

Keys Group PCE (Holdings) Limited
(formerly Embrace Progression Limited)

Annual report and financial statements

Registered number 08991221

Nine months ended 31 March 2017

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Directors and Advisors

Directors

Patricia Lee
David Manson

Company Number

08991221

Registered Office

Keys Attachment Centre
New Hall Hey Road
Rossendale
BB4 6HR

Auditors

KPMG LLP
One Snow Hill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Contents

Strategic Report	1
Directors' report	3
Statement of directors' responsibilities	5
Independent auditor's report to the members of Keys Group PCE (Holdings) Limited	6
Group Profit and Loss Account	8
Group Statement of Comprehensive Income	9
Group Balance Sheet	10
Company Balance Sheet	11
Group Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Group Statement of Cash Flows	14
Notes	15

Strategic Report

Principal activities and review of the business

The principal activity of the company is that of a holding company for the Group which provides residential and educational services. The Group supports young people who have physical disabilities, learning disabilities and special educational needs.

The Group supports around 150 young people in a mixture of residential and educational settings. The majority of its activities are regulated by OFSTED.

Fair review of business

Trading in the nine months ended 31 March 2017 has remained challenging, with the Group continuing to face the impact of rising costs combined with public sector austerity. Against this background the Group's financial performance continues to be solid.

As shown in the Group's Profit and Loss Account on page 8, turnover for the nine months ended 31 March 2017 amounted to £8,934,000 and gross profit to £4,137,000. Operating profit of £1,279,000 included exceptional income of £567,000, loss on disposal of fixed assets of £156,000 and loss on disposal of investments of £697,000. The Group's balance sheet on page 10 shows that the Group has net assets of £844,000.

Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited) was acquired by Sorrento Bidco Limited on 31 March 2017 and changed its accounting period to that of the new parent company.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The major risks and uncertainties are addressed through the Group's Management Board which meets on a monthly basis. The Management Board monitor all aspects of the business, with clinical governance issues being an agenda item at each meeting.

The key risks and uncertainties facing the Group are considered to relate to quality of care delivery, the regulatory environment and financial management.

The quality of care is monitored by an experienced quality compliance team through the establishment of robust policies and procedures. The homes are regularly audited by the team to ensure compliance with care standards.

The Group operates in a heavily regulated industry. The work outlined above in clinical governance and human resources together with improvements in operational management of the business have led to further improvements in relationships the Group has with regulators.

The health and safety of our service users and employees is of prime importance to the Group. The Group has a health and safety policy which is managed and monitored by the Group's senior leadership team.

In the current environment of austerity within central and local government and in light of the announcement of the National Living Wage, there is a risk that fees do not rise in line with costs, resulting in pressure on margins.

The failure to attract and retain appropriately qualified staff could result in higher agency staff costs with a risk that this would have a negative impact on quality and profitability.

Strategic report (continued)

Key performance indicators

The Group produces detailed management reports and accounts on a monthly basis and a number of Key Performance Indicators ("KPIs") are an integral part of this process. The monthly management reports and accounts focus on the actual performance of the business compared to the budget set for the current financial period.

The financial KPIs that are a part of this review process include Average weekly fee, EBITDAR % (Earnings Before Interest, Depreciation, Amortisation and Rent) and Employment cost %.

Non-financial measures include occupancy, both in absolute terms and as a percentage of available beds, compliance with external regulators and compliance with internal audit reviews.

Weekly fees and occupancy underpin the revenue of the group and therefore management monitor these KPIs regularly. In the period to 31 March 2017, the group supported an average of 153 people (30 June 2016: 161). Average weekly fees in the period to 31 March 2017 were £1,497 (year to 30 June 2016: £1,308).

Financial risk management

The Group is funded by shareholder loans which are non interest bearing and repayable on demand. The Group has received undertakings from the shareholders that repayment of these loans will not be required in the foreseeable future.

Liquidity risk

The Group seeks to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably, and has undrawn facilities available if required. Cash flow is forecast on a daily basis to monitor the Group's liquidity position. The Group's net current liability position reflects the negative working capital position consistent with other Companies in the sector.

By order of the board



David Manson
Director

8 December 2017

Directors' report *(continued)*

Auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'D. Manson', followed by a horizontal line.

