Registration number: 09248650

SSCP Spring Topco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 August 2018

SSCP Spring Topco Limited

Contents

SSCP Spring Topco Limited

Company Information

Chairman	D J Quinn
Directors	I J Anderson E Biale J L Heathcote B Hopper J-L Janet D J Leatherbarrow D J Quinn
Company secretary	H Lecky
Registered office	Frays Court 71 Cowley Road Uxbridge Middlesex UB8 2AE
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 2018

The directors present their strategic report for the year ended 31 August 2018.

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 services for local authorities throughout England, Scotland, Wales and Northern Ireland.

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

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

Fair review of the business

The results for the year ended 31 August 2018 include 12 months of trading. The results for the period ended 31 August 2017 include 17 months of trading for the underlying business of the Group and 12 months and 28 days for Acorn Care 1 Limited and its subsidiaries ("Acorn"), a business acquired by the Group on 3 August 2016, Accordingly, the current period results are not directly comparable to those of the comparative period.

The turnover for the year ended 31 August 2018 ("the year under review") was £241.2m (17 month period ended 31 August 2017 (2017: £299.1m)).

The loss for the year under review, after taxation, amounted to £44.1m (2017: loss £60.2m), 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 2017:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000	Year ended 31 August 2017 (unaudited) £000
Revenue	241,209	299,108	230,700
Loss for the period before tax	(44,921)	(65,780)	(54,736)
Add back significant non-cash items and exceptional items:			
Amortisation of intangible fixed assets	40,063	52,851	40,852
Non-cash interest	25,614	27,666	22,191
Provision for sleep-in payment	(1,532)	1,532	1,532
Exceptional costs	-	6,755	6,755
Underlying result before tax	19,224	23,024	16,594

Underlying results

The pro-forma numbers for the year ended 31 August 2017 are based on management information for the 12 months to 31 August 2017 taking into account the timing of the Acorn 1 acquisition in the previous year.

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 reversed in the period under review.

Exceptional costs in 2017 were as a result of the acquisition of Acorn Care 1 Limited in August 2016 and subsequent restructuring and integration costs, as well as a net loss on the disposal of a subsidiary. These costs only applied to 2017 with no equivalent costs recognised as exceptional in the period under review.

Accordingly, the underlying trading performance of the business continues to be strong and in line with 2017 taking into account the fact that 2017 was a 17 month period.

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 in operation by the Group (18 at 31 August 2018 (31 August 2017: 17)), the number of registered residential care homes operated by the Group (24 at 31 August 2018 (31 August 2017: 23)) and the number of registered fostering agencies in operation (24 at 31 August 2018 (31 August 2017: 26)). Two registered fostering agencies were acquired during the period under review whilst a number of registrations were consolidated as a result of the integration of the Group with the Acorn fostering agencies.

Overview

The Group has had a successful year under review, benefiting from the impact of the strategic acquisition of Acorn Care 1 Limited and its subsidiaries on 3 August 2016. The enlarged group from the start of the period under review was fully integrated with investment in central functions completed to support service offers in special needs education (SEN), residential and foster care for young people with complex needs. On a like for like 12 month period basis, revenue for the Group increased by 4.5% i.e. £241.2m in the period under review against £230.7m in the 12 months to 31st August 2017 (unaudited).

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, whilst maintaining high quality of services.

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

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 2018, 93% of the Group's services in England were rated Good or Outstanding by Ofsted.

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.

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. The Group uses interest rate swaps to partially manage exposure to interest rate movements. At the end of the year these hedging instruments have matured and the position going forward is being actively monitored by Group finance. Given the strong underlying cash generation of the Group and a large proportion of borrowings at fixed rate, this is currently considered a low risk.

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 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 an exit from the European Union, including an unplanned exit, was 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.

