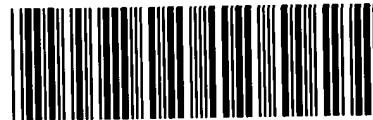


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Company Registration No. 06639468 (England and Wales)

KAVANAGH HEALTH CARE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018

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KAVANAGH HEALTH CARE LIMITED

COMPANY INFORMATION

Directors	A Lighton A Sands D Pancott D Sturrock E Phipps E Craig J Robson J Whitehead L Thomas
Secretary	E Phipps
Company number	06639468
Registered office	Ferham House Kimberworth Road Rotherham South Yorkshire S61 1AJ
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

KAVANAGH HEALTH CARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The principal activity of the company during the year was that of an administrator and operator of a nursing home. More details of the services provided by the home can be found by visiting www.exemplarhc.com. The company is part of the Cx Holdco Limited group (the 'group'), trading as Kavanagh Health Care Limited.

The company is one of 25 homes within the group. The homes cater for younger adults with highly complex care needs, be they due to physical, mental or learning support needs, or any combination thereof.

Maintaining the quality of care and the safety of our residents are and always will be the primary objectives of the company. We will continue to proactively deliver these standards and work closely, where required, with external bodies, to keep abreast of developments in the health care sector. The home as at the 31 March 2018 was rated Requires Improvement by the Care Quality Commission. A plan is in place to improve the rating from the Care Quality Commission and this is being monitored by the group.

Revenues for the company were £4,309,270 (2017: £4,070,136). Average occupancy decreased to 39 (2017: 38). Result for the year was a net profit of £821,934 (2017: £801,546).

The directors are satisfied with the company's financial performance and that it continues to generate strong operational cash flows.

Key performance indicators

The directors use a number of KPIs to monitor, control and direct the business. The primary financial KPIs are turnover, staff costs and profitability. Below is a summary of those KPIs for the current and previous financial year.

	Year ending 31 March 2018	Year ending 31 March 2017
Average occupancy	39	38
Turnover	£4,309,270	£4,070,136
Staff Costs	£2,212,307	£1,969,629
Operating Profit	£819,585	£798,308

Principal risks and uncertainty

The key risks and uncertainties facing the company fall into two main areas, maintaining high standards of care and financial management.

The delivery of high quality care is the company's primary objective. Meeting this objective requires the agreement of appropriate fees with funders allowing the company to deliver the quantity of high quality care hours and ensure it recruits, appropriately trains and motivates its staff accordingly. The group with which the company operates has a multi layered compliance function to monitor the quality of care and works in partnership with its external regulators to ensure quality standards are maintained.

Successful financial management relies first and foremost on operational performance. As part of a cash generative group of companies owned by Cx Holdco Limited, the company either supports or is supported by the other members of the group depending on the company's needs at the time. Consolidated financial statements are prepared by the group headed by Cx Holdco Limited and copies can be obtained from its registered office at 5th Floor, 105 Piccadilly, London, W1J 7NJ or Companies House. The directors have prepared forecasts and projections, taking account of reasonably possible changes in trading performance, which show that the company is expected to have a sufficient level of financial resources available through current facilities to continue in operational existence for the foreseeable future. The directors have also prepared forecasts and projections in respect of the ultimate parent company and have sufficient comfort that Aaron Holdings Limited, an immediate parent company, has the ability to provide the support required. The directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic conditions and as such after making enquiries in respect of the factors above they continue to prepare the financial statements on a going concern basis.

KAVANAGH HEALTH CARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

Financial risk management

Successful financial management relies first and foremost on the underlying operational performance. The company trades profitably at an EBITDA level. The directors have prepared forecasts and projections, taking account of reasonable possible changes in trading performance, which show that the company is expected to have a sufficient level of financial resources available through current facilities to continue in operational existence for the foreseeable future. The directors believe that the company is well placed to manage its business risks successfully despite the economic conditions and as such after making enquiries in respect of the factors above they continue to prepare the financial statements on a going concern basis.

The main risks arising from the company's financial instruments can be analysed as follows:

Credit risk

The company has good relationships with its suppliers based on prompt payment and regular dialogue. Whilst rarely required, if the rating of a company within the group does not support the advancing of credit by a supplier then, where no other alternative is available, arrangements will be made to support that company based on the credit position of another operating company.