David Manson
Director

Keys Attachment Centre
New Hall Hey Road
Rossendale
BB4 6HR

8 December 2017

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

The directors are responsible for preparing the Strategic Report and 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 period. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law, including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

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B4 6GH
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYS GROUP PCE (HOLDINGS) LIMITED (FORMERLY EMBRACE PROGRESSION LIMITED)

Opinion

We have audited the financial statements of Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited) ("the company") for the period ended 31 March 2017, which comprise the Profit and loss account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYS GROUP PCE (HOLDINGS) LIMITED (FORMERLY EMBRACE PROGRESSION LIMITED) (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Stuart Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

8 December 2017

Group Profit and Loss Account
for nine months ended 31 March 2017

		Nine months ended 31 March 2017	Unaudited Year ended 30 June 2016
	Notes	£'000	£'000
Turnover	3	8,934	11,054
Cost of sales		(4,797)	(5,971)
Gross profit		4,137	5,083
Administrative expenses (<i>includes exceptional income £567,000 (2016: £708,000)</i>)	4	(2,005)	(2,227)
Impairment of fixed assets	11	-	(790)
Loss on disposal of investments	5	(697)	-
Loss on disposal of fixed assets	5	(156)	(131)
Operating profit	5	1,279	1,935
Net finance charges & interest	9	(300)	(401)
Profit before taxation		979	1,534
Taxation on loss on ordinary activities	10	1	6
Profit for the financial period		980	1,540

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Group Statement of Comprehensive Income
 for the nine months ended 31 March 2017

	Nine months ended 31 March 2017 £'000	Unaudited Year ended 30 June 2016 £'000
Profit for the period	980	1,540
Other comprehensive income	-	-
Total comprehensive income for the period	980	1,540

Group Balance Sheet

At 31 March 2017

	<i>Note</i>	31 March 2017 £'000	31 March 2017 £'000	Unaudited 30 June 2016 £'000	Unaudited 30 June 2016 £'000
Fixed assets					
Tangible assets	<i>12</i>		14,624		15,474
Investments	<i>13</i>		-		697
			14,624		16,171
Current assets					
Stocks	<i>14</i>	7		7	
Debtors	<i>15</i>	844		22,205	
Cash at bank and in hand		-		-	
		851		22,212	
Creditors: amounts falling due within one year	<i>16</i>	(14,315)		(33,152)	
Provisions for liabilities: within one year	<i>17</i>	(159)		(194)	
Net current liabilities			(13,623)		(11,134)
Total assets less current liabilities			1,001		5,037
Provisions for liabilities: after one year	<i>17</i>		(157)		(173)
Net assets			844		4,864
Capital and reserves					
Called up share capital	<i>20</i>		-		-
Profit and loss account			3,561		7,581
Merger reserve			(2,717)		(2,717)
Total equity			844		4,864

These financial statements were approved by the board of directors on 8 December 2017 and were signed on its behalf by:



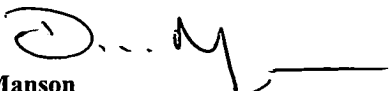
David Manson
Director

Company Balance Sheet

at 31 March 2017

	Note	31 March 2017 £'000	31 March 2017 £'000	30 June 2016 £'000	30 June 2016 £'000
Fixed assets					
Investments	13		3,026		3,026
Current assets					
Debtors	15	15,369		-	
		<u> </u>		<u> </u>	
Creditors: amounts falling due within one year	16	(18,398)		(3,026)	
		<u> </u>		<u> </u>	
Net current liabilities			(3,029)		(3,026)
			<u> </u>		<u> </u>
Total assets less current liabilities			(3)		-
Provisions for liabilities			-		-
			<u> </u>		<u> </u>
Net liabilities			(3)		-
			<u> </u>		<u> </u>
Capital and reserves					
Called up share capital	20		-		-
Profit and loss account			(3)		-
			<u> </u>		<u> </u>
Equity shareholders' deficit			(3)		-
			<u> </u>		<u> </u>

These financial statements were approved by the board of directors on 8 December 2017 and were signed on its behalf by:


David Manson
Director

Company registered number: 08991221

Group Statement of Changes in Equity for the period ended 31 March 2017

	Share capital £'000	Profit and loss account £'000	Merger Reserve £'000	Total £'000
Balance at 1 July 2015	-	6,041	(2,717)	3,324
Year ended 30 June 2016:				
Profit for the year	-	1,540	-	1,540
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	1,540	-	1,540
Balance at 30 June 2016 and 1 July 2016	-	7,581	(2,717)	4,864
Nine months ended 31 March 2017:				
Other comprehensive income				
Profit for the period	-	980	-	980
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	-	980	-	980
Transactions with owners recorded directly in equity				
Dividends paid to former group	-	(5,000)	-	(5,000)
Balance at 31 March 2017	-	3,561	(2,717)	844

