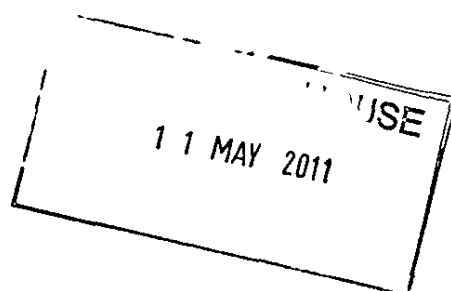


## Fostering Solutions Limited

### Report and Financial Statements

For the year ended 31 August 2010



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**Company Information**

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**Directors** K J McNeany (resigned 18 January 2010)  
S R Page  
M A Croghan  
D W Johnson

**Company secretary** MA Croghan

**Company number** 04006225

**Registered office** 1 Merchant's Place  
River Street  
Bolton  
Lancashire  
BL2 1BX

**Auditors** Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast  
BT2 7DT

**Bankers** Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

**Solicitors** Denton Wilde Sapte  
One Fleet Place  
London  
EC4M 7WS

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## **Directors' Report**

### **For the year ended 31 August 2010**

The directors present their report and the financial statements for the year ended 31 August 2010

### **Principal activities**

The company is an independent fostering agency which provides care for children with special needs through a network of carers across the country. The company is a business that is part of the Acorn Care 1 Limited Group. The Group provides a choice of education and care for children with special needs, their families and local authorities across the UK. The Group Statement of Purpose is to establish a group of schools and care providers that meet the holistic needs of children with special needs. We aim to provide high quality care and education, to focus on the outcomes for each individual young person, to encourage success in all aspects of our work, to develop the individual character of each school and care provider within a supportive network and to provide equality of opportunity.

### **Business review**

The key financial performance indicators during the year were as follows

	2010 £'000	2009 £'000	Change %
Turnover	27,389	22,590	21
Profit after tax	1,214	767	58

The growth in reported turnover reflects growth in the business through the average number of placements including the impact of the acquisitions during the year.

Movement in profit after tax reflects a number of factors: the underlying trading performance of the business and management charges from Acorn Care and Education Limited.

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,213,735 (2009 - £767,362)

The company has not paid and does not propose to pay any dividends for the year ended 31 August 2010 (2009 - £Nil)

### **Directors**

The directors who served during the year were

K J McNeany (resigned 18 January 2010)  
S R Page  
M A Croghan  
D W Johnson

## **Directors' Report**

### **For the year ended 31 August 2010**

#### **Risk management policy**

As a care provider, the company is subject to inspection and report by OfSTEd. Regular inspections are carried out for each region. The company regularly updates policy and procedures in order to ensure compliance with required standards. In addition, the company has an obligation to meet Health and Safety requirements, which it does through internal policies and procedures and through using the services of external specialist advisers where necessary.

#### **Financial Risk Management Policy**

The company's principal financial instruments comprise cash, trade debtors and creditors, group indebtedness and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

##### *Foreign Currency Risk*

The directors do not believe that the company has significant exposures arising from foreign currency risk.

##### *Credit risk*

Credit risk arises principally on third party derived revenues. Company policy is aimed at minimising such risk, and collection of debts is actively managed to ensure that payments are received in a timely manner. The company's customers are primarily local authorities. Our customers have a good payment history and the company's exposure to bad debts is not significant.

##### *Liquidity risk*

The company's liquidity risk is managed through the Group finance function. Capital expenditure is approved at group level. Day to day cash flow flexibility is maintained by retaining surplus cash in readily accessible bank accounts. Working capital requirements are funded primarily through the company's resources although the company does have recourse to additional funding through the Group banking facilities.

##### *Interest rate risk*

The company's interest rate risk is managed through the Group finance function.

Exposure to interest rate movements are managed at group level through a mixture of hedging instruments. The Group's interest rate risk is fully hedged through a combination of a fixed interest rate swap and two cap and collar instruments which have capped the maximum interest rate payable by the Group.

##### *Market price risk*

Due to the nature of their principal activity, the directors do not believe the company is exposed to significant movements in market prices of its services.

#### **Provision of information to auditors**

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Fostering Solutions Limited

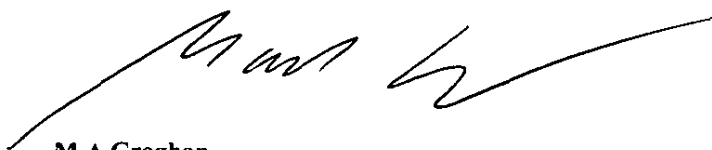
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**Directors' Report**  
**For the year ended 31 August 2010**

**Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 23 March 2011 and signed on its behalf

A handwritten signature in black ink, appearing to read 'M A Croghan', is written over a horizontal line.

