

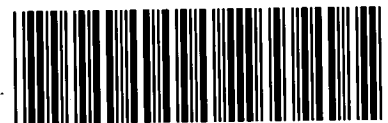
Registration number: 04006225

Fostering Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2016

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Fostering Solutions Limited

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Fostering Solutions Limited

Company Information

Directors	N-J Macdonald J-L Janet
Company secretary	H Lecky
Registered office	1 Merchant's Place River Street Bolton Lancashire BL2 1BX
Solicitors	SNR Denton One Fleet Place London EC4M 7WS
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Auditors	Ernst & Young LLP Statutory Auditor Bedford House 16 Bedford Street Belfast Northern Ireland BT2 7DT

Fostering Solutions Limited

Strategic Report for the Year Ended 31 August 2016

The directors present their strategic report for the year ended 31 August 2016.

Principal activity

The company is an independent fostering agency which provides care for looked after children through a network of carers across the country. The company is part of the Acom Care 1 Limited Group ("Group"). The Group provides a choice of education and care for children with special education needs and looked after children, 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. The Group aims to provide high quality care and education, to focus on the outcomes for each individual young person it looks after, and to provide equality of opportunity.

Fair review of the business

The profit for the year, after taxation amounted to £2,428,841 (2015: £1,030,690).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Turnover	£	36,588,298	36,062,495
Profit after tax	£	2,428,841	1,030,690

Principal risks and uncertainties

Regulatory and legislative risks

As a care provider, the business is subject to inspection and report by OfSTED. Regular inspections are carried out for each region.

The business 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.

The business regularly updates its policies and procedures in order to ensure compliance with required standards.

Financial risks

The company's principal financial instruments comprise trade and other debtors, cash and cash equivalents, trade and other creditors and amounts owed to/from fellow Group companies.

The main risks associated with these financial assets and liabilities are set out below:

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 and have a good payment history. The directors believe that 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 each Group company's resources, although the company does have recourse to additional funding through Group banking facilities.

Interest rate risk

During the year interest rate risk was managed through the Group finance function using hedging instruments. The Group uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

Market price risk

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

Fostering Solutions Limited

Strategic Report for the Year Ended 31 August 2016 (continued)

Foreign currency risk

The business has no exposure to foreign currency.

Approved by the Board on 3 February 2017 and signed on its behalf by:



.....
N-J Macdonald
Director

Fostering Solutions Limited

Directors' Report for the Year Ended 31 August 2016

The directors present their report and the financial statements for the year ended 31 August 2016.

Directors of the company

The directors who held office during the year were as follows:

N-J Macdonald

J-L Janet

Dividends

No dividends have been distributed for the year ended 31 August 2016 (2015: Nil).

Political and charitable donations

During the year the Company made no political or charitable donations.

Future developments

Demand for fostering placements remains strong with a general shortage of foster carers in England, Wales and Scotland. The company's future growth is therefore dependent on its ability to increase its foster carer base and to train foster carers to continue providing a high quality of service and support to some of the most vulnerable young people. The Group will therefore continue to invest in the recruitment, retention and ongoing training of foster carers to ensure all carers are best equipped to provide a quality service to young people in their care.

Going concern

The company is a subsidiary of Acorn Care 1 Limited and its financial resources are managed on a Group basis. In 2016 the Group generated strong cash flows and held a group cash balance of £10.0m at 31 August 2016 (2015: £6.4m).

During the year, the Group was financed by a mixture of equity funding (ordinary and preference shares), unsecured loan notes, senior banking facilities and operating cash flows from the underlying business of the Group. On 3rd August 2016 Acorn Care 1 Limited, the ultimate parent in the Acorn Group, was acquired by SSCP Spring Bidco Limited, a holding company in the National Fostering Agency (NFA) group. As a result of the transaction, the Group's funding is secured via funds from another entity in the NFA group.

The NFA directors have confirmed that the NFA group support will continue to be made available to the company where required. The directors of the company believe that the financing in place is more than adequate for the future needs of the Group and the Group is well placed to manage its business risks successfully.

On the basis of the assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.


Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 3 February 2017 and signed on its behalf by:


.....
N-J Macdonald
Director

Fostering Solutions Limited

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Fostering Solutions Limited

Independent Auditor's Report to the Members of Fostering Solutions Limited

We have audited the financial statements of Fostering Solutions Limited for the year ended 31 August 2016, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the Strategic Report, the Directors' Report and the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Fostering Solutions Limited

**Independent Auditor's Report to the Members of Fostering Solutions Limited
(continued)**

...Ernst & Young LLP

Michael Kidd (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Bedford House
16 Bedford Street
Belfast
Northern Ireland
BT2 7DT

Date: 7/2/2017

Fostering Solutions Limited

Profit and Loss Account for the Year Ended 31 August 2016

	Note	2016 £	2015 £
Turnover		36,588,298	36,062,495
Cost of sales		<u>(27,042,939)</u>	<u>(27,027,799)</u>
Gross profit		9,545,359	9,034,696
Administrative expenses		(8,239,500)	(9,140,346)
Other operating income		<u>19,229</u>	<u>369,850</u>
Operating profit		<u>1,325,088</u>	<u>264,200</u>
Other interest receivable and similar income	3	1,268,600	1,269,293
Interest payable and similar charges	4	<u>(5,063)</u>	<u>(11,068)</u>
		<u>1,263,537</u>	<u>1,258,225</u>
Profit on ordinary activities before tax		2,588,625	1,522,425
Taxation	6	<u>(159,784)</u>	<u>(491,735)</u>
Profit on ordinary activities for the financial year		<u><u>2,428,841</u></u>	<u><u>1,030,690</u></u>

Turnover and operating profit derive wholly from continuing operations.

Fostering Solutions Limited

Statement of Comprehensive Income for the Year Ended 31 August 2016

	Note	2016 £	2015 £
Profit for the financial year		<u>2,428,841</u>	<u>1,030,690</u>
Total comprehensive income for the financial year		<u>2,428,841</u>	<u>1,030,690</u>

Fostering Solutions Limited
(Registration number: 04006225)
Balance Sheet as at 31 August 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	7	-	560,054
Tangible assets	8	385,615	590,938
Investments	9	33,336,962	33,535,374
		<u>33,722,577</u>	<u>34,686,366</u>
Current assets			
Debtors	11	3,756,258	3,831,222
Cash at bank and in hand		879,242	859,680
		4,635,500	4,690,902
Creditors: Amounts falling due within one year	12	<u>(24,645,162)</u>	<u>(28,463,456)</u>
Net current liabilities		<u>(20,009,662)</u>	<u>(23,772,554)</u>
Total assets less current liabilities		13,712,915	10,913,812
Creditors: Amounts falling due after more than one year	12	(3,643)	(14,103)
Provisions for liabilities	14	<u>(380,722)</u>	-
Net assets		<u>13,328,550</u>	<u>10,899,709</u>
Capital and reserves			
Called up share capital	15	10	10
Profit and loss account		13,328,540	10,899,699
Total equity		<u>13,328,550</u>	<u>10,899,709</u>

Approved by the Board on 3 February 2017 and signed on its behalf by:


J-L Janet
Director

Fostering Solutions Limited

Statement of Changes in Equity for the Year Ended 31 August 2016

	Share capital £	Profit and loss account £	Total £
At 1 September 2014	10	9,869,009	9,869,019
Profit for the year	-	1,030,690	1,030,690
Other comprehensive income	-	-	-
Total comprehensive income	-	1,030,690	1,030,690
At 31 August 2015	10	10,899,699	10,899,709
	Share capital £	Profit and loss account £	Total £
At 1 September 2015	10	10,899,699	10,899,709
Profit for the year	-	2,428,841	2,428,841
Other comprehensive income	-	-	-
Total comprehensive income	-	2,428,841	2,428,841
At 31 August 2016	10	13,328,540	13,328,550

The notes on pages 12 to 29 form an integral part of these financial statements.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016

1 Accounting policies

Fostering Solutions Limited is a limited liability company incorporated in England.

The Registered Office is 1 Merchant's Place, River Street, Bolton, Lancashire, BL2 1BX.

These financial statements were authorised for issue by the Board on 3 February 2017.

