

Registration number: 05470925

Heath Farm Family Services Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2021



Heath Farm Family Services Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 6
Independent Auditors' Report	7 to 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 22

Heath Farm Family Services Limited

Company Information

Directors	D J Leatherbarrow
	R Power
	J-L Janet
	S J Christie
	R J Cooke
Company secretary	C Duffy
Registered office	Atria
	Spa Road
	Bolton
	Lancashire
	BL1 4AG
Independent Auditors	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	40 Clarendon Road
	Watford
	Hertfordshire WD17 1JJ

Heath Farm Family Services Limited

Strategic Report for the Year Ended 31 August 2021

The directors present their strategic report for the year ended 31 August 2021.

Principal activities

The company is an independent fostering agency which provides care for looked after children, and operates schools which provide education for children and young people with special education needs. The company is part of the SSCP Spring Topco Limited Group ("Group"). The Group provides a choice of education and care for young people through a network of schools, residential care homes and a national network of fostering agencies.

The Group's vision is to build incredible futures by empowering vulnerable children and young adults in the UK to be happy and make their way in the world.

Fair review of the business

The profit for the year, after taxation amounted to £674,366 (2020: £315,142).

As at 31 August 2021 the company was in a net asset position of £5,072,432 (2020: £4,398,066).

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

	2021 £	2020 £
Turnover	14,818,250	12,806,806
Profit before taxation	890,676	511,448

The company monitors its performance through robust monthly management accounts and a range of indicators for the schools and fostering business. Further information on non financial key performance indicators can be found in the consolidated group financial statements of SSCP Spring Topco Limited.

Principal risks and uncertainties

Regulatory and legislative risks

As a care provider, the business is subject to inspection and report by Ofsted. As an education provider, the school is registered and approved by the Department for Education ("DfE") and is subject to inspection and report by Ofsted. Periodic inspections are carried out for the school and fostering agency.

A Group wide Quality Committee including external members and an independent Chair, has been established to oversee the Group's Quality Assurance activities. The committee provides assurance to the Group board that appropriate governance structure, systems and processes are in place and that services are high quality and safe. The Group retains a fully resourced Quality Assurance team to review, control and rigorously audit the Group's practices and compliance procedures. The Group regularly updates its policies and procedures in order to ensure compliance with required standards.

The Group has an obligation to meet Health and Safety requirements, which it does through internal policies and procedures and through using the services of external specialist advisers where necessary.

Financial risks

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

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

Credit risk

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

Heath Farm Family Services Limited

Strategic Report for the Year Ended 31 August 2021 (continued)

Financial risks (continued)

Liquidity risk

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

Interest rate risk

During the year interest rate risk was managed through the Group finance function using hedging instruments to manage the underlying exposure to fluctuations in interest rate if required. During the year under review the risk has been actively monitored by Group finance and given the strong underlying cash generation of the Group and a large proportion of borrowings at fixed rate, this was considered a low risk with no hedging instrument put in place. This risk will continue to be actively monitored by the Group finance function.

Market price risk

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

In the current economic environment however, the Group's customers continue to operate under budget restrictions in addition to their statutory corporate parenting responsibilities. Through its regional management and commercial team, the Group maintains close contact with its customers at a number of levels and endeavours to provide innovative and value for money solutions to assist customers in meeting their desired levels of child focused outcomes whilst working within available budgets.

Foreign currency risk

The business has no exposure to foreign currency.

COVID-19

The COVID-19 pandemic and the resulting measures taken by the UK government to contain the outbreak has not significantly impacted our business during the financial year ended 31 August 2021 or the period since then up to the signing of these financial statements. The Group has continued to maintain normal operations within the guidelines of governmental requirements and while keeping the safety of its employees and service users in mind.

Throughout the COVID-19 pandemic the Board has been actively involved in agreeing the Group's response to the crisis and its possible impact on stakeholders. The Board has supported the introduction of operational measures to ensure the Group's employees could continue to provide a high-quality service in a safe manner and to protect its service users.

Other than usual measures in place to protect working capital, no exceptional financial measures have had to be implemented as Local Authorities have continued their support to the Independent Sector with invoices paid as usual. Overall, even though certain measures are still in place to protect service users and employees, the Group remains well placed to continue operating as normal.

