

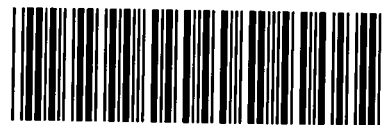
Registered number: 03409137

**PATHWAYS CARE GROUP LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2019**

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## **PATHWAYS CARE GROUP LIMITED**

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### **COMPANY INFORMATION**

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<b>Directors</b>	J S Godden P R Lawes K J G Hillen
<b>Registered number</b>	03409137
<b>Registered office</b>	Minton Place Victoria Street Windsor SL4 1EG
<b>Independent auditor</b>	Nexia Smith & Williamson Statutory Auditor and Chartered Accountants 25 Moorgate London EC2R 6AY

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**PATHWAYS CARE GROUP LIMITED**

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## **PATHWAYS CARE GROUP LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019**

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The directors present their report and the financial statements of Pathways Care Group Limited (the "Company") for the year ended 31 March 2019 (the "year").

#### **Business overview and review of year using key performance indicators**

The Company's principal activity throughout the year continued to be providing residential and day care for individuals with learning and other disabilities.

In assessing the performance of the Company, the directors principally review revenues and profitability.

The Company made total revenues of £15,793,000 for the year, a £975,000 increase on £14,818,000 for the pro rated equivalent prior period. This increase is due to improved occupancy rates and a move towards higher acuity service users.

The Company's loss for the year was £700,000, a £392,000 increase over the £308,000 loss for the pro rated equivalent prior period. This was due to investment in the Company's overheads in order to allow the Company and wider group to scale.

As at 31 March 2019, the Company held net liabilities of £2,774,000 (2018: £2,074,000), or net assets of £10,590,000 (2018: £24,612,000) before debt and interest due to the Company's parent company. This decrease of £14,022,000 is due to repayment of the parent company debt as a result of a sale and leaseback transaction entered into during the year whereby 34 of the Company's freehold interests in land and buildings were transferred to a third party in return for consideration of £14,381,000, then leased back on 150-year leases.

#### **Principal risks and uncertainties**

The directors consider the following to be the principal risks and uncertainties facing the Company at the time of this report:

##### The UK's departure from the European Union ("Brexit")

Although the Company has no non-UK trade, Brexit is causing significant economic uncertainty within the UK which could affect the cost and quantum of labour, financing and goods & services available to the Company. The directors have diversified the Company's supply of these inputs, and to the greatest extent possible have factored the prevailing uncertainty into the Company's financial planning.

##### Public sector financial constraints

In an environment of tighter fiscal policy the directors are acutely aware of the risks to any company, such as the Company, that trades primarily with public sector bodies. The Company has a diverse mix of public sector funders for its service users and this mix is monitored to ensure there is no one customer to which the Company has a potentially problematic level of exposure. Exposure to specific high-risk funders, such as local authorities with funding shortages, is monitored and limited where possible.

##### Regulatory changes

The directors pride themselves on provision of a high quality of care for the Company's service users, and always aim to proactively respond to, and exceed, any regulatory requirements affecting the Company's operations. Major changes to these regulatory requirements can result in significant cost to the Company, and the Company therefore seeks to maintain a dialogue with regulators to properly plan for any such changes. No regulatory changes having a materially adverse effect on the Company's activities are anticipated at this time.

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PATHWAYS CARE GROUP LIMITED

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2019

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



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P R Lawes  
Director

Date: 26 July 2019

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## **PATHWAYS CARE GROUP LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

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

#### **Directors**

The directors who served during the year and to the date of signing this report were:

J S Godden  
P R Lawes  
K J G Hillen (appointed 11 January 2019)  
S D Travers (resigned 20 April 2018)

#### **Future developments**

The directors intend to continue to seek investment opportunities within the complex care industry and to grow the Company's activities organically through further improvements to care provision. No changes to the Company's principal activities are foreseen at the time of writing, and the directors are aware of no significant threats to the Company's ability to continue to operate.

#### **Employee involvement**

It is the Company's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements that are relevant to the job, regardless of their sex, race, religion or disability.