Company Statement of Changes in Equity
for the nine months ended 31 March 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 July 2015	-	-	-
Year ended 30 June 2016:			
Result for the year	-	-	-
Other comprehensive income:	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 30 June 2016 and 1 July 2016	-	-	-
Nine months ended 31 March 2017:			
Loss for the period	-	(3)	(3)
Other comprehensive income:	-	-	-
Total comprehensive loss for the period	-	(3)	(3)
Balance at 31 March 2017	-	(3)	(3)

Group Statement of Cash Flows
for the period ended 31 March 2017

		Nine months ended 31 March 2017		Year ended 30 June 2016	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	25		4,827		934
Interest paid			(300)		(401)
Income taxes paid			-		-
Net cash inflow from operating activities			4,527		533
Investing activities					
Purchase of tangible fixed assets		(599)		(580)	
Proceeds on disposal of tangible fixed assets		1,072		47	
Net cash generated from/(used in) investing activities			473		(533)
Financing activities					
Dividends paid		(5,000)			
Proceeds from new loans		13,326		-	
Repayment of loan		(13,326)		-	
Net cash used in financing activities			(5,000)		-
Net (decrease)/increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of period			-		-
Cash and cash equivalents at end of period			-		-

Notes

(forming part of the financial statements)

1 Accounting policies

Company information

Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited) ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is Keys Attachment Centre, New Hall Hey Road, Rossendale, BB4 6HR.

The group consists of the Company and its subsidiaries listed in note 13.

1.1 Accounting convention

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the 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 £'000.

The financial statements have been prepared on the historic cost convention, modified to include the revaluation of freehold properties and to include investment properties at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of the group prepares publicly available consolidated financial statements, including the company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the period was £3,000 (2016 - £nil).

1.2 Basis of consolidation

These are the first set of consolidated financial statements for Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited), registered number 08991221. By applying the principles of merger accounting the Group financial statements are presented as if Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited) had always owned the subsidiaries listed in note 13 since the ownership structure at 31 March 2017 was established through a group reorganisation giving rise to the acquisition of fellow group subsidiary undertakings in the current and prior periods, with no overall change in the ultimate beneficial ownership or parent company.

The consolidated financial statements incorporate those of Keys Group PCE (Holdings) Limited (formerly Embrace Progression Limited) and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 March 2017. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements. The Group is financed by shareholder loans and it has received assurances that there is no intention to seek repayment of these loans for the foreseeable future. As a result of these assurances the Directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis.

1.4 Turnover

Turnover represents amounts receivable for fees and services to residents in the health and social care sector, net of VAT. Revenue for the period is recognised when the services are provided and deferred income relates to fees that are invoiced in advance.

1.5 Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets and depreciation

Valuation

Trading properties are re-valued professionally by independent valuers. The Directors undertake valuations on a periodic basis, for example due to bank refinancing, and these valuations are reflected in the relevant financial statements. Each property will be subject to an independent valuation at least once every five years.

Surpluses arising from the professional valuation are taken directly to the revaluation reserve. Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve.

Any deficit arising from the professional valuation of properties is taken directly to the revaluation reserve until the carrying amount reaches historical cost and thereafter, to the extent that the value in use can be demonstrated to be higher than valuation. Any other deficit arising is charged to the profit and loss account.

Depreciation

Depreciation is charged on a straight line basis on freehold and long leasehold buildings over the estimated useful life of the asset. It is the company's policy to maintain the properties comprising the estate in such a condition that the residual values of the properties, based on prices prevailing at the time of acquisition or subsequent revaluation, are at least equal to their book values. As a result, the depreciation charged on freehold and long leasehold buildings is nil.

It is the opinion of the directors that it is not practical or appropriate to separate from the value of the buildings the value of long life fixtures and fittings, which are an integral part of the buildings.

An annual impairment review is carried out on such properties in accordance with FRS 102 Section 17.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	Over the term of the lease
Fixtures, fittings & equipment	20% reducing balance
Motor vehicles	25% reducing balance

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 recognised in the profit and loss account.

1.7 Impairment of fixed assets

At each reporting end date, the group 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 asset's recoverable amount 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

Notes (continued)

1 Accounting policies (continued)

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Notes (continued)

1 Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred taxation

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.14 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.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes (continued)

1 Accounting policies (continued)

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 lease asset are consumed.

