

Options Group Holdings Limited
Annual report and financial statements
for the year ended 31 March 2016

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Options Group Holdings Limited

Annual report and financial statements for the year ended 31 March 2016

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Options Group Holdings Limited

Directors and advisors

Directors

G Baker
R Northall
J Worsley
R Cooke

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Options Group Holdings Limited

Strategic report

Strategic report for the year ended 31 March 2016

The Directors present their strategic report for the year ended 31 March 2016.

Strategy and Objectives

On the 7th March 2016 the Group was acquired by Outcomes First Group Limited. The Directors continue to seek opportunities for the development of specialist services for children, young people and adults.

Business Review and Future Development

The results for the year can be seen on page 9 of the financial statements. The results of the Group show an increase in turnover through growth in current services and a small operating profit for the year after some exceptional costs as a result of the acquisition. The consolidated loss for the financial year ended 31 March 2016 is £1,387k (2015: £2,827k). The net assets of the company at 31 March 2016 were £6,479k (2015: £7,320k).

The Group continues to grow steadily and is now working with over 70 Local Authorities supporting around 250 young people and adults. The Board continues to focus on delivering high quality services and the best possible outcomes for all our young people and adults. There has been a continued improvement in quality ratings which have impacted positively on occupancy, we expect this to continue into the coming financial year and ultimately deliver improved financial results.

The National Living Wage has impacted upon costs of the business and we continue to work with our customers to support them with this change in order to minimise the impact. The Group continues to operate in a highly regulated environment and its strategy continues to be that of exceeding such requirements wherever possible in order to deliver both good outcomes for its service users and value for money.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and these are managed on a Group-wide basis. Management reviews risk formally and appropriate processes are put in place to monitor and mitigate them.

Key operational risks affecting the Group are set out below:

Quality of service and compliance

The Group operates in a highly regulated environment and compliance with such regulations is key to the operational success of the business. The Group is registered with various regulatory bodies and is subject to continuous review by these bodies. Management closely monitor performance in this area and have a structured system in place throughout the organisation to ensure compliance and continual improvement.

Health and Safety

The Group is subject to various health and safety requirements and has put in place individuals to monitor compliance with health and safety laws and regulations.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring these risks.

Price risk

The National Living Wage legislation is expected to impact upon price; the Group's focus on demonstrating value for money and outcomes achieved with the young people, together with support from the local authorities is expected to mitigate price risk.

Options Group Holdings Limited

Strategic report for the year ended 31 March 2016 (continued)

Principal risks and uncertainties (continued)

Credit risk

On the 7th March 2016, all outstanding debt payable to Barclays Bank PLC was repaid as part of the acquisition by Outcomes First Group Limited. The enlarged group, through its new banking and debt facilities is subject to a combined suite of financial covenants which Options Group Holdings Limited and its subsidiaries are part of. These covenants cover key areas including minimum levels of financial performance. The Group has in place appropriate short and medium term reporting and forecasting systems that assist the Board in making a balanced assessment of the ability of the Group to meet its financial and reporting obligations to both lenders and investors as they fall due.

Liquidity risk

The Group is supported by a rolling credit facility. Debt facilities are structured to ensure that the Group has sufficient cash flow headroom to meet its obligations and deliver its strategic growth objectives.

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash, which is subject to variations in interest rates. The Group has a policy of maintaining debt at a fixed rate above LIBOR to provide a degree of certainty over future cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Key Performance Indicators ('KPIs')

The Board and Management monitor the business performance of the Group and measure it against strategic objectives using key performance indicators.

The main KPI's are considered to be:

- Occupancy levels;
- Quality ratings;
- EBITDA performance against budget;
- Staffing levels; and
- Referrals and future pipeline.

All of which are reviewed on a regular formal basis.

Options Group Holdings Limited

Strategic report for the year ended 31 March 2016 (continued)

Key performance indicators (continued)

Financial KPIs for 2016 were as follows:

KPI	31 March 2016 £'000	31 March 2015 £'000	Narrative
Turnover	37,116	34,676	Extracted from the financial statements. Turnover for the financial year was in line with the Board's expectations, with steady growth in the number of placements secured.
EBITDA	5,117	3,441	Group operating profit, adding back depreciation, amortisation and exceptional costs. EBITDA for the financial year was in line with the Board's expectations.
Operating cash flow before interest, capital expenditure and tax	1,809	2,821	Operating cash flow before interest, capital expenditure and tax was in line with expectations.