The Company recognises the value of its employees and places importance on communications with employees which take place at many levels throughout the organisation on both a formal and informal basis. The personal development of employees is closely monitored so that appropriate training programmes can be designed with a view to assisting employees to achieve their own objectives as well as those of the Company.

#### **Disabled employees**

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for development exist for each disabled person. Arrangements are made wherever possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

#### **Matters covered in the strategic report**

Reviews of the Company's results, risks and uncertainties are included within the Strategic Report.

#### **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'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's auditor is aware of that information.

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**PATHWAYS CARE GROUP LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2019**

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**Post balance sheet events**

No material events have occurred since the balance sheet date.

**Going concern**

Information regarding the Company's status as a going concern is disclosed in note 2.3.

**Auditor**

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Directors' indemnity insurance**

The Company has in place third-party indemnity insurance for the benefit of its directors which were in place throughout the year and remain in place at the date of this report.

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



.....  
P R Lawes  
Director

Date: 26 July 2019

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## **PATHWAYS CARE GROUP LIMITED**

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### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

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The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



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## **PATHWAYS CARE GROUP LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATHWAYS CARE GROUP LIMITED**

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#### **Opinion**

We have audited the financial statements of Pathways Care Group Limited (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the 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 FRS 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 Company's affairs as at 31 March 2019 and of its loss 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.

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## **PATHWAYS CARE GROUP LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATHWAYS CARE GROUP LIMITED**

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#### **Opinion 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.

#### **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 or 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**PATHWAYS CARE GROUP LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATHWAYS CARE GROUP LIMITED**

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**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.

*Nexia Smith & Williamson*

Andrew Bond (Senior statutory auditor)

for and on behalf of

**Nexia Smith & Williamson**

Statutory Auditor and Chartered Accountants

25 Moorgate

London

EC2R 6AY

26 July 2019

**PATHWAYS CARE GROUP LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2019**

		Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
	Note		
Revenue	4	15,793	13,965
Cost of sales		(10,216)	(9,019)
<b>Gross profit</b>		<b>5,577</b>	<b>4,946</b>
Administrative expenses		(5,078)	(3,873)
<b>Operating profit</b>	5	<b>499</b>	<b>1,073</b>
Interest payable and expenses	9	(1,233)	(1,017)
<b>(Loss)/profit before tax</b>		<b>(734)</b>	<b>56</b>
Tax on (loss)/profit	10	34	(346)
<b>Loss after tax</b>		<b>(700)</b>	<b>(290)</b>
Accumulated losses at the beginning of the year		(2,074)	(1,784)
Loss for the year		(700)	(290)
<b>Accumulated losses at the end of the year</b>		<b>(2,774)</b>	<b>(2,074)</b>

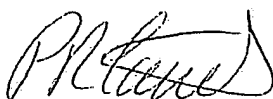
There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Income and Retained Earnings.

**PATHWAYS CARE GROUP LIMITED**  
**REGISTERED NUMBER: 03409137**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2019**

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Intangible assets	11	163	38
Property, plant & equipment	12	23,413	23,527
Fixed asset investments	13	5,519	5,519
		<u>29,095</u>	<u>29,084</u>
<b>Current assets</b>			
Trade and other receivables	14	6,656	5,351
Cash and cash equivalents		367	439
		<u>7,023</u>	<u>5,790</u>
Trade and other payables	15	(11,592)	(10,725)
<b>Net current liabilities</b>		<u>(4,569)</u>	<u>(4,935)</u>
<b>Total assets less current liabilities</b>		<u>24,526</u>	<u>24,149</u>
Non-current trade and other payables	16	(26,701)	(25,675)
<b>Provisions for liabilities</b>			
Deferred taxation	18	(599)	(548)
<b>Net liabilities</b>		<u>(2,774)</u>	<u>(2,074)</u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Accumulated losses	20	(2,774)	(2,074)
		<u>(2,774)</u>	<u>(2,074)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 July 2019.

  
 .....  
**P R Lawes**  
 Director

The notes on pages 13 to 29 form part of these financial statements.