Notes (continued)

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 principal accounting judgements and estimates utilised in the presentation of the consolidated financial statements of the Group which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are:-

Freehold land and buildings

The Directors undertake a rolling process of external valuations of freehold Land and Buildings as detailed in Note 12. The Directors undertake a review at each balance sheet date to determine whether there are any indicators of impairment. If there are indicators the Directors either seek to estimate the recoverable amount, or undertake a review of estimated future cash flows. Both the estimation of future cash flows and recoverable amount require a high level of management estimation and judgement, with factors involved including historical performance of the asset, the current market conditions in the area in which it operates and whether it is currently subject to any regulatory action. In addition, the forecast of future cashflows are dependent on inherent assumptions around occupancy, fee rates and employment cost growth. The carrying value at 31 March 2017 of freehold land and buildings was £13,220,000.

Deferred tax

The recognition of deferred tax is subject to a number of judgements and estimates. In relation to the significant unrecognised deferred tax asset in respect of losses, its constituent parts include losses of differing natures which have arisen across a significant number of different Group companies. As a result, there is insufficient certainty as to whether profits will arise in the companies in which the losses have been incurred, and whether the nature of the brought forward losses and the profits realised are such that they can be offset against each other in order for a deferred tax asset to be recognised.

Provisions

At 31 March 2017 the Group has recognised provisions of £261,000 on leased properties for a number of dilapidations. The Directors assess the adequacy of the provision on reviews of properties and past experience.

Notes (continued)

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Turnover		
Residential	5,695	6,804
Education	3,239	4,250
	<u>8,934</u>	<u>11,054</u>

Turnover analysed by geographical market

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
United Kingdom	<u>8,934</u>	<u>11,054</u>

4 Exceptional (income)/costs

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Intercompany release ²	(549)	-
Redundancy costs	24	23
Release of provisions ¹	(42)	(742)
Dilapidations	-	11
	<u>(567)</u>	<u>(708)</u>

¹ The credit arose from the release of provisions for litigation related costs which were no longer required due to acquisition by the new parent.

² The credit arose following various companies within the Group being released from obligations to settle intercompany amounts with fellow subsidiaries of Future Life Group Limited (previously Embrace Group Limited) whilst they were under the same ownership.

Notes (continued)

5 Operating profit

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
<i>Operating profit is stated after charging:</i>		
Depreciation of tangible fixed assets	221	248
Impairment of tangible fixed assets	-	790
Loss on disposal of tangible fixed assets	156	131
Loss on disposal of investments	697	-
	<u> </u>	<u> </u>

6 Auditor's remuneration

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	28	5
Audit of the company's subsidiaries	12	22
	<u> </u>	<u> </u>
	40	27
	<u> </u>	<u> </u>
For other services		
All other non-audit services	-	-
	<u> </u>	<u> </u>

Notes (continued)

7 Employees

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

	2017 Number	2016 Number
Teacher, care and support, management and administrative staff at home level	341	330
	<u>341</u>	<u>330</u>

Their aggregate remuneration comprised:

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Wages and salaries	4,247	5,215
Social security costs	279	328
Other pension costs	51	60
	<u>4,577</u>	<u>5,603</u>

8 Directors' remuneration

The directors received no remuneration for qualifying services in relation to the Company during the period. The directors are paid by Future Life All Limited (previously Embrace All Limited). Details of their remuneration are disclosed in that company's financial statements.

9 Interest payable and similar charges

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Interest payable and similar expenses include the following:		
Intercompany interest	300	401
	<u>300</u>	<u>401</u>

Notes (continued)

10. Taxation

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Deferred tax		
Current period	(16)	-
Changes in tax rates	(4)	(6)
Adjustments in respect of prior periods	19	-
	<u> </u>	<u> </u>
Total deferred tax charge/(credit)	(1)	(6)
	<u> </u>	<u> </u>

The charge for the period can be reconciled to the profit per the profit and loss account as follows:

	2017 £'000	2016 £'000
Profit before taxation	979	1,534
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	196	307
Tax effect of expenses that are not deductible in determining taxable profit	108	251
Effect of change in tax rate	(5)	(14)
Group relief	(309)	(425)
Transfer pricing adjustment	18	(53)
Movements in unprovided deferred tax	(10)	(72)
Adjustment in respect of prior years	1	-
	<u> </u>	<u> </u>
Total tax charge/(credit) for the period	(1)	(6)
	<u> </u>	<u> </u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The unrecognised deferred tax asset at the balance sheet date has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge and deferred tax asset accordingly.