Liquidity risk

The company's cash inflows and outflows largely pertain to those arising from operating activities. Ensuring that the appropriate fees are charged and collected from the appropriate party in a timely manner will continue to be paramount to maintaining a strong working capital balance. As the most significant cost to the business is salaries and related costs there is limited scope to enhance this area. The company always aims to achieve the best cost option with the most favourable payment terms available and the benefits of group purchasing have been utilised wherever possible.


Capital risk management

As per the going concern note later in these financial statements, management have considered the company's ability to continue to finance the company's day to day working capital requirements through existing cash reserves, forecasts illustrate that it can for the foreseeable future. The directors believe that the company is well placed to manage its business risks successfully and do not foresee any risks arising in the immediate future.

Future developments

Maintaining the quality of care and the safety of our residents are and always will be the primary objectives of the company. We will continue to proactively deliver these standards and work closely, where required, with external bodies, to keep abreast of developments in the health care sector.

On behalf of the board



J Whitehead

Director

Date: 29 August 2018

KAVANAGH HEALTH CARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the company continued to be that of administrator and operator of a nursing home. More details of services provided by the home can be found by visiting www.exemplarhc.com.

Directors

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

A Lighton	
A Sands	(Appointed 29 March 2018)
D Pancott	(Appointed 29 March 2018)
D Sturrock	(Appointed 29 March 2018)
E Phipps	(Appointed 29 March 2018)
E Craig	
J Robson	(Appointed 29 March 2018)
J Whitehead	(Appointed 26 June 2017)
L Thomas	
D Rowe-Bewick	(Resigned 23 June 2017)
T Duke	(Resigned 29 March 2018)
T Clarkson	(Resigned 29 March 2018)

Results and dividends

The results for the year are set out on page 8.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

RSM UK Audit LLP were appointed as auditor to the company during the year and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management.

KAVANAGH HEALTH CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

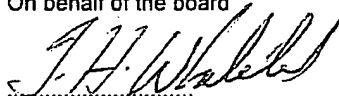
FOR THE YEAR ENDED 31 MARCH 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



J Whitehead
Director

Date: 29 August 2018

KAVANAGH HEALTH CARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANAGH HEALTH CARE LIMITED

Opinion

We have audited the financial statements of Kavanagh Health Care Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVANAGH HEALTH CARE LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

Daniel Varley (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square

5th Floor

29 Wellington Street

Leeds

LS1 4DL

30 August 2018

KAVANAGH HEALTH CARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	3	4,309,270	4,070,136
Staff costs	4	(2,212,307)	(1,969,629)
Consumables		(149,060)	(168,609)
Depreciation	5	(68,974)	(84,498)
Other operating expenses		(1,059,344)	(1,049,092)
Operating profit	5	819,585	798,308
Interest receivable and similar income	6	-	1,299
Profit before taxation		819,585	799,607
Tax on profit	7	2,349	1,939
Profit and total comprehensive income for the financial year		821,934	801,546

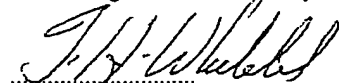
The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

Notes on pages 11 to 21 form an integral part of these financial statements.

KAVANAGH HEALTH CARE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2018**

	Notes	2018		2017	
		£	£	£	£
Non-current assets					
Deferred taxation	8		10,380		8,031
Tangible assets	9		193,523		204,427
			<u>203,903</u>		<u>212,458</u>
Current assets					
Debtors	10	4,763,352		3,558,893	
Cash at bank and in hand		225,020		402,930	
		<u>4,988,372</u>		<u>3,961,823</u>	
Creditors: amounts falling due within one year	11	<u>(734,319)</u>		<u>(968,952)</u>	
Net current assets			<u>4,254,053</u>		<u>2,992,871</u>
Total assets less current liabilities			<u>4,457,956</u>		<u>3,205,329</u>
Creditors: amounts falling due after more than one year	12		<u>(2,304,830)</u>		<u>(1,874,137)</u>
Net assets			<u><u>2,153,126</u></u>		<u><u>1,331,192</u></u>
Capital and reserves					
Called up share capital	14		1		1
Profit and loss reserves			<u>2,153,125</u>		<u>1,331,191</u>
Total equity			<u><u>2,153,126</u></u>		<u><u>1,331,192</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 August 2018 and are signed on its behalf by:



J Whitehead
Director

KAVANAGH HEALTH CARE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2016	1	529,645	529,646
Year ended 31 March 2017:			
Profit and total comprehensive income for the year	-	801,546	801,546
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	1	1,331,191	1,331,192
Year ended 31 March 2018:			
Profit and total comprehensive income for the year	-	821,934	821,934
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	1	2,153,125	2,153,126
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Company information

Kavanagh Health Care Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Ferham House, Kimberworth Road, Rotherham, South Yorkshire, S61 1AJ.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the group accounts of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- Comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment; and
- Related party disclosures for transactions with the parent or wholly owned members of the group.