**PATHWAYS CARE GROUP LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>2019 £000</b>	<b>2018 £000</b>
Loss for the year	(700)	(290)
Amortisation of Intangible assets	16	7
Depreciation of tangible assets	927	724
Impairments of property, plant & equipment	-	195
Loss on disposal of tangible assets	87	-
Finance costs	1,233	1,017
Taxation (credit) / charge	(34)	346
Increase in trade and other receivables	(2,446)	(2,429)
Increase in trade and other payables	2,619	1,568
Corporation tax paid	(279)	(206)
<b>Net cash generated from operating activities</b>	<b>1,423</b>	<b>932</b>
Purchase of intangible assets	(140)	(42)
Purchase of property, plant & equipment	(1,085)	(616)
Sale of tangible fixed assets	185	-
<b>Net cash used in investing activities</b>	<b>(1,040)</b>	<b>(658)</b>
Proceeds from sale and leaseback transaction	14,381	-
Repayment of finance leases	(437)	-
Repayment of loans from group companies	(14,399)	-
<b>Net cash used in financing activities</b>	<b>(455)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(72)</b>	<b>274</b>
Cash and cash equivalents at beginning of year	439	165
<b>Cash and cash equivalents at end of year</b>	<b>367</b>	<b>439</b>

**PATHWAYS CARE GROUP LIMITED**

**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 MARCH 2019**

	At 1 April 2018 £000	Cash flows £000	New finance leases £000	Other non- cash changes £000	At 31 March 2019 £000
Cash and cash equivalents	439	(72)	-	-	367
Amounts owed to group undertakings in over 1 year	(25,675)	14,399	-	(1,077)	(12,353)
Finance leases	-	437	(14,381)	(404)	(14,348)
	<u>(25,236)</u>	<u>14,764</u>	<u>(14,381)</u>	<u>(1,481)</u>	<u>(26,334)</u>

Other non-cash changes relate to the capitalisation of interest on group loans of £1,077,000 (2018: £nil) and the unwinding of discounting on the finance lease liability of £404,000 (2018: £nil).

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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **1. General Information**

Pathways Care Group Limited (the "Company") is a private company limited by shares, incorporated in England and Wales under the Companies Act, to provide residential and day care for individuals with learning and other disabilities. The Company's registered office is Minton Place, Victoria Street, Windsor SL4 1EG.

#### **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.

Except where otherwise stated, all figures presented within the financial statements are rounded to the nearest thousand of the Company's functional currency, sterling.

In the period ended 31 March 2018, the Company elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

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

##### **2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Salutem LD Bidco Limited as at 31 March 2019 and these financial statements may be obtained from Minton Place, Victoria Street, Windsor SL4 1EG.

##### **2.3 Going concern**

The Company has net liabilities of £2,774,000 and net current liabilities of £4,569,000. This is primarily due to debt and interest owed to its parent company of £13,116,000 which do not fall due until 21 April 2027 and which are within the control of the directors in their capacity as directors of the wider group. Forecasts have been prepared for the foreseeable future and show profitable growth with the wider group operating within agreed banking covenants. The ultimate parent company has also confirmed continuing support to the Company. Accordingly, the directors believe it is appropriate to draw up the financial statements on a going concern basis.



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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Accounting policies (continued)**

##### **2.4 Revenue**

The Company's revenue is derived from provision of care services, which are typically priced on the basis of an agreed daily or weekly fee. Revenue is recognised according to the number of days' care provided, multiplied by the applicable rate for that care user, regardless of whether that fee has been billed by the end of the period. Any timing differences between care hours provided and bills raised are recognised or derecognised as applicable within accrued or deferred income in the Statement of Financial Position.

##### **2.5 Intangible assets**

###### **Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Income and Retained Earnings over its useful economic life.

###### **Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	over 3 years
Goodwill	-	over 5 years

##### **2.6 Property, plant and equipment**

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.

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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Accounting policies (continued)**

##### **2.6 Property, plant and equipment (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.

The estimated useful lives range as follows:

Freehold property	- over 50 years
Long-term leasehold property	- over 50 years
Motor vehicles	- over 4 years
Fixtures, fittings & equipment	- over 3 to 10 years

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 Statement of Income and Retained Earnings.

