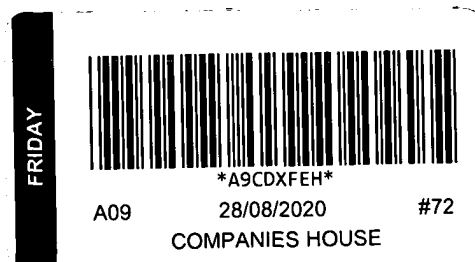


Registration number: 09248650

SSCP Spring Topco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 August 2019



SSCP Spring Topco Limited

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SSCP Spring Topco Limited

Company Information

| | |
|--------------------------|--|
| Chairman | D J Quinn |
| Directors | E Biale J L Heathcote B Hopper J-L Janet D J Leatherbarrow D J Quinn C L Heine |
| Company secretary | H Lecky |
| Registered office | Atria Spa Road Bolton BL1 4AG |
| Auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditor The Atrium 1 Harefield Road Uxbridge UB8 1EX |

SSCP Spring Topco Limited

Strategic Report for the Year Ended 31 August 2019

The directors present their strategic report for the year ended 31 August 2019.

Principal activities

The principal activity of the company is the holding of investments for the Group. The principal activities of the Group are the provision of children's and adults' services for local authorities throughout England, Scotland, Wales and Northern Ireland.

The Group provides a choice of education and care for young people and adults through a network of schools, residential care homes and a national network of fostering agencies.

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

Fair review of the business

The results for the year ended 31 August 2019 include 12 months of trading for the existing underlying business of the Group and 1 month and 1 day for Boston Holdco A Limited and its subsidiaries ("Outcomes First Group"), a business acquired in the current period on 30 July 2019. The results for the year ended 31 August 2018 include 12 months of trading for the underlying business of the Group. Accordingly, the current year results are not directly comparable to those of the comparative year.

The turnover for the year ended 31 August 2019 ("the year under review") was £265.1m (31 August 2018: £241.2m). As at 31 August 2019, the Group was in a net asset position of £6.5m (2018: net liability position of £41.6m).

The loss for the year under review, after taxation, amounted to £57.1m (2018: loss £44.1m), however this is after accounting for significant non-cash items including amortisation of intangible fixed assets and non-cash interest accrued as illustrated in the table below which also outlines other movements impacting the year under review against 2018:

| | 2019 £ 000 | 2018 £ 000 |
|--|---------------|---------------|
| Revenue | 265,061 | 241,209 |
| Loss for the period before tax | (58,560) | (44,921) |
| Add back significant non-cash items and exceptional items: | | |
| Amortisation of intangible fixed assets | 43,080 | 40,063 |
| Non-cash interest | 28,091 | 25,614 |
| Provision for sleep-in payment | - | (1,532) |
| Write off of deferred finance fees | 7,237 | - |
| Exceptional costs | 2,479 | - |
| Underlying result before tax | 22,327 | 19,224 |

SSCP Spring Topco Limited

Strategic Report for the Year Ended 31 August 2019

Underlying results

The provision for sleep-in payment was accrued in 2017 given the uncertainty at that time regarding the application of the national living wage regulation to support care workers sleeping on residential care home sites. The regulation has now been clarified and the provision was reversed in the prior year.

Exceptional costs in 2019 were as a result of the acquisition of Boston Holdco A limited.

Accordingly, the underlying trading performance of the business continues to be strong and in line with 2018.

The Group monitors its performance through robust monthly management accounts and a range of indicators across the schools, residential homes and fostering regions. The Group's key performance indicators during the year, in addition to those described above, relate to the number of schools, care homes and fostering agencies in operation by the Group. The number of registrations increased during the year due to ongoing organic growth and acquisitions, including on 30 July 2019 the acquisition of the entire share capital of Boston Holdco A Limited, the parent company of a group trading as Outcomes First Group.

The growth in number of registrations is illustrated in the table below:

| | As at 1 September 2018 | Organic growth | Acquisitions | Acquisition of Boston Holdco A Limited (Outcomes First Group) | As at 31 August 2019 |
|---|------------------------------|-------------------|--------------|---|-------------------------|
| Number of registered schools | 18 | 1 | 1 | 12 | 32 |
| Number of registered children's residential care homes | 24 | - | 1 | 32 | 57 |
| Number of adults' residential care homes | 5 | - | - | 15 | 20 |
| Number of registered fostering agencies | 24 | - | 2 | 1 | 27 |

Overview

The Group has had a successful year under review, including the conclusion of the acquisition of Boston Holdco A Limited and its subsidiaries on 30 July 2019. Irrespective of the acquisition, the Group continued to invest in additional capacity across all areas of the business, including the opening of new schools and to acquire stand-alone businesses, successfully completing the acquisition of two fostering agencies and one residential school in the year under review.

Economic and budgetary pressures remain at the forefront of local authorities' strategy to continue to achieve sustainable cost reductions in all areas including children's services. The Group has formal contract arrangements with the majority of local authorities across the UK, reflecting its ability to respond successfully to a wide range of tender opportunities, contract extensions and the various renewal processes within existing contracts. Despite the ongoing pressure to reduce unit costs for each placement to the local authorities, the Group has maintained its underlying revenue levels and underlying profitability, through its focus on providing a relevant and focused high quality service that offers value for money and measurable outcomes for its customers. The Group's principal revenue sources are within the public sector, substantially reducing the risk of bad debt.

Objectives and strategy

A comprehensive planning process is undertaken each year with strategic and commercial objectives being clearly identified for a three year period and a detailed business plan for the current trading year.

The current strategy of the Group is to continue expanding its services in the core markets of the combined Group, i.e. fostering, education and residential care for young people and adults, whilst maintaining high quality of services.

The Group has been successful in delivering its strategy in the year under review and has continued to acquire independent fostering agencies and new sites for the development of new schools or residential care homes.

SSCP Spring Topco Limited

Strategic Report for the Year Ended 31 August 2019

Principal risks and uncertainties

Market

Qualified data published by the UK Statistics Authority, Scottish Government, Department for Education (England), Northern Ireland Statistics and Research Agency and the Welsh Government Statistics, shows consistent historic growth in numbers of looked after children and in children with complex education needs. This is likely to continue into the foreseeable future. Therefore, the Group is committed to maximising its ability to respond with innovative solutions to support customers in addressing their budgetary restrictions, whilst focusing on the quality of the outcomes for the children and young people in its care and education.

The Group uses these data trends, national and country specific policy guidelines and regulatory guidance to prepare and direct its strategy.

Regulatory and legislative risks

The regulatory regimes for the Group's fostering operations vary across the United Kingdom. In England, it is the responsibility of Ofsted, in Wales, it is the Care Inspectorate Wales and in Scotland, it is the Care Inspectorate. The regulatory regime in Northern Ireland is currently being established, but for the avoidance of any doubt the Group's business operations in the province are managed through compliance with the Ofsted regulations. The Group's processes and procedures are uniform throughout the United Kingdom enabling performance comparisons, whilst individual country practice compliance is in accordance with local obligations.

As an education provider, the schools are registered and approved by the Department for Education ("DfE") and are subject to inspection and report by Ofsted. Periodic inspections are carried out for each school.

The Group's residential care operations are registered with Ofsted as providers of care. Regular inspections and reviews are carried out by Ofsted. Some residential facilities are also registered and inspected by the Care Quality Commission.

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. As at the end of August 2019, 93% of the Group's services in England were rated Good or Outstanding by Ofsted or Care Quality Commission for the underlying activities of the Group, 89% including the Outcomes First Group services acquired on 30 July 2019.

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 Group's principal financial instruments comprise trade and other debtors, cash and cash equivalents, trade and other creditors, loans, loan notes, preference shares and derivative financial instruments.

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

Credit risk

Credit risk arises principally on third party derived revenues. Group 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 Group's customers are local authorities and have a good payment history. The directors believe the Group's exposure to bad debts is not significant.

SSCP Spring Topco Limited

Strategic Report for the Year Ended 31 August 2019

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk within the Group 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 each Group company has recourse to additional funding through the Group's 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. Further to the refinancing of the Group on 30 July 2019 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.

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

Risk of the United Kingdom leaving the European Union (Brexit)

The terms of the United Kingdom's withdrawal from the European Union are not clear and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

The Group has conducted an assessment of its risks as a result of Brexit and concluded that on the basis that its turnover is 100% within the United Kingdom the impact of exiting from the European Union is unlikely to have a significant impact on the Group. The directors are, however, in regular communication with their employees, particularly those from the EU, regarding Brexit to provide appropriate and balanced information and support.

Covid 19

As explained in note 1 (Accounting policies - Going Concern) and note 27 (Non adjusting events after the financial period) in the financial statements, the COVID-19 pandemic and the resulting measures currently taken by various governments to contain the virus has not significantly impacted our business in the first 8 months of 2020. We are closely monitoring the impact of the pandemic and will implement any necessary measures required to minimize any possible future adverse impact on our staff, operations and future results.

A crisis management plan has been implemented in response to the pandemic. Other than usual measures in place to protect working capital, no exceptional measures have had to be implemented as Local Authorities have continued their support to the Independent Sector with invoices paid as usual. Capital expenditure projects and commitments are being closely monitored in light of the evolving situation.

SSCP Spring Topco Limited

Strategic Report for the Year Ended 31 August 2019

People and reputation risk

All employees are appointed after a thorough assessment based on references, qualifications and all relevant statutory checks. Foster parents 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.

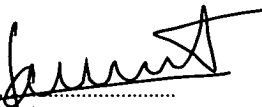
The Group continues to invest in both foster parents and staff training through a dedicated national department, supported by specialist external trainers where required, in order to maintain quality and evidence competence and capacity for the future.

The Group operates a Safeguarding and Quality Committee. This committee is made up of three independent members and the Group Director of Quality & Compliance. This committee meets as required to ensure the Group has effective processes relating to the protection of children or adults from abuse or neglect, preventing impairment of their health and development. The committee considers all cases relating to professional standards.

Future developments

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

Approved by the Board and signed on its behalf by:


.....
J-L Janet
Director

27th August 2020

SSCP Spring Topco Limited

Directors' Report for the Year Ended 31 August 2019

The directors present their report and the audited consolidated financial statements for the year ended 31 August 2019.

