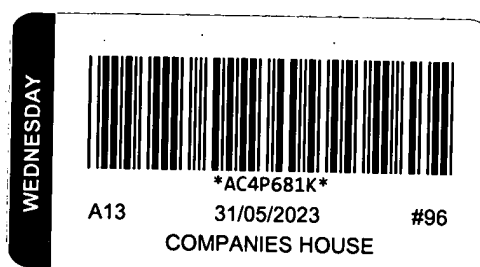


Registration number: 05470925

Heath Farm Family Services Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2022



Heath Farm Family Services Limited

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Heath Farm Family Services Limited

Company Information

Directors	D J Leatherbarrow
	R Power
	J-L Janet
	S J Christie
	R J Cooke
	R D Edwards
Company secretary	C Duffy
	A Bennett
Registered office	Atria
	Spa Road
	Bolton
	Lancashire
	BL1 4AG
Independent Auditors	KPMG LLP
	Chartered Accountants
	Quayside House
	110 Quayside
	Newcastle upon Tyne NE1 3DX

Heath Farm Family Services Limited

Strategic Report for the Year Ended 31 August 2022

The directors present their strategic report for the year ended 31 August 2022.

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 £714,864 (2021: profit of £674,366).

As at 31 August 2022 the company was in a net asset position of £5,787,296 (31 August 2021: net asset position of £5,072,432).

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

	2022	2021
	£	£
Turnover	17,138,431	14,844,600
Profit before taxation	894,718	890,676

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 an 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 2022 (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.

Other significant risks

People and reputation risk

All employees are appointed after a thorough assessment based on references, qualifications and all relevant statutory checks. Foster carers undergo a disciplined and thorough assessment process, which includes a range of references and regulatory checks before approval at one of the Group's independent panels.

The Group continues to invest in both carer and staff training through a dedicated national department, supported by specialist external trainers where required, in order to maintain quality and evidence competence and capacity for the future.

The Group operates a Safeguarding Committee, chaired by the Group Quality and Compliance Director. This committee meets regularly to ensure the Group has effective processes relating to the protection of children from abuse or neglect, preventing impairment of their health and development and ensuring that they grow up in circumstances consistent with the provision of safe and effective care. The aim of these processes is to enable children to have optimum life chances and enter adulthood successfully.

Future developments

The company continues to invest significant resource in the development of both the physical infrastructure of its fostering facilities as well as in the further development of the fostering services provided by the company, including significant investment in recruitment and retention of foster carers.

Approved by the Board and signed on its behalf by:



.....
R D Edwards
Director

24 May 2023

Heath Farm Family Services Limited

Directors' Report for the Year Ended 31 August 2022

The directors present their report and the audited financial statements for the year ended 31 August 2022.

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:

D J Leatherbarrow

R Power

J-L Janet

S J Christie

R J Cooke

The following director was appointed after the year end:

R D Edwards (appointed 5 April 2023)

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 2022 (2021: 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, an annual conference 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.

The board of directors' intention is to behave responsibly towards all stakeholders and ensure that management operates with high standards of business conduct and good governance and in doing so, continue the delivery of high quality, long-term sustainable and reliable growth of our services.

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 2022 (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 2022 the Group generated strong cash flows and held a group cash balance of £25.1m at 31 August 2022 and continues to have a positive group cash balance as at 30 April 2023, amounting to £25.5m. 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.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Heath Farm Family Services Limited

Directors' Report for the Year Ended 31 August 2022 (continued)

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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.

Reappointment of independent auditors

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

Approved by the Board and signed on its behalf by:



R D Edwards
Director

24 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATH FARM FAMILY SERVICES LIMITED

Opinion

We have audited the financial statements of Heath Farm Family Services Limited ("the company") for the year ended 31 August 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statements of Changes in Equity and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2022 and of the profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other Matter

The financial statements of Heath Farm Family Services Limited for the year ended 31 August 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 20 May 2022.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that the management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included revenue/deferred income and cash impacting journal entries posted to unusual accounts, journals posted by unusual users and journals posted to adjust EBITDA.
- For a sample of revenue transactions around the period end, vouching to supporting documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATH FARM FAMILY SERVICES LIMITED- continued

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety, anti-bribery, employment law, compliance with industry specific regulators (CQC, Ofsted) and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; 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; assessing 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Clare Partridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Quayside House 110
Newcastle upon Tyne

