	7,068	5,011
Investments	12	2,039	2,039
		13,059	11,002
Current assets			
Inventories	14	49	-
Trade and other receivables	15	41,836	27,969
Deferred tax asset	18	2,303	2,421
Cash and cash equivalents		2,908	6,018
		47,096	36,408
Current liabilities			
Trade and other payables	16	30,095	28,072
Taxation and social security		5,306	3,284
Obligations under finance leases	17	17	205
		35,418	31,561
Net current assets		11,678	4,847
Total assets less current liabilities		24,737	15,849
Provisions for liabilities			
Other provisions	19	11,370	11,829
Net assets		13,367	4,020
Equity			
Called up share capital	21	52	52
Share premium account	22	-	10,000
Capital redemption reserve	23	12	12
Retained earnings	24	13,303	(6,044)
Total equity		13,367	4,020

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2019

For the financial year ended 30 September 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The financial statements were approved by the board of directors and authorised for issue on 15/07/20 and are signed on its behalf by:

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C K Dickinson
Director

Company Registration No. 04280519

CAMBIAN CHILDCARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018		52	-	12	(6,923)	(6,859)
Period ended 30 September 2018:						
Profit and total comprehensive income for the period		-	-	-	879	879
Issue of share capital	**21**	-	10,000	-	-	10,000
Balances at 30 September 2018		52	10,000	12	(6,044)	4,020
Period ended 30 September 2019:						
Profit and total comprehensive income for the period		-	-	-	9,347	9,347
Other movements		-	(10,000)	-	10,000	-
Balances at 30 September 2019		52	-	12	13,303	13,367

1 Accounting policies

Company information

Cambian Childcare Limited is a private company limited by shares incorporated in England and Wales. The registered office is Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire, EN6 1AG.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost basis except that certain financial instruments are stated at their fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of its ultimate parent company, CareTech Holdings PLC in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of CareTech Holdings PLC. The group accounts of CareTech Holdings PLC are available to the public and can be obtained as set out in note 26.

1 Accounting policies **(Continued)**

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Cambian Childcare Limited is a wholly owned subsidiary of CareTech Holdings PLC and the results of Cambian Childcare Limited are included in the consolidated financial statements of CareTech Holdings PLC which are available from as set out in note 26.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue in respect of the provision of care services is measured as the fair value of fee income received or receivable in respect of the services provided and is recognised in respect of the care that has been provided in the relevant period. Any additional services provided by the group are recognised on provision of the service. Fostering revenue is recognised on the basis of the daily placements made with a full day's revenue recognised for every night a placement is with a foster carer.

Revenue in respect of learning services is directly linked to specific achievements, and milestones reached by apprentices at which point the funding from the Skills Funding Agency is receivable. A corresponding balance is recognised in receivables.

Revenue which has been invoiced but irrecoverable is treated as a bad debt expense. Revenue invoiced in advance is included in deferred income until the service is provided. Revenue is recognised net of VAT and credit notes.

1.4 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit 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 subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

1 Accounting policies **(Continued)**

1.5 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Customer relationships 1 - 20 years
- Non-compete agreements 1 - 5 years

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings and equipment	15% straight line
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.7 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of tangible and intangible assets

At each reporting end date, the company 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.10 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

1 Accounting policies (Continued)

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end 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.

Derecognition of financial assets

Financial assets are derecognised 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 to another entity.

1 Accounting policies **(Continued)**

1.13 Financial liabilities

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.14 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.15 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company 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 reporting end 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.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

1.19 Leases

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

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 15 - Revenue from contracts with customers - Introduction of new standard on Revenue from Contracts with customers

IFRS 2 - Share-based payment - Amendments to clarify the classification and measurement of share-based payment transactions

IFRS 7 - Financial instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

IFRS 9 - Financial instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition

IAS 28 - Investments in associates and joint ventures - Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying certain fair value adjustments)

IAS 39 - Financial instruments: Recognition and measurement - Amendment to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

IAS 40 - Investment property - Amendments to clarify transfers or property to, or from, investment property

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Adoption of new and revised standards and changes in accounting policies (Continued)

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Current asset provisions

In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital, principally trade receivables. Provisions are established for bad and doubtful debts. Provisions are based on the facts available at the time and are also determined by using profiles, based upon past practise, applied to aged receivables.

Deferred taxation

The company may recognise deferred tax assets in respect of temporary differences arising. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profit. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or timing difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

Key sources of estimation uncertainty

Customer relationships

The company's management team assess each acquisition in the historical financial information period to identify the intangible assets that were acquired in each transaction that qualify for separate recognition. The assessment of the future economic benefits generated from acquired customer relationships, and the determination of the related amortisation profile, involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets. The valuation method used to value customer relationships is a multi-period excess earnings method. The useful economic life has been assessed as ranging from 1 to 20 years across the acquisitions. Annual reviews are performed to ensure the recoverability of this intangible asset.

Property, plant and equipment

It is company policy to depreciate property, plant and equipment to their estimated residual value over their estimated useful lives. This applies an appropriate matching of the revenue earned with the capital costs of delivery of services. A key element of this policy is the annual estimate of the residual value of such assets. Similarly the directors estimate the useful life applied to each category of property, plant and equipment which, in turn, determines the annual depreciation charge. Variations in residual values or asset lives could impact significantly company profit through an increase in the depreciation charge.

4 Revenue

	2019 £'000	2018 £'000
Revenue analysed by class of business		
Care services	93,039	67,528
Analysis per statutory database	**93,039**	**67,528**
Statutory database analysis does not agree to the trial balance by:	**1**	**-**

	2019 £'000	2018 £'000
Other significant revenue		
Interest income	1,162	441

5 Operating profit

	2019 £'000	2018 £'000
Operating profit for the period is stated after charging/(crediting):		
Depreciation of property, plant and equipment	925	3,714
Loss on disposal of property, plant and equipment	21	1
Amortisation of intangible assets	-	19

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Care and Education	2,223	2,145
Administration	97	169
	2,320	2,314

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	51,753	36,995
Social security costs	4,612	3,179
Pension costs	958	521
	57,323	40,695

6 Employees (Continued)

None of the directors received any emoluments for their services to the company during the year (2018: none).

The number of directors to whom pension contributions are accruing is nil (2018: nil).

7 Investment income

	2019	2018
	£'000	£'000
Interest income		
Interest receivable from group companies	1,162	441

8 Finance costs

	2019	2018
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Bank charges	-	2
Interest on other financial liabilities:		
Interest on lease liabilities	5	8
Total interest expense	5	10

9 Income tax expense

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	2,068	1,085
Deferred tax		
Origination and reversal of temporary differences	118	(727)
Total tax charge	2,186	358

9 Income tax expense (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £'000	2018 £'000
Profit before taxation	11,533	1,237
Expected tax charge based on a corporation tax rate of 19.00%	2,191	235
Effect of expenses not deductible in determining taxable profit	8	-
Adjustment in respect of prior years	-	(52)
Effect of change in UK corporation tax rate	(13)	-
Permanent capital allowances in excess of depreciation	-	341
Fixed asset differences	-	(165)
Other short term timing differences	-	(1)
Taxation charge for the period	2,186	358

10 Intangible fixed assets

	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost			
At 30 September 2018	3,854	217	4,071
At 30 September 2019	3,854	217	4,071
Amortisation and impairment			
At 30 September 2018	-	119	119
At 30 September 2019	-	119	119
Carrying amount			
At 30 September 2019	3,854	98	3,952
At 30 September 2018	3,854	98	3,952

11 Property, plant and equipment

	Assets under construction	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 30 September 2018	556	15,358	509	16,423
Additions	1,035	2,079	-	3,114
Disposals	-	-	(421)	(421)
At 30 September 2019	1,591	17,437	88	19,116
Accumulated depreciation and impairment				
At 30 September 2018	-	11,093	319	11,412
Charge for the year	-	884	41	925
Eliminated on disposal	-	-	(289)	(289)
At 30 September 2019	-	11,977	71	12,048
Carrying amount				
At 30 September 2019	1,591	5,460	17	7,068
At 30 September 2018	556	4,265	190	5,011

12 Investments

	Current		Non-current	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	2,039	2,039

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

12 Investments **(Continued)**

Movements in non-current investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 October 2018 & 30 September 2019	2,039
Carrying amount	
At 30 September 2019	2,039
At 30 September 2018	2,039

13 Subsidiaries

Details of the company's subsidiaries at 30 September 2019 are as follows:

Name of undertaking	Registered office	Nature of business	% Held Direct
Interact Care Limited	Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire, EN6 1AG	Residential support	100.00

14 Inventories

	2019 £'000	2018 £'000
Consumables	49	-

15 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	9,134	8,805
Other receivables	594	804
Amounts owed by fellow group undertakings	31,927	18,018
Prepayments	181	342
	41,836	27,969

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

16 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	188	272
Amounts owed to fellow group undertakings	11,805	12,123
Accruals	14,880	13,446
Other payables	3,222	2,231
	30,095	28,072

17 Obligations under finance leases

	Minimum lease payments		Present value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	17	205	17	205

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £'000	2018 £'000
Current liabilities	17	205

Amounts recognised in profit or loss include the following:	2019 £'000	2018 £'000
Interest on lease liabilities	5	8

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

18 Deferred taxation

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

	ACAs £'000
Deferred tax liability at 1 October 2017	-
Deferred tax asset at 1 October 2017	(1,694)
Deferred tax movements in prior year	
Credit to profit or loss	(727)
Deferred tax liability at 1 October 2018	-
Deferred tax asset at 1 October 2018	(2,421)
Deferred tax movements in current year	
Credit to profit or loss	118
Deferred tax liability at 30 September 2019	-
Deferred tax asset at 30 September 2019	(2,303)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax assets	(2,303)	(2,421)

19 Provisions for liabilities

	2019 £'000	2018 £'000
Provisions	11,370	11,829

Movements on provisions:

	Provisions £'000
At 1 October 2018	11,829
Reversal of provision	(459)
At 30 September 2019	11,370

20 Retirement benefit schemes

Defined contribution schemes
The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £957,566 (2018 - £520,562).

21 Share capital

	2019	2018
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
52,161 Ordinary shares of £1 each	52	52

22 Share premium account

	2019	2018
	£'000	£'000
At the beginning of the year	10,000	-
Issue of new shares	-	10,000
Other movements	(10,000)	-
At the end of the year	-	*10,000*

23 Capital redemption reserve

	2019	2018
	£'000	£'000
At the beginning and end of the year	12	12

24 Retained earnings

	2019	2018
	£'000	£'000
At the beginning of the year	(6,044)	(6,923)
Profit for the year	9,347	879
Other	10,000	-
At the end of the year	13,303	(6,044)

25 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019 £'000	2018 £'000
Minimum lease payments under operating leases	5,054	4,350

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

	2019 £'000	2018 £'000
Within one year	4,345	4,147
Between two and five years	13,750	13,408
In over five years	574	530
	18,669	18,085

26 Controlling party

The company's ultimate parent undertaking is CareTech Holdings PLC. The consolidated financial statements of this Group are available to the public and may be obtained from Metropolitan House, 3 Darkes lane, Potters Bar, Hertfordshire, EN6 1AG.

The company is included in the consolidated accounts of CareTech Holdings PLC.

27 *Financial instruments*

These are designed to reduce the financial risks faced by the company, which primarily relate to credit, interest and liquidity risks, which arise in the normal course of the company's business.

Credit risk
Financial instruments which potentially expose the company to credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all significant prospective customers and all existing customers requiring credit beyond a certain threshold. Varying approval levels are set on the extension of credit depending upon the value of the sale.

Where the credit risk is deemed to have risen to an unacceptable level, remedial actions including the variation of terms of trade are implemented under the guidance of senior management until the level of credit risk has been normalised.

The company provides credit to customers in the normal course of business with a provision for specific doubtful receivables. The balance includes the amounts considered recoverable which also equals their fair value. The company does not require collateral in respect of financial assets. During the year there was no charge to the income statement for bad or doubtful debts (30 September 2018: £Nil).

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk
The company finances its operations through called up share capital, retained profits, intergroup borrowings and bank borrowings. The company's income is by its nature relatively stable and its growth is, inter alia, impacted by inflation. Company policy is to balance interest rate fixes between the short, medium and long term. The benchmark rate for bank borrowings is LIBOR.

Liquidity Risk
The company prepares annual cash flow forecasts reflecting known commitments and anticipated projects. Borrowing facilities are arranged as necessary to finance requirements. The wider group has available bank and overdraft facilities, sufficient, 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 overdraft facilities in respect of financial liabilities. There were no contractual cash flow maturities at 30 September 2019 (30 September 2018: £Nil).

Capital risk management
The company manages its capital to ensure that activities of the company will be able to continue as going concerns whilst maximising returns for stakeholders through the optimisation of debt and equity. The company does not currently have any external debt and details of the company's equity are disclosed in the Statement of Financial Position.

Foreign currency risk
The company operates entirely in the UK and is not exposed to any foreign currency risks.

27 Financial instruments **(Continued)**

Sensitivity analysis

In managing interest rate risks the company aims to reduce the impact of short-term fluctuations on the company's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on earnings. However, the wider group's financing arrangements mean that there is not expected to be a significant impact from interest rate changes on the company.

Fair values

Book values are considered to be equivalent to fair values.