The financial statements of the company are consolidated into the financial statements of Cx Holdco Limited. The consolidated financial statements of Cx Holdco Limited are available from its registered office, 5th Floor, 105 Piccadilly, London, W1J 7NJ or Companies House.

There are no new standards or amendments to standards which are mandatory for the first time for the year ended 31 March 2018 which have a significant impact on the company. The potential impacts of IFRS 15, Revenue from contracts with customers, IFRS 9, Financial Instruments and IFRS 16 Leases, are being assessed by management. The Board expect that the adoption of IFRS 16 in future periods will have a material impact on the financial statements of the company and are in the process of reviewing this. The financial impact has not been quantified at this time.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Going concern

The company meets its day to day working capital requirements through existing cash reserves. Aaron Holdings Limited, an intermediate parent, has confirmed it will provide financial support to the company for a period of not less than 12 months from the date of approval of these financial statements. The directors of the company are satisfied as to the ability of Aaron Holdings Limited to provide support, through utilising funds from throughout the group and based on the forecasted position of the group over this period. The company has net assets at the year end of £2,153,126 (2017 - £1,331,192), however based on the review of the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is expected to have sufficient levels of financial resources for the foreseeable future. The directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic conditions and as such after making enquiries in respect of the factors above they continue to prepare the financial statements on a going concern basis.

Reporting period

The company keeps a 52 or 53 week financial year resulting in the financial statements being made up to the nearest Sunday to the accounting reference date each year. This conforms with the Companies Act requirements as the year end falls within 7 days of the accounting reference date. The current year end is 25 March 2018 and the comparative is 26 March 2017.

Turnover

The turnover shown in the profit and loss account represents the value of care services provided, based on the level of care required. Turnover is recognised at the point these care services are provided. Deferred income arises as a result of timing differences between invoicing and recognition of income.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Consumables

Consumables represent food, medical and other items used on a day to day basis within the business. Such items are bought as required and no material stocks are held.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Leasehold improvements	Over the life of the lease
Fixtures and fittings	20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

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

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

The company's financial assets include cash and short-term deposits and other receivables.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the Statement of Comprehensive Income. Losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Profit and loss reserves

Profit and loss reserves comprise of cumulative profit and loss net of distributions to owners.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Employee benefits

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The directors do not consider there to be any key sources of estimation.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amounts owed by group undertakings

The determination of the amounts owed by group undertakings involves the indication of whether there is any objective evidence of impairment. Amounts receivable are written off when identified, to the extent that it is feasible that impairment and collectability are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way the individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amounts of receivables owed by group undertakings at the reporting date. The directors have made an assessment and have concluded that no impairment is required. The carrying amounts owed by group undertakings are £4,194,919 (2017 - £2,960,587).

3 Turnover

All turnover arises from rendering of services. The turnover and profit before tax are attributable to the one principal activity of the company (2017 - same). An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	4,309,270	4,070,136
	<u> </u>	<u> </u>

4 Employees

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

	2018 Number	2017 Number
Nursing	114	122
Administration	4	5
	<u> </u>	<u> </u>
	118	127
	<u> </u>	<u> </u>

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

4 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,890,299	1,834,489
Social security costs	134,963	123,032
Pension costs	12,089	12,108
	<u>2,037,351</u>	<u>1,969,629</u>

Directors' emoluments and pension contributions were borne by a fellow group company in the current and prior years.

Staff costs in the Statement of Comprehensive Income include agency staff costs.

5 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	68,974	57,602
Impairment loss recognised on debtors	-	26,896
Operating lease charges	749,355	749,355
Staff costs (note 4)	<u>2,212,307</u>	<u>1,969,629</u>

Audit fees were borne by fellow group companies in both the current and prior years.