Statement of compliance

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 August 2016. The date of transition from the previous UK GAAP to FRS 102 was as at 1 September 2014. An explanation of the transition is given in note 19.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements have been prepared in Sterling, which is the functional currency.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of exemptions - Reduced Disclosure Framework

In preparing the separate financial statements of the company, advantage has been taken of the exemption provided by FRS 102 paragraph 1.12 (b) to prepare a cash flow statement.

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

In preparing the separate financial statements of the company, advantage has been taken of the exemptions provided by FRS 102 Sections 11 and 12 to provide financial instruments disclosures, including categories of financial instruments, items of income, expense, gains or losses relating to financial instruments, and exposure to and management of financial risks.

In preparing the separate financial statements of the company, advantage has been taken of the exemptions provided by FRS 102 Section 33.7 to provide aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Name of parent of group

These financial statements are consolidated in the financial statements of Acorn Care 1 Limited. The shareholders of the company have been notified in writing about, and do not object to, the use of the disclosure exemptions.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

1 Accounting policies (continued)

Judgements

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. Items in the financial statements where these judgements and estimates have been made include:

- Lease commitments – determination as to whether leases entered into either as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Indicators of impairment – determination as to whether there are indicators of impairment of tangible and intangible assets, including goodwill. Factors taken into account include economic viability and expected future financial performance, and where is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty:

- Tangible fixed assets – these are depreciated over their useful lives, taking into account residual values. The lives and the residual values are assessed annually. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments include consideration of future market conditions, the remaining life and projected disposal values.
- Taxation – Provisions are based on reasonable estimates based on various factors including experience and interpretation of regulations.

Turnover

Turnover is generated from the provision of care for looked after children.

Turnover represents amounts chargeable in respect of 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. All turnover arose within the United Kingdom.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and discounts.

Current and deferred tax

The tax expense for the period comprises current and deferred tax.

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in respect of all timing differences at the reporting date. Deferred income tax is determined on an undiscounted basis using the rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable benefits.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

1 Accounting policies (continued)

Tangible assets

Tangible assets are stated at cost less accumulated depreciation.

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

Depreciation

Depreciation is provided on all tangible assets at the following rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter. Freehold land is not depreciated.

Asset class	Depreciation method and rate
Freehold and leasehold property	2% straight line
Plant and machinery	15% straight line
Fixtures, fittings and equipment	15-33% straight line
Motor vehicles	25% straight line

Goodwill

Goodwill arising on acquisitions of subsidiary undertakings is the excess of the cost of a business combination over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Purchased goodwill, representing the excess of fair value of the consideration given over the fair values of identifiable net assets acquired, is capitalised and amortised over its estimated useful life. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised through the profit and loss account on a straight line basis over its estimated useful life of 5 years.

If a subsidiary is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

In accordance with the transition exemption available in FRS 102, the company has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition, being 1 September 2014. As such, no adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

1 Accounting policies (continued)

Provisions for liabilities

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at the lower of their fair value at inception of the lease and the present value of the minimum lease payments and are depreciated over the shorter of the lease term and the useful lives. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

The company has not applied paragraphs 20.15A or 20.25A to operating lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

Basic financial instruments

Basic financial assets, including trade and other debtors, cash and cash equivalents, are initially recognised at transaction price. Such assets are subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

Basic financial liabilities, including trade and other payables, bank loans, loan notes, 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 future receipts discounted as a market rate of interest. Such liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit or loss.

All bank loans are financing transactions. They are therefore initially recognised at the present value of cash payable to the bank, including interest payments and repayment of principal. Bank loans that qualify as basic are subsequently measured at amortised cost. Non basic bank loans are subsequently measured at fair value with movements recognised in profit or loss.

Derivatives, including interest rate swaps, are not basic financial instruments.

Pensions

A defined contribution scheme is operated. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Pension contributions are made in respect of certain eligible teaching staff to the Teachers Pension Agency which is a "Multi-Employer" pension scheme. Based on consultations the directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Consequently, the company treats the scheme as a defined contribution scheme with contributions charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

1 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Operating profit

Operating profit is stated after charging/(crediting)

	2016 £	2015 £
Depreciation expense	195,043	217,990
Depreciation expense – assets held under finance lease and hire purchase	53,629	66,021
Amortisation expense	560,054	828,670
Operating lease expense - other assets	807,704	474,312
Profit on disposal of tangible assets	(23,668)	-
Audit of the financial statements	<u>35,115</u>	<u>33,789</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are disclosed in Acorn Care 1 Limited on a consolidated basis.

