

CHFP025

Declaration in relation to assistance for the acquisition of shares

155(6)a

Please do not
write in this
margin

Pursuant to section 155(6) of the Companies Act 1985

**Please complete
legibly, preferably
in black type, or
bold block lettering**

**To the Registrar of Companies
(Address overleaf - Note 5)**

For official use

Company number

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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04117111

Note
Please read the notes
on page 3 before
completing this form

Name of company

* Happen Fostercare Limited

* insert full name
of company

XWe See part I

Ø insert name(s) and address(es) of all the directors

† delete as appropriate

~~XXXXXXXXXXXX~~ [all the directors] † of the above company do solemnly and sincerely declare that

The business of the company is

§ delete whichever
is inappropriate

```
XXXXXXXXXXZ00009000000XXXXX66XXXSOUOAXXWTOXXCXCCECTOCXXCOEACOOOXOXXXTXS  
XXXXXXXXXXZASNOOXYCHSSNXXCXSECHOXXAXXATKXXHSHPOXAADONALAGTCCOTSLXGSAOXX
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~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

(c) something other than the above §

The company is proposing to give financial assistance in connection with the acquisition of shares in the

~~XXXXXX~~ [company's holding company] Happen Holdings Limited, (Company No. 05883554)
(the "Parent") ~~XXXXXX~~

The assistance is for the purpose of [that acquisition] ~~(XXXXXXXXXX) (XXXXXX) (XXXXXX) (XXXXXX) (XXXXXX) (XXXXXX)~~
~~(XXXXXXXXXX) (XXXXXX) (XXXXXX) (XXXXXX) (XXXXXX) (XXXXXX)~~ †

The number and class of the shares acquired or to be acquired is 2 ordinary shares of £1
each

Presenter's name address and reference (if any)
Halliwells LLP
3 Hardman Square
Spinningfields
Manchester
M3 3EB

14317 Manchester 1
LAD F25134.5

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General Section

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COMPANIES HOUSE

The assistance is to be given to (note 2) Fostering Solutions Limited
(company number 04006225) (the "**Buyer**") and Acorn Care and Education Limited (company
number 05019430) (the "**Borrower**") both of whose registered offices are at Burnden House,
Viking Street, Bolton, Lancashire, BL3 2RR

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

The assistance will take the form of

See Part II

The person who ~~XXXXXX~~ [will acquire] † the shares is
the Buyer

† delete as
appropriate

The principal terms on which the assistance will be given are

See Part III

The amount of cash to be transferred to the person assisted is £ 100,000,000

The value of any asset to be transferred to the person assisted is £ Nil

The date on which the assistance is to be given is today or within 8 weeks

* delete either (a) or (b) as appropriate

SCHEDULE TO FORM 155(6)(a)

**Schedule to the statutory declaration of the director(s) of
Happen Fostercare Limited (the "Company")
(company number 04117111)
pursuant to Section 155(6) of the Companies Act 1985**

For the purposes of this Schedule, words and expressions shall have the meanings ascribed to them in Part IV hereof unless otherwise defined herein.

Part I

The name(s) and address(es) of the director(s) of the Company are as follows

Name Stephen Robert Page

Address: Oak Tree House, Berry Lane, Chorleywood, Hertfordshire, WD3 5EY

Name David William Johnson

Address: 14 Royle Avenue, Glossop, Derbyshire SK13 7RD

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SCHEDULE TO FORM 155(6)(a)

Schedule to the statutory declaration of the director(s) of Happen Fostercare limited (the "Company") (company number 04117111) pursuant to Section 155(6) of the Companies Act 1985

Part II

The assistance will take the form of:

(1) the execution, delivery and performance by the Company of its obligations as:

- (a) an Additional Guarantor by way of an accession letter to the Facility Agreement (as defined below);
- (b) as a Lender by way of an accession letter to the Intra-Group Loan Agreement (as defined below),
- (c) as an Additional Obligor by way of an accession deed to the Subordination Deed No 1 (as defined below),
- (d) as an Additional Obligor by way of an accession deed to the Subordination Deed No.2 (as defined below), AND
- (e) a Chargor under the Debenture (as defined below).

(the **Documents**) , and

(2) the Transfers and the Property Consideration.


References to any of the Documents is a reference to such document as amended, restated, novated and/or assigned from time to time

"Debenture"

means a debenture dated on or about the date hereof between each of (1) the Company (as **Chargor**) and (2) the Agent

"Facility Agreement"

a facility agreement originally dated 15 February 2006 (as amended from time to time) made between (1) the Borrower, (2) the Guarantors, (3) Anglo Irish Bank Corporation plc acting in its capacity as Agent, Counterparty, Arranger, trustee and Original Lender (see Part IV Definitions below)

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"Intra-Group Loan Agreement"