FRS 102 Transition

This is the first financial year that the company has presented its financial statements under FRS 102 accounting. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS102 was 1 April 2014. The impact of this adoption is further explained in note 25.

On behalf of the Board



G Baker
Director
4 August 2016

Options Group Holdings Limited

Directors' report

Directors' report for the year ended 31 March 2016

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2016.

Dividends

The Directors have not recommended payment of a dividend (2015: £nil).

Principal Activity

The principal activities of the Group (which comprise the Company and its subsidiaries) during the financial year were that of specialist services for children, young people and adults with autistic spectrum disorders (ASD), complex needs and behavioural, emotional and social difficulties (BESD). The principal activity of the Company was that of a holding company.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

G Baker
D Garman (resigned 7 March 2016)
R Northall
J Worsley
R Cooke

Directors' indemnity

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision was in force throughout the last financial year and is currently in force. This provision is a qualifying third party indemnity provision under section 234 of the Companies Act 2006. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Results

The results for the year are shown in the profit and loss account on page 9. The Directors regard the underlying results of earnings before interest, taxation, depreciation and other exceptional costs as satisfactory.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent Company Boston Midco Limited. The Directors have received confirmation that Boston Midco Limited intends to support the Company for at least one year after these financial statements are signed.

Political and charitable contributions

During the year ended 31 March 2016 the Company made no charitable or political donations (2015: £nil).

Matters covered in the Strategic Report

The future developments of the company, financial risk management have been discussed in the Strategic Report.

Options Group Holdings Limited

Directors' report for the year ended 31 March 2016 (continued)

Statement of Directors' responsibilities

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

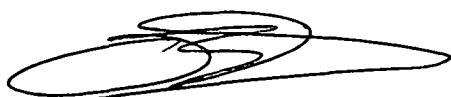
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

On behalf of the Board



G Baker
Director
4 August 2016

Options Group Holdings Limited

Independent auditors' report to the members of Options Group Holdings Limited

Report on the financial statements

Our opinion

In our opinion, Options Group Holdings Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Consolidated and Company balance sheets as at 31 March 2016;
- the Consolidated profit and loss account and the Consolidated statement of comprehensive income;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Options Group Holdings Limited

Independent auditors' report to the members of Options Group Holdings Limited (cont.)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and the parent 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Katharine Warrington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

4 August 2016

Options Group Holdings Limited

Consolidated Profit and loss account for the year ended 31 March 2016

		2016	2015
	Note	£'000	£'000
Turnover	5	37,116	34,676
Cost of sales		(28,268)	(26,960)
Gross profit		8,848	7,716
Administrative expenses		(8,840)	(8,280)
Earnings before Interest, Taxation, Depreciation, Amortisation and other exceptional costs		5,117	3,441
Depreciation	6	(1,826)	(1,808)
Impairment		-	(1,982)
Exceptional costs	6	(3,273)	(215)
Operating profit / (loss)	6	8	(564)
Interest payable and similar charges	10	(1,585)	(1,935)
Loss on ordinary activities before taxation		(1,577)	(2,499)
Tax credit / (charge) on (loss) on ordinary activities	11	190	(128)
Loss for the financial year		(1,387)	(2,627)

All turnover and operating results derive from continuing operations.

Options Group Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 March 2016

	2016	2015
Loss for the financial year	(1,387)	(2,627)
Other comprehensive income:		
Deferred tax on revalued property	(260)	1,014
Revaluation of property	-	1,424
Other comprehensive income for the year	(260)	2,438
Total comprehensive income for the year	(1,647)	(189)

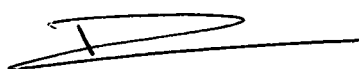
Options Group Holdings Limited

Consolidated balance sheet as at 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	12	49,975	50,631
Current assets			
Debtors	14	4,668	4,086
Cash at bank and in hand		3,134	48
		7,802	4,134
Creditors: amounts falling due within one year	15	(47,036)	(9,708)
Net current (liabilities)		(39,234)	(5,574)
Total assets less current liabilities		10,741	45,057
Creditors: amounts falling due after more than one year	16	-	(47,735)
Provision for deferred taxation	18	(4,262)	(4,642)
Net assets / (liabilities)		6,479	(7,320)
Capital and reserves			
Called up share capital	19	510	500
Revaluation reserve		9,762	10,022
Share Premium account		15,436	-
Accumulated loss		(19,229)	(17,842)
Total equity / (deficit on shareholders funds)		6,479	(7,320)