Directors of the Group

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

I J Anderson (resigned 1 October 2019)

E Biale

J L Heathcote

B Hopper

J-L Janet

D J Leatherbarrow (appointed 1 September 2018)

D J Quinn - Chairman

The following director was appointed after the year end:

C L Heine (appointed 28 January 2020)

The Group purchased and maintained throughout the year and at the date of approval of the financial statements, directors' and officers' liability insurance in respect of its directors.

Future developments

Future developments are deemed to be of strategic importance to the company and the Group and as such have been outlined within the strategic report.

Qualifying third party indemnity provisions

The Group has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Group, the Directors and its officers. The Group has not entered into non-qualifying third party indemnity arrangements for the benefit of its Directors.

Matters covered in the strategic report

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

Dividends

The directors do not recommend the payment of a dividend for the period ended 31 August 2019 (2018: Nil).

Political and charitable donations

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

SSCP Spring Topco Limited

Directors' Report for the Year Ended 31 August 2019

Employees and employment policies

The Group 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 staff engagement survey.

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

Going concern

The Group meets its day to day working capital requirements through its long-term bank facilities. The directors believe that it is appropriate to prepare the financial statements on a going concern basis, the board having considered the following in particular:

- The Group has net current assets of £6.5m (2018: net current liabilities of £41.6m). The balance at 31 August 2018 reflects the Group entering into an agreement to repay some long-dated loan notes repayable in 2026 and therefore shortly after the year ended 31 August 2018 £58.3m of loan notes were reclassified as falling due after more than one year. Adjusting for this, the Group had net current assets of £6.5m (2018: £16.7m).
- The Group has total net liabilities of £152.1m (2018: £113.2m). Bank loans amounting to £510.0m have been recently refinanced and are repayable in full on 18 July 2025.
- The Group recorded a loss of £57.1m (2018: £44.1m) for the year under review, after reflecting non-cash interest costs of £28.1m (2018: £25.6m) and amortisation of intangibles amounting to £43.1m (2018: £40.1m).

The Group generated an operating cash inflow in the year under review of £7.5m (2018: £20.4m inflow), net of cash interest costs of £41.6m (2018: £24.4m) and at 31 August 2019 held cash balances amounting to £15.2m (2018: £18.3m) which is retained within the business to support future development plans such as improvement and expansion spend on its schools, offices, foster parent training facilities and residential care homes. The Group also has access to a revolving credit facility of £10m which remained undrawn throughout the year.

The underlying trading performance of the business is stable, further supported by the acquisitions of fostering agencies and an increase in education and residential care capacity. In July 2019 a detailed annual budget for the year to 31 August 2020 was produced. This, together with business modelling and financial forecasts for a further two years, predicts further growth. This budget and the forecasts were thoroughly reviewed and approved by the Board and also provided to the lenders of the senior loan facilities. Detailed forecasts were prepared, showing that there is sufficient cash headroom for the Group to meet its liabilities as they fall due and that all covenant requirements under the loan arrangement will be met in the foreseeable future and, accordingly, they have determined it is appropriate to prepare the financial statements on a going concern basis.

COVID-19 pandemic has resulted in significant disruptions in global economic activities, though the impact on the business is currently limited. The Group 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 Group's working capital requirements for twelve months from the date of approval and signing of the financial statements by the directors.

SSCP Spring Topco Limited

Directors' Report for the Year Ended 31 August 2019

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 Group and Parent Company 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 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 Group and Parent Company and of the profit or loss of the Group and Parent 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 Group and Parent Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Parent 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 Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

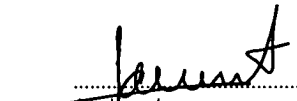
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Parent 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 Group and Parent Company's auditors are aware of that information.

Reappointment of auditors

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

Approved by the Board and signed on its behalf by:



J-L Janet
Director

27th August 2020

Independent Auditors' Report to the Members of SSCP Spring Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion, SSCP Spring Topco Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company balance sheets as at 31 August 2019; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent company statements 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 group 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

Independent Auditors' Report to the Members of SSCP Spring Topco Limited

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 group and parent company and their 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 set out on page 9, 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 group's and the parent 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 group or the parent 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.

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

Independent Auditors' Report to the Members of SSCP Spring Topco Limited (continued)

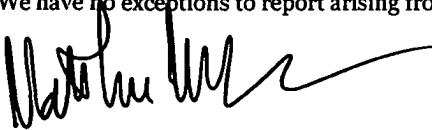
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

27 August 2020

SSCP Spring Topco Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 August 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|---|------|------------------------|------------------------|
| Turnover | 2 | 265,061 | 241,209 |
| Cost of sales | | <u>(149,072)</u> | <u>(135,432)</u> |
| Gross profit | | <u>115,989</u> | <u>105,777</u> |
| Administrative expenses before exceptional items | | (110,220) | (99,775) |
| Exceptional items | | <u>(2,479)</u> | <u>-</u> |
| Administrative expenses | | <u>(112,699)</u> | <u>(99,775)</u> |
| Operating profit | 3 | <u>3,290</u> | <u>6,002</u> |
| Interest receivable and similar income | 4 | 17 | 12 |
| Interest payable and similar expenses | 5 | <u>(61,867)</u> | <u>(50,935)</u> |
| | | <u>(61,850)</u> | <u>(50,923)</u> |
| Loss before taxation | | (58,560) | (44,921) |
| Tax on loss | 8 | <u>1,449</u> | <u>856</u> |
| Loss and Total comprehensive expense for the financial year | | <u><u>(57,111)</u></u> | <u><u>(44,065)</u></u> |

Turnover and operating profit derive wholly from continuing operations.

The group has no items of other comprehensive income.

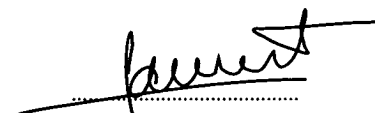
SSCP Spring Topco Limited

(Registration number: 09248650)

Consolidated Balance Sheet as at 31 August 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 362,200 | 284,992 |
| Tangible assets | 11 | <u>249,357</u> | <u>89,405</u> |
| | | <u>611,557</u> | <u>374,397</u> |
| Current assets | | | |
| Stocks | 13 | 19 | 20 |
| Debtors | 14 | 41,120 | 27,378 |
| Cash at bank and in hand | 15 | <u>15,178</u> | <u>18,313</u> |
| | | 56,317 | 45,711 |
| Creditors: amounts falling due within one year | 16 | <u>(49,768)</u> | <u>(87,287)</u> |
| Net current assets/(liabilities) | | <u>6,549</u> | <u>(41,576)</u> |
| Total assets less current liabilities | | 618,106 | 332,821 |
| Creditors: amounts falling due after more than one year | 17 | (731,429) | (420,135) |
| Provisions for liabilities | 18 | <u>(38,752)</u> | <u>(25,914)</u> |
| Net liabilities | | <u>(152,075)</u> | <u>(113,228)</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | - | - |
| Share premium account | | 32,351 | 14,087 |
| Profit and loss account | | <u>(184,426)</u> | <u>(127,315)</u> |
| Equity attributable to owners of the company | | <u>(152,075)</u> | <u>(113,228)</u> |
| Total equity | | <u>(152,075)</u> | <u>(113,228)</u> |

The financial statements on pages 13 to 50 were approved and authorised by the Board on ^{02/09} 27th August 2020 and signed on its behalf by:


 J.L. Jarret
 Director

SSCP Spring Topco Limited

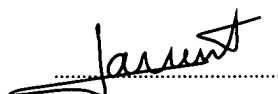
(Registration number: 09248650)

Parent Company Balance Sheet as at 31 August 2019

| | Note | 2019 £ 000 | (As restated) 2018 £ 000 |
|--|------|-----------------|--------------------------------|
| Fixed assets | | | |
| Investments | 12 | <u>31,848</u> | <u>13,363</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 14 | 4,478 | 1,959 |
| Debtors: amounts falling due after more than one year | 14 | <u>16,925</u> | <u>14,846</u> |
| | | 21,403 | 16,805 |
| Creditors: amounts falling due within one year | 16 | <u>(5,325)</u> | <u>(2,429)</u> |
| Net current assets | | <u>16,078</u> | <u>14,376</u> |
| Total assets less current liabilities | | 47,926 | 27,739 |
| Creditors: amounts falling due after more than one year | 17 | <u>(16,677)</u> | <u>(14,629)</u> |
| Net assets | | <u>31,249</u> | <u>13,110</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | - | - |
| Share premium reserve | | 32,654 | 14,168 |
| Profit and loss account | | <u>(1,405)</u> | <u>(1,058)</u> |
| Total equity | | <u>31,249</u> | <u>13,110</u> |

The company made a loss after tax for the financial year of £346,000 (2018 - profit of £115,000 (as restated)).

The financial statements on pages 13 to 50 were approved and authorised by the Board on ~~23rd~~ August 2020 and signed on its behalf by:



J-L Janet
Director

SSCP Spring Topco Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 August 2019

| | Called up share capital £ 000 | Share premium £ 000 | Profit and loss account £ 000 | Total £ 000 |
|-----------------------------|-------------------------------------|------------------------|-------------------------------------|----------------|
| At 1 September 2017 | - | 13,639 | (83,250) | (69,611) |
| Loss for the financial year | - | - | (44,065) | (44,065) |
| Total comprehensive expense | - | - | (44,065) | (44,065) |
| Share issue | - | 516 | - | 516 |
| Share purchases by EBT | - | (68) | - | (68) |
| At 31 August 2018 | - | 14,087 | (127,315) | (113,228) |

| | Called up share capital £ 000 | Share premium £ 000 | Profit and loss account £ 000 | Total £ 000 |
|-----------------------------|-------------------------------------|------------------------|-------------------------------------|----------------|
| At 1 September 2018 | - | 14,087 | (127,315) | (113,228) |
| Loss for the financial year | - | - | (57,111) | (57,111) |
| Total comprehensive expense | - | - | (57,111) | (57,111) |
| Share issue | - | 18,486 | - | 18,486 |
| Share purchases by EBT | - | (222) | - | (222) |
| At 31 August 2019 | - | 32,351 | (184,426) | (152,075) |