The directors did not receive any remuneration from the company during the year ended 31 August 2016 (2015: nil).

3 Other interest receivable and similar income

	2016 £	2015 £
Other interest receivable	<u>1,268,600</u>	<u>1,269,293</u>

4 Interest payable and similar charges

	2016 £	2015 £
Interest on obligations under finance leases and hire purchase contracts	<u>5,063</u>	<u>11,068</u>

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

5 Staff costs

The aggregate payroll costs were as follows:

	2016 £	2015 £
Wages and salaries	5,720,413	6,067,298
Social security costs	583,219	625,202
Other pension costs	<u>109,168</u>	<u>127,852</u>
	<u>6,412,800</u>	<u>6,820,352</u>

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

	2016 No.	2015 No.
Teaching, care and support staff	<u>212</u>	<u>254</u>

6 Taxation

Tax charged/(credited) in the income statement

	2016 £	2015 £
Current taxation		
Group relief	212,516	479,242
Deferred taxation		
Arising from origination and reversal of timing differences	(41,244)	(20,991)
Arising from changes in tax rates and laws	13,675	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(25,163)</u>	<u>33,484</u>
Total deferred taxation	<u>(52,732)</u>	<u>12,493</u>
Tax expense in the income statement	<u>159,784</u>	<u>491,735</u>

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

6 Taxation (continued)

Factors affecting total tax charge

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.58%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	2,588,625	1,522,425
Corporation tax at standard rate	517,725	313,327
Adjustment for prior period	(25,163)	33,484
Effect of revenues exempt from taxation	-	(196,608)
Effect of expense not deductible in determining taxable profit (tax loss)	2,002	341,334
Deferred tax expense (credit) relating to changes in tax rates or laws	13,675	-
Tax increase (decrease) from transfer pricing adjustments	(348,455)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	198
Total tax charge	159,784	491,735

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 were substantively enacted in October 2015. Deferred tax has been calculated at 18% as at 31 August 2016 reflecting HMRC enactment.

A further reduction to 17% was substantively enacted post year end in September 2016 with effect from 1 April 2020.

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	Asset £
At 01 September 2015	70,344
Additions charged in the profit and loss account	27,569
Adjustment in respect of prior years	25,163
At 31 August 2016	123,076

The analysis of deferred tax assets is as follows:

2016	Asset £
Accelerated capital allowances	123,075
Transition adjustment arising from first time adoption of FRS 102	-
	123,075

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

6 Taxation (continued)

2015	Asset £
Accelerated capital allowances	66,946
Transition adjustment arising from first time adoption of FRS 102	<u>3,398</u>
	<u>70,344</u>

7 Intangible assets

	Goodwill £	Total £
Cost or valuation		
At 1 September 2015	<u>7,423,014</u>	<u>7,423,014</u>
At 31 August 2016	<u>7,423,014</u>	<u>7,423,014</u>
Amortisation		
At 1 September 2015	6,862,960	6,862,960
Amortisation charge	<u>560,054</u>	<u>560,054</u>
At 31 August 2016	<u>7,423,014</u>	<u>7,423,014</u>
Carrying amount		
At 31 August 2016	<u>-</u>	<u>-</u>
At 31 August 2015	<u>560,054</u>	<u>560,054</u>

Amortisation is charged through administrative expenses in the profit and loss account.

The aggregate amount of research and development expenditure recognised as an expense during the period is £Nil (2015 - £Nil).

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

8 Tangible assets

	Long leasehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 September 2015	518,111	1,568,659	2,086,770
Additions	35,418	9,806	45,224
Disposals	-	(13,500)	(13,500)
At 31 August 2016	<u>553,529</u>	<u>1,564,965</u>	<u>2,118,494</u>
Depreciation			
At 1 September 2015	230,595	1,265,237	1,495,832
Charge for the year	91,580	157,092	248,672
Eliminated on disposal	-	(11,625)	(11,625)
At 31 August 2016	<u>322,175</u>	<u>1,410,704</u>	<u>1,732,879</u>
Carrying amount			
At 31 August 2016	<u>231,354</u>	<u>154,261</u>	<u>385,615</u>
At 31 August 2015	<u>287,516</u>	<u>303,422</u>	<u>590,938</u>