##### **2.7 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting 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 reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

##### **2.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **2.9 Trade and other receivables**

Short term debtors are measured at transaction price, less any impairment.

##### **2.10 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.

In the 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 Company's cash management.

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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Accounting policies (continued)**

##### **2.11 Trade and other payables**

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.

##### **2.12 Finance costs**

Finance costs are charged to the Statement of Income and Retained Earnings 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.

##### **2.13 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### **2.14 Finance leases: the Company as lessee**

Assets acquired by finance lease are depreciated over the shorter of the lease term and 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 Statement of Income and Retained Earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### **2.15 Sale and leaseback**

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

##### **2.16 Pensions**

###### **Defined contribution pension plan**

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

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Accounting policies (continued)**

##### **2.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

##### **2.18 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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 reporting date in the countries where the Company operates and generates 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 reporting date.

Group relieved losses are paid for by the company taking relief at the value of the losses.

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## PATHWAYS CARE GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

In preparing these financial statements, the directors have necessarily made use of judgments and estimates. This results in a certain degree of uncertainty. The primary judgments and estimates applied are as follows:

##### Judgments

###### *Classification of leases*

During the year the Company entered into a sale and leaseback transaction whereby 34 of its freehold interests in land and buildings were transferred to a third party in return for consideration of £14,381,000. The buildings were then leased back on 150-year leases. There are no material restrictions on the Company's right of use of these assets, and the Company has the right to buy back the properties at the end of the lease for a nominal sum, and as such the leases have been classified as finance leases and assets and corresponding liabilities have been recognised on the Company's Statement of Financial Position.

##### Estimates

###### *Recoverability of current assets*

Trade and other receivables are only recognised to the extent that they are considered recoverable. This estimate is derived from an extrapolation of receipt patterns since the end of the year but before the signing of these accounts. A provision of £314,000 (2018: £253,000) has been made for any amounts where there is considered sufficient doubt not to meet this criteria, with a balance of £1,257,000 (2018: £1,136,000) remaining unprovided.

###### *Useful economic lives of non-current assets*

Useful economic lives have been assessed on the basis of the directors' experience of typical lives of similar assets in comparable use patterns. Occasionally assets will be used past a typical useful economic life, or else damaged or destroyed earlier than predicted. However, the lives applied are considered the directors' best available estimate.

#### 4. Revenue

The whole of the revenue is attributable to the provision of residential and day care services, and arose within the United Kingdom.

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**5. Operating profit**

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

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
(Credit) / charge for provisions against bad and doubtful receivables	(65)	59
Depreciation of property, plant & equipment	927	724
Impairment of tangible fixed assets	-	195
Amortisation of intangible assets, including goodwill	16	7
Defined contribution pension cost	131	49
Other operating lease rentals	191	94

**6. Auditor's remuneration**

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	28	43

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the consolidated accounts of the Company's parent company.

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**7. Employees**

Staff costs were as follows:

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
Wages and salaries	10,130	8,257
Social security costs	812	655
Cost of defined contribution scheme	131	49
	<u>11,073</u>	<u>8,961</u>

Social security costs for the period from 22 April 2017 to 31 March 2018 were incorrectly disclosed in the annual report as £102,000, and have been corrected above. This error was specific to this note, and has no effect on the Company's overall result for that period.

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

	Year ended 31 March 2019 No.	Period from 22 April 2017 to 31 March 2018 No.
Care staff	577	502
Management and administration	50	21
	<u>627</u>	<u>523</u>

**8. Directors' remuneration**

The directors of the Company act as directors of a number of companies in the wider group. An apportionment of directors' remuneration relating to the Company is approximately £107,000 (2018: £110,000).