NE1 3DX

24 May 2023

Heath Farm Family Services Limited

Statement of Comprehensive Income for the Year Ended 31 August 2022

	Note	2022 £	2021 £
Turnover	2	17,138,431	14,844,600
Cost of sales		<u>(8,152,255)</u>	<u>(7,369,042)</u>
Gross profit		8,986,176	7,475,558
Administrative expenses		<u>(8,091,458)</u>	<u>(6,584,882)</u>
Operating profit	3	<u>894,718</u>	<u>890,676</u>
Profit before taxation		894,718	890,676
Tax on profit	5	<u>(179,854)</u>	<u>(216,310)</u>
Profit and Total comprehensive income for the financial year		<u><u>714,864</u></u>	<u><u>674,366</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 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	6	734,138	765,929
Current assets			
Debtors	7	15,936,078	8,270,306
Cash at bank and in hand		<u>452,952</u>	<u>52,285</u>
		16,389,030	8,322,591
Creditors: amounts falling due within one year	8	<u>(11,292,069)</u>	<u>(3,977,532)</u>
Net current assets		<u>5,096,961</u>	<u>4,345,059</u>
Total assets less current liabilities		5,831,099	5,110,988
Provisions for liabilities	10	<u>(43,803)</u>	<u>(38,556)</u>
Net assets		<u>5,787,296</u>	<u>5,072,432</u>
Capital and reserves			
Called up share capital	11	3	3
Profit and loss account		<u>5,787,293</u>	<u>5,072,429</u>
Total equity		<u>5,787,296</u>	<u>5,072,432</u>

The financial statements on pages 11 to 23, were approved by the Board and signed on its behalf by:



R D Edwards
Director

24 May 2023

Heath Farm Family Services Limited

Statement of Changes in Equity for the Year Ended 31 August 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2020	<u>3</u>	<u>4,398,063</u>	<u>4,398,066</u>
Profit for the year	<u>-</u>	<u>674,366</u>	<u>674,366</u>
Total comprehensive income	<u>-</u>	<u>674,366</u>	<u>674,366</u>
At 31 August 2021	<u><u>3</u></u>	<u><u>5,072,429</u></u>	<u><u>5,072,432</u></u>
	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2021	<u>3</u>	<u>5,072,429</u>	<u>5,072,432</u>
Profit for the year	<u>-</u>	<u>714,864</u>	<u>714,864</u>
Total comprehensive income	<u>-</u>	<u>714,864</u>	<u>714,864</u>
At 31 August 2022	<u><u>3</u></u>	<u><u>5,787,293</u></u>	<u><u>5,787,296</u></u>

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

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 2022 (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 2022 the Group generated strong cash flows and held a group cash balance of £25.1m at 31 August 2022 and continues to have a positive group cash balance as at 30 April 2023, amounting to £25.5m. 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.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Critical judgements and estimates

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.

Judgements

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.

Estimates

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 2022 (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.

Depreciation

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

Asset class	Depreciation method and rate
Short leasehold land and buildings	Straight line over lease term
Plant and machinery	15% straight line
Fixtures, fittings and equipment	15-33% straight line
Motor vehicles	25% straight line

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.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

1 Accounting policies (continued)

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 at 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:

	2022	2021
	£	£
Rendering of services	17,138,431	14,844,600

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 2022 (continued)

3 Operating profit

Operating profit is stated after charging

	2022 £	2021 £
Depreciation expense	325,616	165,423
Operating lease expense	<u>70,148</u>	<u>60,123</u>

Audit fees for 2022 (£10,668) and 2021 (£9,566) were borne by another Group company without recharge.

4 Staff costs

The aggregate payroll costs were as follows:

	2022 £	2021 £
Wages and salaries	4,483,368	3,891,896
Social security costs	435,306	363,375
Other pension costs	<u>108,020</u>	<u>102,437</u>
	<u>5,026,694</u>	<u>4,357,708</u>

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

	2022 No.	2021 No.
Teaching, care and support staff	<u>178</u>	<u>159</u>

The directors did not receive any remuneration from the company during the year ended 31 August 2022 (2021: 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 2022 (continued)