The notes on pages 16 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were approved by the Board of Directors on 4 August 2016 and were signed on its behalf by:



R Northall
Director

Options Group Holdings Limited

Consolidated statement of changes in equity for the year ended 31 March 2016

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Accumulated loss £'000	Total Equity £'000
Balance as at 1 April 2015	500	-	10,022	(17,842)	(7,320)
Loss for the financial year	-	-	-	(1,387)	(1,387)
Other comprehensive income	-	-	(260)	-	(260)
Proceeds of shares issued	10	15,436	-	-	15,446
Balance as at 31 March 2016	510	15,436	9,762	(19,229)	6,479
Balance as at 1 April 2014	500	-	7,584	(15,215)	(7,131)
Loss for the financial year	-	-	-	(2,627)	(2,627)
Other comprehensive income	-	-	2,438	-	2,438
Balance as at 31 March 2015	500	-	10,022	(17,842)	(7,320)

Options Group Holdings Limited

Company balance sheet as at 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	13	615	615
Current assets			
Debtors	15	14,136	5,331
Cash at bank and in hand		678	-
		14,814	5,331
Creditors: amounts falling due within one year	16	(10,239)	(7,178)
Net current assets / (liabilities)		4,575	(1,847)
Total assets less current liabilities		5,190	(1,232)
Creditors: amounts falling due after more than one year	17	-	(5,412)
Net assets / (liabilities)		5,190	(6,644)
Capital and reserves			
Called up share capital	20	510	500
Share premium account		15,436	-
Accumulated loss		(10,756)	(7,144)
Total equity / (deficit on shareholders' funds)		5,190	(6,644)

Options Group Holdings Limited

Company statement of changes in equity for the year ended 31 March 2016

	Called up share capital £'000	Share premium account £'000	Accumulated loss £'000	Total Equity £'000
Balance as at 1 April 2015	500	-	(7,144)	(6,644)
Loss for the financial year	-	-	(3,612)	(3,612)
Proceeds of shares issued	10	15,436	-	15,446
Balance as at 31 March 2016	510	15,436	(10,756)	5,190
Balance as at 1 April 2014	500	-	(5,568)	(5,068)
Loss for the financial year	-	-	(1,576)	(1,576)
Balance as at 31 March 2015	500	-	(7,144)	(6,644)

Options Group Holdings Limited

Consolidated cash flow statement for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Cash inflow from operating activities	23	1,809	2,821
Taxation		244	10
Net cash generated for operating activities		2,053	2,831
Net cash outflow from investing activities			
Purchase of tangible fixed assets		(1,191)	(1,639)
Sale of tangible fixed assets		24	13
Net cash outflow from investing activities		(1,167)	(1,626)
Net cash outflow before financing		886	1,205
Cash flow from financing activities			
Funds from new long term loan		-	341
Repayment of amounts borrowed		5,131	-
Funds from new investment (Outcomes First Group)		3,700	-
Interest paid		(1,500)	(1,607)
Issues costs of bank loan		-	(135)
Net cash inflow from financing activities		7,331	(1,401)
Increase / (Decrease) in cash in the year		8,217	(196)

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016

1 General Information

The principal activities of the Group (which comprise the Company and its subsidiaries) during the financial year were that of specialist services for children, young people and adults with autistic spectrum disorders (ASD), complex needs and behavioural, emotional and social difficulties (BESD). The principal activity of the Company was that of a holding company.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Turnpike Gate House, Alcester Heath, Alcester, Warwickshire, B49 5JG.

2 Statement of compliance

The Group and individual financial statements of Options Group Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

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. Details of the transition to FRS 102 are disclosed in note 26.

Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 as applied to companies using Financial Reporting Standards FRS102.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Summary of disclosure exemptions

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS102, section 1.12. The Company is also exempt under the terms of FRS102, section 1.12 from disclosing related party transactions with entities that are wholly owned within the Options Group Holdings Limited group.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March 2016.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

3 Summary of significant accounting policies (continued)

Exceptional Costs

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Boston Midco Limited. The Directors have received confirmation that Boston Midco Limited intends to support the Company for at least one year after these financial statements are signed.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at historical cost, being the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Properties are subsequently revalued by external independent valuers on a regular basis using open market value, less subsequent depreciation so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve.