Notes (continued)

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
In respect of:		
Fixed assets	-	(790)
	<u> </u>	<u> </u>
Recognised in:		
Administrative expenses	-	-
	<u> </u>	<u> </u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

Notes (continued)

12 Tangible fixed assets

	Land and buildings	Leasehold improvements	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Group					
<i>Cost or valuation</i>					
At 1 July 2016	14,256	70	2,044	92	16,462
Additions	-	-	592	-	592
Disposals	(1,036)	-	(269)	-	(1,305)
At 31 March 2017	13,220	70	2,374	92	15,749
<i>Depreciation</i>					
At 1 July 2016	-	25	882	81	988
Charge for period	-	5	214	2	221
On disposals	-	-	(84)	-	(84)
Revaluations	-	-	-	-	-
At 30 June 2017	-	30	1,012	83	1,125
<i>Net book value</i>					
At 31 March 2017	13,220	40	1,355	9	14,624
At 30 June 2016	14,256	45	1,155	11	15,474

The company had no tangible fixed assets at 31 March 2017 or 30 June 2016.

Trading properties are re-valued professionally by independent valuers. The Directors undertake valuations on a periodic basis, for example due to bank refinancing, and these valuations are reflected in the relevant financial statements. Each property will be subject to an independent valuation at least once every five years. The last valuations were carried out in either March 2015 or August 2013 by Knight Frank LLP. The valuation confirms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

On a historical cost basis these would have been included at an original cost of £14,436,000 (2016: £15,022,000).

Notes (continued)

13 Fixed asset investments

	Equity investments £'000
Group	
<i>Cost</i>	
At beginning of period	697
Acquisitions	-
Disposals	(697)
At end of period	-
<i>Provisions</i>	
At beginning of period	-
Disposals	-
At end of period	-
<i>Net book value</i>	
At 31 March 2017	-
At 30 June 2016	697

The equity investments are those which under the former group structure were accounted for as 100% subsidiary undertakings. These shares were sold to other members of the company's former Group prior to its own sale to Sorrento Bidco Limited.

Notes (continued)

13 Fixed asset investments (continued)

Company	Shares in group undertaking £'000
Cost	
At beginning of period	3,026
Acquisitions	-
Disposals	-
At end of period	3,026
Provisions	
At beginning of period	-
Disposals	-
At end of period	-
Net book value	
At 31 March 2017	3,026
At 30 June 2016	3,026

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Company	Nature of business	Country of registration or incorporation	Class	% of shares held and voting rights
Keys Group PCE Realty Limited (previously Embrace Realty (Cavendish) Limited)	Rental of property to other group companies	England and Wales	Ordinary	100
Keys Group Progressive Care & Education Limited (previously Embrace New Horizon Centre Limited)	Providing competent and inter-changeable services to disabled children and adults	England and Wales	Ordinary	100
Keys Group Progressive Education Limited (previously Embrace Wellcare Education Limited)	Operating a specialist school and resource centre for disabled children and adults	England and Wales	Ordinary	100
Keys Group PCE Community Support Services Limited (previously HCP Community Support Services Limited)	Rental of property to other group companies	England and Wales	Ordinary	100

Each of the above companies is registered at Keys Attachment Centre, New Hall Hey Road, Rossendale, BB4 6HR.

The company directly owns shares in all the companies listed above other than Keys Group Progressive Education Limited (previously Embrace Wellcare Education Limited) Limited, whose shares are owned by Keys Group Progressive Care & Education Limited (previously Embrace New Horizon Centre Limited).

Notes (continued)

14 Stocks

	Group 31 March 2017 £'000	30 June 2016 £'000	Company 30 June 2017 £'000	30 June 2016 £'000
Raw materials and consumables	7	7	-	-

15 Debtors

	Group 30 June 2017 £'000	30 June 2016 £'000	Company 30 June 2017 £'000	30 June 2016 £'000
Amounts falling due within one year:				
Trade debtors	779	914	-	-
Amounts due from subsidiary undertakings	-	-	15,369	-
Amounts due from fellow group undertakings ¹	-	20,853	-	-
Other debtors	2	3	-	-
Prepayments and accrued income	63	435	-	-
	<u>844</u>	<u>22,205</u>	<u>15,369</u>	<u>-</u>

Amounts due from subsidiary undertakings are unsecured, interest free and carry no fixed terms of repayment.

¹ Amounts due from fellow group undertakings relate to intercompany balances with other subsidiaries of the former group not included in this consolidation.

