

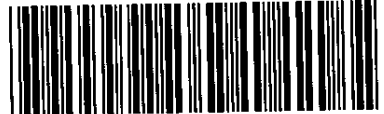
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Avery Opco Lessee Limited

Annual report and financial statements

Registered number 10525132

31 March 2019

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Strategic Report

The Directors present their strategic report for the year ended 31 March 2019.

Principal activities

The principal activity of Avery Opco Lessee Limited during the year was that of a holding company.

The Group is engaged in the development and operation of care homes and retirement living facilities together with the provision of specialist services for the elderly.

Business review and results

Management operate and monitor the business on a pre-exceptional operating profitability and EBITDA basis, upon which the results for the year can be summarised as follows:

	2017/18 Pre- exceptionals £000	2018/19		
		Pre- exceptionals £000	Exceptional costs £000	Total £000
Operating profitability:				
Group turnover	5,440	20,155	-	20,155
Cost of sales	(2,872)	(9,753)	-	(9,753)
Gross profit	2,568	10,402	-	10,402
Administrative expenses	(2,780)	(11,811)	-	(11,811)
Exceptional accounting adjustment for future rent increases (non cash)	-	-	(638)	(638)
Profit/(loss) on sale of fixed assets	-	1,879	-	1,879
Operating profit/(loss)	(212)	470	(638)	(168)

	2017/2018 Pre- exceptionals £000	2018/19		
		Pre- exceptionals £000	Exceptional costs £000	Total £000
EBITDA profitability:				
Operating profit/loss	(212)	470	(638)	(168)
Addback depreciation (note 4)	17	305	-	305
Addback amortisation (note 4)	-	793	-	793
EBITDA	(195)	1,568	(638)	930

The Directors are pleased with the performance for the year, which is in line with expectations and reflects the maturing nature of the Group's care homes both from (i) previously acquired care homes; and (ii) facilities which have been or are in the process of being refurbished and repositioned. Turnover for the year was £20.2m (2018: £5.4m) with a gross margin of 51.6% (2018: 47.2%). The Group recorded an operating profit of £0.5m before exceptional costs (2018: £0.2m loss). Exceptional costs of £0.6m (2018: £0.6m) primarily relate to one-off acquisition related costs, exceptional professional fees and the accounting treatment for guaranteed rental increases in future years of £0.6m (2018: £0.4m) (note 7). This latter accounting adjustment has no cash impact. UK Accounting Standards require a treatment of long term lease financing which the Directors consider presents the performance of the Company in a way which understates the underlying level of performance by overstating lease costs in the year. It is this non-cash additional rent cost which is shown in exceptional costs. Interest payable in the year was £13k (2018: £1k).

Strategic Report *(continued)*

Business review and results *(continued)*

During the year, the Group acquired the trading operations of 3 homes along with a related home care business at Loxley Park, from Signature Lessee Limited.

This took the total number of operational facilities to 6 at the year end.

The Group is currently in the process of refurbishing and repositioning a number of care homes and continues to focus on growing the business organically and through selective acquisitions.

It is worth outlining our relationship with Welltower Inc who are one of the most respected and longest established Real Estate Investment Trusts (REITs) in the USA. Welltower always seeks to partner with best in class operators and this led to them selecting Avery Healthcare to work with as their principal partner in the UK.

The Directors of the Company are of the opinion that it has adequate facilities in place to meet its external liabilities as they fall due and to fund the planned ongoing investment and expansion in delivering high quality care accommodation for the foreseeable future.

Group's objectives

- To establish a group of care homes and retirement living facilities, all of which will be of the highest quality from both an environmental and care delivery perspective, where the resident is at the centre of all our activities;
- To recruit and provide training to staff of a similarly high calibre;
- Continue to evolve and use our quality assurance system to assist in delivering our aim of providing high quality care to the elderly;
- Continuous expenditure on the environment and fabric of the buildings. Continued recognition of the importance of this to the residents of our facilities;
- To achieve above industry average outcomes from reviews and inspections undertaken by sector regulators; and
- To achieve a financial performance in line with budget and in excess of sector norms.