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**9. Finance costs**

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
Bank interest payable	-	6
Interest on amounts owed to parent company	829	1,011
Interest on finance leases	404	-
	<u>1,233</u>	<u>1,017</u>

**10. Taxation**

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
<b>Corporation tax</b>		
Current tax on taxable profits for the year	20	161
Adjustments in respect of previous periods	(105)	64
<b>Total current tax</b>	<u>(85)</u>	<u>225</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	51	121
<b>Total deferred tax</b>	<u>51</u>	<u>121</u>
<b>Tax on loss</b>	<u>(34)</u>	<u>346</u>



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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**10. Taxation (continued)****Factors affecting tax charge for the year**

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

	Year ended 31 March 2019 £000	Period from 22 April 2017 to 31 March 2018 £000
(Loss)/profit on ordinary activities before tax	(735)	56
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(140)	11
Effects of:		
Expenses not deductible for tax purposes	(24)	59
Capital allowances for year in excess of depreciation	172	111
Adjustments to tax charge in respect of prior periods	(104)	64
Tax rate changes leading to a change in deferred tax	(6)	(5)
Deferred tax not recognised	-	76
Transfer pricing adjustments	68	30
Group relief claimed	(19)	(161)
Payment for group relief	19	161
<b>Total tax charge for the year</b>	<b>(34)</b>	<b>346</b>

The tax charge represents amounts paid to the Company's parent company for group relief.

**Factors that may affect future tax charges**

At Budget 2016, the UK government announced a further reduction of the main corporation tax rate to 17% from 1 April 2020.

The Company has not recognised potential deferred tax assets of £1,083,000 (2018: £184,000) relating to unrelieved capital losses carried forward, on the basis that recovery is not considered sufficiently probable.

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**11. Intangible assets**

	<b>Computer software £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2018	42	6,292	6,334
Additions	140	-	140
Disposals	-	(6,292)	(6,292)
At 31 March 2019	<u>182</u>	<u>-</u>	<u>182</u>
<b>Amortisation</b>			
At 1 April 2018	4	6,292	6,296
Charge for the period	16	-	16
On disposals	-	(6,292)	(6,292)
At 31 March 2019	<u>20</u>	<u>-</u>	<u>20</u>
<b>Net book value</b>			
At 31 March 2019	<u>162</u>	<u>-</u>	<u>162</u>
At 31 March 2018	<u>38</u>	<u>-</u>	<u>38</u>

**PATHWAYS CARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**12. Property, plant & equipment**

	Freehold property £000	Long-term leasehold property £000	Motor vehicles £000	Fixtures, fittings & equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2018	28,398	73	192	3,240	31,903
Additions	-	11	25	1,105	1,141
Disposals	(266)	-	-	(284)	(550)
Transfers between classes	(24,412)	24,412	-	-	-
At 31 March 2019	3,720	24,496	217	4,061	32,494
<b>Depreciation</b>					
At 1 April 2018	5,918	4	152	2,302	8,376
Charge for the period	505	7	37	378	927
Disposals	(26)	-	-	(196)	(222)
Transfers between classes	(5,407)	5,407	-	-	-
At 31 March 2019	990	5,418	189	2,484	9,081
<b>Net book value</b>					
At 31 March 2019	2,730	19,078	28	1,577	23,413
At 31 March 2018	22,480	69	40	938	23,527

During the year, £19,005,000 of freehold property transferred to long-term leasehold property following a sale and leaseback transaction. Further details are disclosed within note 17.

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

	2019 £000	2018 £000
Freehold	2,731	22,479
Held under finance lease	19,078	70
	<u>21,809</u>	<u>22,549</u>

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## PATHWAYS CARE GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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#### 13. Fixed asset investments

##### Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Pathways 4 Care Ltd	Ordinary	100 %	Supported living
Pathways Day Care Limited	Ordinary	100 %	Day care
Newlife Care Services (Holding Co) Limited	Ordinary	100 %	Holding company
Swan Village Care Services Limited	Ordinary	100 %	Dormant
Minster Pathways (Colchester) Limited	Ordinary	100 %	Dormant
Hardriding House Limited	Ordinary	100 %	Dormant

##### Indirect Subsidiary undertakings

The following were indirectly held subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Newlife Care Services Limited	Ordinary	100 %	Residential care

The registered office of all subsidiaries is Minton Place, Victoria Street, Windsor, England, SL4 1EG.