an intra-group loan agreement dated 15 February 2006 made between (1) the Borrower and (2) each of Crookhey Hall Limited, Bramfield House School Limited, Heath Farm Family Services Limited, Heath Farm Fostering Agency Limited, Heath Farm Limited and Knossington Grange School Limited, (and by way of accession letters) Fostering Solutions Limited, Fostering Solutions (Northern) Limited, Belmont School Limited, Waterloo Lodge School Ltd , Underley Schools Limited and Underley Educational Services as Lenders.

"Parent"

Happen Holdings Limited (company number 05883554)

"Property Consideration"

the sum of £272,000 payable by Brian and Carol Henderson to the Company.

"Subordination Deed No.1"

a subordination deed dated 15 February 2006 made between (1) each of the Borrower, Knossington Grange School Limited, Heath Farm Limited, Crookhey Hall Limited, Bramfield House School Limited, Heath Farm Fostering Agency Limited and Heath Farm Family Services Limited, Fostering Solutions Limited, Fostering Solutions (Northern) Limited, Belmont School Limited, Waterloo Lodge School Limited, Underley Schools Limited and Underley Educational Services (as Obligors), (2) Phoenix Equity Nominees Limited, Kevin McNeany, Steve Page, (as Subordinated Creditors) and (3) the

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Agent.

"Subordination Deed No.2"

a subordination deed dated 21 April 2006 made between (1) each of the Borrower, Knossington Grange School Limited, Heath Farm Limited, Crookhey Hall Limited, Bramfield House School Limited, Heath Farm Fostering Agency Limited and Heath Farm Family Services Limited, Fostering Solutions Limited, Fostering Solutions (Northern) Limited, Belmont School Limited, Waterloo Lodge School Limited, Underley Schools Limited and Underley Educational Services (as Obligors), (2) Sanaya Bhote and David Johnson (as Subordinated Creditors) and (3) the Agent

"Transfers"

Further to agreements entered into between the Company and Brian and Carol Henderson (completion conditional to and simultaneous with completion of the acquisition of the Parent by the Buyer) for the proposed transfer by the Company of the freehold and leasehold properties owned by the Company to Brian and Carol Henderson

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SCHEDULE TO FORM 155(6)(a)

**Schedule to the statutory declaration of the director(s) of
Happen Fostercare limited (the "Company")
(company number 04117111)
pursuant to Section 155(6) of the Companies Act 1985**

Part III

The principal terms on which the financial assistance will be given are


FACILITY AGREEMENT

Under the Facility Agreement (amongst other things) the Lenders have agreed to make available to Acorn Care and Education Limited (as Borrower) a sterling refinancing and acquisition term loan facility in an amount up to STG£95,370,000. The Borrower shall apply all amounts borrowed by it under the Facility Agreement towards financing or refinancing the cost of acquisition of a Guarantor and financing capital expenditure in connection with the Properties incurred in accordance with the terms of the Facility Agreement and the cost of acquisition of the Company.

Under the terms of the Facility Agreement the Company will accede to the Facility Agreement and will guarantee the payment to the Finance Parties of all present, future, actual and/ or contingent liabilities whatsoever of each Obligor to the Finance Parties on the terms set out below

1 Guarantee and indemnity

- 1.1 The Company will irrevocably and unconditionally jointly and severally:
 - 1.1.1 guarantee to each Finance Party punctual performance by each Obligor of all that Obligor's obligations under the Finance Documents,
 - 1.1.2 undertake with each Finance Party that whenever an Obligor does not pay any amount when due under or in connection with any Finance Document, the Company shall immediately on demand pay that amount as if it was the principal obligor; and
 - 1.1.3 indemnify each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed or undertaken by it is or becomes unenforceable, invalid or illegal and the amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover

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2 Continuing guarantee

- 2.1 The guarantee will be a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part

3 Reinstatement

- 3.1 If any payment by an Obligor or any discharge given by a Finance Party (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:
- 3.1.1 the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- 3.1.2 each Finance Party shall be entitled to recover the value or amount of that security or payment from each Obligor, including the Company, as if the payment, discharge, avoidance or reduction had not occurred.

4 Waiver of defences

- 4.1 The obligations of each Obligor under Clause 17 of the Facility Agreement (as set out here in this Schedule) will not be affected by an act, omission, matter or thing which, but for Clause 17 of the Facility Agreement, would reduce, release or prejudice any of its obligations under Clause 17 of the Facility Agreement (without limitation and whether or not known to it or any Finance Party) including
- 4.1.1 any time, waiver or consent granted to, or composition with, any Obligor or other person;
- 4.1.2 the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- 4.1.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- 4.1.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person,