Approved by the Board and signed on its behalf by:



J-L Janet
Director

20 May 2022

Heath Farm Family Services Limited

Directors' Report for the Year Ended 31 August 2021

The directors present their report and the audited financial statements for the year ended 31 August 2021.

Directors of the company

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

R D Edwards (resigned 29 October 2020)

D J Leatherbarrow

R Power

J-L Janet

S J Christie

R J Cooke (appointed 6 November 2020)

Directors' liabilities

The Company purchased qualifying third party indemnity arrangements for the benefit of all its Directors and which were in force throughout the year and remain in force.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 August 2021 (2020: Nil).

Employees and employment policies

The company has a policy of involving employees at all levels and keeping them informed through regular briefing sessions conducted by senior management, conferences and a staff engagement survey.

The company follows an employment policy of non-discrimination on the grounds of sex, race or age and gives full consideration to the employment of disabled persons.

The company is committed to all employees and will make every effort to accommodate staff that are disabled or suffer illness during the course of their employment.

Stakeholder relations

A strong emphasis is placed on developing sustainable and strategic relationship with external stakeholders, namely the Group's customers and suppliers and the Group believe this is an integral part of supporting long-term growth. Supporting our customers and supplier base has been particularly important during the COVID-19 pandemic, during which times all services have managed to remain open and growth initiatives involving supply chains have continued to progress.

Future developments

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

The company will continue to work closely with its Local Authority customers to ensure it can provide a choice of education for children and young people with special education needs. This will mean continuing investment in the leadership team, the teaching and support teams, educational resources and the physical environment of the schools.

Where existing facilities provide opportunities for on-site expansion and the opening of additional classrooms, these opportunities will be considered if they enhance the range and quality of the current education offering. Alternatively, satellite sites may be acquired and registered as new schools to work in conjunction with the existing sites.

Matters covered in the strategic report

The directors assessment of the company's principal risks and uncertainties and financial risk management is set out in the Strategic Report.

Heath Farm Family Services Limited

Directors' Report for the Year Ended 31 August 2021 (continued)

Going concern

The company is a subsidiary of SSCP Spring Topco Limited and its financial resources are managed on a Group basis. For the year ending 31 August 2021 the Group generated strong cash flows and held a group cash balance of £5.8m at 31 August 2021. During the year, the Group was financed by a mixture of equity funding (ordinary and preference shares), unsecured loan notes, senior banking facilities and operating cash flows from the underlying business of the Group.

The company has received confirmation from its parent undertaking, SSCP Spring Topco Limited, that it will provide such support as is required to allow the company to pay its debts as they fall due for a period of at least one year from the date of signing these financial statements. On this basis, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

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

The COVID-19 pandemic has resulted in significant disruptions in global economic activities, though the impact on the business is limited. The company has been able to maintain normal operations within the guidelines of governmental requirements and while keeping the safety of its employees in mind.

While the scale and duration, as well as the impact of COVID-19, remain uncertain, Management is of the opinion that the Group's cash flows from operations will continue to provide the cash necessary to satisfy the company's working capital requirements for twelve months from the date of approval and signing of the financial statements by the directors.

Statement of directors' responsibilities in respect of the financial statements

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

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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Heath Farm Family Services Limited


Directors' Report for the Year Ended 31 August 2021 (continued)

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board and signed on its behalf by:



J-L Janet
Director

20 May 2022

Heath Farm Family Services Limited

Independent Auditors' Report to the Members of Heath Farm Family Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Heath Farm Family Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 August 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Heath Farm Family Services Limited

Independent Auditors' Report to the Members of Heath Farm Family Services Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 August 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Heath Farm Family Services Limited

Independent Auditors' Report to the Members of Heath Farm Family Services Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by Ofsted, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Reviewing minutes of meetings of those charged with governance.
- Discussions with the Chief Financial Officer, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud.
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates.
- Identifying and testing the validity of journal entries, in particular certain journal entries posted with unusual users or account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.


Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

20 May 2022

Heath Farm Family Services Limited

Statement of Comprehensive Income for the Year Ended 31 August 2021

	Note	2021 £	2020 £
Turnover	2	14,818,250	12,806,806
Cost of sales		<u>(7,369,042)</u>	<u>(6,768,365)</u>
Gross profit		7,449,208	6,038,441
Administrative expenses		(6,584,882)	(5,527,276)
Other operating income		<u>26,350</u>	<u>283</u>
Operating profit	3	<u>890,676</u>	<u>511,448</u>
Profit before taxation		890,676	511,448
Tax on profit	5	<u>(216,310)</u>	<u>(196,306)</u>
Profit and Total comprehensive income for the financial year		<u><u>674,366</u></u>	<u><u>315,142</u></u>

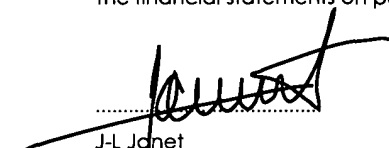
Turnover and operating profit derive wholly from continuing operations.

Heath Farm Family Services Limited

(Registration number: 05470925)
Balance Sheet as at 31 August 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	6	765,929	683,176
Current assets			
Debtors	7	8,270,306	5,439,253
Cash at bank and in hand		<u>52,285</u>	<u>74,427</u>
		8,322,591	5,513,680
Creditors: amounts falling due within one year	8	<u>(3,977,532)</u>	<u>(1,765,482)</u>
Net current assets		<u>4,345,059</u>	<u>3,748,198</u>
Total assets less current liabilities		5,110,988	4,431,374
Provisions for liabilities	10	<u>(38,556)</u>	<u>(33,308)</u>
Net assets		<u>5,072,432</u>	<u>4,398,066</u>
Capital and reserves			
Called up share capital	11	3	3
Profit and loss account		<u>5,072,429</u>	<u>4,398,063</u>
Total equity		<u>5,072,432</u>	<u>4,398,066</u>

The financial statements on pages 10 to 22, were approved by the Board and signed on its behalf by:


J-L Janet
Director

20 May 2022

Heath Farm Family Services Limited

Statement of Changes in Equity for the Year Ended 31 August 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2019	3	4,082,921	4,082,924
Profit for the year	-	315,142	315,142
Total comprehensive income	-	315,142	315,142
At 31 August 2020	3	4,398,063	4,398,066
	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2020	3	4,398,063	4,398,066
Profit for the year	-	674,366	674,366
Total comprehensive income	-	674,366	674,366
At 31 August 2021	3	5,072,429	5,072,432

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

1 Accounting policies

Heath Farm Family Services Limited ("the company") is a private company limited by shares incorporated in England, United Kingdom.

The Registered Office is Atria, Spa Road, Bolton, Lancashire, BL1 4AG.

Statement of compliance

The financial statements 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.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's 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 within this note.

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

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.

Summary of exemptions - Reduced Disclosure Framework

In preparing the separate financial statements of the company, advantage has been taken of the exemption provided by FRS 102 paragraph 1.12 (b) to not prepare a cash flow statement.

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

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

Name of parent of group

These financial statements are consolidated in the financial statements of SSCP Spring Topco Limited.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

1 Accounting policies (continued)

Going concern

The company is a subsidiary of SSCP Spring Topco Limited and its financial resources are managed on a Group basis. For the year ending 31 August 2021 the Group generated strong cash flows and held a group cash balance of £5.8m at 31 August 2021. During the year, the Group was financed by a mixture of equity funding (ordinary and preference shares), unsecured loan notes, senior banking facilities and operating cash flows from the underlying business of the Group.

The company has received confirmation from its parent undertaking, SSCP Spring Topco Limited, that it will provide such support as is required to allow the company to pay its debts as they fall due for a period of at least one year from the date of signing these financial statements. On this basis, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

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

The COVID-19 pandemic has resulted in significant disruptions in global economic activities, though the impact on the business is limited. The company has been able to maintain normal operations within the guidelines of governmental requirements and while keeping the safety of its employees in mind.

While the scale and duration, as well as the impact of COVID-19, remain uncertain, Management is of the opinion that the Group's cash flows from operations will continue to provide the cash necessary to satisfy the company's working capital requirements for twelve months from the date of approval and signing of the financial statements by the directors.

Judgements

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

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

- Indicators of impairment – The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.
- Recoverability of amounts owed by group undertakings - The company makes an estimate of the recoverable value of amounts owed from group companies. When assessing the recoverable value, management considers the financial position and underlying performance of related undertakings within the group.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty:

- Tangible fixed assets – the annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.
- Taxation – Provisions are based on reasonable estimates based on various factors including experience and interpretation of regulations.
- Provisions - Provisions are made for dilapidations. This requires management's best estimate of the costs that will be incurred based on contractual requirements.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

1 Accounting policies (continued)

Turnover

Turnover is generated from the provision of education and care for children and young adults with special education needs.