**M A Croghan**  
Director

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**Statement of Directors' Responsibilities  
For the Year Ended 31 August 2010**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

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## **Independent Auditors' report to the members of Fostering Solutions Limited**

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We have audited the company's financial statements for the year ended 31 August 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditors**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> August 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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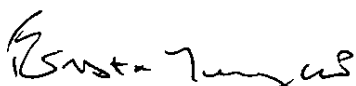
## Independent Auditors' report to the members of Fostering Solutions Limited

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### Matters on which we are required to report by exception

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



**David Graham Galbraith (Senior statutory auditor)**  
**for and on behalf of Ernst & Young LLP, Statutory Auditor**  
**Belfast**

Date 23 March 2011

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**Profit and Loss Account  
For the Year Ended 31 August 2010**

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	<i>Note</i>	<i>2010 £</i>	<i>2009 £</i>
<b>Turnover</b>	2	27,389,205	22,589,721
Cost of sales		<u>(14,942,707)</u>	<u>(15,833,683)</u>
<b>Gross profit</b>		12,446,498	6,756,038
Administrative expenses		(10,628,702)	(5,580,947)
Other operating income	3	<u>40,676</u>	<u>41,450</u>
<b>Operating profit</b>	4	1,858,472	1,216,541
Interest receivable		3,620	14,043
Interest payable	7	<u>(4,353)</u>	<u>(747)</u>
<b>Profit on ordinary activities before taxation</b>		1,857,739	1,229,837
Tax on profit on ordinary activities	8	<u>(644,004)</u>	<u>(462,475)</u>
<b>Profit for the financial year</b>	16	<u><u>1,213,735</u></u>	<u><u>767,362</u></u>

All amounts relate to continuing operations

The notes on pages 10 to 19 form part of these financial statements

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**Statement of Total Recognised Gains and Losses  
For the Year Ended 31 August 2010**

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	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>
<b><i>Profit for the financial year</i></b>	<u>1,213,735</u>	<u>767,362</u>
<b><i>Total recognised gains and losses relating to the year</i></b>	<u>1,213,735</u>	<u>767,362</u>

The notes on pages 10 to 19 form part of these financial statements

**Balance Sheet**  
**As at 31 August 2010**

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Intangible fixed assets	9		1,957,315		1,819,834
Tangible fixed assets	10		122,852		137,777
Fixed asset investments	11		<u>14,381,998</u>		<u>13,497,159</u>
			16,462,165		15,454,770
<b>Current assets</b>					
Debtors	12	4,236,276		3,731,442	
Cash at bank and in hand		<u>1,486,071</u>		<u>1,817,987</u>	
		5,722,347		5,549,429	
<b>Creditors: amounts falling due within one year</b>	13	<u>(17,516,155)</u>		<u>(17,549,577)</u>	
<b>Net current liabilities</b>			<u>(11,793,808)</u>		<u>(12,000,148)</u>
<b>Total assets less current liabilities</b>			<u>4,668,357</u>		<u>3,454,622</u>
<b>Capital and Reserves</b>					
Called up share capital	15		10		10
Profit and loss account	16		<u>4,668,347</u>		<u>3,454,612</u>
<b>Shareholders' funds</b>	17		<u>4,668,357</u>		<u>3,454,622</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23/3/11

**D W Johnson**  
 Director

The notes on pages 10 to 19 form part of these financial statements

## **Notes to the financial statements**

### **For the year ended 31 August 2010**

#### **1. Accounting Policies**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Fostering Solutions Limited is a wholly owned subsidiary in the Acorn Care 1 Limited Group. As Acorn Care 1 Limited Group prepare consolidated financial statements which include the company, the company is exempt under S400 of the Companies Act 2006 and FRS 2 from the requirement to prepare and deliver consolidated financial statements. As a result the financial statements present information about the company as an individual undertaking and not about its group

##### **1.2 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

##### **1.3 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life of 5 years

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvement	-	10%	straight line
Furniture, fittings and equipment	-	15-33%	straight line

##### **1.5 Investments**

Investments held as fixed assets are shown at cost less provision for impairment

## Notes to the financial statements

### For the year ended 31 August 2010

#### 1. Accounting Policies (continued)

##### 1 6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

##### 1 7 Pensions

Contributions to defined contribution schemes are recognized in the profit and loss account in the period in which they become payable