Depreciation is provided to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Freehold property	-	50 years straight line
Fixtures and fittings	-	4 years straight line
Office Equipment	-	4 years straight line
Motor Vehicles	-	4 years straight line

No depreciation is provided on freehold land or assets in the course of construction which are not in use at the year end.

Goodwill

Purchased goodwill (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life, considered by the directors to be three years. Amortisation of goodwill is provided from the date of acquisition.

Pension and other post retirement benefits

The Options Group Holdings Limited group operates a defined contribution pension scheme for employees of the company. The assets of the scheme are held separately from those of the Company in independently administered funds. The annual contributions payable are charged to the profit and loss account.

Certain subsidiaries contribute to the Teachers' Pension Scheme (TPS) for teaching staff who are members of the scheme. The TPS is a separate government funded scheme. Accordingly, the Company has accounted for its contributions to the scheme as a defined contribution scheme. The annual contributions payable are charged to the profit and loss account.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

3 Summary of significant accounting policies (continued)

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. ~~Deferred tax is measured on an undiscounted basis.~~ The Directors believe it is appropriate to continue to recognise the deferred tax assets in anticipation of continued profitable trading.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and regards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Share capital and distributions to equity holders

Ordinary shares are classified as equity. Dividends and other distributions to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividend and other distributions are approved by the shareholders.

Borrowings

All borrowing costs are recognised in profit or loss in the period in which they are incurred. All borrowings are initially stated at fair value of the consideration received after the deduction of directly attributable finance costs. In accordance with Financial Reporting Standard 4 "Capital instruments", these costs are charged to the profit and loss account over the estimated life of the relevant borrowings.

4 Critical accounting judgements and key sources of estimation uncertainty

The group adopts a policy of revaluing its property portfolio. The valuation is re-assessed annually and external valuers are used as management's experts on a periodic basis. The valuation techniques used to value these properties are based upon historical financial performance as well as management's projections and plans going forward. The valuation is also based upon the expected movement in the property market as well as the occupancy levels at each individual site. External market factors may impact on future valuations.

5 Turnover

The turnover shown in the profit and loss account represents amounts invoiced for services provided in the year. All turnover is derived from its principal activity of a range of services for young people with complex autistic spectrum disorders. All operations are within the United Kingdom. Turnover is recognised on provision of the service. Where amounts are invoiced in advance or arrears, income recognition is adjusted to include only the amounts relating to services provided in the current year, with accrued or deferred turnover being recognised on the balance sheet as appropriate.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

6 Operating Profit / (Loss)

Operating profit is stated after charging / (crediting):

	Note	2016 £'000	2015 £'000
Wages and salaries		21,044	20,272
Social security costs		1,847	1,736
Other pension costs		365	326
Total staff costs charged to profit and loss		23,256	22,334
Exceptional Costs - reorganisation expense		3,273	231
Exceptional costs – related party balances		-	(16)
Depreciation – charge in the year		1,826	1,808
Impairment of tangible fixed assets		-	1,982
Impairment of trade receivables		13	-
Operating lease charges	7	230	183
Services provided by the Company's auditors			
- Fees payable to the Company's auditors for the audit of the Company's financial statements		9	1
- The audit of the Company's subsidiaries, pursuant to legislation		68	76
- Services relating to taxation		31	24
- Services relating to tax advisory / deal related transaction		89	59

Exceptional costs incurred in the year relate to the change of ownership of the Group. In March 2016 Outcomes First Group Limited acquired share capital of Options Group Holdings Limited and its subsidiaries.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

7 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2016	2015
	£'000	£'000
Within one year	139	29
Within two to five years	312	239
In more than five years	768	994
	1,219	1,262

The amount of non-cancellable operating lease payments recognised as an expense during the year was £230,294 (2015 - £183,000)

8 Employers and Directors

The average monthly number of employees during the year was made up as follows (including Directors):

	2016	2015
	Number	Number
Care and Education	875	846
Administration & Other Staff	186	189
	1,061	1,035

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

9 Remuneration of Directors

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Directors' emoluments, including pension contributions	2,282	599

Included with Directors' emoluments is £18,000 (2015: £18,425) paid in respect of Company pension contributions to money purchase schemes for three (2015: three) of the Directors.