How we will achieve this

- Providing better care which offers good value for the high quality services provided compared with our competitors;
- Building care homes and retirement living facilities in the correct locations, to standards well in excess of the required minimum;
- Providing a career path for all our staff;
- Providing the training and support to teach staff the art of caring and the responsibilities it entails;
- Complying with all regulatory requirements; and
- Providing a quality of care which achieves or exceeds the highest regulatory standards.

Strategic Report *(continued)*

Business review and results *(continued)*

How we will assess our performance

- Close supervision and support of our care home and retirement living facility managers by high calibre and experienced regional staff;
- Achievable operational budgets; and
- Weekly reporting to care home and retirement living facility managers on key performance indicators.

Assessment of uncertainties and risks

- Continued assessment of the long term care sector and the potential changes on the horizon;
- Monitor government policy and the impact on the care sector of proposed changes in either social economic terms or direct government focus. Respond to potential changes in the general political climate of the privately provided care sector;
- Monitor the housing market and pensions, enabling an assessment of service user's ability to pay for care services; and
- Managing the financial risk resulting from fluctuations in interest rates through appropriate hedging arrangements.

Key performance indicators

The Group monitors the performance of the business using the following measures:

- Earnings before interest, tax, depreciation, amortisation and exceptional costs – EBITDA (pre-exceptionals)
- 2019 profit £1.6m (2018: £0.2m loss)
- Operating cash flow
- 2019 cash inflow £35k (2018: £140k inflow)

Other indicators are occupancy levels, average weekly fee rates and the proportion of turnover contributed by self-funding clients who are attracted to homes of a high standard – the Group is one of the few which has predominately 100% single rooms with ensuite facilities. This accounts for above average fee levels.

Principal risks and uncertainties

The principal strategic and operational risks are included in the Assessment of uncertainties and risks section above. The Group seeks to reduce financial risk to a commercially acceptable level through the application of stringent financial management controls and reporting. Notes 14, 15, 16 and 18 include further details of financial instruments. The Company and Group's financial instruments comprised cash, debtors, creditors, and share capital.

Strategic Report *(continued)*

Future developments and post balance sheet events

The group continues to focus on the expansion of the business through the development of new care homes and retirement living facilities, and has a number of potential sites under active review.

On 9th July 2019 the Group acquired Avery Homes Downend Limited, and on 11th July 2019 the Group acquired the non-property trading assets of Avery Homes (Kingswood) Limited.

Signed on behalf of the Board



R Clements
Director

3 Cygnet Drive
Swan Valley
Northampton
NN4 9BS

30 January 2020

Directors' Report

The Directors present their directors' report for the year ended 31 March 2019.

Paid or proposed dividends

The Directors do not recommend the payment of a dividend (2018: £nil).

Directors

The Directors who held office during the year and in the period to the date of this report were as follows:

M Danis	
S Stark	(Resigned 30 May 2019)
M Wolfinger	
S Winfield	
R Clements	(Appointed 24 September 2019)

Employees

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Involvement of employees

The Group has a well-established policy of providing employees with information about the Group through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or preceding financial year.

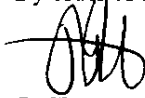
Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



R Clements
Director

3 Cygnet Drive
Swan Valley
Northampton
NN4 9BS

30 January 2020

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent Auditor's report to the members of Avery Opco Lessee Limited

Opinion

We have audited the financial statements of Avery Opco Lessee Limited ("the company") for the year ended 31 March 2019 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of trade debtors, the recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparations of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent auditor's report to the members of Avery Opco Lessee Limited *(continued)*

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Avery Opco Lessee Limited *(continued)*

