

Company Registration No. 04822716

Interact Care Limited

**Annual Report and Financial Statements
For the nine months ended 30 September 2018**

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Interact Care Limited

Contents

	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Profit and loss account	5
Balance sheet	6
Statement of changes in equity	7
Notes to the financial statements	8

Interact Care Limited

Officers and professional advisers

Directors

C Dickinson
J Ivers
F Sheikh
H Sheikh
J Wiles

Company secretary

C Apthorpe

Registered office

4th Floor, Waterfront
Manbre Wharf, Manbre Road
Hammersmith
London
W6 9RH

Solicitors

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Interact Care Limited

Directors' report

The Directors present their annual report for Interact Care Limited ("the Company") together with the financial statements for the nine month period ended 30 September 2018. This report has been prepared in accordance with the provisions of Part 15, s414B of the Companies Act relating to small companies. No strategic report has been presented as the entity qualifies as a small company under s382 of the Companies Act and is therefore exempt.

Principal activities

The principal activity of the Company during the period was that of residential support. At the balance sheet date, the Company was a wholly-owned subsidiary of the ultimate holding company, Cambian Group Limited ("the Group").

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 its reporting date with its new ultimate controlling party 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.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has applied FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Although the Company has net current liabilities, its intermediate holding company, Cambian Group Holdings Limited, has confirmed that it will continue to provide financial support to the Company for at least nine months from the date of approval of these financial statements. 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.

Dividends

The Directors do not recommend the payment of a dividend (2017: £nil).

Directors

The Directors, who served during the period and up to the date of signing the financial statements, were as follows:

MS Asaria (resigned 18 October 2018)
AM Carrie (resigned 30 May 2019)
C Dickinson (appointed 28 March 2019)
J Ivers (appointed 28 March 2019)
A Kang (resigned 18 October 2018)
F Sheikh (appointed 28 March 2019)
H Sheikh (appointed 28 March 2019)
J Wiles (appointed 2 January 2018)

Political and charitable donations

The Company did not make any political or charitable donations during the course of the period (2017: £nil).

Future developments

Interact Care Limited intends to continue to act as a provider of residential care facilities for young people with mental health disorders. Further details of the Group's future plans can be found in the Group's annual report which can be obtained as set out in note 18.

Interact Care Limited

Directors' report (continued)

Post balance sheet events

On 19 October 2018, the entire issued ordinary share capital of Cambian Group plc was acquired by CareTech by way of a scheme of arrangement 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.

Financial risk management objectives and policies

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

Credit risk

The Company's principal financial assets are cash, and trade debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented 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 the cash flows.

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

The Company 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, the Group, of which the Company is a member, uses a mixture of cash and agreed bank facilities. The Group prepares and monitors a cash flow forecast which reflects known commitments and ensures financial instruments are arranged as necessary to facilitate the requirements.

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



C Dickinson
Director
21 June 2019

Interact Care 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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.*

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Interact Care Limited

Profit and loss account

For the nine months ended 30 September 2018

	Notes	Nine month period ended 30 September 2018 £	Year ended 31 December 2017 £
Turnover		2,667,497	3,341,226
Cost of sales		(2,064,826)	(2,551,622)
Gross profit		602,671	789,604
Administrative expenses		(360,387)	(592,500)
Operating profit	4	242,284	197,104
Interest receivable and similar income	7	-	2,724
Interest payable and similar charges	8	(38,048)	(50,290)
Profit before taxation		204,236	149,538
Tax on profit	9	(50,292)	(29,827)
Profit for the financial period		153,944	119,711

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income in the current period or prior year other than those recognised in the profit and loss account. Accordingly, a separate statement of comprehensive income has not been presented.

The notes on pages 8 to 24 form an integral part of these financial statements.

Interact Care Limited

Balance sheet As at 30 September 2018

	Notes	Nine month period ended 30 September 2018 £	Year ended 31 December 2017 £
Fixed assets			
Tangible assets	10	2,263,092	2,273,195
Current assets			
Debtors	11	514,129	701,585
Cash at bank and in hand		543,308	305,021
		1,057,437	1,006,606
Creditors: amounts falling due within one year	12	(1,399,337)	(1,513,402)
Net current liabilities		(341,900)	(506,796)
Total assets less current liabilities		1,921,192	1,766,399
Provisions for liabilities	13	(32,524)	(31,675)
Net assets		1,888,668	1,734,724
Capital and reserves			
Called up share capital	15	10	10
Revaluation reserve		391,908	391,908
Profit and loss account		1,496,750	1,342,806
Shareholder's funds		1,888,668	1,734,724

The notes on pages 8 to 24 form an integral part of these financial statements.

The Company is entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the nine month period ending 30 September 2018.

The members have not required the company to obtain an audit of its financial statements for the nine month period ended 30 September 2018 in accordance with section 476 of the Companies Act 2007.

The Directors acknowledge their responsibilities for:

- ensuring the Company keeps accounting records which comply with sections 386 and 387 of the Companies Act 2006; and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements of Interact Care Limited (registered number 04822716) were approved by the Board of Directors and authorised for issue on 21 June 2019.

Signed on behalf of the Board of Directors



C Dickinson
Director
21 June 2019

Interact Care Limited

Statement of changes in equity For the nine months ended 30 September 2018

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 January 2017	10	391,908	1,223,095	1,615,013
Profit for the year and total comprehensive income	-	-	119,711	119,711
Balance at 31 December 2017	10	391,908	1,342,806	1,734,724
Profit for the period and total comprehensive income	-	-	153,944	153,944
Balance at 30 September 2018	10	391,908	1,496,750	1,888,668

The notes on pages 8 to 24 form an integral part of these financial statements.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

1. General information

Interact Care Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on page 2.

These financial statements are presented in pound sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is included in the consolidated financial statements of Cambian Group Ltd (the "Group"), a company incorporated in the United Kingdom. The financial statements present the results of the Company as an individual entity and not the results of the Group.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has applied FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Period of accounts

The period covered by these financial statements is the nine month period ended 30 September 2018. The Company changed its accounting reference date in order to harmonise its reporting date with its new ultimate controlling party 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

ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs that are mandatorily effective for the current period

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

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Change in accounting policies – IFRS 9

The Company has adopted IFRS 9 Financial Instruments. The date of initial application was 1 January 2018. In accordance with the transitional provisions in the Standard, comparatives have not been restated. The Company 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 Company has no complex financial instruments. The Company 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 Company's financial assets at 30 September 2018 consist primarily of trade receivables, which will continue to be reflected at amortised cost as the Company'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.

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
			£	£	£
Debtors	Loans and receivables	Financial assets at amortised cost	701,585	N/A	701,585
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	305,021	N/A	305,021
Creditors	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(1,477,083)	N/A	(1,477,083)

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 Company 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 Company is considered to be the impairment provisioning of trade receivables. 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.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Contract assets and liabilities

Hedge accounting

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

Change in accounting policies – IFRS 15

The Company 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 Company's revenue recognition policy, as set out in note 2.

IFRS 15 requires that contract assets be reported separately from contract liabilities in the balance sheet. The Company 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. The Company will estimate the accrued income using the agreed contractual rate and the number of days where the service user was receiving care from the Company.

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 Company 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

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Standards not affecting the reported results and financial position (continued)

Title	Subject	Effective date
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 Company in future reporting periods.

Management are currently performing a detailed review of the Company'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.

Basis of accounting

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

Where relevant, equivalent disclosures have been given in the group financial statements of Cambian Group Limited. The group financial statements of Cambian Group Limited are available to the public and can be obtained as set out in note 18.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the 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 a liability, the Company 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 purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Basis of accounting (continued)

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.

The principal accounting policies adopted are set out below.

Going concern

The Directors have, at the time of signing the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing. Although the Company has net current liabilities of £0.3m (2017: £0.5m), the Company has received confirmation from its intermediate holding company Cambian Group Holdings Limited, that for at least twelve months from the date of approval of these financial statements, that it will provide financial support to the Company. Accordingly, they have adopted the going concern basis of accounting in preparing the financial statements. The Directors have considered the Company's cash flow forecasts and profit projections and are satisfied that the Company should be able to operate within its current facilities. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

The Company recognises turnover from the following major source:

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

Turnover 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 turnover is recognised over the period in which the service is provided.