16 Creditors: amounts falling due within one year

	Group 30 June 2017 £'000	30 June 2016 £'000	Company 30 June 2017 £'000	30 June 2016 £'000
Trade creditors	58	66	-	-
Other taxation and social security	73	106	-	-
Other creditors	12	30	-	-
Accruals and deferred income	846	979	3	-
Amounts due to fellow group undertakings ¹	-	31,971	-	3,026
Amounts due to subsidiary undertakings ¹	-	-	5,069	-
Amounts due to parent undertaking	13,326	-	13,326	-
	<u>14,315</u>	<u>33,152</u>	<u>18,398</u>	<u>3,026</u>

Amounts owed by subsidiary undertakings are unsecured, interest free and carry no fixed terms of repayment. The amount due to the parent undertaking is due to Sorrento Bidco Limited.

¹ Amounts due to fellow group undertakings relate to intercompany balances with other subsidiaries of the former group not included in this consolidation.

Notes (continued)

17 Provisions for liabilities

	Group 31 March 2017 £'000	30 June 2016 £'000	Company 31 March 2017 £'000	30 June 2016 £'000
Deferred tax	55	56	-	-
Dilapidations	261	261	-	-
Litigation	-	50	-	-
	<u>316</u>	<u>367</u>	<u>-</u>	<u>-</u>
Movements on provisions:				
	Dilapidations £'000	Deferred tax £'000	Litigation £'000	Total £'000
Group				
At 1 July 2016	261	56	50	367
Utilisation of provisions in the period	-	(1)	-	(1)
Reversal of provision	-	-	(42)	(42)
Utilisation of provision	-	-	(8)	(8)
	<u>261</u>	<u>55</u>	<u>-</u>	<u>316</u>
At 31 March 2017	<u>261</u>	<u>55</u>	<u>-</u>	<u>316</u>

Dilapidations

Provisions have been recorded for the costs of returning properties held under operating leases to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

	31 March 2017 £'000
Maturity analysis of provisions	
Within 1 year	159
Between 1 and 2 years	-
Between 2 and 5 years	37
Over 5 years	120
	<u>316</u>

Notes (continued)

18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. A deferred tax asset would be recognised to the extent that the group is expected to make future taxable profits. In accordance with the accounting policy, a deferred tax asset has not been recognised due to the uncertainty over the recoverability of the following:

	Assets 2017 £'000	Assets 2016 £'000
Group		
Accelerated capital allowances	62	102
Short term timing differences	7	15
Losses	282	450
	351	567

19 Retirement benefit schemes

	2017 £'000	2016 £'000
Defined contribution schemes		
Charge to profit and loss account in respect of defined contribution schemes	51	60

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Notes (continued)

20 Called up share capital

Group and company	2017 £'000	2016 £'000
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

The ordinary shares are not redeemable.

21 Operating lease commitments

At 31 March 2017, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 March 2017 £'000			30 June 2016 £'000		
	Land & buildings	Other assets	Total	Land & buildings	Other assets	Total
Within one year	249	-	249	292	-	292
Between two and five years	588	-	588	656	-	656
In more than five years	1,768	-	1,768	1,876	-	1,876
	<u>2,605</u>	<u>-</u>	<u>2,605</u>	<u>2,824</u>	<u>-</u>	<u>2,824</u>

During the period £281,000 (2016: £299,000) was recognised in profit or loss as an expense in respect of operating lease arrangements.

Notes (continued)

22 Events after the reporting date

There are no adjusting or disclosable events after the reporting date at the date of signing.

23 Related party disclosures

At 31 March 2017 the Company had a creditor with Sorrento Bidco Limited, its parent company, of £13,326,000. The amount owed is unsecured, interest free and carries no fixed terms of repayment.

24 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Sorrento Bidco Limited. The ultimate controlling party is G Square Capital (GP) II LLP.

25 Cash generated from group operations

	Nine months ended 31 March 2017 £'000	Year ended 30 June 2016 £'000
Profit for the period after tax	980	1,540
Adjustments for:		
Taxation charged	1	-
Finance costs	300	401
Loss on disposal of tangible fixed assets	156	131
Loss on disposal subsidiary	697	-
Depreciation of tangible fixed assets	221	248
Impairment of fixed assets	-	790
(Decrease) in provisions	(51)	(652)
Movements in working capital:		
Decrease in stocks	-	2
Decrease/(increase) in debtors	508	(2,753)
Increase / (decrease) in creditors	2,015	1,227
Cash generated from operations	4,827	934