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

30 January 2020

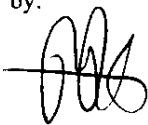
Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	20,155	5,440
Cost of sales		(9,753)	(2,872)
		<hr/>	<hr/>
Gross profit		10,402	2,568
Administrative expenses - exceptional	7	(638)	(582)
- other		(11,811)	(2,780)
Profit on sale of fixed assets		1,879	-
		<hr/>	<hr/>
Operating loss		(168)	(794)
Interest payable and similar charges	8	(13)	(1)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2-8	(181)	(795)
Tax on loss on ordinary activities	9	-	(653)
		<hr/>	<hr/>
Loss for the financial year		(181)	(1,448)
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		(181)	(1,448)
		<hr/>	<hr/>

Consolidated Balance Sheet
as at 31 March 2019

	<i>Notes</i>	2019 £000	£000	2018 £000	£000
Fixed assets					
Intangible assets	10		15,856		-
Tangible assets	11		1,035		214
			<hr/>		<hr/>
			16,891		214
Current assets					
Stocks	13	34		68	
Debtors	14	8,983		6,950	
Cash at bank and in hand		2,630		781	
		<hr/>		<hr/>	
		11,647		7,799	
Creditors: amounts falling due within one year	15	(9,529)		(6,840)	
		<hr/>		<hr/>	
Net current assets			2,118		959
			<hr/>		<hr/>
Total assets less current liabilities			19,009		1,173
Creditors: amounts falling due after more than one year	16		(18,448)		(431)
			<hr/>		<hr/>
Net assets			561		742
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		-		-
Profit and loss account			561		742
			<hr/>		<hr/>
Total shareholder funds			561		742
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 30 March 2020 and were signed on its behalf by:



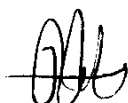
R Clements
Director

Company registration number: 10525132

Company Balance Sheet
as at 31 March 2019

	<i>Notes</i>	2019 £000	2018 £000	£000
Fixed assets				
Investments	12	551	551	
Current assets				
Debtors	14	5,984	3,938	
Cash at bank and in hand		2,234	6	
		<u>8,218</u>	<u>3,944</u>	
Creditors: amounts falling due within one year	15	<u>(6,262)</u>	<u>(1,788)</u>	
Net current assets		<u>1,956</u>	<u>2,156</u>	
Net assets		<u>2,507</u>	<u>2,707</u>	
Capital and reserves				
Called up share capital	17	-	-	
Profit and loss account		2,507	2,707	
Shareholders' funds		<u>2,507</u>	<u>2,707</u>	

These financial statements were approved by the board of directors on 30 JANUARY 2020 and were signed on its behalf by:



R Clements
Director

Company registration number: 10525132

Consolidated Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	-	2,190	2,190
Total comprehensive income for the year			
Profit or loss	-	(1,448)	(1,448)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(1,448)	(1,448)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	742	742
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2018	-	742	742
Total comprehensive income for the year			
Profit or loss	-	(181)	(181)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(181)	(181)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	-	561	561
	<hr/>	<hr/>	<hr/>

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	-	2,700	2,700
Total comprehensive income for the year			
Profit or loss	-	7	7
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	7	7
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	2,707	2,707
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2018	-	2,707	2,707
Total comprehensive income for the year			
Profit or loss	-	(200)	(200)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(200)	(200)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	-	2,507	2,507
	<hr/>	<hr/>	<hr/>

Consolidated Cash Flow Statement for year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		(181)	(1,448)
Adjustments for:			
Depreciation, amortisation and impairment		1,098	17
Non cash rent expenses		638	431
(Profit)/loss on sale of fixed assets		(1,879)	-
Interest receivable and similar income		-	-
Interest payable and similar charges		13	1
Taxation		-	653
		<hr/>	<hr/>
		(311)	(346)
Increase in trade and other receivables		(1,465)	(2,142)
Decrease/(increase) in inventories		34	(40)
Increase in trade and other payables		1,777	2,668
		<hr/>	<hr/>
Net cash from operating activities		35	140
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,879	-
Acquisition of a business, net of cash acquired	3	481	-
Acquisition of property, plant and equipment		(533)	(140)
		<hr/>	<hr/>
Net cash from investing activities		1,827	(140)
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid		(13)	(1)
Repayment of loans		-	(384)
		<hr/>	<hr/>
Net cash from financing activities		(13)	(385)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		1,849	(385)
Cash and cash equivalents at 1 April 2018		781	1,166
		<hr/>	<hr/>
Cash and cash equivalents at 31 March 2019		2,630	781
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Avery Opco Lessee Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Further information on the Group's business activities, together with the factors likely to affect its future performance and position, are set out in the strategic report. Note 17 includes further information on the Group's share capital.