SSCP Spring Topco Limited

Parent Company Statement of Changes in Equity for the Year Ended 31 August 2019

| | Called up share capital £ 000 | Share premium £ 000 | Profit and loss account £ 000 | Total £ 000 |
|--|-------------------------------------|------------------------|-------------------------------------|----------------|
| At 1 September 2017 (as restated) | - | 13,652 | (1,173) | 12,479 |
| Profit for the financial year (as restated) | - | - | 115 | 115 |
| Total comprehensive income | - | - | 115 | 115 |
| Share issue | - | 516 | - | 516 |
| At 31 August 2018 (as restated) | - | 14,168 | (1,058) | 13,110 |
| | Called up share capital £ 000 | Share premium £ 000 | Profit and loss account £ 000 | Total £ 000 |
| At 1 September 2018 (as previously restated) | - | 14,168 | (1,058) | 13,110 |
| Loss for the financial year | - | - | (347) | (347) |
| Total comprehensive expense | - | - | (347) | (347) |
| Share issue | - | 18,486 | - | 18,486 |
| At 31 August 2019 | - | 32,654 | (1,405) | 31,249 |

SSCP Spring Topco Limited

Consolidated Cash Flow Statement for the Year Ended 31 August 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|--|------|----------------------|----------------------|
| Cash generated from operating activities | 22 | 52,825 | 47,935 |
| Taxation (net) paid | | <u>(3,746)</u> | <u>(3,147)</u> |
| Net cash generated from operating activities | | <u>49,079</u> | <u>44,788</u> |
| Cash flows from investing activities | | | |
| Interest received | | 17 | 12 |
| Purchase of subsidiary undertaking (net of cash acquired) | 10 | (111,112) | (9,056) |
| Acquisitions of tangible assets | | (15,175) | (12,367) |
| Proceeds from sale of tangible assets | | 253 | 60 |
| Acquisition of intangible assets | | <u>-</u> | <u>(219)</u> |
| Net cash used in investing activities | | <u>(126,017)</u> | <u>(21,570)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (41,615) | (24,420) |
| Proceeds from issue of ordinary shares, net of issue costs | | 18,486 | 516 |
| Payments for purchase of own shares | | (222) | (67) |
| Proceeds from new long term loans | | 510,000 | - |
| Repayment of loans and borrowing | | (285,870) | (1,942) |
| Repayment of debt of acquired company | | (137,802) | - |
| Proceeds from issue of shares classified as liabilities | | 25,514 | - |
| Repayment of capital element of finance lease and HP | | (5) | (30) |
| Issue of loan notes | | 111,502 | - |
| Repayment of loan notes | | (106,993) | - |
| Repurchase of loan notes and interest by EBT | | (1,028) | (936) |
| Issue costs on loans | | <u>(18,164)</u> | <u>-</u> |
| Net cash generated from/ (used in) financing activities | | <u>73,803</u> | <u>(26,879)</u> |
| Net decrease in cash and cash equivalents | | (3,135) | (3,661) |
| Cash and cash equivalents at 1 September | | <u>18,313</u> | <u>21,974</u> |
| Cash and cash equivalents at 31 August | | <u><u>15,178</u></u> | <u><u>18,313</u></u> |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

1 Accounting policies

SSCP Spring Topco Limited ("the Company") is a private limited liability company limited by shares incorporated in England.

The address of its registered office is: Atria, Spa Road, Bolton, , BL1 4AG, England.

These financial statements were authorised for issue by the Board on 14 August 2020.

Statement of compliance

The Group and individual financial statements of its subsidiaries have been prepared in compliance with UK 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. For the year ended 31 August 2019 the Group has adopted a change in its recognition of 'Intangible Assets other than Goodwill' available under Amendments to FRS102 - Triennial Review 2017.

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain assets and liabilities measured at fair value.

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its own profit and loss account.

The financial statements have been prepared in Sterling, which is the functional currency, and rounded to the nearest £000.

Summary of exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (together, the "Group") up to 31 August 2019. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary undertakings acquired in the period are included in the consolidated statement of comprehensive income from the date of acquisition.

The accounts of the Employee Benefit Trust ("EBT") are incorporated into the results of the Group as, although they are administered by independent Trustees and their assets are held separately from those of the Group, in practice the Group's advice on how the assets are used for the benefit of employees is normally accepted. Transactions of the EBT are treated as being those of the Group and are therefore reflected in the consolidated financial statements. In particular, the EBT's purchases and sales of shares and loan stocks in the company are debited and credited directly to equity.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Going concern

The Group meets its day to day working capital requirements through its long-term bank facilities. The directors believe that it is appropriate to prepare the financial statements on a going concern basis, the board having considered the following in particular:

- The Group has net current assets of £6.5m (2018: net current liabilities of £41.6m). The balance at 31 August 2018 reflects the Group entering into an agreement to repay some long-dated loan notes repayable in 2026 and therefore shortly after the year ended 31 August 2018 £58.3m of loan notes were reclassified as falling due after more than one year. Adjusting for this, the Group had net current assets of £6.5m (2018: £16.7m).
- The Group has total net liabilities of £152.1m (2018: £113.2m). Bank loans amounting to £510.0m have been recently refinanced and are repayable in full on 18 July 2025.
- The Group recorded a loss of £57.1m (2018: £44.1m) for the year under review, after reflecting non-cash interest costs of £28.1m (2018: £25.6m) and amortisation of intangibles amounting to £43.1m (2018: £40.1m).

The Group generated an operating cash inflow in the year under review of £7.5m (2018: £20.4m inflow), net of cash interest costs of £41.6m (2018: £24.4m) and at 31 August 2019 held cash balances amounting to £15.2m (2018: £18.3m) which is retained within the business to support future development plans such as improvement and expansion spend on its schools, offices, foster parent training facilities and residential care homes. The Group also has access to a revolving credit facility of £10m which remained undrawn throughout the year.

The underlying trading performance of the business is stable, further supported by the acquisitions of fostering agencies and an increase in education and residential care capacity. In July 2019 a detailed annual budget for the year to 31 August 2020 was produced. This, together with business modelling and financial forecasts for a further two years, predicts further growth. This budget and the forecasts were thoroughly reviewed and approved by the Board and also provided to the lenders of the senior loan facilities. Detailed forecasts were prepared, showing that there is sufficient cash headroom for the Group to meet its liabilities as they fall due and that all covenant requirements under the loan arrangement will be met in the foreseeable future and, accordingly, they have determined it is appropriate to prepare the financial statements on a going concern basis.

COVID-19 pandemic has resulted in significant disruptions in global economic activities, though the impact on the business is currently limited. The Group 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 Group's working capital requirements for twelve months from the date of approval and signing of the financial statements by the directors.

Prior period adjustment

In the prior year, and the years prior to that starting 2016, the parent company had not accounted for interest receivable on intra group loan notes which understated interest receivable income by £4,366k. The parent company has adjusted for this error and has recognised interest receivable on intra group loan notes from the start of the agreement. As a result interest receivable for the year ended 31 August 2018 has been adjusted by £1,823k, and there has also been an adjustment to opening reserves at 1 September 2017 of £2,543k. Balances have also been appropriately categorised based on the maturity of the loan notes along with related interest. This had no impact on the consolidated financial statements.

This was applied retrospectively to the parent company financial statements in accordance with FRS 102 Section 10 requirements. The amounts are as follows:

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| | 2018 £ 000 | Adjustment £ 000 | 2018 (as restated) £ 000 |
|---|---------------|---------------------|--------------------------------|
| Parent company statement of comprehensive income | | | |
| Interest receivable and similar income | - | 1,823 | 1,823 |
| (Loss)/Profit before taxation | (1,708) | 1,823 | 115 |
| Parent company balance sheet | | | |
| Debtors: amounts falling due within one year | 10,010 | (8,051) | 1,959 |
| Debtors: amounts falling due after more than one year | - | 14,846 | 14,846 |
| Creditors: amounts falling due within one year | - | (2,429) | (2,429) |
| Net assets | 8,744 | 4,366 | 13,110 |
| Profit and loss account - at 1 September 2017 | (3,716) | 2,543 | (1,173) |

The interest receivable balance, amounts owed by/to group undertakings have been restated for the year ended 31 August 2018. Amounts owed by group undertakings relating to intercompany loan notes have been restated to non-current debtors. A trading creditor balance of £2,429k was originally netted off amounts owed by group undertakings within debtors falling due within one year. This amount has been adjusted to be correctly shown as a creditor balance.

In addition to the above, the comparative headers for the parent company Statement of Financial Position as well as the impacted balance sheet notes include the words "(as restated)".

Key accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical judgements in the Group other than relating to the accounting treatment of the acquisition of Boston Holdco A Limited and its subsidiaries ("Outcomes First Group") in the year under review:

On 30 July 2019, SSCP Spring Bidco Limited acquired 100% of the issued share capital of Boston Holdco A Limited and its subsidiaries (see note 10). On 9 August 2019, the Competition and Markets Authority ('CMA') announced that it was to conduct a review process of the acquisition of Boston Holdco A Limited and its subsidiaries ("Outcomes First Group") to confirm that there had been no substantial lessening of competition in the market. This was subsequently cleared on 11 December by the CMA.

Given the CMA referral (and the enforcement notice barring integration between the two Groups) there is significant judgement whether the Group was able to demonstrate 'control' over Outcomes First Group and as such from what date the financials of Outcomes First Group should be consolidated into the Group accounts.

In accordance with FRS102, control is defined as being: i. power over the financial and operating policies; and ii. benefits must be obtained from that power in order for a subsidiary relationship to exist. Outcomes First Group has been consolidated within the Group's results since the acquisition date, on the basis that the Group continues to own Outcomes First Group and has the potential to receive variable returns at the end of the CMA process. In addition although the Group was restricted in integrating the business, given the derogation order in place from the CMA the Group have determined it was able to demonstrate control.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

- Fair values and useful lives of goodwill, tangible and intangible assets recognised on Business Combinations.

The fair value of tangible and intangible assets recognised on Business combinations involves the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of fair values requires a combination of assumptions including revenue growth, profit margins and the value of royalties that would be payable to license intangibles and tangibles similar to those acquired and the effects of taxation on each of these. In addition, the use of discount rates requires judgement.

In addition the Group establishes an estimate of the useful life of goodwill and intangible assets arising on business combinations. Amortisation is provided in order to write down to estimated residual values the cost of each asset over its estimated useful economic life. These useful economic lives require the use of management judgement.

- Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units. This requires estimation of the future cash flow of the cash generating units and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

- Tangible fixed assets

The annual depreciation and amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

- Provisions

Provisions are made for dilapidations, onerous contracts and other specific obligations. This requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations requires management's judgement.

- Taxation

Provisions are based on reasonable estimates based on various factors including experience and interpretation of regulations.

Turnover

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

Revenue recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance.

In relation to 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. In relation to the provision of education and residential care, revenue is recognised pro-rata (on a straight-line basis) over the relevant period that the student is enrolled and receiving care.

Revenue is measured at the fair value of the consideration received, excluding VAT and discounts.

Exceptional items

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

Employee benefits

The Group provides a range of benefits to employees including paid holiday arrangements, annual bonus arrangements and defined contribution pension plans.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

- Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

- Pensions

The Group operates a number of defined contribution plans for its employees. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the balance sheet. The assets of the plans are held separately from the Group in independently administered funds.

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

- Annual bonus plan

The Group operates a number of annual bonus plans for certain employees. An expense is recognised in profit and loss when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Current and deferred tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is open to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences which are differences between taxable profits and total income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date, other than in respect of the initial recognition of goodwill. Deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured by using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets and liabilities acquired. Goodwill is amortised over its useful economic life which the Group estimates to be 10 years. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to profit and loss. Reversals of impairment are recognised only when the reasons for the impairment no longer apply.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Intangible assets

Intangible assets that are recognised as part of a business combination are initially recognised at fair value.

Fair value is determined as follows. Customer Relationships are valued on the basis of a multi-period excess earnings method; Brands are valued on the basis of a relief from royalty model and; Foster Care Base is valued on a replacement cost basis.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful economic lives, as follows:

Foster Carer Base - 5 years

Brand - 10 years

Customer relationships - 10 years

Amortisation is charged to administrative expenses in the Statement of Comprehensive Income. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

For the year ended 31 August 2019 the Group has adopted a change in its recognition of, 'Intangible Assets other than Goodwill', available under, 'Amendments to FRS 102 – Triennial Review 2017'.

For business combinations prior to 1 September 2018, the recognition policy for Intangibles other than Goodwill was:

Intangible assets which are non-monetary, non-physical assets are recognised if they are:

- are separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability;

or

- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

For acquisitions after 1 September 2018 a new recognition policy has been adopted as permitted under 'Amendments to FRS 102 – Triennial Review 2017'. Non-Goodwill intangibles are recognised where they meet all three of the following criteria:

(a) it is probable that the benefits arising from the asset will flow to the Company

(b) the intangible asset arises from contractual or other legal rights; and

(c) the intangible asset is separable (ie capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability).

This accounting treatment has been applied to the all acquisitions made by the Group within the year to 31st August 2019.

Under the provisions of 'Amendments to FRS 102 – Triennial Review 2017', a restatement of the accounting for previous business combinations is not required.

Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Depreciation

Freehold land is not depreciated. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Leases

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

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

Investments - Company

Investments in subsidiary undertakings are stated at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provisions and contingencies

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Financial instruments

• Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

• Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans 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 the future receipts discounted at a market rate of interest.

Costs related to securing debt and loans have been netted against the face value of the debt. These costs are amortised to the consolidated profit and loss account as part of interest payable and similar charges over the term of the debt.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated, unless, in the opinion of the directors, separate disclosure is necessary to understand the effects of the transactions on the Group's financial statements.

Stock

Stock is stated at the lower of cost and net realisable value.

At each reporting date, stocks are assessed for impairment. If impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit and loss.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

2 Turnover

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

| | 2019 £ 000 | 2018 £ 000 |
|-----------------------|---------------|---------------|
| Rendering of services | 265,061 | 241,209 |

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

3 Operating profit

Operating profit is stated after charging/(crediting)

| | 2019 £ 000 | 2018 £ 000 |
|---|---------------|---------------|
| Depreciation expense of owned assets | 5,645 | 4,634 |
| Depreciation of assets held under finance lease and hire purchase contracts | 34 | 40 |
| Amortisation expense | 43,080 | 40,063 |
| Operating lease charges | 1,769 | 1,813 |
| Loss on disposal of tangible assets | 68 | 101 |
| Release of sleep-in provision | - | (1,532) |

Earnings before interest, taxes, depreciation and amortisation for the year amounted to £52.0m (2018: £50.7m), having reflected an operating profit of £3.3m (2018: profit of £6.0m) and amortisation and depreciation of £48.8m (2018: £44.7m) as per the table above.

Exceptional items:

| | 2019 £ 000 | 2018 £ 000 |
|-------------------------------------|---------------|---------------|
| Restructuring and integration costs | 2,479 | - |

Exceptional costs relate to acquisition expenses and integration costs, incurred as part of the acquisition of Boston Holdco A Limited and its subsidiaries for the year ended at 31 August 2019.

Fees payable to the company's auditors:

| | 2019 £ 000 | 2018 £ 000 |
|--|---------------|---------------|
| Audit of the financial statements | 25 | 25 |
| Audit of subsidiary financial statements | 297 | 245 |
| Audit-related assurance services | - | 5 |
| Tax compliance services | 43 | 45 |
| Other non-audit services | 50 | - |
| Tax advisory services | 27 | - |
| Total amount payable to the company's auditors | 442 | 320 |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

4 Interest receivable and similar income

| | 2019 £ 000 | 2018 £ 000 |
|----------------------------------|---------------|---------------|
| Interest income on bank deposits | 17 | 12 |

5 Interest payable and similar expenses

| | 2019 £ 000 | 2018 £ 000 |
|--|---------------|---------------|
| Interest on loans and borrowings | 24,666 | 24,217 |
| Interest on preference shares | 8,632 | 7,297 |
| Net changes in fair value of cash flow hedges | - | (719) |
| Amortisation and write off of finance fees | 9,108 | 1,820 |
| Interest on investor loan notes | 19,459 | 18,317 |
| Interest on obligations under finance leases and hire purchase contracts | 2 | 3 |
| | <u>61,867</u> | <u>50,935</u> |

Amortisation and write off of finance fees includes £7.2m of the previous capitalised unamortised deferred finance costs that were written off following the refinancing on 18 July 2019 (refer to note 17).

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2019 £ 000 | 2018 £ 000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 60,226 | 49,847 |
| Social security costs | 5,484 | 5,099 |
| Other pension costs | 2,214 | 1,497 |
| | <u>67,924</u> | <u>56,443</u> |

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

| | 2019 No. | 2018 No. |
|---|--------------|--------------|
| Teaching, care and administrative staff | <u>2,271</u> | <u>2,110</u> |

Company

The company had no employees during the period under review (2018: nil).

7 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2019 £ 000 | 2018 £ 000 |
|--|---------------|---------------|
| Remuneration | 1,226 | 1,250 |
| Contributions paid to money purchase schemes | 17 | 16 |
| | <u>1,243</u> | <u>1,266</u> |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

During the year the number of directors who were receiving benefits was as follows:

| | 2019 No. | 2018 No. |
|---|---------------------|---------------------|
| Accruing benefits under money purchase pension scheme | <u>2</u> | <u>2</u> |

In respect of the highest paid director:

| | 2019 £ 000 | 2018 £ 000 |
|---|-----------------------|-----------------------|
| Remuneration | 676 | 699 |
| Company contributions to money purchase pension schemes | <u>6</u> | <u>5</u> |

8 Tax on loss

Tax charged/(credited) in the income statement

| | 2019 £ 000 | 2018 £ 000 |
|---|-----------------------|-----------------------|
| Current taxation | | |
| UK corporation tax | 1,761 | 3,187 |
| UK corporation tax adjustment in respect of prior periods | <u>196</u> | <u>(472)</u> |
| Total current tax | <u>1,957</u> | <u>2,715</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | (3,240) | (3,524) |
| Arising from changes in tax rates and laws | (14) | 26 |
| Arising from adjustment in respect of prior periods | <u>(152)</u> | <u>(73)</u> |
| Total deferred taxation | <u>(3,406)</u> | <u>(3,571)</u> |
| Total tax credit | <u>(1,449)</u> | <u>(856)</u> |

Factors affecting current tax charge for the year

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

| | 2019 £ 000 | 2018 £ 000 |
|---|-----------------------|-----------------------|
| Loss before tax | <u>(58,560)</u> | <u>(44,921)</u> |
| Corporation tax at standard rate | (11,122) | (8,535) |
| Effects of: | | |
| Effect of expense not deductible in determining taxable profit (tax loss) | 12,935 | 11,403 |
| UK deferred tax expense (credit) relating to changes in tax rates or laws | (14) | 26 |
| Deferred tax credit in relation to intangible assets on business combinations | (3,292) | (3,205) |
| Adjustment for prior period | <u>44</u> | <u>(545)</u> |
| Total tax credit | <u>(1,449)</u> | <u>(856)</u> |

Non deductible expenses relate to amortisation of intangibles (including goodwill) and shareholder interest treated as non allowable.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Factors that may affect future tax charges

Deferred tax has been calculated at 17%, reflecting the enacted rate applicable from 1 April 2020 at the balance sheet date.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Deferred tax

Group

The movement in the deferred tax liability in the period is as follows:

| | Liability £ 000 |
|----------------------------------|----------------------------|
| At 1 September 2018 | (24,918) |
| Credit to income statement | 36 |
| Arising on business combinations | (16,367) |
| Provisions used in the year | 3,371 |
| Other reversals | (10) |
| | <u>(37,888)</u> |
| At 31 August 2019 | <u>(37,888)</u> |

The analysis of deferred tax assets and liabilities is as follows:

| | Liability £ 000 |
|--------------------------------|----------------------------|
| 31 August 2019 | |
| Accelerated capital allowances | (2,091) |
| Other timing differences | 169 |
| Tax losses available | 146 |
| Acquired intangible assets | (18,303) |
| Acquired tangible assets | (17,809) |
| | <u>(37,888)</u> |

| | Liability £ 000 |
|--------------------------------|----------------------------|
| 31 August 2018 | |
| Accelerated capital allowances | 173 |
| Other timing differences | 201 |
| Tax losses available | 88 |
| Acquired intangible assets | (21,585) |
| Acquired tangible assets | (3,795) |
| | <u>(24,918)</u> |

Company

The company has no deferred tax provision at 31 August 2019 (2018: £Nil).