The highest paid Director received emoluments of £895,642 (2015: £200,800) during the financial year. No amounts were accruing in respect of pension contributions for this Director at the financial year end (2015: £nil). The directors were paid a bonus in relation to the change of ownership of the Group.

10 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable on bank loans and overdrafts	1,500	1,607
Financing costs	85	328
	1,585	1,935

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

11 Tax on loss on ordinary activities

	2016	2015
	£'000	£'000
Current tax		
UK corporation tax on losses for the financial year	450	46
Adjustments in respect of prior year	-	(45)
Total current tax	450	1
Deferred tax (see note 18)		
Origination and reversal of timing differences	(125)	264
Changes in tax rates or laws	(445)	(13)
Adjustments in respect of previous periods	(70)	(124)
Total deferred tax (credit) / charge for the year	(640)	127
Total tax (credit) / charge for the year	(190)	128

Tax included in other comprehensive income

	2016	2015
	£'000	£'000
Deferred tax		
Origination of timing differences	260	1,014
Total tax charge for the year	260	1,014

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

11 Tax on loss on ordinary activities (continued)

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK 24% (2015: 21%). The differences are explained below:

Factors affecting the tax charge for the financial year	2016	2015
	£'000	£'000
Loss on ordinary activities before taxation	(1,567)	(2,499)
Current tax at 20% (2015: 21%)	(313)	(525)
Expenses not deductible for tax purposes	943	351
Depreciation for year in excess of capital allowances	-	(76)
Timing differences	-	(4)
Gains / rollover relief	(297)	-
Change in tax rates / credits	(445)	(13)
Gain on reversal of prior impairment	-	416
Increase in / (utilisation of) losses brought forward	12	(108)
Transfer pricing	(20)	-
Adjustments in respect of prior years	(70)	(169)
Total tax charge	(190)	128

Deferred tax assets are recognised losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £1,033,354 (2015: £1,153,713) in respect of losses amounting to £1,567,079 (2015: £5,493,871) that can be carried forward against future taxable income.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

The overall effect of these changes, if they applied to the deferred tax balance at the balance sheet date, would be immaterial.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

12 Tangible assets

	Assets under construction	Freehold Property	Fixtures and fittings	Office equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2015						
Cost	86	49,235	2,216	2,211	363	54,111
Accumulated depreciation and impairment	-	-	(1,549)	(1,685)	(246)	(3,480)
Net book amount	86	49,235	667	526	117	50,631
Year Ended 31 March 2016						
Opening net book amount	86	49,235	667	526	117	50,631
Additions	432	152	330	147	130	1,191
Transfers	(101)	83	13	5	-	-
Disposals	-	-	-	-	(21)	(21)
Depreciation	-	(1,158)	(338)	(255)	(75)	(1,826)
Closing net book value	417	48,312	672	423	151	49,975
As at 31 March 2016						
Cost	417	49,470	2,559	2,363	423	55,232
Accumulated depreciation and impairment	-	(1,158)	(1,887)	(1,940)	(272)	(5,257)
Net book amount	417	48,312	672	423	151	49,975

A full valuation of the freehold properties was carried out by GVA Grimley Limited Chartered Surveyors at 31 March 2015 based on an existing use value.

The net book value of land and buildings includes £670,000 (2015: £670,000) in respect of freehold land which is not depreciated.

Company

The Company did not hold any tangible fixed assets at any time during the financial year (2015: £nil).

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

13 Investments

Company	Interests in subsidiary undertakings
	£'000
<hr/>	
Cost	
At 1 April 2015 and at 31 March 2016	615
<hr/>	
Impairment	
At 1 April 2015 and at 31 March 2016	-
<hr/>	
Net book value	
At 1 April 2015 and at 31 March 2016	615
<hr/>	