The Group has recorded a loss before taxation for the year of £0.2m. Other than certain cash exceptional costs of £0.6m, this result is in line with expectations and the Group continues to perform in line with the original long term business plan.

At the year end the Group had net current assets £2.1m, including £2.6m cash.

The Group meets its day-to-day working capital requirements through operating cash flows. It is the nature of the business, where revenue is typically paid monthly in advance, that the Group is reliant on future trading performance (including occupancy level and fee rates) to meet its liabilities as they fall due. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through current and committed facilities.

After making enquiries and considering the above issues in detail, and whilst accepting that there are certain levels of risk associated with the above issues, the Directors consider and have concluded that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

Notes (continued)

1 Accounting policies (continued)

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold property - 50 years
- Leasehold improvements - 5 years
- Fixtures and fittings - 5 to 6 years
- IT equipment - 5 years
- Motor vehicles - 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Notes (continued)

1 Accounting policies (continued)

1.8 Business combinations (continued)

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.9 Intangible assets, goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill is amortised on a straight line basis over its useful life. The finite useful life of goodwill is estimated to be the life of the lease to which the assets relate.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress comprises amounts incurred to date on the development of care homes which are contracted for sale in the future.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGUs") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Notes (continued)

1 Accounting policies (continued)

1.11 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Turnover

Turnover

Turnover represents fee income relating to the provision of care services, net of value added tax, if applicable and the sale of properties acquired or developed by the Group where a forward sales agreement is in place. Fee income comprises care home resident fees and retirement living resident fees which are recognised when the delivery of the service is completed. Fees invoiced in advance are included as deferred income until the service is completed.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Exceptional items

Material items of income and expenditure which arise from one off events (such as a restructuring), or relate to non-cash items (such as the accrual for future rental increases), are classified as exceptional items on the basis that the Directors believe this presents a clearer picture of the underlying performance of the Group.

Notes (continued)

1 Accounting policies (continued)

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet the criteria are disclosed in the notes to the financial statements.

2 Turnover

Turnover is derived entirely in the UK from the principal activities of the Group whose activities comprise the operation and construction of care homes and retirement living facilities.

3 Acquisitions of businesses

Acquisitions in the current period

On 1 May 2018, the Group acquired all of the shares of Avery at Loxley Park (Homecare) Limited, Avery at Loxley Park (Operations) Limited, Avery at the Miramar (Operations) Limited and Avery of Leicester (Operations) Limited for a receipt of £283k. The activities of the companies acquired include the operation of two care homes, the operation of one retirement living facility and the provision of domiciliary care into the retirement facility. The businesses contributed revenue of £12.2m and net loss for the year of £0.5m.

Notes (continued)

3 Acquisitions of businesses (continued)

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	593	-	593
Trade and other debtors	568	-	568
Cash	198	-	198
Trade and other creditors	(18,088)	(203)	(18,291)
Net identifiable assets and liabilities	<u>(16,729)</u>	<u>(203)</u>	<u>(16,932)</u>
Total cost of business combination:			
<i>Consideration paid:</i>			
Initial cash price received			<u>(283)</u>
Total consideration			<u>(283)</u>
Goodwill on acquisition			<u>16,649</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019 £000	2018 £000
Depreciation and other amounts written off tangible fixed assets	305	17
Amortisation of goodwill	793	-
Hire of other assets – Property operating leases (including exceptional)	<u>7,305</u>	<u>2,305</u>

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	<u>8</u>	<u>8</u>

No non-audit services have been recharged to this sub-group. The total non-audit services payable are disclosed in the Avery Healthcare Holdings Limited financial statements which are available on Companies House.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Management and administration staff	31	15
Nursing, care and domestic staff	412	146
	<u>443</u>	<u>161</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	8,451	2,715
Social security costs	576	187
Contributions to defined contribution plans	196	6
	<u>9,223</u>	<u>2,908</u>

6 Directors' remuneration

No remuneration was paid to the directors in respect of their services to the Company during the current or preceding financial year.