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

9 Intangible assets

Group

| | Goodwill £ 000 | Foster carer base £ 000 | Customer relationships £ 000 | Brand £ 000 | Total £ 000 |
|--|-------------------|-------------------------------|------------------------------------|----------------|----------------|
| Cost | | | | | |
| At 1 September 2018 | 216,635 | 14,201 | 93,972 | 70,658 | 395,466 |
| Acquired through business combinations | 120,375 | - | - | - | 120,375 |
| Disposals | - | (139) | - | - | (139) |
| At 31 August 2019 | <u>337,010</u> | <u>14,062</u> | <u>93,972</u> | <u>70,658</u> | <u>515,702</u> |
| Amortisation | | | | | |
| At 1 September 2018 | 58,674 | 7,987 | 25,042 | 18,771 | 110,474 |
| Amortisation charge | 23,805 | 2,812 | 9,397 | 7,066 | 43,080 |
| Amortisation eliminated on disposals | - | (52) | - | - | (52) |
| At 31 August 2019 | <u>82,479</u> | <u>10,747</u> | <u>34,439</u> | <u>25,837</u> | <u>153,502</u> |
| Net book amount | | | | | |
| At 31 August 2019 | <u>254,531</u> | <u>3,315</u> | <u>59,533</u> | <u>44,821</u> | <u>362,200</u> |
| At 31 August 2018 | <u>157,961</u> | <u>6,214</u> | <u>68,930</u> | <u>51,887</u> | <u>284,992</u> |

The individual assets, excluding goodwill, which are material to the financial statements are:

| | Carrying amount £ 000 | Remaining amortisation period (years) |
|---|--------------------------|---|
| Carer base | | |
| Belton Associates (Group Holdings) Limited and subsidiaries | 1,130 | 0.6 |
| Independent Foster Care Services Limited | 101 | 1.0 |
| Acorn Care 1 Limited and subsidiaries | 1,623 | 1.9 |
| Child Care Bureau Limited | 129 | 3.8 |
| Brighter Futures Foster Care Limited | 196 | 3.9 |
| Brand | | |
| Belton Associates (Group Holdings) Limited and subsidiaries | 18,558 | 5.6 |
| Independent Foster Care Services Limited | 474 | 6.0 |
| Acorn Care 1 Limited and subsidiaries | 24,909 | 6.9 |
| Child Care Bureau Limited | 285 | 8.8 |
| Brighter Futures Foster Care Limited | 464 | 8.9 |
| Customer Relationships | | |
| Belton Associates (Group Holdings) Limited and subsidiaries | 26,099 | 5.6 |
| Independent Foster Care Services Limited | 797 | 6.0 |
| Acorn Care 1 Limited and subsidiaries | 30,373 | 6.9 |
| Child Care Bureau Limited | 720 | 8.8 |
| Brighter Futures Foster Care Limited | 1,544 | 8.9 |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

The useful life of the carer base is based on the average time it would take the Group to recruit the number of carers that formed part of each acquisition. The useful life of brands and customer relationships is based on the expected use of those brands and relationships.

The Group considers whether intangible assets and/or goodwill are impaired. No indications of impairment were identified at the balance sheet date.

Company

The company had no intangible assets at 31 August 2019 (2018: £nil).

10 Business combinations

On 30 July 2019, SSCP Spring Bidco Limited acquired 100% of the issued share capital of Boston Holdco A Limited and its subsidiaries, a business trading as Outcomes First Group, for a total consideration of £109,316,000, consequently obtaining control of Boston Holdco A Limited and its direct and indirect subsidiaries.

The principal activities of the Outcomes First Group are complimentary to the Group and are the provision of children's and adults' services for local authorities in England and Wales through a network of schools, residential care homes and one fostering agency.

On 9th August 2019 the Competition and Markets Authority served an initial enforcement order under section 72(2) of the Enterprise Act 2002 on SSCP Spring Bidco Limited in relation to the acquisition. This order was revoked by the Competition and Markets Authority on 26th November 2019 and on the 11th December 2019 the Competition and Markets Authority cleared the completed acquisition.

Boston Holdco A Limited and its subsidiaries contributed £7,466,000 of revenue and a loss of £758,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

| | Book values £000 | Adjustments £000 | Provisional fair values £000 |
|-------------------------------|---------------------|---------------------|------------------------------------|
| Intangible assets | 37,064 | (37,064) | - |
| Tangible assets (a) | 67,853 | 82,895 | 150,748 |
| Trade and other receivables | 10,864 | - | 10,864 |
| Cash | 3,909 | - | 3,909 |
| Deferred tax (b) | (5,524) | (10,843) | (16,367) |
| Trade and other payables | (10,801) | - | (10,801) |
| Debt | (137,802) | - | (137,802) |
| Total identifiable net assets | (34,437) | 34,988 | 551 |
| Goodwill | | | 108,765 |
| Total | | | 109,316 |

The adjustments arising on acquisition were in respect of the following:

- (a) Uplift in property, plant and equipment to a third party valuation on acquisition
- (b) Deferred tax adjustment arising as a result of the acquisition adjustments, including derecognition on the previously recognised deferred tax liability in respect of the Goodwill of the acquired Group.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Total consideration paid of £109,316,000 includes cash of £98,854,000 and directly attributable costs of £10,462,000. On acquisition the outstanding loans of Boston Holdco A Limited of £137,802,000 were repaid therefore, total consideration paid including the repayment of debt was £247,118,000.

For cash flow purposes the amounts are disclosed as cash consideration £109,316,000, less outstanding directly attributable costs of £5,113,000 and less cash balances acquired of £3,909,000: net total of £100,294,000.

On 5 April 2019, Belton Associates Limited acquired 100% of the issued share capital of Family Placement.com Limited for a total consideration of £10,307,000.

Family Placement.com Limited contributed £2,302,000 revenue and £168,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

| | Book values £000 | Adjustments £000 | Provisional fair values £000 |
|-------------------------------|---------------------|---------------------|------------------------------------|
| Tangible assets (a) | 20 | - | 20 |
| Trade and other receivables | 705 | - | 705 |
| Cash | 3,969 | - | 3,969 |
| Trade and other payables | (791) | - | (791) |
| Total identifiable net assets | 3,903 | - | 3,903 |
| Goodwill | | | 6,404 |
| Total | | | 10,307 |

Total consideration paid of £10,307,000 includes cash of £9,866,000, deferred consideration of £250,000 and directly attributable costs of £191,000.

For cash flow purposes the amounts are disclosed as cash consideration £10,307,000, less deferred consideration of £250,000, less cash balances acquired of £3,969,000: net total of £6,088,000.

The deferred consideration was paid in December 2019. The amount has not been discounted as discounting is immaterial.

On 15 October 2018, Belton Associates Limited acquired 100% of the issued share capital of Reach Out Care Limited for a total consideration of £1,189,000.

Reach Out Care Limited contributed £1,020,000 revenue and £61,000 profit to the Group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| | Book values £ 000 | Adjustments £ 000 | Provisional fair values £ 000 |
|-------------------------------|----------------------|----------------------|-------------------------------------|
| Tangible assets | 3 | - | 3 |
| Trade and other receivables | 189 | - | 189 |
| Cash | 298 | - | 298 |
| Trade and other payables | <u>(91)</u> | <u>-</u> | <u>(91)</u> |
| Total identifiable net assets | 399 | - | 399 |
| Goodwill | | | <u>790</u> |
| Total | | | <u><u>1,189</u></u> |

Total consideration paid of £1,189,000 includes cash of £955,000 and directly attributable costs of £234,000.

For cashflow purposes the amounts are disclosed as cash consideration of £1,189,000, less outstanding directly attributable costs of £77,000 and less cash balances acquired of £298,000; net total of £814,000.

On 15 February 2019, Acorn Care and Education Limited acquired 100% of the issued share capital of House of Falkland Limited and its Holding Company, Westfield Jacob Limited for a total consideration of £5,245,000.

House of Falkland Limited contributed £1,328,000 revenue and £80,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

| | Book values £ 000 | Adjustments £ 000 | Provisional fair values £ 000 |
|-------------------------------|----------------------|----------------------|-------------------------------------|
| Tangible assets | 6 | - | 6 |
| Trade and other receivables | 195 | - | 195 |
| Cash | 926 | - | 926 |
| Trade and other payables | <u>(290)</u> | <u>-</u> | <u>(290)</u> |
| Total identifiable net assets | 837 | - | 837 |
| Goodwill | | | <u>4,408</u> |
| Total | | | <u><u>5,245</u></u> |

Total consideration paid of £5,245,000 includes cash of £4,653,000, deferred consideration of £323,000 and directly attributable costs of £269,000.

For cashflow purposes the amounts are disclosed as cash consideration of £5,245,000, less deferred consideration of £323,000, less cash balances acquired of £926,000; net total of £3,996,000.

The deferred consideration was paid on 26 September 2019. The amount has not been discounted as discounting is immaterial.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

11 Tangible assets

Group

| | Freehold land and buildings £ 000 | Long leasehold land and buildings £ 000 | Plant and machinery £ 000 | Fixtures, fittings and equipment £ 000 | Motor vehicles £ 000 | Total £ 000 |
|------------------------|--|---|---------------------------------|--|----------------------------|----------------|
| Cost | | | | | | |
| At 1 September 2018 | 82,324 | 2,619 | 1,339 | 10,936 | 1,072 | 98,290 |
| Additions | 7,332 | 170 | 92 | 6,957 | 624 | 15,175 |
| Acquisitions | 118,745 | 25,077 | 8 | 6,349 | 598 | 150,777 |
| Disposals | (118) | (46) | (1) | - | (303) | (468) |
| At 31 August 2019 | <u>208,283</u> | <u>27,820</u> | <u>1,438</u> | <u>24,242</u> | <u>1,991</u> | <u>263,774</u> |
| Depreciation | | | | | | |
| At 1 September 2018 | 3,283 | 556 | 422 | 4,243 | 381 | 8,885 |
| Charge for the year | 1,808 | 281 | 77 | 3,175 | 338 | 5,679 |
| Eliminated on disposal | (9) | (44) | - | - | (94) | (147) |
| At 31 August 2019 | <u>5,082</u> | <u>793</u> | <u>499</u> | <u>7,418</u> | <u>625</u> | <u>14,417</u> |
| Net book amount | | | | | | |
| At 31 August 2019 | <u>203,201</u> | <u>27,027</u> | <u>939</u> | <u>16,824</u> | <u>1,366</u> | <u>249,357</u> |
| At 31 August 2018 | <u>79,041</u> | <u>2,063</u> | <u>917</u> | <u>6,693</u> | <u>691</u> | <u>89,405</u> |

Assets held under finance leases and hire purchase contracts

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

| | 2019 £ 000 | 2018 £ 000 |
|-----------------------|---------------|---------------|
| Fixtures and fittings | <u>2</u> | <u>36</u> |

Company

The company had no tangible assets at 31 August 2019 (2018: £nil).