#### 14. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	1,257	1,136
Amounts owed by group undertakings	4,996	488
Prepayments and accrued income	241	166
Other receivables	141	3,561
Tax recoverable	21	-
	<u>6,656</u>	<u>5,351</u>

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

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PATHWAYS CARE GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

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15. Trade and other payables

	2019 £000	2018 £000
Trade payables	653	414
Amounts owed to group undertakings	8,013	8,372
Accruals and deferred income	1,804	1,143
Corporation tax	-	222
Other taxation and social security	262	370
Other payables	860	204
	<u>11,592</u>	<u>10,725</u>

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

16. Non-current trade and other payables

	2019 £000	2018 £000
Net obligations under finance leases	14,348	-
Amounts owed to group undertakings	12,353	25,675
	<u>26,701</u>	<u>25,675</u>

Non-current amounts owed to group undertakings are unsecured and attract interest at 3.75% + LIBOR. The principal is repayable on 21 April 2027.

See note 17 for key terms of finance leases.

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**17. Finance leases**

Minimum lease payments under finance leases fall due as follows:

	2019 £000	2018 £000
Within one year	491	-
Between 1-5 years	2,010	-
Over 5 years	164,525	-
	<u>167,026</u>	<u>-</u>

The leases reflected above are on a 150-year term, with initial rent of £480,000. This rent is subject to a compounding inflationary increase, based on the general retail prices index and subject to a maximum increase of 5%. In accounting for this liability, the Company has assumed a minimum inflationary increase of 1%; this estimate will be reviewed on an annual basis. The arrangement has therefore been calculated at an initial effective interest rate of 4.4%. Any assets held under the finance lease arrangements, if disposed of, must be replaced with similar valued properties under the terms of the leases.

**18. Deferred taxation**

	2019 £000
At 1 April 2018	(548)
Charged to profit or loss	(51)
At 31 March 2019	<u>(599)</u>

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(603)	(548)
Other short term timing differences	4	-
	<u>(599)</u>	<u>(548)</u>

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**PATHWAYS CARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**19. Share capital**

	2019 £	2018 £
Allotted, called up and fully paid		
10,000 (2018 - 10,000) Ordinary shares of £0.01 each	100	100
204 (2018 - 204) Ordinary non-voting shares of £0.01 each	2	2
	<u>102</u>	<u>102</u>

**20. Reserves****Profit and loss account**

Retained earnings or accumulated losses relate to the cumulative profits or losses of the Company since incorporation, net of any cumulative adjustments recognised to date.

**21. Contingent liabilities**

A corporate cross guarantee of the senior debt borrowed by Salutem LD Bidco Limited exists between that company and the majority of its subsidiary undertakings, including the Company. The senior debt is secured over the whole of the assets of Salutem LD Bidco Limited and the majority of the assets of that group.

**22. Pension commitments**

The Company makes contributions to a defined contribution pension scheme on behalf of its employees. During the year, contributions totalled £131,000 (2018: £49,000). As at the balance sheet date, the Company's pension liability was £28,000 (2018: £1,000).

**23. Commitments under operating leases**

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	227	74
Later than 1 year and not later than 5 years	605	353
	<u>832</u>	<u>427</u>

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## **PATHWAYS CARE GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **24. Related party transactions**

The Company has taken advantage of an exemption available under FRS 102 not to disclose transactions with 100%-owned group companies.

During the year the Company recharged costs to a company owned and controlled by shareholders and directors of the wider group, totalling £2,193,000 (2018: £470,000), and received recharged costs of £983,000 (2018: £nil) from the same company. As at 31 March 2019, an amount of £176,000 was owed to that company (2018: £470,000 was due from that company) in respect of these transactions and is included in Other payables (2018: Other receivables). The balance is interest-free and repayable on demand.

#### **25. Controlling party**

The Company is 100% owned and controlled by Salutem LD Bidco Limited ("Bidco"), which is the Company's immediate controlling party. Bidco is in turn 100% owned and controlled by Salutem LD Topco Limited ("Topco"), which is the Company's ultimate and immediate controlling party. The results of the Company are included in the consolidated financial statements of Bidco, which is the smallest group of undertakings for which group accounts are drawn up, and of Topco, which is the largest group of undertakings for which group accounts are drawn up. Topco's registered office is Minton Place, Victoria Street, Windsor SL4 1EG.