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

13 Investments (continued)

Subsidiary undertaking	% holding	Nature of business
Options Autism (1) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
Options Autism (4) Limited	100	Children's home and school for young people with complex autistic spectrum disorders and residential care and care for children and young adults with severe learning disabilities
Options Autism (5) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
Options Autism (2) Limited	100	Residential care and education for children and young adults with severe learning disabilities
Options Autism (3) Limited	100	Provision of services for individuals with autistic spectrum disorders
Options Autism (6) Limited	100	Residential care and education for children and young adults with severe learning disabilities
Options BESD (1) Limited	100	Residential care and education for children and young adults with severe learning disabilities and behavioural, emotional and social difficulties (BESD)
Options Central Services Limited	100	Central office services to fellow subsidiaries
Options Autism (1.1) Limited	100*	Dormant
Options Autism (1.2) Limited	100*	Dormant
Family Options Limited	100*	Dormant
Young Options Limited	100*	Dormant
Newco Options (2) Limited	100*	Dormant

All of the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. All shares held in subsidiaries are ordinary shares. An asterisk indicates that the Company has an indirect holding of that investment.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

14 Debtors

	Group	Company	Group	Company
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000
Trade Debtors	4,038	-	3,084	-
Deferred tax (note 18)	-	-	-	1
Corporation Tax	-	-	392	-
Amounts due from Group undertakings	-	14,135	-	5,323
Other debtors	111	-	93	-
Prepayments and accrued income	519	1	517	7
	4,668	14,136	4,086	5,331

Amounts due from group undertakings were unsecured, interest free and repayable on demand. Trade debtors are stated after provisions for impairment of £12,694 (2015 Nil).

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000
Bank loans and overdraft	-	-	5,131	7,028
Trade creditors	935	7	1,081	83
Corporation Tax	312	-	-	-
Other Taxation and social security	1,519	1,072	439	22
Other creditors	41,263	9,141	77	3
Accruals and deferred income	3,007	19	2,980	42
	47,036	10,239	9,708	7,178

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

16 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company		
	31 March 2016	31 March 2016	31 March 2015	31 March 2015		
	£'000	£'000	£'000	£'000		
Bank loans and overdrafts	-	-	47,735	5,412		
	-	-	47,735	5,412		
Maturity of debt						
	Overdrafts	Other creditors	Total	Overdrafts	Bank loans	Total
	31 March 2016	31 March 2016	31 March 2016	31 March 2015	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Within one year	-	-	-	5,131	-	5,131
Within two to five years	-	-	-	-	47,820	47,820
	-	-	-	5,131	47,820	52,951
Unamortised issue costs	-	-	-	-	(85)	(85)
	-	-	-	5,131	47,735	52,866
Company						
Within one year	-	-	-	7,028	-	7,028
Within two to five years	-	-	-	-	5,412	5,412
	-	-	-	7,028	5,412	12,440

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

17 Creditors: amounts falling due after more than one year (continued)

The bank loans at the end of 2015 were secured by way of fixed and floating charges over the assets of the subsidiaries of the Group. Interest on the bank loans and overdrafts was charged at LIBOR plus 2.5%.

Group and Company secured bank loans are stated net of unamortised issue costs of £NIL (2015: £84,790). The Group incurred total issue costs of £700,000 in respect of the three-year facility entered into in September 2010 and £623,000 in respect of the three-year facility renegotiated in March 2012. These costs (together with the interest expense) are allocated to the profit and loss account over the three year term of each facility.

Other creditors of £41,205,077 (2015: £nil) are unsecured, interest free and are repayable within one year. Other creditors include amounts due to Outcomes First Group Limited and arose as part of the acquisition on 7th March 2016.

18 Deferred tax

	Group	Company	Group	Company
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000
Deferred taxation (liability)/asset	(4,262)	-	(4,642)	1

The deferred tax liability at 31 March 2016 is held within creditors (see note 15).

The movement in the deferred tax liability balance was as follows:

Group	£'000	
At 1 April 2015	(4,642)	
Credit/(Charge) to the profit and loss account for the year (note 11)	570	
Charge to other comprehensive income	(260)	
Adjustments in respect of prior periods	70	
At 31 March 2016	(4,262)	
	2016	2015
Group	£'000	£'000
Accelerated capital allowances	(4,431)	(4,923)
Other timing differences	(3)	7
Losses	172	274
Undiscounted provision – deferred tax (liability)	(4,262)	(4,642)

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

19 Called up share capital

Allotted and fully paid	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	Number	£'000	Number	£'000
A Ordinary shares of £0.01 each	-	-	700	-
B Ordinary shares of £0.01 each	-	-	248	-
C Ordinary shares of £0.01 each	-	-	50,000,500	500
D Ordinary shares of £0.01 each	-	-	-	-
Deferred shares of £0.01 each	-	-	41	-
Ordinary shares of £0.01 each	50,011,489	510	-	-
Ordinary shares of £0.01 each	50,011,489	510	50,001,489	500

On 2 February 2015, 9 X ordinary shares of £0.01 were re designated as 9 B ordinary shares, 41 D ordinary shares were re designated as 41 deferred shares and 19 D ordinary shares were re designated as 19 B ordinary shares. All shares were designated as Ordinary shares on the 7th March 2016.

