Company Registration No. 05274924

Cambian Childcare Properties Limited

Annual Report and Financial Statements

For the nine months ended 30 September 2018

Cambian Childcare Properties Limited

Officers and professional advisors

Directors	C Dickinson J Ivers F Sheikh H Sheikh J Wiles
Company secretary	C Apthorpe
Company number	05274924
Registered office	4th Floor, Waterfront Building Manbre Wharf, Manbre Road, Hammersmith London W6 9RH

Cambian Childcare Properties Limited

Strategic report

The Directors present the strategic report for Cambian Childcare Properties Limited ("the Company") together with the financial statements for the nine months ended 30 September 2018.

Principal activity

The Company's principal activity is the generation of capital growth through development of and investment in, fit for purpose, well designed, high quality properties used in the childcare sector.

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.

Business review

The Profit and loss account of the Company is set out on page 7.

Turnover for the nine month period was £2.5m (2017: £3.3m) and the Company made a loss before tax of £1.9m (2017: £2.7m).

The Company's Key Performance Indicators ("KPIs") are turnover and profit/(loss) before tax.

Movement in the KPIs in the period were as follows:

	9 months to September 2018 £'000	Pro rata 2017 £'000	12 months to December 2017 £'000	Movement £'000
Turnover	2,510	2,477	3,303	33
Loss before tax	(1,867)	(2,062)	(2,749)	(195)

For comparative purposes, financial KPI's have been represented on a pro-rata basis for 2017. Non-financial KPIs are not material for the company as they are reviewed on a Group basis.

On a pro-rata basis, turnover has increased during the period due to annual increments to the internal rent charge received from other Group companies as well as further additions to property under the ownership of the Company.

The Directors expect the general level of activity, including turnover and profit before tax, to increase as the Company continues to purchase and rent new properties and through potential rent increases in line with inflation.

Business risks and strategy

The Company holds a portfolio of freehold and long leasehold assets which are subject to fluctuations in the UK real estate market which will affect the value of the real estate assets that the Company holds.

Other group entities have large intergroup balances which could negatively impact going concern. This risk is mitigated through the assurance that for at least twelve months from the date of approval of these financial statements, that they will not seek repayment of the amounts currently due.

At the balance sheet date, the Company is a wholly-owned subsidiary of the ultimate holding company, Cambian Group Limited ("the Group"), which at the balance sheet date was listed on the London Stock Exchange.

Cambian Childcare Properties Limited

Strategic report (continued)

Business risks and strategy (continued)

Details of the Group's business risks and strategy can be reviewed in the Annual Report which is available at the Company's registered address.
Please refer to the director's report for details of change in control.

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

C Dickinson
Director
21 June 2019

Cambian Childcare Properties Limited

Directors' report

The Directors present their annual report together with the financial statements for the nine months ended 30 September 2018.

Future plans

The Company intends to continue to hold its current investments in properties and in subsidiary companies and will develop these properties in line with the Group's overall strategy. Details of the Cambian Group Limited ("the Group") future plans can be reviewed in the Annual Report which is available at the Group's registered address.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of twelve months after signing. Although the Company has net current liabilities of £64.0m (2017: £61.0m), its intermediate holding company, Cambian Group Holdings Limited, has confirmed that it will continue to provide financial support to the Company for at least twelve 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.

Financial risk management objectives and policies

Credit risk

The Company's principal financial assets are cash and debtors. Cash is only deposited with major financial institutions. Credit risk is considered to be insignificant.

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 balances 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.

Subsequent events

At balance sheet date, the ultimate controlling party was Cambian Group plc, a publically listed company. On 19 October 2018, the ultimate controlling party changed to CareTech Holdings PLC. On this date CareTech Holdings PLC acquired all of the issued share capital of Cambian Group plc by way of a scheme of arrangement of Cambian under Part 26 of the Companies Act. This is in line with the Rule 2.7 Offer as announced on 16 August 2018. As a result Cambian Group plc, a public company, has reregistered as Cambian Group Limited, a private company, on 16 November 2018.

Dividends

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

Cambian Childcare Properties Limited

Directors' report (continued)

Directors

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

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

The Directors had no beneficial interest in the shares of the Company at the period end.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

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

C Dickinson
Director
21 June 2019

Cambian Childcare Properties 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 period. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Cambian Childcare Properties Limited

Profit and loss account
For the nine months ended 30 September 2018

	Note	Nine month period ended September 2018	Twelve month period ended December 2017
		£000	£000
Turnover		2,511	3,303
Administrative expenses		(2,146)	(3,289)
Operating profit	4	365	14
Interest payable and similar charges	6	(2,232)	(2,763)
Loss before taxation		(1,867)	(2,749)
Taxation	7	199	(1,141)
Loss for the financial period		(1,668)	(3,890)

All amounts relate to continuing operations.

The notes on pages 10 to 24 form part of the financial statements.