Additional services provided by the Company are recognised on provision of the service. Sales rebate accruals and provisions are established in the same period as the turnover to which they relate.

Residential services are recognised over time as the entity's efforts are expended evenly through the period.

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

Interact Care Limited

Notes to the financial statements (continued) **For the nine months ended 30 September 2018**

2. Significant accounting policies (continued)

Basis of accounting (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures fittings & equipment	3-5 years
Motor vehicles	4-5 years

No depreciation is charged on assets under construction until the assets are ready for use.

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 Company'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. No depreciation is charged on assets under construction until the assets are ready for use.

Impairment of tangible and intangible assets

At each balance sheet 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 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 Company 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.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

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 Company 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.

Operating profit

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

Post-retirement benefits

The Company operates a defined contribution scheme where the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 period. Taxable profit differs from net profit as reported in the profit and loss account 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 balance sheet date.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company 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, plus transaction costs. All financial assets, other than cash and cash equivalents, are classified as "loans and receivables".

Loans and receivables (updated from 1 January 2018)

Debtors, 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 debtors held, has been assessed. The Company 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 January 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.

For debtors, the Company uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses. For trade receivables, the Company 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 debtor 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 debtors, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

2. Significant accounting policies (continued)

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are classified as other financial liabilities. In certain circumstances the Company is required to undertake the responsibility of Corporate Appointee for individuals under the Company'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 Company 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.

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.

Derecognition of financial liabilities

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

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 Company's accounting policies

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies.

Key source 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

The Company operates a number of sites where individuals "sleep in" overnight and are paid an allowance for so doing. It is the Company'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 the Group 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 the Company 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.

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 the Company has maintained its historical and current provisions.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

4. Operating profit

	9 months to 30 September 2018 £	12 months to 31 December 2017 £
Operating profit is stated after charging:		
Depreciation of owned fixed assets	68,740	83,432
Operating lease rentals in respect of other assets	42,880	104,157
Fees payable to the Company's auditor for - the audit of the financial statements	-	9,334
	<u> </u>	<u> </u>

5. Staff costs

The average monthly number of employees (including Directors) during the period was:

	9 months to 30 September 2018 Number	12 months to 31 December 2017 Number
Nursing, care and support staff	75	110
Management and administration	-	-
	<u> </u>	<u> </u>
	75	110
	<u> </u>	<u> </u>

Their aggregate remuneration during the year comprised:

	9 months to 30 September 2018 £	12 months to 31 December 2017 £
Wages and salaries	1,620,559	1,786,935
Social security costs	112,829	131,522
Other pension costs	14,475	16,547
	<u> </u>	<u> </u>
	1,747,863	1,935,004
	<u> </u>	<u> </u>

6. Directors' remuneration

There were no Directors' emoluments in the current period (2017: Nil), the Directors were remunerated through other Group companies.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

7. Interest receivable and similar income

	30 September 2018 £	31 December 2017 £
Bank interest receivable	-	3
Other interest	-	2,721
	<u>-</u>	<u>2,724</u>

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.

8. Interest payable and similar charges

	30 September 2018 £	31 December 2017 £
Bank charges	202	290
Intercompany interest	37,397	50,000
Bank interest	449	-
	<u>38,048</u>	<u>50,290</u>

The interest payable to Group undertakings is accrued and paid at a rate of 5% (2017: 5%) on fixed balances, whilst other trading balances don't attract interest.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

9 Tax

Analysis of charge in the year

	30 September 2018 £	31 December 2017 £
Current tax		
Current tax on profit for the year	45,645	36,647
Prior year adjustment	5,108	(391)
	<u>50,753</u>	<u>36,256</u>
Deferred tax (note 14)		
Origination and reversal of timing differences	(461)	(6,429)
	<u>50,292</u>	<u>29,827</u>

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	30 September 2018 £	31 December 2017 £
Profit before tax	<u>204,235</u>	<u>149,538</u>
Tax on profit at standard UK corporation tax rate of 19.0% (2017: 19.3%)	<u>38,805</u>	<u>28,781</u>
<i>Effects of:</i>		
Expenses not deductible for tax	(1,020)	(1,794)
Capital allowances in excess of depreciation	(3,896)	(4,340)
Ineligible fixed asset differences	15,050	7,571
Short term timing differences	(3,755)	-
Prior year adjustment	5,108	(391)
Total tax charge for the year	<u>50,292</u>	<u>29,827</u>

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

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

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

10. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2018	2,253,474	385,276	37,845	2,676,595
Additions	-	58,638	-	58,638
Disposals	-	(195,417)	-	(195,417)
At 30 September 2018	2,253,474	248,497	37,845	2,539,816
Depreciation				
At 1 January 2018	(112,645)	(252,910)	(37,845)	(403,400)
Charge for the year	(33,802)	(34,939)	-	(68,741)
Disposals	-	195,417	-	195,417
At 30 September 2018	(146,447)	(92,432)	(37,845)	(276,724)
Net book value				
At 30 September 2018	2,107,027	156,065	-	2,263,092
At 31 December 2017	2,140,829	132,366	-	2,273,195

11. Debtors

	30 September 2018 £	31 December 2017 £
Trade debtors	502,573	687,747
Other debtors	243	12,082
Prepayments and accrued income	11,313	1,756
Total	514,129	701,585

All amounts shown under debtors fall due for payment within one year.

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

12. Creditors: amounts falling due within one year

	30 September 2018	31 December 2017
	£	£
Trade creditors	31,282	17,420
Amounts owed to group undertakings	883,584	1,084,426
Other taxes and social security costs	39,755	36,234
Other creditors	9,190	-
Accruals and deferred income	348,104	338,653
Client money payable	350	350
Corporation tax	87,072	36,319
	<u>1,399,337</u>	<u>1,513,402</u>

The interest payable to Group undertakings is accrued and paid at a rate of 5% (2017: 5%) on fixed balances, whilst other trading balances do not attract interest. All amounts due to Group undertakings are repayable on demand. Interest of £37,397 (2017: £50,000) in respect of amounts owed to Group undertakings has been paid in the current year.

13. Provisions for liabilities

	30 September 2018	31 December 2017
	£	£
Provisions	23,516	22,206
Deferred tax (note 14)	9,008	9,469
	<u>32,524</u>	<u>31,675</u>

Provisions principally comprise an amount provided for "sleep-ins" and dilapidations. These have been explained in note 3 to the financial statements. The directors have assessed these provisions as being non-current.

14. Deferred tax

	30 September 2018	31 December 2017
	£	£
Balance at 1 January	9,469	15,898
Charge for the year	(461)	(6,429)
Balance at 30 September 2018/31 December 2017	<u>9,008</u>	<u>9,469</u>

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

14. Deferred tax (continued)

The deferred tax liability is made up as follows:

	30 September 2018	31 December 2017
	£	£
Accelerated capital allowances	12,955	9,469
Short term timing differences	(3,947)	-
	<u>9,008</u>	<u>9,469</u>

The deferred tax liability is recognised as a provision for liabilities (note 13).

15 Called up share capital

	30 September 2018	31 December 2017
	£	£
Allotted, called up and fully paid		
9,999 Ordinary shares of £0.001 each	<u>10</u>	<u>10</u>

16. Financial commitments

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

	Motor vehicles 30 September 2018	Motor vehicles 31 December 2017
	£	£
- within one year	40,880	27,313
- between two and five years	69,532	51,183
	<u>110,412</u>	<u>78,496</u>

Interact Care Limited

Notes to the financial statements (continued) For the nine months ended 30 September 2018

17. Pensions

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 Company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. Contributions made throughout the year in respect of the pension scheme amounted to £14,475 (2017: £16,547). Contributions outstanding at 30 September 2018 were £2,862 (2017: £1,198).

18. Control

The immediate parent company is *Cambian Childcare Ltd*.

Prior to 19 October 2018 the ultimate parent Company and controlling party and the smallest and largest group into which the financial statements of the Company are consolidated was Cambian Group Limited, a Company incorporated in the United Kingdom whose registered address is 4th Floor, Waterfront Manbre Wharf, Manbre Road, Hammersmith, England, W6 9RH. Consolidated financial statements are available on request from this address.

On 19 October 2018, the entire issued ordinary share capital of Cambian Group plc was acquired by CareTech by way of a scheme of arrangement 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.

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