Turnover represents amounts chargeable in respect of services provided during the year. Where invoices are raised and the services to which they relate have not been performed, the extent of the invoice relating to the unperformed service is carried forward as deferred income. Where services are performed during the year but the invoices relating to these services have not yet been raised, accrued income is recognised as an asset. All turnover arose within the United Kingdom.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue from the provision of education, is recognised pro-rata (on a straight-line basis) over the relevant period that the student is enrolled. For the provision of foster care, turnover is recognised on the basis of the daily placements made with a full day's revenue recognised for every night a placement is with a foster carer. Revenue is measured at the fair value of the consideration received, excluding VAT and discounts.

Current and deferred tax

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

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

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

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

Tangible assets

Tangible assets are stated at cost less accumulated depreciation.

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

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

Depreciation

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

Asset class

Long leasehold land and buildings
Plant and machinery
Fixtures, fittings and equipment
Motor vehicles

Depreciation method and rate

2% straight line
15% straight line
15-33% straight line
25% straight line

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

1 Accounting policies (continued)

Cash and cash equivalents

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

Leases

Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight-line basis.

Basic financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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

Basic financial liabilities, including trade and other payables, bank loans, loan notes, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted as a market rate of interest. Such liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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

Pensions

A defined contribution scheme is operated for employees. The company pays fixed contributions to a separate entity and once contributions have been paid, the company has no further payment obligations. The contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme. The assets of the plans are held separately from the company in independently administered funds.

Share capital

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

2 Turnover

Analysis of turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Rendering of services	<u>14,818,250</u>	<u>12,806,806</u>

Turnover is derived from the principal activity of the company wholly undertaken in the United Kingdom.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

3 Operating profit

Operating profit is stated after charging

	2021 £	2020 £
Depreciation expense	165,423	131,957
Operating lease expense	<u>60,123</u>	<u>58,613</u>

Audit fees for 2021 (£9,566) and 2020 (£8,614) were borne by another Group company without recharge.

4 Staff costs

The aggregate payroll costs were as follows:

	2021 £	2020 £
Wages and salaries	3,881,173	3,016,849
Social security costs	363,375	266,634
Other pension costs	<u>102,437</u>	<u>86,091</u>
	<u>4,346,985</u>	<u>3,369,574</u>

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

	2021 No.	2020 No.
Teaching, care and support staff	<u>159</u>	<u>145</u>

The directors did not receive any remuneration from the company during the year ended 31 August 2021 (2020: nil) for their services to the company. The directors were employed and their remuneration costs borne by another group company. No charge has been made to the company as in the opinion of the directors it is not possible to determine with reasonable accuracy the split by company.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

5 Tax on profit

Tax charged in the statement of comprehensive income

	2021 £	2020 £
Current taxation		
UK corporation tax	213,159	190,507
Deferred taxation		
Arising from origination and reversal of timing differences	1,673	7,922
Arising from changes in tax rates and laws	(9,266)	(5,230)
Adjustments in respect of prior periods	10,744	3,107
Total deferred taxation	3,151	5,799
Tax expense in the statement of comprehensive income	<u>216,310</u>	<u>196,306</u>
Factors affecting total tax charge		

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before taxation	<u>890,676</u>	<u>511,448</u>
Corporation tax at standard rate	169,228	97,175
Adjustments in respect of prior periods	10,744	3,107
Effect of revenues exempt from taxation	(2,919)	-
Effect of expense not deductible in determining taxable profit	3,147	62,002
Deferred tax income relating to changes in tax rates or laws	(9,266)	(5,230)
Tax increase from transfer pricing adjustments	45,376	39,252
Total tax charge	<u>216,310</u>	<u>196,306</u>

Factors that may affect future tax charges

Deferred tax has been calculated at 25%, reflecting the enacted rate applicable at the balance sheet date.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had been substantively enacted, which occurred on 24 May 2021, therefore, its effects are included in these financial statements.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

5 Tax on profit (continued)

Deferred tax

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

	Asset £
At 01 September 2020	41,760
Movement in the year	7,593
Adjustments in respect of prior periods	(10,744)
At 31 August 2021	<u>38,609</u>

The analysis of deferred tax assets is as follows:

	Asset £
2021	
Short term timing differences	3,433
Accelerated capital allowances	<u>35,176</u>
	<u>38,609</u>

	Asset £
2020	
Short term timing differences	2,325
Accelerated capital allowances	<u>39,435</u>
	<u>41,760</u>

6 Tangible assets

	Long leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2020	592,314	28,510	1,580,617	342,537	2,543,978
Additions	-	5,462	148,166	94,548	248,176
At 31 August 2021	<u>592,314</u>	<u>33,972</u>	<u>1,728,783</u>	<u>437,085</u>	<u>2,792,154</u>
Accumulated depreciation					
At 1 September 2020	401,503	16,507	1,149,142	293,650	1,860,802
Charge for the year	4,367	1,202	132,941	26,913	165,423
At 31 August 2021	<u>405,870</u>	<u>17,709</u>	<u>1,282,083</u>	<u>320,563</u>	<u>2,026,225</u>
Carrying amount					
At 31 August 2021	<u>186,444</u>	<u>16,263</u>	<u>446,700</u>	<u>116,522</u>	<u>765,929</u>
At 31 August 2020	<u>190,811</u>	<u>12,003</u>	<u>431,475</u>	<u>48,887</u>	<u>683,176</u>

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

7 Debtors

	Note	2021 £	2020 £
Trade debtors		1,204,617	1,137,544
Amounts owed by group undertakings		6,784,498	3,455,534
Prepayments and accrued income		242,582	804,415
Deferred tax assets	5	<u>38,609</u>	<u>41,760</u>
Total current trade and other debtors		<u>8,270,306</u>	<u>5,439,253</u>

With the exception of deferred tax all amounts fall due within one year.

Trade debtors are stated after provisions for impairment of £21,455 (2020: £33,183).

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

8 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	63,618	92,747
Amounts owed to group undertakings	3,523,573	1,149,788
Taxation and social security	77,601	63,648
Outstanding defined contribution pension costs	13,730	12,238
Other creditors	31,286	25,838
Accruals and deferred income	<u>267,724</u>	<u>421,223</u>
	<u>3,977,532</u>	<u>1,765,482</u>

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

9 Commitments under leases and hire purchase contracts

Operating leases

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

	2021 £	2020 £
Not later than one year	59,512	58,613
Later than one year and not later than five years	<u>95,719</u>	<u>161,650</u>
	<u>155,231</u>	<u>220,263</u>

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

10 Provisions for liabilities

	Dilapidations £	Total £
At 1 September 2020	33,308	33,308
Additional provisions	<u>5,248</u>	<u>5,248</u>
At 31 August 2021	<u><u>38,556</u></u>	<u><u>38,556</u></u>

Dilapidations

As part of the company's property leasing arrangements there is an obligation to repair damages which are incurred during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between April 2024 and October 2024 as the leases terminate.

11 Called up share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

12 Commitments

Pension commitments

The company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the company to the schemes and amounted to £102,437 (Year ended 31 August 2020: £86,091). Commitments provided for in the financial statements amounted to £13,730 (2020: £12,238).

13 Contingent liabilities

The company has given security by way of unlimited fixed and floating charges over all of its assets to the finance parties providing banking facilities to Outcomes First Group Limited (formerly known as SSCP Spring Bidco Limited), a fellow subsidiary undertaking of the SSCP Spring Topco Limited Group.

The amount outstanding to the finance parties providing the banking facilities to Outcomes First Group Limited (formerly known as SSCP Spring Bidco Limited) at 31 August 2021 was £581.8m (2020: £513.0m).

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2021 (continued)

14 Controlling party

The company's immediate parent is Heath Farm Limited, a company incorporated in England and Wales. SSCP Spring Topco Limited, a company incorporated in England and Wales, is an intermediate parent company. SSCP Spring Holdings SCA, a company incorporated in Luxembourg, owns 83.51% (2020: 83.51%) of SSCP Spring Topco Limited's equity share capital and is deemed to be the ultimate parent undertaking.

The directors consider funds managed by Stirling Square Capital Partners Jersey AIFM Limited to be the ultimate controlling parties.

The smallest group to consolidate these financial statements is and the largest group to consolidate these financial statements is SSCP Spring Topco Limited. These consolidated financial statements are publicly available upon request from Atria, Spa Road, Bolton, BL1 4AG.