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

Cambian Childcare Properties Limited

Balance sheet
As at 30 September 2018

	Note	30 September 2018 £'000	31 December 2017 £'000
Fixed assets			
Tangible assets	8	2,886	4,275
Investment property	9	41,560	39,196
Investments	10	-	-
		44,446	43,471
Current assets			
Debtors	11	791	263
Cash at bank and in hand		215	12
		1,006	275
Creditors: Amounts falling due within one year	12	(64,662)	(61,288)
Net current liabilities		(63,656)	(61,013)
Total assets less current liabilities		(19,210)	(17,542)
Net assets		(19,210)	(17,542)
Capital and reserves			
Called up share capital	14	6	6
Share premium account		546	546
Revaluation reserve		173	173
Profit and loss account		(19,935)	(18,267)
Shareholders' funds		(19,210)	(17,542)

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:

a) ensuring the Company keeps accounting records which comply with sections 386 and 387 of the Companies Act 2006; and
b) 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 period and of its profit or loss for each financial period 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 Cambian Childcare Properties Limited (registered number: 05274924) were approved by the Board of Directors and authorised for issue on 21 June 2019 and were signed on its behalf by:

C Dickinson
Director
21 June 2019

Cambian Childcare Properties Limited

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

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2017	6	546	173	(14,377)	(13,652)
Loss for the financial year and total comprehensive loss	-	-	-	(3,890)	(3,890)
At 31 December 2017	6	546	173	(18,267)	(17,542)
Loss for the financial period and total comprehensive loss	-	-	-	(1,668)	(1,668)
At 30 September 2018	6	546	173	(19,935)	(19,210)

The notes on pages 10 to 24 form part of these financial statements.

Notes to the financial statements

For the nine months ended 30 September 2018

1. General information

Cambian Childcare Properties 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 strategic 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 Limited, a company incorporated in the United Kingdom. Accordingly the Company has taken advantage of the exemption given in s400 of the Companies Act 2006 from preparing and delivering Group financial statements. The financial statements present the results of the Company as an individual entity and not the results of 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.

2. Significant accounting policies

ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs that are mandatorily effective for the current period

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

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

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:

Change in accounting policies – IFRS 9 (continued)

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 amounts owed from Group undertakings, which will continue to be reflected at amortised cost as the Company's business model is to collect contractual cash flows from Group undertakings, 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 fair value through profit and loss ("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**
			£'000	**£'000**	**£'000**
Debtors	Loans and receivables	Financial assets at amortised cost	10	N/A	10
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	12	N/A	12
Creditors	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(61,288)	N/A	(61,288)

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 debtors consist of intergroup loans with other wholly owned companies which share the same ultimate controlling party. As such the credit risk associated with debtors is considered low.

2. Significant accounting policies (continued)

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

Hedge accounting

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

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
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

2. Significant accounting policies (continued)

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 financial instruments, 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 15.

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.

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 £64.0m (2017: 61.0m), 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 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.

2. Significant accounting policies (continued)

Turnover

Turnover for the provision of rental services is recognised rateably over the period of the lease.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings	50 years
Fixtures fittings & equipment	3-5 years

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.

Investment property

Investment property, which is property held to earn rentals, comprise significant portions of freehold and leasehold buildings used in the education sector that are held for long-term rental yields and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Impairment of tangible 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.

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.

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.

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.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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.

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.

2. Significant accounting policies (continued)

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.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

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.

Carrying value of investment property

Determining whether investment property is impaired requires an estimation of the value in use, and if required, estimation of the fair value less costs of disposal. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment property, and a suitable discount rate in order to calculate present value.

4. Operating profit

	9 months to September 2018 £000	12 months to December 2017 £000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	140	184
Depreciation of investment property	680	893
Loss on disposal of fixed assets	-	71
Fees payable to the Company's auditor for the audit of the annual financial statements	-	43
Management fee from intermediate holding company	1,371	2,052

5. Staff numbers and costs

The average monthly number of employees (excluding Directors) during the period was zero (2017: zero).

There were no Directors' emoluments in the current or previous period. The Directors were remunerated through other Group companies.

6. Interest payable and similar charges

	9 months to September 2018 £000	12 months to December 2017 £000
Interest payable to Group undertakings	2,232	2,763

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

7. Taxation

	9 months to September 2018 £000	12 months to December 2017 £000
UK corporation tax		
Current tax on loss for the period	(219)	(327)
Adjustment in respect of previous years	53	8
Total current tax credit	(166)	(319)
Deferred tax (note 13)		
Origination and reversal of timing differences	(33)	1,460
Total tax (credit)/charge on loss	(199)	1,141

Cambian Childcare Properties Limited

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

7. Taxation (continued)

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

	9 months to **September 2018 £000**	*12 months to* **December 2017 £000**
Profit before tax	(1,867)	(2,749)
Tax on profit at standard UK corporation tax rate of 19.0% (2017: 19.3%)	(355)	(529)
Effects of:		
Expenses not deductible for tax	-	25
Ineligible fixed asset difference	91	1,666
Capital allowances in excess of depreciation	12	(29)
Adjustments to tax charge in respect of previous years	53	8
Total tax charge for the period	(199)	1,141

A deferred tax asset amounting to £43,325 (2017: £43,325) has not been recognised because in the opinion of the Directors there will be no suitable taxable gains available in the foreseeable future on which to utilise the asset.

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.

Cambian Childcare Properties Limited

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

8. Tangible fixed assets

	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£000	**£000**	**£000**
Cost or valuation			
At 1 January 2018	1,466	3,284	4,750
Additions	1	1,822	1,823
Disposals	(873)	-	(873)
Transfer	180	(2,567)	(2,387)
At 30 September 2018	774	2,539	3,313
Depreciation			
At 1 January 2018	475	-	475
Charge for the period	141	-	141
Disposals	(873)	-	(873)
Reclassification	684	-	684
At 30 September 2018	427	-	427
Net book value			
At 30 September 2018	347	2,539	2,886
At 31 December 2017	991	3,284	4,275

9. Investment property

	£000
Cost or valuation	
At 1 January 2018	43,560
Additions	378
Disposals	(470)
Reclassification	2,083
Transfer from tangible fixed assets	2,387
At 30 September 2018	**47,938**
Depreciation	
At 1 January 2018	4,364
Charge for the period	678
Disposals	(63)
Reclassification	1,399
At 30 September 2018	**6,378**
Net book value	
At 30 September 2018	**41,560**
At 31 December 2017	39,555

The reclassification between fixtures, fittings and equipment and investment property relates to depreciation being charged to the wrong asset group.

During the period, the Company received £2.5m (2017: £3.3m) from operating lease rentals of investment property.

Fair value of investment property is £131.5m (2017: £142.8m). Fair value is based on an independent valuation, by a qualified Chartered Surveyor with the necessary experience in dealing with this type of property in the United Kingdom in order to undertake this valuation assessment.

10. Fixed asset investments

	Total £000
Cost	
At 1 January and 31 December 2017	6,472
At 1 January and 30 September 2018	6,472
Impairment	
At 1 January and 31 December 2017	6,472
At 1 January and 30 September 2018	6,472
Net book value	
At 1 January and 30 September 2018	-

Cambian Childcare Properties Limited

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

10. Fixed asset investments (continued)

At the period end the Company held the following investments:

Company	*Country of registration or incorporation*	*Principal activities*	*Class of share*	*% held*
Independent Childcare Group of Schools Limited	England & Wales	Dormant	Ordinary	100%
Clifford House Limited	England & Wales	Dormant	Ordinary	100%
Continuum Care and Education Group Limited	England & Wales	Dormant	Ordinary	100%
SACCS Limited	England & Wales	Dormant	Ordinary	100%
Elite Children's Care Limited*	England & Wales	Dormant	Ordinary	100%
Farrow House Limited*	England & Wales	Dormant	Ordinary	100%
Cambrian Care (Powys) Limited*	England & Wales	Dormant	Ordinary	100%
Herts Care Group Limited*	England & Wales	Dormant	Ordinary	100%
Herts Care (Escort and Supervision Services) Limited*	England & Wales	Dormant	Ordinary	100%
Herts Care Limited*	England & Wales	Dormant	Ordinary	100%
Herts Care Property Limited*	England & Wales	Dormant	Ordinary	100%
Inhoco 2993 Limited*	England & Wales	Dormant	Ordinary	100%
Green Corns Limited*	England & Wales	Dormant	Ordinary	100%
SACCS Care Limited*	England & Wales	Dormant	Ordinary	100%

* Held indirectly through its direct subsidiaries.

The registered office for the companies listed above is: 4th Floor, Waterfront Building, Manbre Wharf, Manbre Road, Hammersmith, London W6 9RH.

11. Debtors

	30 September 2018 £000	31 December 2017 £000
Other debtors	55	10
Amounts owed from Group undertakings	317	-
Corporation tax	419	253
	791	263

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

12. Creditors: amounts falling due within one year

	30 September 2018 £000	31 December 2017 £000
Amounts owed to Group undertakings	63,217	59,798
Other creditors	12	-
Accruals and deferred income	-	24
Deferred tax (note 14)	1,433	1,466
	64,662	61,288

12. Creditors: amounts falling due within one year (continued)

The interest payable to Group undertakings is accrued and paid at a rate of 5% on fixed balances, whilst other trading balances do not attract interest. In the nine month period to September 2018 interest of £2,231,644 (12 month year to December 2017: £2,762,603) in respect of amounts owed to Group undertakings has been paid in the current period.

13. Deferred taxation

	30 September 2018 £000	31 December 2017 £000
Balance at 1 January	1,466	6
Charge for period (see note 7)	(33)	1,460
Balance at 30 September	1,433	1,466

The deferred tax liability is made up as follows:

	30 September 2018 £000	31 December 2017 £000
Accelerated capital allowances	1,433	1,466

The deferred tax asset is recognised as a creditor (note 12).

14. Called up share capital

	30 September 2018 £000	31 December 2017 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	6	6

15. Control

The immediate parent company is Advanced Childcare Services Limited.

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 plc, 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.