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2016 £	2015 £
Fixtures and fittings	<u>18,029</u>	<u>65,540</u>

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

9 Investments held as fixed assets

	2016 £	2015 £
Investments in subsidiaries	18,025,147	18,223,559
Loans to group undertakings	15,311,815	15,311,815
	<u>33,336,962</u>	<u>33,535,374</u>

Subsidiaries

Cost or valuation

At 1 September 2015

18,223,559

Disposals

(198,412)

At 31 August 2016

18,025,147

Carrying amount

At 31 August 2016

18,025,147

At 31 August 2015

18,223,559

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Percentage holding	Principal activity
Subsidiary undertakings			
Advance Foster Care Limited	United Kingdom	100%	Dormant
Careforward Limited	United Kingdom	100%	Dormant
Families First (South West) Limited*	United Kingdom	100%	Foster care services
Focus on Fostering Limited	United Kingdom	100%	Foster care services
Fostering Solutions (Northern) Limited	United Kingdom	100%	Foster care services
Happen Foster care Limited*	United Kingdom	100%	Dormant
Happen Holdings Limited	United Kingdom	100%	Dormant
JAFA North East UK Limited	United Kingdom	100%	Dormant
JAFA (Pipss) Limited*	United Kingdom	100%	Dormant
Kids and Carers Limited	United Kingdom	100%	Dormant
Pathway Care Group Limited	United Kingdom	100%	Intermediate parent undertaking
Partners in Parenting Limited*	United Kingdom	100%	Foster care services
Pathway Care (Bristol) Limited*	United Kingdom	100%	Foster care services

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

9 Investments held as fixed assets (continued)

Undertaking	Country of incorporation	Percentage holding	Principal activity
Pathway Care (Holdings) Limited*	United Kingdom	100%	Intermediate parent undertaking
Pathway Care (Midlands) Limited*	United Kingdom	100%	Foster care services
Pathway Care (West Wales) Limited*	United Kingdom	100%	Foster care services
Pathway Care Limited*	United Kingdom	100%	Foster care services
Pentangle Management and Consultancy Limited*	United Kingdom	100%	Dormant
Swan Fostering Limited	United Kingdom	100%	Foster care services
The Clarion Agency	United Kingdom	100%	Dormant

* Held by subsidiary undertaking

10 Disposal of subsidiary

On 11 March 2016, the company disposed of its interest in Swan Independent Living Limited. The gain/(loss) on disposal of Swan Independent Living Limited was £25,543.

11 Debtors

	Note	2016 £	2015 £
Trade debtors		3,228,932	3,328,257
Receivables from related parties		-	65,348
Accrued income		57,549	17,103
Other debtors		43,471	25,321
Prepayments		303,230	324,849
Deferred tax assets	6	<u>123,076</u>	<u>70,344</u>
Total current trade and other debtors		<u>3,756,258</u>	<u>3,831,222</u>

All amounts fall due within one year.

Trade debtors are stated after provisions for impairment of £Nil (2015: £Nil).

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

12 Creditors

	Note	2016 £	2015 £
Due within one year			
Trade creditors		232,721	184,155
Amounts due to group undertakings	17	19,738,521	23,818,389
Social security and other taxes		164,031	184,543
Outstanding defined contribution pension costs		13,595	18,972
Obligations under finance lease and hire purchase contracts		14,457	52,779
Other creditors		49,070	30,492
Accruals and deferred income		1,666,873	1,620,748
Intercompany group relief		2,765,894	2,553,378
		<u>24,645,162</u>	<u>28,463,456</u>
Due after one year			
Obligations under finance lease and hire purchase contracts		<u>3,643</u>	<u>14,103</u>
		<u>3,643</u>	<u>14,103</u>

13 Commitments under leases and hire purchase contracts

Finance leases

The company uses finance leases and hire purchase contracts to acquire office equipment. There are no contingent rental, renewal or purchase option clauses.