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

12 Investments

Company

| | 2019 £ 000 | 2018 £ 000 |
|-----------------------------|---------------|---------------|
| Investments in subsidiaries | <u>31,848</u> | <u>13,363</u> |

Subsidiaries

£ 000

Cost

| | |
|---------------------|---------------|
| At 1 September 2018 | 13,363 |
| Additions | <u>18,485</u> |
| At 31 August 2019 | <u>31,848</u> |

Carrying amount

| | |
|-------------------|---------------|
| At 31 August 2019 | <u>31,848</u> |
| At 31 August 2018 | <u>13,363</u> |

The cost and carrying value represents the company's investment in its immediate subsidiary undertaking SSCP Spring Midco 1 Limited.

Details of undertakings

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

| Undertaking | Country of incorporation | Percentage | Principal activity |
|---|--------------------------|------------|--|
| Subsidiary undertakings | | | |
| SSCP Spring Midco 1 Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| SSCP Spring Midco 1A Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| SSCP Spring Midco 1B Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| SSCP Spring Midco 2 Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| SSCP Spring Bidco Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| NFAG Limited* | England & Wales | 100% | Holding of investments and properties |
| NFAH Limited* | England & Wales | 100% | Holding of investments |
| The National Fostering Agency Limited* | England & Wales | 100% | Provision of foster care services |
| The National Fostering Agency (Scotland) Limited* | England & Wales | 100% | Provision of foster care services |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| Undertaking | Country of incorporation | Percentage | Principal activity |
|--|---------------------------------|-------------------|---|
| The Foster Care Agency Limited* | England & Wales | 100% | Provision of foster care services |
| NFA Partnerships Limited* | England & Wales | 100% | Holding of investments |
| NFAP Limited* | England & Wales | 100% | Holding of investments |
| Children First Fostering Agency Limited* | England & Wales | 100% | Provision of foster care services |
| Alliance Foster Care Limited* | England & Wales | 100% | Provision of foster care services |
| Alpha Plus Fostering Limited* | England & Wales | 100% | Provision of foster care services |
| Jay Fostering Limited* | England & Wales | 100% | Provision of foster care services |
| Care Administration & Management Services Limited* | England & Wales | 100% | Provision of foster care services |
| Kindercare Fostering Northern Ireland Limited*** ^ | Northern Ireland | 100% | Provision of foster care services |
| Kindercare Fostering Limited* | England & Wales | 100% | Dormant |
| Fostering Relations Limited**** ^ | Scotland | 100% | Provision of foster care services |
| Archway Care Limited* | England & Wales | 100% | Provision of foster care services |
| Independent Foster Care Services Limited* | England & Wales | 100% | Provision of foster care services |
| Belton Associates Limited* | England & Wales | 100% | Holding of investments and the provision of management services for the group |
| Belton Associates Holdings Limited* | England & Wales | 100% | Holding of investments |
| Belton Associates (Group Holdings) Limited* | England & Wales | 100% | Holding of investments and financing for the Group |
| Belton Associates Group Limited* | England & Wales | 100% | Holding of investments |
| Acorn Care 1 Limited** | England & Wales | 100% | Holding of investments |
| Acorn Care 2 Limited** | England & Wales | 100% | Holding of investments |
| Acorn Care 3 Limited** | England & Wales | 100% | Holding of investments |
| Acorn Care 4 Limited** | England & Wales | 100% | Holding of investments |
| Acorn Care and Education Limited** | England & Wales | 100% | Holding of investments and the provision of management services for the Group |
| Acorn Norfolk Limited** | England & Wales | 100% | Provision of care and education services |
| Acorn Academies Limited** | England & Wales | 100% | Dormant |
| Advance Foster Care Limited** | England & Wales | 100% | Dormant |
| Ascot College Limited** | England & Wales | 100% | Non-trading |
| Belmont School Limited** | England & Wales | 100% | Provision of care and education services |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| Undertaking | Country of incorporation | Percentage | Principal activity |
|---|---------------------------------|-------------------|---|
| Bramfield House School Limited** | England & Wales | 100% | Provision of care and education services |
| Careforward Limited** | England & Wales | 100% | Dormant |
| Crookhey Hall Limited** | England & Wales | 100% | Provision of care and education services |
| Focus on Fostering Limited** | England & Wales | 100% | Provision of foster care services |
| Fostering Solutions Limited** | England & Wales | 100% | Provision of foster care services |
| Fostering Solutions (Hitchin) Limited** | England & Wales | 100% | Provision of foster care services |
| Fostering Solutions (Northern) Limited ** ^ | England & Wales | 100% | Provision of foster care services |
| Happen Fostercore Limited** | England & Wales | 100% | Dormant |
| Happen Holdings Limited** | England & Wales | 100% | Dormant |
| Heath Farm Family Services Limited** | England & Wales | 100% | Provision of foster care and education services |
| Heath Farm Fostering Agency** | England & Wales | 100% | Dormant |
| Heath Farm Limited** | England & Wales | 100% | Holding of investments |
| Hopscotch Solutions Limited** | England & Wales | 100% | Provision of care and education services |
| JAFA North East UK Limited** | England & Wales | 100% | Dormant |
| JAFA (Pipss) Limited** | England & Wales | 100% | Dormant |
| Kestrel House London Limited** | England & Wales | 100% | Provision of care and education services |
| Kestrel House School Limited** | England & Wales | 100% | Holding of investments |
| Kids and Carers Limited** | England & Wales | 100% | Dormant |
| Knossington Grange School Limited** | England & Wales | 100% | Provision of care and education services |
| Longdon Hall School Limited** | England & Wales | 100% | Provision of care and education services |
| Meadowcroft Residential Schools Limited** | England & Wales | 100% | Provision of care and education services |
| National Fostering Agency West Limited** | England & Wales | 100% | Provision of foster care services |
| Partners in Parenting Limited** | England & Wales | 100% | Dormant |
| Pathway Care (Bristol) Limited** | England & Wales | 100% | Provision of foster care services |
| Pathway Care (Holdings) Limited** | England & Wales | 100% | Holding of investments |
| Pathway Care (Midlands) Limited** | England & Wales | 100% | Provision of foster care services |
| Pathway Care Group Limited** | England & Wales | 100% | Holding of investments |
| Pathway Care Solutions Group Limited** | England & Wales | 100% | Provision of residential care services |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| Undertaking | Country of Incorporation | Percentage | Principal activity |
|--|---------------------------------|-------------------|--|
| Pathway Care Solutions Limited** | England & Wales | 100% | Provision of residential care services |
| Pathway Care Solutions II Limited** | England & Wales | 100% | Provision of residential care services |
| Pathway Care South West Limited** | England & Wales | 100% | Provision of foster care services |
| Pentangle Management and Consultancy Limited** | England & Wales | 100% | Dormant |
| The Clarion Agency** | England & Wales | 100% | Dormant |
| Threemilestone Education Limited** | England & Wales | 100% | Provision of care and education services |
| Underley Education Services Limited** | England & Wales | 100% | Provision of care and education services |
| Underley Schools Limited** | England & Wales | 100% | Provision of care and education services |
| Waterloo Lodge School Limited** | England & Wales | 100% | Provision of care and education services |
| Child Care Bureau Limited* | England & Wales | 100% | Provision of foster care services |
| Brighter Futures Foster Care Limited* | England & Wales | 100% | Provision of foster care services |
| House of Falkland Limited# | Scotland | 100% | Provision of care and education services |
| Westfield Jacob Limited# | Scotland | 100% | Provision of care and education services |
| Family Placement.com Limited* | England & Wales | 100% | Provision of Foster Care Services |
| Reach Out Care Limited*^ | England & Wales | 100% | Provision of Foster Care Services |
| Acorn Academy of Direct Learning Limited** | England & Wales | 100% | Provision of education services |
| Boston Holdco A Limited## | England & Wales | 100% | Holding of investments |
| Hillcrest Childrens Services (2) Ltd## | England & Wales | 100% | Provision of care and education services |
| Hillcrest Childrens Services Limited## | England & Wales | 100% | Provision of care and education services |
| Options Autism (1) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (2) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (3) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (4) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (5) Ltd## | England & Wales | 100% | Provision of care and education services |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| Undertaking | Country of incorporation | Percentage | Principal activity |
|--|--------------------------|------------|--|
| Options Autism (6) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (7) Ltd## | England & Wales | 100% | Provision of care and education services |
| Options Autism (8) Ltd## | England & Wales | 100% | Provision of care and education services |
| Family Options Ltd## | England & Wales | 100% | Dormant |
| Hillcrest Care Properties Ltd## | England & Wales | 100% | Dormant |
| Hillcrest Learning Disability Services Ltd## | England & Wales | 100% | Dormant |
| Newco Options (2) Ltd## | England & Wales | 100% | Dormant |
| Options Autism (1.1) Ltd## | England & Wales | 100% | Dormant |
| Options Autism (1.2) Ltd## | England & Wales | 100% | Dormant |
| Summacare Ltd## | England & Wales | 100% | Dormant |
| Surecare 365 Ltd## | England & Wales | 100% | Dormant |
| Young Options Ltd## | England & Wales | 100% | Dormant |
| Hillcrest Care Developments Ltd## | England & Wales | 100% | Holding of investments |
| Hillcrest Care Services Ltd## | England & Wales | 100% | Holding of investments |
| Options Autism Holdings Ltd## | England & Wales | 100% | Holding of investments |
| Options Autism Services Ltd## | England & Wales | 100% | Holding of investments |
| Options Central Services Ltd## | England & Wales | 100% | Holding of investments |
| Options Group Holdings Ltd## | England & Wales | 100% | Holding of investments |
| Outcomes First Group Holdings Ltd## | England & Wales | 100% | Holding of investments |
| Outcomes First Group Ltd## | England & Wales | 100% | Holding of investments |
| Outcomes First Midco Ltd## | England & Wales | 100% | Holding of investments |

^ Kindercare Fostering Northern Ireland Limited, Fostering Relations Limited, Fostering Solutions (Northern) Limited and Reach Out Care Limited are private companies limited by guarantee; the holding therefore represents sole membership. All other holdings are Ordinary share capital.