7 Exceptional administrative expenses

	2019	2018
	£000	£000
Future property rental increases charged in year (note 19)	638	431
Exceptional professional fees and other transaction related costs	-	151
	<u>638</u>	<u>582</u>

Exceptional professional fees and other transaction related costs arise in respect of abortive transaction costs, pre-opening costs incurred by care homes, exceptional legal fees and acquisition costs.

8 Interest payable and similar charges

	2019	2018
	£000	£000
On finance lease	1	-
Other	12	1
	<u>13</u>	<u>1</u>

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account,

	2019 £000	£000	2018 £000	£000
<i>Current tax</i>				
Current tax on income for the year	-	-	-	(99)
Adjustments in respect of prior periods	-	-	-	(395)
Total current tax credit	-	-	-	(494)
<i>Deferred tax</i>				
Origination and reversal of timing differences	-	-	(150)	
Adjustment in respect of prior periods	-	-	1,297	
Total deferred tax charge	-	-	-	1,147
Total tax charge	-	-	-	653

Reconciliation of effective tax rate

	2019 £000	2018 £000
Loss for the year	(181)	(1,448)
Total tax charge	-	653
Loss excluding taxation	(181)	(795)
Tax credit using the UK corporation tax rate of 19% (2018: 19%)	(34)	(151)
Non-deductible expenses	170	50
Adjustment in respect of prior periods	-	902
Change in rate	(32)	-
Unrecognised tax losses carried forward	(104)	(148)
Total tax charge	-	653

The Group has unrecognised deferred tax assets of £534k (2018: £534k) arising on UK corporation tax losses. These assets have not been recognised due to uncertainty over the timing of their future recovery.

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% was substantively enacted on 26 September 2016. This will reduce the Group's current tax charge accordingly.

Notes (continued)

10 Intangible assets and goodwill

<i>Group</i>	Goodwill £000
Cost	
Balance at 1 April 2018	-
Acquisitions (note 3)	16,649
	<hr/>
Balance at 31 March 2019	16,649
	<hr/>
Amortisation and impairment	
Balance at 1 April 2018	-
Amortisation for the year	(793)
	<hr/>
Balance at 31 March 2019	(793)
	<hr/>
Net book value At 31 March 2019	15,856
	<hr/>
At 1 April 2018	-
	<hr/>

During the year the Group acquired the trading operations of three leasehold care homes and a related home care business.

Amortisation

The amortisation charge for the year is recognised in the following line items in the profit and loss account:

	2019 £000	2018 £000
Administrative expenses	793	-
	<hr/>	<hr/>

Notes (continued)

11 Tangible fixed assets

Group	Leasehold improvements £000	Fixtures and fittings £000	IT equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2018	725	140	41	-	906
Acquired through a business combination (note 3)	51	485	31	26	593
Additions	339	164	30	-	533
Balance at 31 March 2019	1,115	789	102	26	2,032
Depreciation and impairment					
Balance at 1 April 2018	595	81	16	-	692
Charge for the year	62	214	24	5	305
Balance at 31 March 2019	657	295	40	5	997
Net book value					
At 31 March 2019	458	494	62	21	1,035
At 31 March 2018	130	59	25	-	214

12 Fixed asset investments

Company	Shares in group undertakings £000
Cost and net book value	
At 1 April 2018 and 31 March 2019	551

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are listed in the table below. All companies listed are registered in the United Kingdom. The subsidiary undertakings listed are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as Avery Opco Lessee Limited has guaranteed the subsidiary company under Section 479C of the Act:

Avery (Glenmoor) Limited	Avery at The Miramar (Operations) Limited
Avery (Lucas Court) Limited	Avery of Leicester (Operations) Limited
Avery Homes Bracknell Limited	Avery at Loxley Park (Operations) Limited
Avery at Loxley Park (Homecare) Limited	

Notes (continued)

12 Fixed asset investments (continued)

All the companies listed below are registered at 3 Cygnet Drive, Swan Valley, Northampton, NN4 9BS.