The total of future minimum lease payments is as follows:

	2016 £	2015 £
Not later than one year	14,457	52,779
Later than one year and not later than five years	<u>3,643</u>	<u>14,103</u>
	<u>18,100</u>	<u>66,882</u>

Operating leases

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	2016 £	2015 £
Not later than one year	706,338	754,710
Later than one year and not later than five years	1,167,459	1,472,016
Later than five years	<u>-</u>	<u>38,097</u>
	<u>1,873,797</u>	<u>2,264,823</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £807,704 (2015 - £474,312).

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

14 Deferred tax and other provisions

	Onerous contracts £	Total £
At 1 September 2015	-	-
Additional provisions	<u>380,722</u>	<u>380,722</u>
At 31 August 2016	<u>380,722</u>	<u>380,722</u>

15 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
A Ordinary shares of £1 each	10	10	10	10
B Ordinary shares of £0.10 each	<u>1</u>	<u>0.10</u>	<u>1</u>	<u>0.10</u>
	<u>11</u>	<u>10</u>	<u>11</u>	<u>10</u>

16 Contingent liabilities

During the year the company gave 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.

Following the acquisition by NFA, the banking facilities of Acorn Care 4 Limited were repaid in full and the company committed to grant security by way of unlimited fixed and floating charges over all of its assets to the finance parties providing banking facilities to SSCP Spring Bidco Limited, a fellow subsidiary in the SSCP Spring Topco Limited Group.

The amount outstanding to the finance parties providing the banking facilities to SSCP Spring Bidco Limited at 31 August 2016 was £300,410,000. The amount outstanding at 31 August 2016 to the finance parties providing the banking facilities to Acorn Care 4 Limited was £Nil (2015: £161,139,969).

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

17 Related party transactions

During the year, the company entered into transactions in the ordinary course of business, with other related parties including management charges, interest and amounts paid on behalf of the company. Transactions entered into, and trading balances excluding group relief outstanding at 31 August, are as follows:

	Sales to related parties £	Purchases from related parties £	Amounts owed to related parties £	Amounts owed from related parties £
Amounts with Parent Company				
2016	-	3,881,774	-	-
2015	-	4,624,380	(23,818,389)	-

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The company is exempt from disclosing related party balances outstanding at 31 August 2016 as they are with other companies that are wholly owned within the Group.

Key management personnel

Key management includes the directors. In the current and prior year, remuneration for these individuals was borne by another group company, Acorn Care and Education Limited.

18 Parent and ultimate parent undertaking

On 3rd August 2016 Acorn Care 1 Limited, the ultimate parent undertaking in the Acorn Group, was acquired from Ontario Teachers' Pension Plan by SSCP Spring Bidco Limited which is a holding company in the National Fostering Agency (NFA) Group.

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

The ultimate parent is SSCP Spring Topco Limited, a company incorporated in England and Wales.

By virtue of its shareholding in SSCP Spring Topco Limited, the ultimate controlling party is deemed to be SSCP Spring Holdings SCA, a company incorporated in Luxembourg.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated from the date of acquisition is SSCP Spring Topco Limited, a company incorporated in England and Wales.

The address of SSCP Spring Topco Limited is:
Frays Court, 71 Cowley Road, Uxbridge, Middlesex, UB8 2AE.

The parent of the smallest group in which these financial statements are consolidated is Acorn Care 1 Limited, a company incorporated in England and Wales.

The address of Acorn Care 1 Limited is:
1 Merchants Place, River Street, Bolton, BL2 1BX.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

19 Transition to FRS 102

The company transitioned to FRS 102 as at 1 September 2014. The following were changes in accounting policies arising from this transition:

Holiday pay accrual

Under the previous UK GAAP, the company did not accrue for holiday pay that was earned at the balance sheet date, but was expected to be taken in the subsequent financial year.

Under FRS 102, the company is required to accrue for holiday entitlement earned, but not taken at the date of the Balance Sheet.

Operating lease incentives

Under the previous UK GAAP, operating lease incentives were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent.

Under FRS 102, such incentives are spread over the lease period.

The company has taken advantage of transitional relief as follows:

Investments in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102. This resulted in no impact on the profit and loss or balance sheet of the company.

Operating lease incentives

The company has not applied paragraphs 20.15A or 20.25A to operating lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102. Accordingly the FRS 102 accounting policy has been applied to new operating leases entered into since 1 September 2014 and resulted in no material impact on the profit and loss or balance sheet of the company.

Goodwill

In accordance with the transition exemption available in FRS 102, the company has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition, being 1 September 2014. As such, no adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

Having undertaken a full review of the changes in accounting policies arising from the transition to FRS 102, the Company has recognised a liability for holiday pay of £16,990, together with the associated deferred tax asset of £3,398, resulting in a net impact on reserves of £13,592 on transition to FRS 102. At 31 August 2015 the Company recognised a liability for holiday pay of £16,990 and an associated deferred tax asset of £3,398, which resulted in no impact on the profit and loss account for the year ended 31 August 2015.

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

19 Transition to FRS 102 (continued)

Balance Sheet at 1 September 2014

	As originally reported under previous UK GAAP £	Effect of transition £	As restated under FRS 102 £
Fixed assets			
Intangible assets	1,388,724	-	1,388,724
Tangible assets	791,591	-	791,591
Investments	33,587,522	-	33,587,522
	<u>35,767,837</u>	<u>-</u>	<u>35,767,837</u>
Current assets			
Debtors	26,261,239	3,398	26,264,637
Cash at bank and in hand	1,484,614	-	1,484,614
	27,745,853	3,398	27,749,251
Creditors: Amounts falling due within one year	(53,565,664)	(16,990)	(53,582,654)
Net current liabilities	(25,819,811)	(13,592)	(25,833,403)
Total assets less current liabilities	9,948,026	(13,592)	9,934,434
Creditors: Amounts falling due after more than one year	(65,415)	-	(65,415)
Net assets/(liabilities)	<u>9,882,611</u>	<u>(13,592)</u>	<u>9,869,019</u>
Capital and reserves			
Called up share capital	10	-	10
Profit and loss account	9,882,601	(13,592)	9,869,009
Total equity	<u>9,882,611</u>	<u>(13,592)</u>	<u>9,869,019</u>

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

19 Transition to FRS 102 (continued)

Balance Sheet at 31 August 2015

	As originally reported under previous UK GAAP £	Effect of transition £	As restated under FRS 102 £
Fixed assets			
Intangible assets	560,054	-	560,054
Tangible assets	590,938	-	590,938
Investments	33,535,374	-	33,535,374
	<u>34,686,366</u>	<u>-</u>	<u>34,686,366</u>
Current assets			
Debtors	3,827,824	3,398	3,831,222
Cash at bank and in hand	859,680	-	859,680
	4,687,504	3,398	4,690,902
Creditors: Amounts falling due within one year	(28,446,466)	(16,990)	(28,463,456)
Net current liabilities	(23,758,962)	(13,592)	(23,772,554)
Total assets less current liabilities	10,927,404	(13,592)	10,913,812
Creditors: Amounts falling due after more than one year	(14,103)	-	(14,103)
Net assets/(liabilities)	<u>10,913,301</u>	<u>(13,592)</u>	<u>10,899,709</u>
Capital and reserves			
Called up share capital	10	-	10
Profit and loss account	10,913,291	(13,592)	10,899,699
Total equity	<u>10,913,301</u>	<u>(13,592)</u>	<u>10,899,709</u>

Fostering Solutions Limited

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

19 Transition to FRS 102 (continued)

Profit and Loss Account for the year ended 31 August 2015

	As originally reported under previous UK GAAP £	Effect of transition £	As restated under FRS 102 £
Turnover	36,062,495	-	36,062,495
Cost of sales	<u>(27,027,799)</u>	-	<u>(27,027,799)</u>
Gross profit	9,034,696	-	9,034,696
Administrative expenses	(9,140,346)	-	(9,140,346)
Other operating income	<u>369,850</u>	-	<u>369,850</u>
Operating profit	<u>264,200</u>	-	<u>264,200</u>
Other interest receivable and similar income	1,269,293	-	1,269,293
Interest payable and similar charges	<u>(11,068)</u>	-	<u>(11,068)</u>
	<u>1,258,225</u>	-	<u>1,258,225</u>
Profit before tax	1,522,425	-	1,522,425
Taxation	<u>(491,735)</u>	-	<u>(491,735)</u>
Profit for the financial year	<u><u>1,030,690</u></u>	-	<u><u>1,030,690</u></u>