6 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	<u>-</u>	<u>1,299</u>

7 Taxation

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	452	(2,679)
Changes in tax rates	(48)	740
Adjustment in respect of prior periods	<u>(2,753)</u>	<u>-</u>
Total deferred tax	<u>(2,349)</u>	<u>(1,939)</u>

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

7 Taxation (Continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 31 October 2017). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

There is no expiry date on the timing differences, unused tax losses or tax credits.

The total tax credit for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	819,585	799,607
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	155,721	159,921
Tax effect of expenses that are not deductible in determining taxable profit	1,595	2,078
Adjustments in respect of prior years	(2,753)	-
Effect of change in corporation tax rate	(48)	740
Group relief	(193,018)	(164,678)
Transfer pricing adjustments	36,154	-
Taxation credit for the year	(2,349)	(1,939)

8 Deferred taxation

The major deferred tax assets recognised by the company are:

	Assets 2018 £	Assets 2017 £
Balances:		
Accelerated capital allowances	8,673	6,410
Short term timing difference	1,707	1,621
	10,380	8,031
Movements in the year:		2018 £
Asset at 1 April 2017		8,031
Credit to profit or loss		2,349
Asset at 31 March 2018		10,380

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

8 Deferred taxation (Continued)

Deferred tax assets are recognised for accelerated capital allowances to the extent that the realisation of the related tax benefit through future taxable profits is probable and is expected to reverse within 12 months.

9 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2017	16,316	632,340	23,755	672,411
Additions	-	58,070	-	58,070
At 31 March 2018	16,316	690,410	23,755	730,481
Depreciation and impairment				
At 1 April 2017	-	444,229	23,755	467,984
Depreciation charged in the year	-	68,974	-	68,974
At 31 March 2018	-	513,203	23,755	536,958
Carrying amount				
At 31 March 2018	16,316	177,207	-	193,523
At 31 March 2017	16,316	188,111	-	204,427

10 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	560,501	524,854
Corporation tax recoverable	-	67,237
Amounts owed by group undertakings	4,194,919	2,960,587
Other debtors	345	-
Prepayments and accrued income	7,587	6,215
	<u>4,763,352</u>	<u>3,558,893</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	95,814	163,561
Amounts due to group undertakings	41,000	91,286
Other taxation and social security	29,932	25,239
Deferred income	251,499	249,172
Other creditors	304,254	155,629
Accruals	11,820	284,065
	<u>734,319</u>	<u>968,952</u>

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

Other creditors includes £9,462 (2017 - £18,399) in relation to amounts held on behalf of customers, with a corresponding balance held within cash balances.

12 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Accruals	<u>2,304,830</u>	<u>1,874,137</u>

Accruals represents amortised cost commitments in relation to the rental property operating lease.

13 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>12,089</u>	<u>12,108</u>

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in funds under control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

As at 31 March 2018, included within other creditors are contributions payable of £10,044 (2017 - £9,538).

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

14 Share capital

	2018 £	2017 £
Ordinary share capital		
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
1 Ordinary share of £1 each	1	1
	1	1

The company has one class of ordinary share which carries no right to fixed income. All shares are held at cost.

15 Financial commitments, guarantees and contingent liabilities

The company is part of the group banking facility which includes an unlimited guarantee in respect of the indebtedness to the bank. At 31 March 2018 and 31 March 2017, there was no contingent liability to recognise in respect of this.

16 Operating lease commitments

Lessee

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

	2018 £	2017 £
Within one year	749,355	749,355
Between one and five years	2,997,418	2,997,418
In over five years	15,736,445	16,485,799
	19,483,218	20,232,572

Operating lease payments represent rentals payable by the company for its home property. Leases are negotiated for a term of 35 years. Leases of buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

KAVANAGH HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

17 Ultimate controlling party

The company is a wholly owned subsidiary of Exemplar Holdings Limited, whose ultimate parent company, at the balance sheet date, is Cx Holdco Limited, all of these companies are domiciled in the United Kingdom and incorporated in England and Wales.

Consolidated financial statements are prepared by the group headed by Cx Holdco Limited and copies can be obtained from its registered office at 5th Floor, 105 Piccadilly, London, W1J 7NJ or Companies House. Cx Holdco Limited is the largest group and Cx Topco Limited is the smallest group into which these financial statements are consolidated.

At the end of the financial period the directors noted the ultimate controlling party was Agilitas 2015 Private Equity Fund L.P., based on the disposition of the shareholdings in the company.