SSCP Spring Midco 1 Limited is held directly by the company. All other investments are held indirectly by a subsidiary undertaking.

All undertakings operate within their country of operation and are included within the consolidated financial statements.

The registered office address of subsidiary undertakings is as indicated and follows:

* Atria, Spa Road, Bolton, England. BL1 4AG

** 1 Merchant's Place, River Street, Bolton, Lancashire, BL2 1BX

*** Unit 24 Castlereagh Industrial Estate, 40 Montgomery Road, Belfast, Northern Ireland. BT6 9HL

**** East Gateway, Beancross Road, Grangemouth, Falkirk. FK3 8WH

Falkland House School, Falkland Estate, Falkland, Scotland. KY15 7AE

Turnpike Gate House, Alcester Heath, Alcester, Warwickshire, England. B49 5JG

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

13 Stocks

| | Group | |
|------------|---------------|---------------|
| | 2019 £ 000 | 2018 £ 000 |
| Fuel stock | 19 | 20 |

The difference between purchase price and replacement cost is not material.

Company

The company had no stock at 31 August 2019 (2018: £nil).

14 Debtors

| | Note | Group | | Company (As restated) | |
|---------------------------------------|------|---------------|---------------|--------------------------|---------------|
| | | 2019 £ 000 | 2018 £ 000 | 2019 £ 000 | 2018 £ 000 |
| Trade debtors | | 34,485 | 22,947 | - | - |
| Amounts owed by group undertakings | | - | - | 18,264 | 14,923 |
| Loans to related parties | 24 | 110 | 110 | 110 | 110 |
| Accrued income | | 1,770 | 1,018 | - | - |
| Other debtors | | 682 | 961 | 3,029 | 1,772 |
| Prepayments | | 4,073 | 2,342 | - | - |
| | | 41,120 | 27,378 | 21,403 | 16,805 |
| Less non-current portion | | - | - | (16,925) | (14,846) |
| Total current trade and other debtors | | 41,120 | 27,378 | 4,478 | 1,959 |

Trade debtors are stated after provisions for impairment of £1,006,000 (2018: £910,000).

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

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Details of non-current trade and other debtors

Company

£16,924,629 (2018 - £14,846,166) of amounts owed by group undertakings due after more than one year is classified as non current. The Company holds unsecured loan notes of £9,550k (2018: £9,550k) issued by another group company, SSCP Spring Midco 1 Limited. These loan notes carry an interest rate of 14% and are repayable on 24 April 2025. Interest is capitalised and added to the outstanding loan balance on an annual basis. At 31 August 2019 the value of capitalised and accrued interest was £7,375k (2018: (as restated) £5,296k); interest accrued in the year amounted to £2,078k (2018: (as restated) £1,823k).

15 Cash at bank and in hand

| | Group | |
|--------------|---------------|---------------|
| | 2019 £ 000 | 2018 £ 000 |
| Cash on hand | 25 | 38 |
| Cash at bank | 15,153 | 18,275 |
| | <u>15,178</u> | <u>18,313</u> |

Company

The company had no cash at 31 August 2019 (2018: £nil).

16 Creditors: amounts falling due within one year

| | Group | | Company (As restated) | |
|---|---------------|---------------|--------------------------|---------------|
| | 2019 £ 000 | 2018 £ 000 | 2019 £ 000 | 2018 £ 000 |
| Bank loans and overdrafts | - | 3,884 | - | - |
| Loan notes | - | 58,298 | - | - |
| Trade creditors | 4,568 | 2,593 | - | - |
| Amounts owed to group undertakings 24 | - | - | 4,325 | 2,429 |
| Corporation tax | 31 | 301 | - | - |
| Other taxation and social security | 5,397 | 1,432 | - | - |
| Outstanding defined contribution pension costs | 369 | 237 | - | - |
| Obligations under finance lease and hire purchase contracts | - | 24 | - | - |
| Other creditors | 2,379 | 864 | 1,000 | - |
| Accruals and deferred income | <u>37,024</u> | <u>19,654</u> | <u>-</u> | <u>-</u> |
| | <u>49,768</u> | <u>87,287</u> | <u>5,325</u> | <u>2,429</u> |

On 22nd August 2018, the Group entered into an unconditional agreement whereby on 4 September 2018 the Group repaid long-dated loan notes as detailed in note 17. These repayments were agreed on the basis of a committed undertaking from a third party for the issue of new loan notes repayable in 2026. Therefore shortly after the end of the prior year £58.3m of loan notes was reclassified as falling due after more than 1 year.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

17 Creditors: amounts falling due after more than one year

| Note | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 2019 £ 000 | 2018 £ 000 | 2019 £ 000 | 2018 £ 000 |
| Loan notes | 148,243 | 85,899 | 16,677 | 14,629 |
| Bank loans | 489,621 | 274,813 | - | - |
| Preference shares | 70,601 | 45,087 | - | - |
| Interest accrued on preference shares | 22,963 | 14,332 | - | - |
| Obligations under finance lease and hire purchase contracts | 1 | 4 | - | - |
| | <u>731,429</u> | <u>420,135</u> | <u>16,677</u> | <u>14,629</u> |

Maturity of debt

The maturity of the sources of debt finance are as follows:

| | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 2019 £ 000 | 2018 £ 000 | 2019 £ 000 | 2018 £ 000 |
| Amounts falling due between one to five years | | | | |
| Bank loans and overdrafts | - | 274,813 | - | - |
| Obligations under finance lease and hire purchase contracts | 1 | 4 | - | - |
| | <u>1</u> | <u>274,817</u> | <u>-</u> | <u>-</u> |
| Amounts falling due after more than five years | | | | |
| Bank loans | 489,621 | - | - | - |
| Loan notes | 148,243 | 85,899 | 16,677 | 14,629 |
| Preference shares and interest accrued | 93,564 | 59,419 | - | - |
| | <u>731,428</u> | <u>145,318</u> | <u>16,677</u> | <u>14,629</u> |
| Total due after one year | <u>731,429</u> | <u>420,135</u> | <u>16,677</u> | <u>14,629</u> |

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Bank loans

On 18th July 2019 the Group entered into new banking facilities provided by a consortium of lenders which enabled the Group to repay the entirety of previous facilities and to increase the Group's borrowing to help fund the acquisition of Boston Holdco A Limited and its subsidiaries.

The new facilities consist of one £510,000,000 tranche which attracts an interest rate of LIBOR plus 6.25%. The facility is repayable in full on 18th July 2025.

In addition the Group secured a £40,000,000 capital expenditure and acquisitions facility to support future developments of the Group on which it pays a non usage fee of 1.875%. As at 31st August 2019 this facility was undrawn. In the event this capital expenditure and acquisitions facility is used in the future, the Group would have to repay it in full on 18th July 2025.

The Group also secured a £10,000,000 revolving credit facility for general corporate purpose and working capital purpose on which it pays a non usage fee of 0.9%. As at 31st August 2019 this facility was undrawn. In the event this revolving credit facility is used in the future, the Group would have to repay it in full on 18th April 2025.

Interest accrued on bank loans at 31st August 2019 was £3.4m (2018: £2.5m).

Unamortised issue costs amounting to £20.4m (2018: £7.2m) have been offset against bank loans and are being amortised over the life of the loan.

The margins on these facilities may reduce in the future depending on the ratio of debt to earnings. The bank loans are secured by way of a fixed and floating charges across the Group's assets.

Investor loan notes

£41.0m (2018: £62.5m) of unsecured investor loan notes in the Group are held by SSCP Spring Holdings SCA, the ultimate parent undertaking. These loan notes carry an interest rate of 14% and are repayable on 24 April 2025. Interest is capitalised and added to the outstanding loan balance on an annual basis. At 31 August 2019 the value of capitalised interest was £38.4m (2018: £29.4m) with a further £3.7m interest accrued (2018: £5.4m).

£9.4m of unsecured investor loan notes in the Company are held by management and the EBT. At 31 August 2019 £2.0m of loan notes are held by the EBT (2018: £1.4m). The loan notes carry an interest rate of 14% per annum and are repayable on 24 April 2025. Interest is capitalised and added to the outstanding loan balance on an annual basis. At 31 August 2019 the value of capitalised interest was £6.5m (2018: £4.6m).

Issue costs of £1.4m (2018: £0.4m) are outstanding and are being amortised over the period to July 2026.

The Company has £52m (2018: £16m) of variable rate investor loan notes which carry an interest rate of LIBOR+11.0% per annum (2018: LIBOR+13.5% per annum) and are repayable on 30 July 2026 (2018: repayable on 8 February 2024). At 31 August 2019 the value of capitalised interest was £nil (2018: £5.5m).

At 31 August 2019 the Company had no unsecured vendor loan notes (2018: £10m). These loan notes carried an interest rate of 12.5% and were repayable on 2 November 2024. At 31 August 2019 the value of capitalised interest was £nil (2018: £2.9m).

On 22 August 2018, the Company entered into an unconditional agreement whereby on 4 September 2018 the Group repaid the £16m 2024 investor loan note plus capitalised and accrued interest of £5.5m, the £10m of 2024 vendor loan notes plus capitalised and accrued interest of £2.9m and £21.5m of 2025 investor loan notes plus £2.8m of capitalised interest. These repayments were entirely financed by the issue of new variable rate investor loan notes repayable on 4 September 2026 and therefore had no material impact on the liquidity and debt position of the Group. As a result of these repayments, the Group benefitted from a lower average cost of borrowing going forward. On 30 July 2019 the Company repaid these new investor loan notes and accrued interest at that date and replaced them with £52m of variable investor loan notes as detailed above.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Redeemable preference shares

The 14% cumulative redeemable preference shares on which interest of £8,632,000 (2018: £7,297,000) was accrued in the period, are redeemable on 24 April 2025.

18 Provision for liabilities

Group

| | Deferred tax £ 000 | Dilapidations £ 000 | Onerous leases £ 000 | Other provisions £ 000 | Total £ 000 |
|---|-----------------------|------------------------|----------------------------|------------------------------|----------------|
| At 1 September 2018 | 24,918 | 677 | 319 | - | 25,914 |
| Additional provisions | - | - | 41 | - | 41 |
| Business combinations | 16,367 | - | - | 78 | 16,445 |
| Increase in provisions | - | 399 | - | - | 399 |
| Provisions used | (36) | (92) | (277) | - | (405) |
| Unused provision reversed | - | (281) | - | - | (281) |
| Decrease due to passage of time or unwinding of discount | (3,361) | - | - | - | (3,361) |
| At 31 August 2019 | <u>37,888</u> | <u>703</u> | <u>83</u> | <u>78</u> | <u>38,752</u> |

Dilapidation

As part of the Group's property leasing arrangements there is an obligation to repair damages which incur 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 2019 and July 2027 as the leases terminate.

Onerous leases

Provision for onerous leases relates to a number of vacant lease properties, calculated at the present value of the unavoidable costs over the remainder of the lease term. The cost is charged to profit and loss on initial recognition and reviewed at each balance sheet date to ensure the provision remains appropriate. The provision will be utilised over the life of the related leases and is expected to be fully utilised by June 2024 when the final lease expires.

Company

The company had no deferred tax and other provisions at 31 August 2019 (2018: £nil).

19 Commitments under operating leases

Group

Operating leases

The total of future minimum lease payments is as follows:

| | £ 000 | £ 000 |
|---|---------------|--------------|
| Not later than one year | 1,661 | 1,452 |
| Later than one year and not later than five years | 3,721 | 2,877 |
| Later than five years | <u>5,182</u> | <u>609</u> |
| | <u>10,564</u> | <u>4,938</u> |

Company

The company had no commitments under operating leases at 31 August 2019 (2018: £nil).

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

20 Pension and other schemes

Defined contribution pension scheme

The group operates defined contribution pensions schemes and contributes to the Teachers Pension Scheme for certain eligible teaching staff. The pension cost charge for the year represents contributions payable by the group to these schemes and amounted to £2,214,493 (2018 - £1,497,021).

Contributions totalling £369,278 (2018 - £236,647) were payable to the schemes at the end of the year and are included in creditors.

21 Called up share capital

Allotted, called up and fully paid shares

| | 2019 | | 2018 | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| 'A' Ordinary shares of £0.00010 each | 1,155 | 0.115 | 1,155 | 0.115 |
| 'B1' Ordinary shares of £0.00100 each | 84 | 0.084 | 84 | 0.084 |
| 'B2' Ordinary shares of £0.00100 each | 92 | 0.092 | 92 | 0.092 |
| 'C' Ordinary shares of £0.00001 each | 970 | 0.010 | 662 | 0.007 |
| | <u>2,301</u> | <u>0.302</u> | <u>1,993</u> | <u>0.298</u> |

The rights of each of the classes of share in issue are the same except for voting rights as follows:

Voting rights: The ordinary shares, 'A' Ordinary shares and 'B1' Ordinary shares, have equivalent voting rights, being one vote. The 'B2' shares do not carry voting rights.

New shares allotted

During the year 307,664 'C' Ordinary shares were allotted for an aggregate consideration of £18,485,738.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

22 Notes to the cash flow statement

Reconciliation of loss for the financial period to cash flow from operating activities

| | Note | 2019 £ 000 | 2018 £ 000 |
|---|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the financial year | | (57,111) | (44,065) |
| Amortisation expense | 3 | 43,080 | 40,063 |
| Depreciation expense | 3 | 5,679 | 4,674 |
| Loss on disposal of tangible assets | | 68 | 101 |
| Finance income | 4 | (17) | (12) |
| Finance costs | 5 | 61,867 | 50,935 |
| Taxation expense | 8 | (1,449) | (856) |
| Operating profit | | 52,117 | 50,840 |
| Decrease in stocks | | 1 | 10 |
| (Increase)/decrease in debtors | | (2,075) | 5,321 |
| Increase/(decrease) in creditors | | 2,914 | (5,946) |
| Decrease in provisions | | (132) | (2,290) |
| Cash generated from operating activities | | 52,825 | 47,935 |

Non-cash transactions excluded from the consolidated cash flow statement

| | 2019 £ 000 | 2018 £ 000 |
|---|---------------|---------------|
| Investor Loan notes - accrued interest | 19,459 | 18,317 |
| Preference shares - accrued interest | 8,632 | 7,297 |
| Amortisation and write off of issue costs | 9,108 | 1,820 |
| Interest rate hedge | - | (719) |

Non-cash movements in relation to Investor Loan notes represents capitalised interest, loan notes held by the EBT and loan notes issued as part of business combinations. Other non cash movements include amortisation of issue costs and movement on the interest rate hedge.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

23 Contingent liabilities

Company

The company is party to a debenture to guarantee the loans of all Group companies shown above in note 17.

24 Related party transactions

SSCP Spring Holdings SCA, the ultimate parent undertaking, has a holding of 951,750 (2018: 951,750) 'A' ordinary shares and 970,197 (2018: 662,533) 'C' ordinary shares in the Company.

SSCP Spring Holdings SCA, the ultimate parent undertaking, holds preference shares in the Group of £70,600,769 (2018: £45,086,507) on which interest accrued in the year of £8,632,000 (2018: £7,297,000). Other investor loan stock held by SSCP Spring Holdings SCA has been disclosed in note 17.

I J Anderson was a Director of the Company during the year. I J Anderson owned 60,071 (2018: 60,071) 'A' Ordinary and 31,286 (2018: 31,286) 'B1' Ordinary shares in the Company. I J Anderson held £3,435,497 of investor loan stock (2018: £3,345,497) in the Company on which accrued interest at 31 August 2019 was £2,654,978 (2018: £1,907,025).

J-L Janet is a Director of the Company. At 31 August 2019 J-L Janet owned 16,300 (2018: 12,770) 'A' Ordinary shares and 19,195 (2018: 19,195) 'B2' Ordinary shares in the Company. On 31 August 2016 the Company advanced a loan to J-L Janet of £110,000. The loan was amended on 4 May 2018 to a 0% interest loan from the issue date. The loan can be repaid at any time without penalty, with a final repayment date of 31 August 2065.

D J Leatherbarrow became a Director of the Company on 1 September 2018. At 31 August 2019 D J Leatherbarrow owned 59,811 (2018: 59,811) 'A' Ordinary shares in the Company and 19,938 (2018: 19,938) 'B1' Ordinary shares in the Company. D J Leatherbarrow held £672,495 (2018: 672,495) of investor loan stock in the Company on which accrued interest at 31 August 2019 was £519,709 (2018: £373,298).

D J Quinn is a Director of the Company. At 31 August 2019 D J Quinn owned 4,784 (2018: 4,784) 'A' Ordinary shares in the Company.

Stirling Square Capital Partners Jersey AIFM Limited, a company affiliated to SSCP Spring Holdings SCA, charged the Company £400,000 of monitoring fees for the year (2018: £400,000).

The Employee Benefit Trust purchased and sold certain shares and loan notes from employees leaving or joining the Group.

Other than the transactions noted above, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

Key management personnel

Key management comprises the directors. Remuneration of the directors can be found in note 7.

25 Financial instruments

Group

The Group has the following financial instruments:

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

| | 2019 £ 000 | 2018 £ 000 |
|---|------------------|------------------|
| Financial assets that are debt instruments measured at amortised cost: | | |
| Trade debtors | 34,485 | 22,947 |
| Other debtors | 771 | 1,071 |
| | <u>35,256</u> | <u>24,018</u> |
| Financial liabilities at amortised cost: | | |
| Bank loans | (489,621) | (278,697) |
| Investor loan notes | (148,243) | (144,197) |
| Preference shares | (70,601) | (45,087) |
| Finance leases | (1) | (28) |
| Trade creditors | (4,568) | (2,593) |
| Other creditors | (2,748) | (1,101) |
| Interest accrued on preference shares | (22,963) | (14,332) |
| | <u>(738,745)</u> | <u>(486,035)</u> |

Derivative financial instrument - Interest rate swaps

At 31 August 2019, the Group did not hold any derivative financial instruments (2018: none)

The fair value of the instruments at 31 August 2019 was a liability of £Nil (2018: a liability of £Nil).

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2019

Company

The company has the following financial instruments:

| | 2019 £ 000 | (As restated) 2018 £ 000 |
|---|-----------------|--------------------------------|
| Financial assets that are debt instruments measured at amortised cost: | | |
| Amounts owed by group undertakings | 18,264 | 14,923 |
| Other debtors | 3,139 | 1,882 |
| | <u>21,403</u> | <u>16,805</u> |
| Financial liabilities at amortised cost: | | |
| Investor loan notes | (16,677) | (14,629) |
| Amounts owed to group undertakings | (4,325) | (2,429) |
| Other creditors | (1,000) | - |
| | <u>(22,002)</u> | <u>(17,058)</u> |

26 Parent and ultimate parent undertaking

The ultimate parent is SSCP Spring Topco Limited, a company incorporated in England and Wales. The largest and smallest Group in which the results of the company are consolidated is that headed by SSCP Spring Topco Limited.

SSCP Spring Holdings SCA, a company incorporated in Luxembourg, owns 83.51% (2018: 80.97%) of the Company'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.

27 Non adjusting events after the financial period

• The coronavirus (COVID-19) pandemic spread rapidly in early 2020, causing major disruptions to businesses and economic activities around the world. The Group has taken a number of health and safety measures to monitor and reduce the effects of the COVID-19 pandemic on our staff, including working from home and social distancing.

At this stage, the impact on the business and the results is limited. The Group will continue to follow governmental requirements and advice as it continues to operate the business in the safest way possible without jeopardising the health of the employees.

See Note 1 for discussion on ability to continue as a going concern.

• On 25th February 2020 the Group acquired the entire share capital of Gillmourbanks Limited and High Trees Limited for a combined consideration of £1.7m.