- 4.1.5 any amendment (however fundamental) or replacement of a Finance Document or any other document or Security,
- 4.1.6 any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or Security, or
- 4.1.7 any insolvency or similar proceedings.

5 Immediate recourse

The Company will waive any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that

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Obligor under Clause 17 of the Facility Agreement. Such waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

6 Appropriations

- 6.1 Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:
- 6.1.1 refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Obligor including the Company shall be entitled to the benefit of the same, and
- 6.1.2 hold in an interest-bearing suspense account any moneys received from any Obligor or on account of any Obligor's liability under Clause 17 of the Facility Agreement.

7 Deferral of Guarantors' rights

- 7.1 Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Obligor, including the Company, will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents
- 7.1.1 to be indemnified by an Obligor;
- 7.1.2 to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents, and/or
- 7.1.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party.

8 Additional security

The guarantee will be in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

DEBENTURE

All the security that will be created under the Debenture, will be:

- (a) created in favour of the Agent;
- (b) created over present and future assets of each Chargor,
- (c) security for the payment and satisfaction of all the Secured Liabilities;

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- (d) created by each Chargor to the extent of its interest whether joint or several, legal or beneficial, and
- (e) made with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994

1 Land

1 1 The Company will charge

- 1 1 1 by way of a first legal mortgage all estates or interest in any freehold or leasehold property now owned by it, this includes the real property (if any) specified in Schedule 1 (Real Property) to the Debenture and in the definitions to this Schedule, and
- 1.1.2 (to the extent that they are not the subject of a mortgage under Paragraph 1 1.1 of this section of this Schedule) by way of first fixed charge all estates or interest in any freehold or leasehold property now or subsequently owned by it.
- 1.2 A reference in this subparagraph to a mortgage or charge of any freehold or leasehold property includes:
 - 1.2.1 all buildings, fixtures, fittings and fixed plant and machinery on that property; and
- 1 2 2 the benefit of any covenants for title given or entered into by any predecessor in title of each Chargor in respect of that property or any moneys paid or payable in respect of those covenants.

2 Securities

2.1 The Company will charge by way of a first fixed charge

- 2 1 1 its interest in all shares, stocks, debentures, bonds or other securities and investments owned by it or held by any nominee on its behalf; and
- 2.1.2 any right, money or property accruing or offered at any time in relation to it by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise.

3 Plant and machinery

The Company will charge by way of a first fixed charge all plant and machinery owned by it and its interest in any plant or machinery in its possession

4 Credit balances

The Company will charge by way of a first fixed charge all of its rights in respect of any amount standing to the credit of any account (including any account contemplated by the Restated Facility Agreement or the Debenture) it has with any person and the debt represented by it.

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5 Book debts etc.

5.1 The Company will charge by way of a first fixed charge

5.1.1 all of its book and other debts (including without limitation any debts that constitute its operating income),

5.1.2 all other moneys due and owing to it, and

5.1.3 the benefit of all rights, securities or guarantees of any nature enjoyed or held by it in relation to any item under Paragraphs 5.1.1 or 5.1.2 of this section of the Schedule.

6 Intellectual Property Rights

The Company will charge by way of first fixed charge, the Intellectual Property Rights for the time being owned, possessed or controlled by it including the Intellectual Property Rights specified in Schedule 5 (Intellectual Property) to the Debenture and in the definition to this Schedule and (to the extent that any Intellectual Property Rights are not capable of being charged, whether by lack of any third party consent which is required or otherwise will) assign absolutely (to the extent that any Intellectual Property Rights are capable of being assigned) all of its right, title and interest in the Intellectual Property Rights and any and all damages, compensation, remuneration, profit, rent or income which it may derive from the Intellectual Property Rights or be awarded or entitled in respect of such Intellectual Property Rights

7 Insurances

The Company will assign absolutely, subject to a proviso for re-assignment on redemption, all of its rights under any contract or policy of insurance taken out by it or on its behalf or in which it has an interest and without limitation will assign all its right, title and interest, present and future, in and to the Key Person Insurance Documents and all rights and remedies in connection with the Key Person Insurance Documents and all proceeds and claims arising from the Key Person Insurance Documents

8 Other contracts

8.1 The Company will assign absolutely, subject to a proviso for re-assignment on redemption, all of its rights:

8.1.1 under each Transaction Document (other than a Finance Document) to which it is a party,

8.1.2 under any Construction Document to which the company is a party;

8.1.3 under any agreement relating to the purchase of the Property by the Company; and

8.1.4 under any other agreement to which it is a party except to the extent that it would be subject to any fixed security created under any other term of this paragraph.

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9 Miscellaneous

9.1 The Company will charge by way of first fixed charge:

9.1.1 any right to any refund or surplus it has in any pension fund;

9.1.2 its goodwill,

9.1.3 the benefit of any Authorisation (statutory or otherwise) held in connection with its use of any Security Asset;

9.1.4 the right to recover and receive compensation which may be payable to it in respect of any Authorisation referred to in Paragraph 9.1.3, and

9.1.5 its uncalled capital

10 Floating charge

10.1 The Company will charge by way of a first floating charge all its assets not otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, charge or assignment under this Paragraph 10.

10.2 Except as provided below, the Agent may by notice to the Company convert the floating charge created by clause 2.12.2 of the Debenture into a fixed charge as regards any Chargor's assets specified in that notice, if

(a) an Event of Default is outstanding; or

(b) the Agent considers those assets to be in jeopardy, whether in danger of being seized or sold under any form of distress, execution or other legal process or otherwise.

10.3 The floating charge created by Clause 2.12 of the Debenture may not be converted into a fixed charge solely by reason of:

(a) the obtaining of a moratorium; or

(b) anything done with a view to obtaining a moratorium,

under the Insolvency Act 2000.

10.4 The floating charge created by Clause 2.12 of the Debenture will automatically convert into a fixed charge over those assets of the Company from time to time subject to a floating charge pursuant to the Debenture (the "**Floating Charge Assets**")

(a) if steps are taken to appoint an administrator or to issue a notice of intention to appoint an administrator,

(b) if a Chargor creates or attempts to create any Security over all or any of the Floating Charge Assets, or

(c) if any person levies or attempts to levy any distress, execution, sequestration or other process against any of the Floating Charge Assets.

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- 10 5 Paragraph 14 of schedule B1 to the Insolvency Act 1986 will apply to the floating charge created by Clause 2 12 of the Debenture which floating charge is accordingly a qualifying floating charge for such purposes

11 Expenses and Indemnity

- 11.1 The provisions of the Debenture will oblige the Company to:
- 11.1.1 immediately on demand pay all costs and expenses (including legal fees) incurred in connection with the Debenture by any Finance Party, Receiver, attorney, manager, agent or other person appointed by the Agent under the Debenture; and
- 11.1.2 keep each of them indemnified against any failure or delay in paying those costs or expenses; this will include any arising from any actual or alleged breach by any person of any law or regulation

12 Further Assurances

- 12.1 The provisions of the Debenture will oblige the Company to, at its own expense, take whatever action the Agent or a Receiver may require for
- 12.1.1 creating, perfecting or protecting any security intended to be created by the Debenture; or
- 12 1 2 facilitating the realisation of any Security Asset, or the exercise of any right, power or discretion exercisable, by the Agent or any Receiver or any of its delegates or sub-delegates in respect of any Security Asset
- This includes
- 12 1.3 the execution of any transfer, conveyance, assignment or assurance of any property, whether to the Agent or to its nominee, or
- 12.1.4 the giving of any notice, order or direction and the making of any registration, which, in any such case, the Agent may think expedient.

THE INTRA-GROUP LOAN AGREEMENT

Pursuant to the terms of the Intra-Group Loan Agreement (and as further set out below) the Company and others as Lenders (as such term is defined in the Intra-Group Loan Agreement) will make an intra-group loan of up to £100,000,000 to Acorn Care and Education Limited (as Borrower) at an interest rate of 0%.

1 The Facility

- 1 1 The Company and other Lenders will grant to the Borrower upon the terms and conditions of the Intra-Group Loan Agreement loan facilities of up to the Facility Limit in aggregate.
- 1 2 Subject to any restrictions binding on the Borrower (whether under its Articles of Association or otherwise), Advances may be repaid and reborrowed upon and

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subject to the terms and conditions of the Intra-Group Loan Agreement. Failure of the Company to perform its obligations thereunder shall not relieve the Borrower from any of its obligations thereunder

- 1 3 The Company will have a cause of action against the Borrower under the Intra-Group Loan Agreement in respect of any amounts of principal, interest or other amounts, which become due and payable to the Lenders thereunder.

2 Purposes and application of utilisations


- 2 1 The proceeds of each Advance will be used solely to enable the Borrower
- (a) to pay any amounts due pursuant to the Facility Agreement;
 - (b) in respect of a particular Advance such other purposes as the Lenders may agree in writing.

3 Interest

- 3 1 Each Advance will bear interest at the Applicable Rate which shall accrue from day to day (on the basis of a 365 day year) upon the balance of such Advance under the Facility
- 3 2 Subject to paragraph 3.3, interest which has accrued on Advances in accordance with paragraph 3 1 above will be payable quarterly in arrears on each Quarter Day to the Lenders (or if such day is not a Business Day on the last Business Day before such Quarter Day) or on such other day or days as may be agreed by the parties from time to time.
- 3.3 Notwithstanding paragraph 3.2 interest shall only be payable when permitted pursuant to the provisions of the Facility Agreement.

4 Repayment

- 4.1 Unless already repaid thereunder, the Borrower will repay all Advances together with all interest accrued thereon and all other amounts due from the Borrower thereunder on the Final Repayment Date
- 4 2 The Borrower will be entitled on any Quarter Day to repay all or part of any Advance
- 4.3 A certificate from the Lenders as to the amount at any time due from the Borrower to the Lenders under this Agreement shall, in the absence of manifest error, be conclusive.
- 4.4 The Borrower shall be entitled to set-off against amounts due and owing by it thereunder to the Lenders amounts due and owing by the Lenders to the Borrower.

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SUBORDINATION DEEDS

Under the terms of the Subordination Deed No.1 and Subordination Deed No.2, during the Subordination Period, the Subordinated Liabilities are subordinate in right of payment to the Senior Liabilities

Payment of any amount of the Subordinated Liabilities will be conditional upon the Senior Liabilities having been irrevocably paid and discharged in full.

If, during the Subordination Period, any Subordinated Creditor

- (a) receives a payment or distribution in respect of any of the Subordinated Liabilities from an Obligor or any other source; or
- (b) receives or recovers any proceeds pursuant to any Enforcement Action (as defined in the Subordination Deed),

each Subordinated Creditor must hold the amount received by it (up to a maximum of an amount equal to the Senior Liabilities) on trust for the Finance Parties and immediately pay that amount (up to that maximum) to the Agent for application against the Senior Liabilities.

If, for any reason, any of the Subordinated Liabilities are discharged in any manner other than as permitted under the Subordination Deed, each Subordinated Creditor must immediately pay an amount equal to the amount discharged (up to a maximum of an amount equal to the Senior Liabilities) to the Agent for application against the Senior Liabilities.

PROPERTY TRANSFERS

Pursuant to the terms of agreements entered into by the Company with Brian and Carol Henderson pursuant to which the Company has agreed to make the Transfers (subject to the conditions set out therein) and that the Property Consideration would be due and payable by Brian and Carol Henderson to the Company as consideration for the Transfers

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SCHEDULE TO FORM 155(6)(a)

**Schedule to the statutory declaration of the director(s) of
Happen Fostercare limited (the "Company")
(company number 04117111)
pursuant to Section 155(6) of the Companies Act 1985**

PART IV

Definitions

Definitions applicable to all

"Accession Letter"	a document substantially in the form set out in Schedule 6 (Form of Accession Letter) to the Facility Agreement,
"Acquisition Agreement"	an Existing Acquisition Agreement or an Additional Acquisition Agreement,
"Acquisition Disclosure Letter"	an Existing Acquisition Disclosure Letter or an Additional Acquisition Disclosure Letter,
"Acquisition Document"	an Acquisition Agreement or an Acquisition Disclosure Letter or a Tax Deed;
"Additional Acquisition Agreement"	Either (a) a share sale and purchase agreement entered or to be entered into by the Borrower or a subsidiary of the Borrower in connection with the acquisition of the shares in an Additional Guarantor with the prior consent of the Agent; or (b) a sale and purchase agreement entered or to be entered into in

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connection with the acquisition of a business and/or assets and/or an Additional Property with the prior written consent of the Agent;

"Additional Acquisition Disclosure Letter" a disclosure letter pursuant to an Additional Acquisition Agreement;

"Additional Guarantor" a Belmont Company, an Underley Company, Fostering Solutions, Advance Foster Care Limited or any other Subsidiary of the Borrower which, in each case, becomes an Additional Guarantor in accordance with Clause 28 of the Facility Agreement (Changes to the Obligors);