On 7th March 2016 1,000 Ordinary shares were issued to Barclays Bank Plc in exchange for the release of debt, the difference between the nominal value of shares issued and the amount of debt released has been recognised as share premium.

20 Pension costs

The Group operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the Group to the schemes and amounted to £365,212 (2015: £326,046). There was £31,016 (2015: £55,628) accrued at the year end.

21 Contingent liabilities

Security

As at 31 March 2015, the Company together with other companies under common control had given an unlimited multilateral guarantee in favour of Barclays Bank plc to secure all present and future indebtedness and liabilities to the bank arising from the Company and certain companies under common control. The potential liability at 31 March 2015 was £52,951,421. The bank debt was repaid at the time of the acquisition by Outcomes First Group Limited on 7th March 2016.

No claim has been made by Barclays Bank plc to recover any of the liabilities as at the date of signing these financial statements.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Loss for the financial year	(1,387)	(2,627)
Tax (credit) / charge on ordinary activities	(190)	128
Interest payable	1,585	1,935
Operating profit / (loss)	8	(564)
Depreciation	1,826	1,808
Impairment	-	1,982
Disposals of tangible fixed assets	(2)	(27)
(Decrease) / Increase in debtors	(975)	643
Increase /(Decrease) in creditors	952	(1,021)
Net cash inflow from operating activities	1,809	2,821

23 Related party transactions

On the 7th of March 2016 the Directors sold their shares as part of the acquisition by Outcomes First Group Limited and the directors had the following shareholdings in the ultimate parent company;

	No. of shares	Type of shares	% Shareholding
G Baker	49,125,000	Ordinary Class	4.0
J Worsley	24,562,500	Ordinary Class	2.0
R Northall	24,562,500	Ordinary Class	2.0
R Cooke	24,562,500	Ordinary Class	2.0

During the year £101,353 (2015: £133,525) was paid to Barclays in relation to attendance at Board meetings.

During the financial year £55,487 (2015: £60,194) was paid to The Oakwood Partnership Limited, a company owned by D Garman, in respect of Chairman advisory services, this service finished as at 7th March 2016.

Options Group Holdings Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

24 Ultimate parent company and controlling party

The ultimate parent undertaking is Boston Midco Limited, the immediate parent undertaking is Outcomes First Group Limited and controlling party is Options Group Holdings Limited. Options Group Holdings Limited is a Company incorporated in the UK, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Options Group Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Turnpike Gate House, Alcester Heath, Alcester, Warwickshire, B49 5JG.

25 Transition to FRS 102

For the year ended 31 March 2016 the Company has adopted FRS 102. The effective transition date is 1 April 2015, being the first day of the comparative year. Accordingly the Company has conducted a detailed review of the accounting and disclosure requirements of FRS 102 and presents below details of any adjustments to the comparatives in the original signed 2015 statutory financial statements prepared under previous UK GAAP to the comparatives in these financial statements.

Reconciliation of Total Equity as at 31 March 2015

	01/04/2014 £'000	31/03/2015 £,000
UK GAAP as previously reported	(1,287)	(2,490)
Deferred tax impact of adjustment		
- Revaluation of tangible assets	(5,844)	(4,830)
Equity - FRS102	<hr/> (7,131)	<hr/> (7,320)

Reconciliation of Other Comprehensive Income for the year ended 31 March 2015

	31/03/2015 £,000
UK GAAP as previously reported	1,424
Deferred tax impact of adjustment	1,014
Total Comprehensive Income and Profit for the financial year – FRS102	<hr/> 2,438

Deferred tax on revaluation on land and buildings

Under previous UK GAAP the company was not required to provide for taxation on revaluations, unless the company had entered into a binding sale agreement and recognised the gain or loss expected to arise. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation.