

Butterfly Group Healthcare Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 09256096



Butterfly Group Healthcare Limited

Company Information

Directors Matthew Cardwell Glowasky
Philip Antony Smith

Registered number 09256096

Registered office 2 Merchants Drive
Parkhouse
Carlisle
England
CA3 0JW

Independent auditor BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

Butterfly Group Healthcare Limited

Group strategic report For the year ended 31 December 2019

Introduction

The directors present their Group strategic report together with the consolidated audited financial statements of Butterfly Group Healthcare Limited for the year end 31 December 2019.

Business review

During the year, the group provided care and nursing services in the United Kingdom. The group includes two distinct brands: Mariposa Care and Papillon Care. A care home disposal programme which has been ongoing since 2018 was completed in the year.

Principal risks and uncertainties

During the year, like all businesses, the group faced a number of operating risks and uncertainties. There were a number of risks that could have impacted on the group's long-term performance and steps were taken to understand and evaluate these.

The most fundamental risks faced by the group were:

- If the group failed to comply with regulation, regulatory action could include, among other penalties, the revocation of a care home licence to operate.
- The group could have suffered serious negative publicity if a serious incident was to occur at one of the care homes.
- If the average weekly fee increases failed to keep pace with cost increases.
- There was continued uncertainty around the status of EU nationals and other factors provide difficulty in recruiting staff.

Key uncertainties related to property values and bad debt provisions. The key judgements the directors took in relation to these areas are disclosed in note 3.

As the care home disposal programme was completed in June 2019, these risks have somewhat reduced or eliminated since that date.

Key performance indicators

The key financial and operational performance indicators monitored by management during the year included internal quality ratings, the results of regulatory reviews, ratings on social media, occupancy ratios, average weekly fee data and cost to revenue ratios.

Future developments

Given the successful care home disposal programme was completed in June 2019, the directors are presently considering their options for future activities for the group.

This report was approved by the board on 31 July 2020

and signed on its behalf.



Philip Antony Smith
Director

Butterfly Group Healthcare Limited

Contents

	Page
Group strategic report	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9 - 10
Company balance sheet	11
Consolidated statement of changes in equity	12 - 13
Company statement of changes in equity	14 - 15
Consolidated Statement of cash flows	16
Notes to the financial statements	17 - 35
The following pages do not form part of the statutory financial statements:	
Company detailed profit and loss account and summaries	36 - 37

Butterfly Group Healthcare Limited

Directors' report (continued) For the year ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 July 2020 and signed on its behalf.



Philip Antony Smith
Director

Butterfly Group Healthcare Limited

Directors' report For the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the group was the provision of care and nursing services through the operation of care homes.

Results and dividends

The consolidated loss for the financial year after taxation amounted to £1,683k (2018 - £995k profit). The directors do not recommend the payment of a dividend. For an overview of the business, future developments and the risks facing the business, the directors refer to the Strategic report.

Directors

The directors who served during the year were:

Matthew Cardwell Glowasky
Philip Antony Smith

Engagement with employees

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of their care home and its residents. This is achieved through a cascade of information through the organisation from regular informal meetings.

We encourage positive engagement with staff representatives to improve the performance of the business from a care quality, financial management and risk management perspective.

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

At the balance sheet date the only employees were the directors of the entity.

Going concern

During the year the company completed its disposal programme and at the balance sheet date had disposed of all homes. The directors are currently exploring various strategies for the group's future and there is no intention to strike off the parent company or its two key subsidiaries in the foreseeable future.

However the directors have assessed that the businesses cannot currently demonstrate that they are a going concern until various future avenues have been fully explored.

Accordingly these financial statements are not prepared on a going concern basis and all assets/liabilities have been restated to their recoverable/payable amounts.

The directors consider that the COVID-19 pandemic which arose after the balance sheet date will not have a significant impact on the entity.

Butterfly Group Healthcare Limited

Independent auditor's report to the members of Butterfly Group Healthcare Limited

Opinion

We have audited the financial statements of Butterfly Group Healthcare Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 December 2019 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - financial statements prepared on a basis other than going concern

We draw attention to note 2.3 to the financial statements which explains the group has ceased trading. The directors are considering the future plans of the group and currently do not consider the group to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of a going concern as described in note 2.3. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Butterfly Group Healthcare Limited

Directors' responsibilities statement For the year ended 31 December 2019

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business. As disclosed in note 2.3, the directors do not believe the going concern basis to be appropriate, and therefore these financial statements have not been prepared on a going concern basis.

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Butterfly Group Healthcare Limited

Independent auditor's report to the members of Butterfly Group Healthcare Limited (continued)

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

3 August 2020

Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Butterfly Group Healthcare Limited

Independent auditor's report to the members of Butterfly Group Healthcare Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 or 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Butterfly Group Healthcare Limited

Consolidated statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	1,805	22,100
Cost of sales		(1,219)	(16,850)
Gross profit		586	5,250
Administrative expenses		(1,194)	(6,106)
Exceptional administrative expenses	12	-	(698)
Other operating income	5	-	196
Operating loss	6	(608)	(1,358)
Gain on sale of freehold land and buildings		30	4,967
Interest payable and expenses	10	(1,105)	(2,527)
(Loss)/profit before taxation		(1,683)	1,082
Tax on (loss)/profit	11	-	(87)
(Loss)/profit for the financial year		(1,683)	995
Other comprehensive income:			
Deferred tax released on disposal of fixed assets	21	601	-
Unrealised surplus on revaluation of land and buildings		-	1,871
Deferred tax on revaluation of land and buildings	21	-	(131)
Other comprehensive income for the year		601	1,740
Total comprehensive income for the year		(1,082)	2,735

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Registered number:09256096

Consolidated balance sheet As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	-	10,585
		<u>-</u>	<u>10,585</u>
Current assets			
Debtors: amounts falling due within one year	15	1	6,408
Cash at bank and in hand	16	293	731
		<u>294</u>	<u>7,139</u>
Creditors: amounts falling due within one year	17	(9,484)	(25,212)
Net current liabilities		<u>(9,190)</u>	<u>(18,073)</u>
Total assets less current liabilities		<u>(9,190)</u>	<u>(7,488)</u>
Creditors: amounts falling due after more than one year	18	(1,419)	(1,438)
Provisions for liabilities			
Deferred taxation	21	-	(601)
		<u>-</u>	<u>(601)</u>
Net liabilities		<u><u>(10,609)</u></u>	<u><u>(9,527)</u></u>
Capital and reserves			
Called up share capital	22	613	613
Revaluation reserve	23	-	3,462
Merger reserve	23	21,944	21,944
Profit and loss account	23	(33,166)	(35,546)
Equity attributable to owners of the parent company		<u><u>(10,609)</u></u>	<u><u>(9,527)</u></u>
		<u><u>(10,609)</u></u>	<u><u>(9,527)</u></u>

Butterfly Group Healthcare Limited
Registered number:09256096

Consolidated balance sheet (continued)
As at 31 December 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
31 July 2020



Philip Antony Smith
Director

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited
Registered number:09256096

Company balance sheet
As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	14	2	2
		<u>2</u>	<u>2</u>
Current assets			
Debtors: amounts falling due within one year	15	1	9,790
Cash at bank and in hand	16	293	141
		<u>294</u>	<u>9,931</u>
Creditors: amounts falling due within one year	17	(27,902)	(32,101)
Net current liabilities		<u>(27,608)</u>	<u>(22,170)</u>
Total assets less current liabilities		<u>(27,606)</u>	<u>(22,168)</u>
Net liabilities		<u>(27,606)</u>	<u>(22,168)</u>
Capital and reserves			
Called up share capital	22	613	613
Profit and loss account carried forward	23	(28,219)	(22,781)
		<u>(27,606)</u>	<u>(22,168)</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The loss for the year of the parent company, Butterfly Group Healthcare Limited is £5,438,000 (2018 - profit of £2,432,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


Philip Antony Smith
Director

31 July 2020

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Consolidated statement of changes in equity For the year ended 31 December 2019

	Called up share capital	Revaluation reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	613	3,462	21,944	(35,546)	(9,527)
Comprehensive income for the year					
Loss for the year	-	-	-	(1,683)	(1,683)
Deferred tax on assets sold in year - release	-	601	-	-	601
Other comprehensive income for the year	-	601	-	-	601
Total comprehensive income for the year	-	601	-	(1,683)	(1,082)
Transfer to/from profit and loss account	-	(4,063)	-	4,063	-
Total transactions with owners	-	(4,063)	-	4,063	-
At 31 December 2019	613	-	21,944	(33,166)	(10,609)

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Consolidated statement of changes in equity For the year ended 31 December 2018

	Called up share capital	Revaluation reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	613	2,636	21,944	(37,455)	(12,262)
Comprehensive income for the year					
Profit for the year	-	-	-	995	995
Surplus on revaluation of freehold property	-	212	-	-	212
Surplus on revaluation of leasehold property	-	1,659	-	-	1,659
Deferred tax on revaluation of property	-	(131)	-	-	(131)
Other comprehensive income for the year	-	1,740	-	-	1,740
Total comprehensive income for the year	-	1,740	-	995	2,735
Transfer from revaluation reserve to profit and loss account	-	(914)	-	914	-
Total transactions with owners	-	(914)	-	914	-
At 31 December 2018	613	3,462	21,944	(35,546)	(9,527)

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Company statement of changes in equity For the year ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	613	(22,781)	(22,168)
Comprehensive income for the year			
Loss for the year	-	(5,438)	(5,438)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(5,438)	(5,438)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2019	613	(28,219)	(27,606)
	<hr/>	<hr/>	<hr/>

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Company statement of changes in equity For the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	613	(25,213)	(24,600)
Comprehensive income for the year			
Profit for the year	-	2,432	2,432
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	2,432	2,432
Total transactions with owners	-	-	-
At 31 December 2018	613	(22,781)	(22,168)

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Consolidated statement of cash flows For the year ended 31 December 2019

	2019 £000	2018 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,683)	995
Adjustments for:		
Depreciation of tangible assets	-	617
Impairment charge/(reversal) on freehold property	-	698
Gain on disposal of tangible assets	(30)	(4,809)
Interest payable	1,105	2,527
Taxation charge	-	87
Decrease in debtors	6,407	2,169
(Decrease) in creditors	(2,269)	(2,167)
Net cash generated from operating activities	3,530	117
Cash flows from investing activities		
Purchase of tangible fixed assets	-	(573)
Proceeds on sales of tangible fixed assets	10,615	20,547
Net cash from investing activities	10,615	19,974
Cash flows from financing activities		
Other loans received during the year	-	24,265
Other loans repaid during the year	(13,478)	-
Interest paid	(1,105)	(2,527)
(Increase) in amounts owed by related undertakings	-	(2,571)
(Decrease)/increase in loans owed to group undertakings	-	(39,689)
Net cash used in financing activities	(14,583)	(20,522)
Net (decrease) in cash and cash equivalents	(438)	(431)
Cash and cash equivalents at beginning of year	731	1,162
Cash and cash equivalents at the end of year	293	731
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	293	731
	293	731

The notes on pages 17 to 35 form part of these financial statements.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

1. General information

Butterfly Group Healthcare Limited is a private company, limited by shares and is incorporated and domiciled in England and Wales. The address of the group's registered office is 2 Merchants Drive, Parkhouse, Carlisle, England, CA3 0JW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The presentational currency of the financial statements is pound sterling, rounded to the nearest thousand.

The financial statements have been prepared on the basis of merger accounting whereby the entities acquired by Monarch Master Funding 2 (Luxembourg) S.a.r.l. in November 2014 were deemed to have been acquired by Butterfly Group Healthcare Limited at this date. As such, any difference arising on consolidation is classified as a 'Merger Reserve', in accordance with FRS 102.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements incorporate the results of Butterfly Group Healthcare Limited and all its subsidiary undertakings as at 31 December 2019 using the merger accounting and the acquisition accounting methods where applicable.

2.3 Going concern

During the year the company completed its disposal programme and at the balance sheet date had disposed of all homes. The directors are currently exploring various strategies for the group's future and there is no intention to strike off the parent company or its two key subsidiaries in the foreseeable future.

However the directors have assessed that the businesses cannot currently demonstrate that they are a going concern until various future avenues have been fully explored.

Accordingly these financial statements are not prepared on a going concern basis. The financial statements do not include any adjustments as a result of the financial statements being prepared on a basis other than going concern.

The directors consider that the COVID-19 pandemic which arose after the balance sheet date will not have a significant impact on the entity.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.4 Revenue

Rendering of services

Revenue represents amounts receivable by the group for the provision of care and nursing services, excluding value added tax, made during the period. Revenue is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

In addition to the above, rental income generated from investment properties in the UK is denoted under other operating income. Rents receivable represent amounts receivable from tenants of investment properties excluding value added tax. Rents are brought into the profit and loss account when receivable and any element relating to future periods is included in deferred income. Any rent free periods are spread across the terms of the lease or to the first rent review whichever is shorter.

2.5 Operating leases: the Group as lessor

Leases of investment properties where the group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised as profit or loss on a straight-line basis over the lease term.

2.6 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 100 years straight line
Long-term leasehold property	- Over remaining life of lease on a straight line basis (111 years)
Motor vehicles	- 25% straight line
Fixtures and fittings	- 10 - 25% straight line
Office equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

Freehold buildings are held at the fair value of the property determined annually by the directors based on reports compiled by external valuers. These reports provide both a market value and range of values around this with a degree of sensitivity. The value is adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, including where events occurring since the balance sheet date provide additional information about the condition of the asset at the balance sheet date including any offers that have been received for the assets. No depreciation is provided.

Gains and losses arising on the fair value of freehold property are recognised as other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments are recognised at cost less any provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

2.18 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below. As all fixed assets were disposed of and debtors settled by the balance sheet date, the following estimates and assumptions relate to the 2018 balance sheet only.

Fair value of freehold buildings and long leasehold property

The fair value of freehold and long leasehold property is determined annually by the directors on information provided by valuations made by Colliers International, the group's independent property advisers. These reports provide both a market value and a range of values around this with a degree of sensitivity. Consideration is also taken by the directors of the volatility on the market from quarter to quarter, including where events occurring since the balance sheet date provide additional information about the condition of the asset at the balance sheet date including any offers that have been received for the assets.

Trade debtors

The bad debt provision is considered via a review of the debtors listing, with debts provided for on a specific basis. Factors considered include customer payment history and ageing.

Critical judgements in applying the group's accounting policies

In the opinion of the directors, there are no critical judgements taken in applying the group's accounting policies.

4. Turnover

Turnover represents the amounts derived from the provision of care services to residents. All turnover arose within the United Kingdom.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

5. Other operating income

	2019 £000	2018 £000
Other operating income	-	122
Net rents receivable	-	74
	<u>-</u>	<u>196</u>

6. Operating loss

The operating loss is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of tangible fixed assets	-	617
Gain on sale of tangible fixed assets	-	158
Impairment charge on freehold property	-	698
	<u>-</u>	<u>1473</u>

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the group's auditor for the audit of the group's annual financial statements	<u>35</u>	<u>73</u>

Fees payable to the group's auditor in respect of:

Audit-related assurance services	-	13
Taxation compliance services	<u>22</u>	<u>31</u>
	<u>22</u>	<u>44</u>

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

8. Employees

Staff costs were as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	973	13,596	-	-
Social security costs	74	853	-	-
Cost of defined contribution scheme	16	123	-	-
	<u>1,063</u>	<u>14,572</u>	<u>-</u>	<u>-</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Administrative	11	36
Care staff	68	1,114
	<u>79</u>	<u>1,150</u>

The company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL)

9. Directors' remuneration

The directors, who are the key management personnel of the entities, did not receive any emoluments during the financial year (period to 31 December 2018: £nil) in respect of their services to the group and company.

10. Interest payable and similar expenses

	2019 £000	2018 £000
Other loan interest payable	1,105	447
Parent company loan interest payable	-	2,080
	<u>1,105</u>	<u>2,527</u>

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

11. Taxation

	2019 £000	2018 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	87
Total deferred tax	-	87
Taxation on profit on ordinary activities	-	87

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	(1,683)	1,082
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(320)	206
Effects of:		
Income not deductible for tax purposes	-	(1,948)
Expenses not deductible for tax purposes	26	2,699
Fixed asset timing differences	(6)	(349)
Group relief surrendered	719	7
Other timing differences	-	(650)
Losses utilised in the year	-	(22)
Movement in deferred tax	-	82
Difference between capital allowances and depreciation	(418)	-
Deferred tax not recognised	(1)	62
Total tax charge for the year	-	87

Factors that may affect future tax charges

The group had a potential deferred tax asset of £1,619,000 (2018: £2,176,000) in relation to unrealised trading losses as at 31 December 2019, which has not been recognised in line with applicable accounting standards as it may not be recoverable in the short term.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

12. Exceptional expenses/(credit)

	2019 £000	2018 £000
Reversal of impairment charge on freehold property	-	698
	<u>-</u>	<u>698</u>
	<u>-</u>	<u>698</u>

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

13. Tangible fixed assets

Group

	Freehold property £000	Long-term leasehold property £000	Fixtures and fittings £000	Total £000
At 1 January 2019	13,341	4,362	1,716	19,419
Disposals	(13,341)	(4,362)	(1,716)	(19,419)
At 31 December 2019	-	-	-	-
At 1 January 2019	7,514	-	1,320	8,834
Disposals	(7,514)	-	(1,320)	(8,834)
At 31 December 2019	-	-	-	-
Net book value				
At 31 December 2019	-	-	-	-
At 31 December 2018	5,827	4,362	396	10,585

The net book value of land and buildings may be further analysed as follows:

	2019 £000	2018 £000
Freehold	-	5,827
Long leasehold	-	4,362
	-	10,189

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

14. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019	2
Additions	4,753
At 31 December 2019	<u>4,755</u>
Impairment	
Charge for the period	4,753
At 31 December 2019	<u>4,753</u>
Net book value	
At 31 December 2019	<u><u>2</u></u>

At 31 December 2019, the company directly and indirectly held the equity of the following subsidiary undertakings.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Crossco (1332) Limited **	2 Merchants Drive, Carlisle	Ordinary	100%
Crossco (1333) Limited **	2 Merchants Drive, Carlisle	Ordinary	100%
Crossco (1334) Limited **	2 Merchants Drive, Carlisle	Ordinary	100%
Mariposa Care Limited ***	2 Merchants Drive, Carlisle	Ordinary	100%
Papillon Care Limited ***	2 Merchants Drive, Carlisle	Ordinary	100%
Eagle View Care Home Limited ***	2 Merchants Drive, Carlisle	Ordinary	100%
Express Care (Guest Services) Limited ***	2 Merchants Drive, Carlisle	Ordinary	100%
Express Care Limited ***	2 Merchants Drive, Carlisle	Ordinary	100%
Sovereign Care Homes Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Aspenframe Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Executive Health Care Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Hillcrest Care Homes Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Primrose Care Home Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Salco Homes Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Sovereign Guest Services Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
System Cycle Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
Windmill Hills Care Home Limited *	2 Merchants Drive, Carlisle	Ordinary	100%
World Trade Properties Limited *	2 Merchants Drive, Carlisle	Ordinary	100%

* These subsidiaries are dormant

** These subsidiaries are holding companies

*** These subsidiaries were providers of care and nursing services until their properties were disposed of.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
Crossco (1332) Limited	-	(962)
Crossco (1333) Limited **	-	3
Crossco (1334) Limited **	(8,588)	(611)
Mariposa Care Limited ***	(2,463)	(1,067)
Papillon Care Limited ***	(3,349)	(50)
Eagle View Care Home Limited ***	-	55
Express Care (Guest Services) Limited ***	(141)	595
Express Care Limited ***	-	(11)
Sovereign Care Homes Limited *	(2,040)	14
Aspenframe Limited *	-	-
Executive Health Care Limited	-	-
Hillcrest Care Homes Limited *	-	-
Primrose Care Home Limited *	-	-
Salco Homes Limited *	-	-
Sovereign Guest Services Limited *	-	-
System Cycle Limited *	-	-
Windmill Hills Care Home Limited *	-	-
World Trade Properties Limited *	-	-

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

15. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	-	972	-	-
Amounts owed by group undertakings	-	-	-	4,728
Amounts owed by related undertakings	-	4,679	-	4,679
Other debtors	1	583	1	383
Prepayments and accrued income	-	174	-	-
	<u>1</u>	<u>6,408</u>	<u>1</u>	<u>9,790</u>

Amounts due from group and related undertakings are unsecured, interest free and repayable on demand.

16. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	293	731	293	141
	<u>293</u>	<u>731</u>	<u>293</u>	<u>141</u>

17. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Other loans	9,368	22,827	-	-
Trade creditors	46	992	46	82
Amounts owed to group undertakings	-	-	27,786	31,892
Other taxation and social security	-	217	-	-
Other creditors	-	192	-	-
Accruals and deferred income	70	984	70	127
	<u>9,484</u>	<u>25,212</u>	<u>27,902</u>	<u>32,101</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Other loans relate to amounts owed to a private company with common directors. They are interest free and repayable on demand.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

18. Creditors: Amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000
Other loans	1,419	1,438
	<u>1,419</u>	<u>1,438</u>

Other loans greater than one year charge interest at 8%, which accrues monthly and is repayable at maturity. The loan is repayable in full in October 2024.

19. Loans

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due within one year				
Other loans	9,369	22,827	-	-
Loans with parent undertakings	-	-	27,788	31,892
	<u>9,369</u>	<u>22,827</u>	<u>27,788</u>	<u>31,892</u>
Amounts falling due between one and five years				
Other loans	1,419	-	-	-
Loans with parent undertakings	-	-	-	-
	<u>1,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than 5 years				
Other loans	-	1,438	-	-
	<u>-</u>	<u>1,438</u>	<u>-</u>	<u>-</u>
	<u>10,788</u>	<u>24,265</u>	<u>27,788</u>	<u>31,892</u>

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

20. Financial instruments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Financial assets				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets that are debt instruments measured at amortised cost	294	7,058	294	9,931
	<u>294</u>	<u>7,058</u>	<u>294</u>	<u>9,931</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(10,903)	(26,294)	(27,901)	(32,101)
	<u>(10,903)</u>	<u>(26,294)</u>	<u>(27,901)</u>	<u>(32,101)</u>

Financial assets that are debt instruments include cash at bank and in hand, trade debtors, other debtors, accrued income and amounts due from group and related undertakings.

Financial liabilities measured at amortised cost include trade creditors, loans due to parent undertakings, other loans, other creditors and accruals.

21. Deferred taxation

Group

	2019 £000
At beginning of year	(601)
Charged to profit or loss	-
Released to other comprehensive income - properties disposed of in year	601
At end of year	<u>-</u>

The deferred taxation balance is made up as follows:

	Group 2019 £000	Group 2018 £000
On revaluation gains	-	(601)
	<u>-</u>	<u>(601)</u>

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

22. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
61,251,500 (2018 - 61,251,500) Ordinary shares of £0.01 each	<u>613</u>	<u>613</u>

23. Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

Merger Reserve

The merger reserve represents the share capital, share premium and investments within the subsidiaries that are removed on consolidation.

Profit and loss account

The profit and loss reserve represents cumulative profits or losses, including realised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

24. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £16,000 (2018 - £123,000). Contributions totalling £Nil (2018 - £17,144) were payable to the fund at the balance sheet date and are included in creditors.

25. Related party transactions

During the year, the group incurred an interest expense of £Nil (2018: £2,080,000) payable to its parent company Monarch Master Funding 2 (Luxembourg) S.a.r.l. As at 31 December 2019, there was an outstanding loan balance payable of £Nil (2018: £nil).

Philip Smith, a director, invoiced the group £198,587 (2018: £359,000) during the year for consulting services under normal commercial terms. No amounts were outstanding as at 31 December 2019 (2018 £nil).

At the year end there is a loan balance of £Nil (2018 - £4,679,000) receivable from Butterfly Cumbria Properties Limited, a related party which is included in amounts owed by related undertakings.

At the balance sheet date, a balance of £10,787,000 (2018: £23,654,000) was payable to Butterfly Finance Limited, an entity related through common directors. Repayments of £13,984,000 were made during the year and interest accrued of £1,117,000.

In accordance with Section 33 para 33.1A of FRS 102, the group and company are exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

Butterfly Group Healthcare Limited

Notes to the financial statements For the year ended 31 December 2019

26. Post balance sheet events

The global pandemic COVID-19 is considered to be a post balance sheet event. However, as the group had completed the disposal programme during 2019 and had no remaining homes at the balance sheet date, the directors assess that the pandemic has no material impact on the group's financial statements.

27. Controlling party

The company's immediate parent undertaking is Monarch Property Holdings I S.a.r.l. and its ultimate parent undertaking and controlling party is Monarch Master Funding Limited, a limited liability partnership incorporated in Luxembourg. The directors are of the opinion that there is no single ultimate controlling party of Monarch Master Funding Limited.