"Additional Property" any property (other than an Existing Property) owned or acquired by a Guarantor and, in respect of which, the Agent has received in form and substance satisfactory to the Agent, all of the documents and other evidence listed in Part III of Schedule 2 (Additional Property Conditions Precedent) to the Facility Agreement;

"Agent" Anglo Irish Bank Corporation Plc

"Arranger" Anglo Irish Bank Corporation Plc

"Authorisation" an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

"Belmont Company" Belmont School Limited (registered in England with registered number 03292207) or Waterloo Lodge School Ltd (registered in England with

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registered number 03921801)

"Borrower"

Acorn Care and Education Limited

"Business Day"

a day (other than a Saturday or Sunday) on which banks are open for general business in London and Dublin;

"Counterparty"

Anglo Irish Bank Corporation Plc

"Employment Contract"

a contract of employment granted by a Guarantor in respect of an employee of such Obligor which is the subject of the Due Diligence Reports (as such term is defined in the Facility Agreement);

"Existing Acquisition Agreement"

each of

- (a) the share purchase and sale agreement dated 17 December 2004 between the Borrower and Dr A J Smith and Mrs A R. Smith in connection with the acquisition of the shares in Knossington Grange School Limited;
- (b) the share purchase and sale agreement dated 18 March 2005 between the Borrower and Jane Lloyd, Georgia Revell, Miranda Ridgen, Viktoria Lloyd Barlow, Robert Lloyd, David Lloyd and Laura Lloyd in connection with the acquisition of the shares in Heath Farm Limited,
- (c) the share purchase and sale agreement dated 28 July 2005 between the Borrower and Charles Edmundson and Gary Holliday in connection with the acquisition of

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the shares in Crookhey Hall
Limited, or

- (d) the share purchase and sale
agreement dated 20 October 2005
between the Bramfield House
School Limited and Kenneth &
Sandra Anstese in connection with
the acquisition of the shares in
Bramfield House School Limited,

**"Existing Acquisition Disclosure each of
Letter"**

- (a) the disclosure letter dated 17
December 2004 between the
Borrower and Dr A J. Smith and
Mrs A R Smith in connection with
the acquisition of the shares in
Knossington Grange School
Limited;
- (b) the disclosure letter dated 18
March 2005 between the Borrower
and Jane Lloyd, Georgia Revell,
Miranda Ridgen, Viktoria Lloyd
Barlow, Robert Lloyd, David Lloyd
and Laura Lloyd in connection with
the acquisition of the shares in
Heath Farm Limited,
- (c) the disclosure letter dated 28 July
2005 between the Borrower and
Charles Edmundson and Gary
Holliday in connection with the
acquisition of the shares in
Crookhey Hall Limited; or
- (d) the disclosure letter dated 12
October 2005 between Bramfield
House School Limited and Kenneth

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& Sandra Anstese in connection
with the acquisition of the shares
in Bramfield School Limited;

"Existing Property"

each property listed against an Original Guarantor in Part I of Schedule 1 to the Facility Agreement, each as described in the Debenture entered into by the Original Guarantors and, where the context so requires, includes any buildings on such property,

"Event of Default"

any event or circumstance specified as such in Clause 26 1 of the Facility Agreement (Events of Default),

"Facility"

Facility A or Facility B,

"Facility A"

the term loan facility made available under the Facility Agreement as described in Clause 2.1 of the Facility Agreement (The Facilities);

"Facility A Loan"

any loan made or to be made under Facility A or the principal amount outstanding for the time being of such loans;

"Facility B"

the capex loan facility made available under the Facility Agreement as described in Clause 2 2 (The Facilities);

"Facility B Loan"

any loan made or to be made under Facility B or the principal amount outstanding for the time being of such loans,

"Fee Letter"

(a) the letter dated on or about the date of the Facility Agreement between the Arranger and the Borrower (or the Agent and the

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Borrower);

- (b) the letter dated on or around the date of the First Supplemental Agreement between the Arranger and the Borrower (or the Agent and the Borrower) setting out any of the fees referred to in Clause 11 (Fees) of the Facility Agreement and/or Clause 5 of the First Supplemental Agreement;
- (c) the letter dated on or around the date of the Second Supplemental Agreement between the Arranger and the Borrower (or the Agent and the Borrower) setting out any of the fees referred to in Clause 11 (Fees) of the Facility Agreement and/or Clause 5 of the Second Supplemental Agreement;
- (d) the letter dated on or about the date of the Third Supplemental Agreement between the Arranger and the Borrower (or the Agent and the Borrower) setting out any of the fees referred to in Clause 11 (Fees) of the Facility Agreement and/or Clause 5 of the Third Supplemental Agreement;

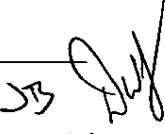
"Finance Document"

the Facility Agreement, a Security Document, the Subordination Agreement, the Fee Letter, any Accession Letter, a Transfer Certificate, the Hedging Arrangements and any other document designated as such by the Agent and the Borrower;

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"Finance Party"	the Agent, the Arranger, the Counterparty or a Lender,
"First Supplemental Agreement"	the agreement amending, supplementing and restating the Facility Agreement dated 21 July 2006;
"Fostering Solutions"	Fostering Solutions Limited (registered in England and Wales with registration number 4006225)
"Group"	the Borrower and its Subsidiaries for the time being;
"Guarantor"	an Original Guarantor or an Additional Guarantor,
"Hedging Arrangement"	any interest hedging arrangement entered into by the Borrower in connection with interest payable under the Facility Agreement;
"Key Person Insurance Document"	a key person life assurance policy (in form and substance reasonably satisfactory to the Agent and with such insurer as the Agent may reasonably approve) taken out and maintained by the Borrower in respect of each of Mr Stephen Page and Mr David Johnson (and any substitute or replacement policies entered into relating to the same),
"Lender"	(a) any Original Lender, and (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 27 of the Facility Agreement (Changes to the Lenders), which in each case has not ceased to


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	be a Party in accordance with the terms of the Facility Agreement;
"Loan"	a Facility A Loan or a Facility B Loan,
"Local Authority Engagement"	an agreement between a Guarantor and a local authority in respect of any education or fostering services provided or to be provided by that Guarantor which is the subject of the Due Diligence Reports (as such terms are defined in the Facility Agreement),
"Obligor"	an Original Obligor or an Additional Guarantor;
"Operating Document"	a Service Contract, a Local Authority Engagement, an Employment Contract or any other contract for the provision of education or fostering services by a Guarantor which is the subject of the Due Diligence Reports (as such term is defined in the Facility Agreement),
"Net Operating Income"	In respect of the Group and any period, the excess cash for the Group (calculated by reference to the Groups gross income less operating expenses in the course of trading) for such period.
"Original Lender"	Anglo Irish Bank Corporation Plc
"Original Obligor"	means the Borrower or an Original Guarantor,
"Original Guarantor"	Knossington Grange School Limited, Heath Farm Limited, Crookhey Hall Limited, Bramfield House School

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Limited, Heath Farm Fostering Agency
Limited and Heath Farm Family
Services Limited

"Party"

a party to the Facility Agreement,

"Property"

an Existing Property (as such term is
defined in the Facility Agreement) or an
Additional Property,

"Second Supplemental Agreement"

the agreement amending,
supplementing and restating the
Facility Agreement dated on or around
1 March 2007,

"Security"

a mortgage, charge, assignment,
pledge, lien or other security interest
securing any obligation of any person
or any other agreement or
arrangement having a similar effect,

"Security Documents"

(a) a Debenture;
(b) any other document designated as
such by the Agent and the
Borrower,

"Senior Management"

each of Mr Kevin McNeany, Mr Stephen
Page and Mr David Johnson and any
other individual in a management
position agreed between the Borrower
and the Agent;

"Service Contract"

a service contract of each member of
Senior Management in form and
substance acceptable to the Agent,

"Subordination Agreement"

any subordination agreement entered
or to be entered into by the
Subordinated Creditors in favour of the

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Agent in form and substance
satisfactory to the Agent,

"Subsidiary"

- (a) a subsidiary within the meaning of section 736 of the Companies Act 1985; and
- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 258 of the Companies Act 1985;

"Tax Deed"

a tax deed entered or to be entered into by the Borrower or a subsidiary of the Borrower in connection with the acquisition of the shares in an Additional Guarantor with the prior consent of the Agent,

"Third Supplemental Agreement"

the agreement amending, supplementing and restating the Facility Agreement dated on or around 21 March 2007;

"Transfer Certificate"

a certificate substantially in the form set out in Schedule 5 (Form of Transfer Certificate) to the Facility Agreement or any other form agreed between the Agent and the Borrower

"Transaction Document"

- (a) a Finance Document;
- (b) an Acquisition Document;
- (c) an Investment Document; or
- (d) any other document designated as such by the Agent and the Borrower;

"Underley Company"

Underley Schools Limited (registered in England with registered number

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03834802) or Underley Educational Services (registered in England with registered number 03381128).

Definitions applicable to the Debenture

"Construction Document"

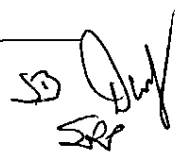
any contract or agreement entered into by a Chargor in relation to any construction, development, capital expenditure project or other similar or related service or contract;

"Intellectual Property Rights"

all patents (including applications (and any goodwill associated with such applications), improvements, prolongations, extensions and rights to apply for them in any part of the world), designs (whether registered or unregistered), copyrights and rights in the nature of copyright, design rights, trade marks and service marks (whether registered or unregistered), utility models (in each case for their full period and all extensions and renewals of them), trade names, business names, domain names and brand names, know-how, formulae, confidential information, trade secrets, computer software programs and systems and any similar rights existing in any country (including the benefit of any licences or consents relating to any of the above) and all fees, royalties or other rights derived from them or incidental to them in any part of the world;

"Real Property"

the property known as 49 and 51 Zig Zag Road, Ventnor, Isle of Wight;

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"Receiver"	an administrative receiver, receiver and manager or a receiver, in each case, appointed under the Debenture;
"Restated Facility Agreement"	the Facility Agreement as amended, supplemented and restated from time to time;
"Secured Liabilities"	all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Finance Party under each Finance Document, except for any obligation which, if it were so included, would result in the Debenture contravening section 151 of the Companies Act 1985 together with costs, charges and expenses incurred by the Agent in connection with the protection or preservation or enforcement of its rights under the Finance Documents or any of them,
"Service Contract"	a service contract of each member of Senior Management in form and substance acceptable to the Agent,
"Security Assets"	all the assets of each Chargor which are the subject of any Security created or constituted by the Debenture; and

Definitions applicable to Intra-Group Loan Agreement

Advance means, save as otherwise provided herein, an advance made or to be made in the Intra-Group Loan Agreement by the Lenders.

Applicable Rate means 0% or such other rate as may be agreed from time to time between the Borrower and the Lenders

Business Day has the meaning given to it in the Facility Agreement

Facility Limit means £100,000,000.


Final Repayment Date means the date falling twenty years from the date hereof or if that day is not a Business Day, the next following Business Day.

Quarter Days means 31 March, 30 June, 30 September and 31 December in each year.

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Definitions applicable to the Subordination Deeds

"Liability"	any present or future obligation or liability (actual or contingent, joint or several and in any capacity whatsoever) and includes any permitted novation, deferral or extension of any such obligation or liability,
"Subordinated Creditors"	each of Phoenix Equity Nominees Limited, Kevin McNeany, Steve Page, Sanaya Bhote and David Johnson
"Senior Liabilities"	all Liabilities payable or owing by an Obligor to a Finance Party under or in connection with the Finance Documents,
"Subordination Deeds"	Subordination Deed No 1 and Subordination Deed No.2
"Subordinated Document"	(a) the Investor Loan Note Instrument; or (b) any document evidencing any Subordinated Liabilities delivered to the Agent as a condition precedent under the Facility Agreement or entered into with the prior written consent of the Agent,
"Subordinated Liabilities"	all not defined payable or owing by an Obligor to a Subordinated Creditor under or in connection with the Subordinated Documents; and
"Subordination Period"	the period beginning on the date of the

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Subordination Deed and ending on the date on which all the Senior Liabilities have been irrevocably paid and discharged in full and the Finance Parties have no further obligations under the Finance Documents.

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**REPORT OF THE INDEPENDENT AUDITOR TO THE DIRECTORS OF HAPPEN
FOSTERCARE LIMITED PURSUANT TO SECTION 156(4) OF THE COMPANIES
ACT 1985**

We have reported on the attached statutory declaration of the directors dated *2 May* 2008, pursuant to the Companies Act 1985, in connection with the proposed financial assistance to be given by Happen FosterCare Limited ("the Company") for the purchase of the entire issued share capital of Happen Holdings Limited

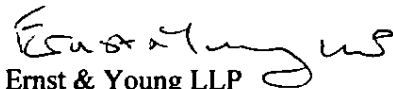
This report is made solely to the directors in accordance with Section 156(4) of the Companies Act 1985. Our work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report under section 156(4) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors, for our audit work, for this report, or for the opinions we have formed.

Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances



Ernst & Young LLP
Registered Auditor
Belfast

2 May 2008



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