#### 2. Turnover

The turnover shown in the profit and loss account represents services provided during the year. Where invoices are raised and the services to which they relate have not been performed, the extent of the invoice relating to the unperformed service is carried forward as deferred income

Turnover is attributable to one class of business

All turnover arose within the United Kingdom

#### 3. Other operating income

	2010 £	2009 £
Other operating income	<u>40,676</u>	<u>41,450</u>

#### 4. Operating profit

The operating profit is stated after charging

	2010 £	2009 £
Amortisation - intangible fixed assets	576,571	517,067
Depreciation of tangible fixed assets		
- owned by the company	79,279	74,679
Auditors' remuneration (exclusive of VAT)	19,500	19,090
Auditors' remuneration - non-audit (exclusive of VAT)	<u>2,930</u>	<u>3,265</u>

**Notes to the financial statements**  
**For the year ended 31 August 2010**

**5. Staff costs**

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	3,992,245	3,329,809
Social security costs	403,163	329,549
Other pension costs	66,804	63,577
	<u>4,462,212</u>	<u>3,722,935</u>

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

	2010 No	2009 No
Care and support staff	<u>128</u>	<u>129</u>

**6. Directors' remuneration**

	2010 £	2009 £
Emoluments	<u>155,382</u>	<u>151,521</u>

**7. Interest payable**

	2010 £	2009 £
Other interest payable	<u>4,353</u>	<u>747</u>

**Notes to the financial statements**  
For the year ended 31 August 2010

**8. Taxation**

	2010 £	2009 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on profit for the year	663,215	450,174
Adjustments in respect of prior periods	(305)	18,384
<b>Total current tax</b>	<u>662,910</u>	<u>468,558</u>
<b>Deferred tax</b>		
Decrease in deferred tax provision	(20,032)	(5,306)
Adjustments in respect of previous periods	1,126	(777)
<b>Total deferred tax (see note 14)</b>	<u>(18,906)</u>	<u>(6,083)</u>
<b>Tax on profit on ordinary activities</b>	<u>644,004</u>	<u>462,475</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2009 - higher than) the standard rate of corporation tax in the UK (28%). The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>1,857,739</u>	<u>1,229,837</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	520,167	344,354
<b>Effects of.</b>		
Expenses not deductible for tax purposes	24,515	102,536
Capital allowances for year in excess of depreciation	105,369	7,116
Short term timing differences	14,394	(3,832)
Assets transferred in at WDV	(1,230)	-
Adjustments to tax charge in respect of prior periods	(305)	18,384
<b>Current tax charge for the year</b>	<u>662,910</u>	<u>468,558</u>



## Notes to the financial statements

### For the year ended 31 August 2010

#### 9. Intangible fixed assets

	<i>Goodwill</i> £
<b>Cost</b>	
At 1 September 2009	2,585,336
Additions	<u>714,052</u>
At 31 August 2010	<u>3,299,388</u>
<b>Amortisation</b>	
At 1 September 2009	765,502
Charge for the year	<u>576,571</u>
At 31 August 2010	<u>1,342,073</u>
<b>Net book value</b>	
At 31 August 2010	<u>1,957,315</u>
At 1 September 2009	<u>1,819,834</u>

On the 1<sup>st</sup> April 2010 the trade and assets of Careforward Limited were hived up into Fostering Solutions Limited  
The net assets were transferred at net book value

Book value of net assets at date of hive up	£
Fixed Assets	9,853
Trade Debtors	106,439
Other Debtors	70,252
Cash	57,297
Corporation Tax	(46,608)
Social Security	(2,393)
Other Creditors	(25,263)
Net Assets	169,577
Goodwill arising on acquisition	<u>714,052</u>
	<u>883,629</u>
Discharged by cash consideration	842,901
Costs associated with the acquisition	<u>40,728</u>
	<u>883,629</u>

**Notes to the financial statements**  
For the year ended 31 August 2010

**10 Tangible fixed assets**

	<i>Leasehold Improvements</i> £	<i>Furniture, fittings and equipment</i> £	<i>Total</i> £
<b>Cost or valuation</b>			
At 1 September 2009	87,238	524,314	611,552
Additions	-	64,354	64,354
	<u>87,238</u>	<u>588,668</u>	<u>675,906</u>
At 31 August 2010			
<b>Depreciation</b>			
At 1 September 2009	72,667	401,108	473,775
Charge for the year	4,757	74,522	79,279
	<u>77,424</u>	<u>475,630</u>	<u>553,054</u>
At 31 August 2010			
<b>Net book value</b>			
At 31 August 2010	<u>9,814</u>	<u>113,038</u>	<u>122,852</u>
At 1 September 2009	<u>14,571</u>	<u>123,206</u>	<u>137,777</u>

**Notes to the financial statements**  
For the year ended 31 August 2010

**11. Fixed asset investments**

*Shares in  
group  
undertakings  
£*

**Cost or valuation**

At 1 September 2009	13,497,159
Additions	<u>884,839</u>
At 31 August 2010	<u><u>14,381,998</u></u>

**Subsidiary undertaking**

The following were subsidiary undertaking's of the company

Company Name	Country	Percentage Shareholding	Description
Advance Foster Care Limited	United Kingdom	100%	Foster care Services
Focus on Fostering Limited	United Kingdom	100%	Foster care Services
Kids and Carers Limited	United Kingdom	100%	Not Trading
JAFa North East UK Limited	United Kingdom	100%	Not Trading
JAFa (Pipss) Limited*	United Kingdom	100%	Dormant
Happen Foster care Limited	United Kingdom	100%	Foster care Services
The Clarion Agency Limited	United Kingdom	100%	Foster care Services
Careforward Limited	United Kingdom	100%	Foster care Services

\* Held by subsidiary company

**12. Debtors**

	2010 £	2009 £
Trade debtors	3,586,289	3,420,711
Amounts owed by group undertakings	351,576	93,074
Other debtors	24,429	7,721
Prepayments and accrued income	238,148	193,008
Deferred tax asset (see note 14)	35,834	16,928
	<u>4,236,276</u>	<u>3,731,442</u>

**Notes to the financial statements**  
For the year ended 31 August 2010

**13. Creditors:**  
**Amounts falling due within one year**

	2010 £	2009 £
Trade creditors	308,093	296,590
Amounts owed to group undertakings	13,690,957	13,969,270
Corporation tax	663,215	450,174
Social security and other taxes	135,466	94,367
Other creditors	38,003	56,531
Accruals and deferred income	2,680,421	2,682,645
	<u>17,516,155</u>	<u>17,549,577</u>

**14. Deferred tax asset**

	2010 £	2009 £
At beginning of year	16,928	10,845
Recognised during year	18,906	6,083
	<u>35,834</u>	<u>16,928</u>

The deferred tax asset is made up as follows

	2010 £	2009 £
Accelerated capital allowances	20,371	15,286
Short term timing differences	15,463	1,642
	<u>35,834</u>	<u>16,928</u>

**15. Share capital**

	2010 £	2009 £
<b>Allotted, called up and fully paid</b>		
10- Ordinary Shares of £1 each	<u>10</u>	<u>10</u>

## Notes to the financial statements

For the year ended 31 August 2010

### 16. Reserves

	<i>Profit and loss account £</i>
At 1 September 2009	3,454,612
Profit for the year	1,213,735
	<hr/>
At 31 August 2010	<u>4,668,347</u>

### 17. Reconciliation of movement in shareholders' funds

	<i>2010 £</i>	<i>2009 £</i>
Opening shareholders' funds	3,454,622	2,687,260
Profit for the year	<u>1,213,735</u>	<u>767,362</u>
	<hr/>	<hr/>
Closing shareholders' funds	<u>4,668,357</u>	<u>3,454,622</u>

### 18. Contingent liabilities

The company has given security by way of unlimited fixed and floating charges over all of its assets to the finance parties providing banking facilities to Acorn Care 4 Limited a fellow subsidiary undertaking of the Acorn Care 1 Limited Group. The amount outstanding to the finance parties providing the banking facilities to Acorn Care 4 Limited at 31 August 2010 was £70,928,000.

### 19. Operating lease commitments

At 31 August 2010 the company had annual commitments under non-cancellable operating leases as follows

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2010 £</i>	<i>2009 £</i>	<i>2010 £</i>	<i>2009 £</i>
<b>Expiry date:</b>				
Within 1 year	-	11,679	33,884	35,714
Between 2 and 5 years	<u>119,673</u>	<u>185,465</u>	<u>79,290</u>	<u>115,820</u>

### 20. Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Acorn Care 1 Limited group.

**Notes to the financial statements**  
**For the year ended 31 August 2010**

**21. Ultimate parent undertaking and controlling party**

The immediate parent company is Acorn Care & Education Limited, a company incorporated in England and Wales

The ultimate parent company is Acorn Care 1 Limited, a company incorporated in England and Wales

However by virtue of its shareholdings in Acorn Care 1 Limited, the ultimate controlling party is Ontario Teachers Pension Plan Board

Copies of the financial statements of Acorn Care 1 Limited are available from the company's registered office, 1 Merchant's Place, River Street, Bolton, BL2 1BX