5 Tax on profit

Tax charged in the statement of comprehensive income

	2022 £	2021 £
Current taxation		
UK corporation tax	225,793	213,159
Deferred taxation		
Arising from origination and reversal of timing differences	(29,842)	1,673
Arising from changes in tax rates and laws	(9,424)	(9,266)
Adjustments in respect of prior periods	(6,673)	10,744
Total deferred taxation	(45,939)	3,151
Tax expense in the statement of comprehensive income	<u>179,854</u>	<u>216,310</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 (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before taxation	<u>894,718</u>	<u>890,676</u>
Corporation tax at standard rate	169,996	169,228
Adjustments in respect of prior periods	(6,673)	10,744
Effect of revenues exempt from taxation	(1,484)	(2,919)
Effect of expense not deductible in determining taxable profit	1	3,147
Deferred tax income relating to changes in tax rates or laws	(9,424)	(9,266)
Tax increase from transfer pricing adjustments	27,438	45,376
Total tax charge	<u>179,854</u>	<u>216,310</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 2022 (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 2021	38,609
Movement in the year	39,266
Adjustments in respect of prior periods	6,673
At 31 August 2022	<u>84,548</u>

The analysis of deferred tax assets is as follows:

	Asset £
2022	
Short term timing differences	1,855
Accelerated capital allowances	82,693
	<u>84,548</u>

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

6 Tangible assets

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2021	592,314	33,972	1,728,783	437,085	2,792,154
Additions	<u>-</u>	<u>-</u>	293,825	<u>-</u>	293,825
At 31 August 2022	<u>592,314</u>	<u>33,972</u>	<u>2,022,608</u>	<u>437,085</u>	<u>3,085,979</u>
Accumulated depreciation					
At 1 September 2021	405,870	17,709	1,282,083	320,563	2,026,225
Charge for the year	<u>133,540</u>	<u>2,999</u>	150,093	<u>38,984</u>	325,616
At 31 August 2022	<u>539,410</u>	<u>20,708</u>	<u>1,432,176</u>	<u>359,547</u>	<u>2,351,841</u>
Carrying amount					
At 31 August 2022	<u>52,904</u>	<u>13,264</u>	<u>590,432</u>	<u>77,538</u>	<u>734,138</u>
At 31 August 2021	<u>186,444</u>	<u>16,263</u>	<u>446,700</u>	<u>116,522</u>	<u>765,929</u>

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

7 Debtors

	Note	2022 £	2021 £
Trade debtors		725,125	1,204,617
Amounts owed by group undertakings		15,042,215	6,784,498
Other debtors		3,437	-
Prepayments and accrued income		80,753	242,582
Deferred tax assets	5	<u>84,548</u>	<u>38,609</u>
Total current trade and other debtors		<u>15,936,078</u>	<u>8,270,306</u>

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

Trade debtors are stated after provisions for impairment of £13,363 (2021: £21,455).

Amounts owed by other 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

	2022 £	2021 £
Trade creditors	132,720	63,618
Amounts owed to group undertakings	10,669,856	3,523,573
Taxation and social security	93,277	77,601
Outstanding defined contribution pension costs	18,359	13,730
Other creditors	31,776	31,286
Accruals and deferred income	<u>346,081</u>	<u>267,724</u>
	<u>11,292,069</u>	<u>3,977,532</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:

	2022 £	2021 £
Not later than one year	59,513	59,512
Later than one year and not later than five years	<u>29,756</u>	<u>95,719</u>
	<u>89,269</u>	<u>155,231</u>

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

10 Provisions for liabilities

	Dilapidations £	Total £
At 1 September 2021	38,556	38,556
Increase in existing provisions	<u>5,247</u>	<u>5,247</u>
At 31 August 2022	<u><u>43,803</u></u>	<u><u>43,803</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 September 2022 and July 2024 as the leases terminate.

11 Called up share capital

Allotted, called up and fully paid shares

	2022		2021	
	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 charge for the period represents contributions payable by the company to the schemes and amounted to £108,020 (Year ended 31 August 2021: £102,437). Commitments provided for in the financial statements amounted to £18,359 (2021: £13,730).

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 SSCP Spring Bidco Limited (formerly known as Outcomes First Group Limited), a fellow subsidiary undertaking of the SSCP Spring Topco Limited Group.

The amount outstanding to the finance parties providing the banking facilities to SSCP Spring Bidco Limited (formerly known as Outcomes First Group Limited) at 31 August 2022 was £581.7m (2021: £581.8m).

14 Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

Heath Farm Family Services Limited

Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

15 Parent and ultimate parent undertaking

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% (2021: 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 SSCP Spring Midco 2 Limited 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.