Subsidiary undertakings	Principal activity	Company Percentage and class of shares held	Group Percentage and class of shares held
Avery (Glenmoor) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery (Lucas Court) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery Homes Bracknell Limited	Care home operation	100% Ordinary	100% Ordinary
Avery at Loxley Park (Homecare) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery at The Miramar (Operations) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery of Leicester (Operations) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery at Loxley Park (Operations) Limited	Care home operation	100% Ordinary	100% Ordinary
Avery Homes Droitwich Limited	Dormant	100% Ordinary	100% Ordinary

13 Stocks

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Raw materials and consumables	34	21	-	-
Work in progress	-	47	-	-
	<u>34</u>	<u>68</u>	<u>-</u>	<u>-</u>

Capitalised care home development costs are classified as work in progress where the Group has a formal agreement for the sale of the home to a third party. Where there is no such agreement, development costs capitalised are classified as tangible fixed assets, assets in construction.

14 Debtors

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade debtors	862	416	-	-
Amounts owed by group undertakings	-	-	5,717	3,712
Amounts owed by related undertakings (see note 21)	6,647	6,206	-	-
Amounts owed by parent undertaking (see note 21)	711	-	-	-
Deferred tax asset	-	-	-	-
Other debtors and prepayments	763	328	266	226
Group relief receivable	-	-	1	-
	<u>8,983</u>	<u>6,950</u>	<u>5,984</u>	<u>3,938</u>

There are no debtors receivable after more than one year (2018: *Nil*) included in the debtors analysis set out above.

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade creditors	1,245	841	595	522
Amounts owed to related undertakings (see note 21)	5,322	5,611	-	-
Amounts owed to group undertakings	-	-	5,384	1,264
Corporation tax	-	-	-	2
Taxation and social security	158	80	-	-
Other creditors and deferred income	2,804	308	283	-
	<u>9,529</u>	<u>6,840</u>	<u>6,262</u>	<u>1,788</u>

16 Creditors: amounts falling due after more than one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Accruals – future property rental increases	18,439	431	-	-
Finance leases	7	-	-	-
Other creditors and accruals	2	-	-	-
	<u>18,448</u>	<u>431</u>	<u>-</u>	<u>-</u>

Accruals for future property rental increases have arisen from spreading guaranteed future rent increases over the lease term.

17 Capital and reserves

Share capital

	Group and Company Ordinary shares of £0.01 each Number	
On issue at 1 April 2018 and 31 March 2019 – fully paid	<u>1,000</u>	
	Group and Company 2019 £	Group and Company 2018 £
<i>Allotted, called up and fully paid</i>		
901 (2018: 901) A Ordinary shares of £0.01 each	9	9
99 (2018: 99) B Ordinary shares of £0.01 each	1	1
Shares classified in shareholders' funds	<u>10</u>	<u>10</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

18 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2019 £000	2018 £000
Financial assets measured at amortised cost		
Trade receivables	862	416
Other debtors	763	328
Amounts owed by related undertakings	6,647	6,206
Amounts owed by parent undertaking	711	-
	8,983	6,950
Financial liabilities measured at amortised cost		
Trade creditors	1,245	841
Amounts owed to related undertakings	5,322	5,611
Other creditors	2,804	308
	9,371	6,760

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Less than one year	7,273	2,284	-	-
Between one and five years	39,772	12,463	-	-
More than five years	80,424	36,497	-	-
	127,469	51,244	-	-

During the year, operating lease expenses have been recognised as follows:

	2019 £000	2018 £000
Administration expenses - exceptional	638	431
Administration expenses - other	6,667	1,874
	7,305	2,305

Notes (continued)

20 Contingent liabilities

The Company, together with a number of its subsidiary undertakings, has entered into a cross collateralised security arrangement to secure the Group's operating property leases and loans with Welltower Inc. of Toledo USA.

The subsidiary undertakings listed in the table in note 12 are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479c of the Act.

21 Related parties

Osis Projects Limited is a company under the ownership and control of CJ Strowbridge, a shareholder of Avery Healthcare Holdings Limited. The Group entered into finance lease arrangements with Osis Projects Limited for kitchen and laundry equipment in the year. As at 31 March 2019 there is £nil (2018: £nil) due to Osis Projects Limited. Finance interest of £1k was charged in the year (2018: £nil).

Transactions with Welltower Inc

The Group has long term leases with Welltower Inc for the lease of care home and retirement living facilities. Further details can be seen in note 19. Other transactions with Welltower Inc in the year are as follows:

	2019 £000	2018 £000
Profit from sale and lease back	1,879	-

Transactions with other subsidiaries of Xanadu Investments Limited

During the year the group was charged management fees of £1,090,838 (2018: £nil) by other subsidiaries of Xanadu Investments Limited that do not form part of this consolidation. These charges are included in administrative expenses.

Amounts owed by other subsidiaries of Xanadu Investments Limited are as follows:

	2019 £000	2018 £000
Adept Build Limited	200	200
Avery Care (Cannock) Limited	4,080	4,080
Avery Healthcare Group Limited	1,162	1,101
Avery Homes Cliftonville Limited	85	93
Avery Homes Grove Park Limited	34	34
Avery Homes Hinckley Limited	30	30
Avery Homes (Nelson) Limited	174	171
Avery Homes Rugeley Limited	80	80
Avery Homes Wellingborough Limited	9	9
Hawthorns Northampton Limited	50	50
Hawthorns Retirement Living Limited	22	22
Highcliffe Care Centre Limited	8	8
Willowbrook Healthcare Debtco Limited	328	328
Willowbrook Healthcare Limited	385	-
Avery Healthcare Holdings Limited	711	-
	7,358	6,206

Notes (continued)

21 Related parties (continued)

Amounts owed to other subsidiaries of Xanadu Investments Limited are as follows:

	2019 £000	2018 £000
Avery Healthcare Holdings Limited	1,512	1,512
Avery Care Northants Limited	1	-
Avery Homes (Cannock) Limited	3	-
Avery Homes (Nelson) Limited	2,458	2,438
Avery Homes Derby Limited	18	18
Avery Homes Hanford Limited	177	177
Avery Homes Kirkstall Limited	71	71
Avery Homes Nuneaton Limited	37	37
Avery Homes Nuthall Limited	58	-
Avery Homes SH Limited	2	-
Avery Homes Stafford Limited	122	122
Avery Homes Weybridge Limited	68	68
Avery Homes Wolverhampton Limited	6	6
Avery Management Services Limited	1	1
Hawthorns Retirement Living Limited	450	406
Willowbrook Healthcare Developments Limited	338	338
Avery Healthcare Holdings Limited	-	216
Avery Homes Downend Limited	-	3
Avery Homes RH Limited	-	39
Willowbrook Healthcare Limited	-	159
	<u>5,322</u>	<u>5,611</u>

22 Accounting estimates and judgements

In the preparation of the financial statements, it is necessary for the management of the Company to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Impairment of work in progress and assets under construction – care home development

The Group considers whether work in progress is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of expected costs to complete development and comparison with agreed forecast revenues upon sale.

Impairment of goodwill

The Group considers whether goodwill is impaired. Where an indication of impairment is identified the estimates of recoverable value of the cash generating units (CGU's) are assessed. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

23 Ultimate parent company and parent company of larger group

The largest individual shareholder and ultimate controlling entity is Xanadu Investments Limited. The largest group in which the results of the Company are consolidated is that headed by Xanadu Investments Limited. The smallest group in which the results of the Company are consolidated is that headed by Avery Opco Lessee Limited.