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 Committee, chaired by the Group Quality and Compliance Director. This committee meets as required to ensure the Group has effective processes relating to the protection of children 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 on .5th..... February 2019 and signed on its behalf by:

....
J-L Janet
Director

....
D J Leatherbarrow
Director

Directors' Report for the Year Ended 31 August 2018

The directors present their report and the audited consolidated financial statements for the year ended 31 August 2018.

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

E Biale

J L Heathcote

B Hopper (appointed 3 October 2017)

J-L Janet

D J Quinn - Chairman

The following director was appointed after the year end:

D J Leatherbarrow (appointed 1 September 2018)

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.

Dividends
The directors do not recommend the payment of a dividend for the period ended 31 August 2018 (2017: Nil).

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

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 liabilities of £41.6m (2017: net current assets of £20.4m) but this reflects the Group entering into an agreement to repay some long-dated loan notes prior to 31st August 2019. These repayments were entirely financed by the issue of new loan notes repayable in 2026 and therefore shortly after the balance sheet date £58.3m of loan notes will be reclassified as falling due after more than 1 year. Adjusting for this, the Group has net current assets of £16.7m (2017: £20.4m).

• Net liabilities (having reflected bank loans, loan note and preference share obligations) of £113.2m (2017: £69.6m). Bank loans amounting to £273.2m (96% of the overall balance) are repayable in 2022 and 2023; loan notes amounting to £85.9m are repayable in 2024 and 2025.

• Therefore of the total obligations under bank loans, loan notes and preference shares of £484.8m, £58.3m is classified as under 1 year but was refinanced with loan notes due after 5 years on 4th September 2018, £6.3m is due within one year, £274.8m is due within one to five years and £145.3m is due after five years.

• The Group recorded a loss of £44.1m (2017: £60.2m) for the period under review, after reflecting non-cash interest costs of £25.6 m (2017: £27.7m) and amortisation of intangibles amounting to £40.1m (2017: £52.9m).

The Group generated positive operating cash flows in the period under review of £20.4 m (2017: £14.9m), net of cash interest costs of £24.4m (2017: £31.8m) and at 31 August 2018 held cash balances amounting to £18.3m (2017: £22.0m) 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 period.

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 2018 a detailed annual budget for the year to 31 August 2019 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.

Post balance sheet events
On 22 August 2018, the Group entered into an unconditional agreement whereby on 4 September 2018 the Group repaid the £16m 2024 investor loan note plus any accrued interest of £5.5m, the £10m 2024 of vendor loan notes plus accrued interest of £2.9m and £21.5m of 2025 investor loan notes plus £2.8m of accrued 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, other than extending the term of the debt from 2024/5 to 2026. As the result of these repayments, the Group will benefit from a lower average cost of borrowing going forward.

On 15th October 2018 the Group acquired the entire share capital of Reach Out Care Limited, a company operating an independent fostering agency in the North East of England for a total consideration net of cash and debt of £0.9m.

SSCP Spring Topco Limited

Directors' Report for the Year Ended 31 August 2018

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 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 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 on 5 February 2019 and signed on its behalf by:

....

J-L Janet
Director

....

D J Leatherbarrow
Director

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 2018 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 2018; 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

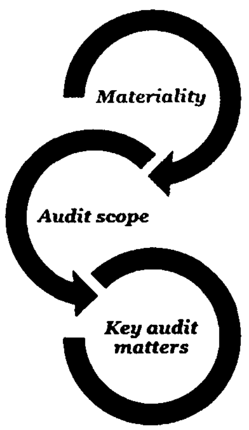
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £1,267k (2017: £3,000k), based on 2.5% of Earnings before interest, tax, depreciation and amortisation.
- Overall parent company materiality: £292k (2017: £253k), based on 2% of total liabilities.
- The period ended 31 August 2017 was a 74-week period compared to the 52-week period for the year ended 31 August 2018, which in combination with a lower benchmark of 2.5% has resulted in the reduction in materiality compared to the previous period.

- The group Financial Statements are a consolidation of 74 subsidiaries of which 13 are dormant.
- We performed full scope audit procedures in respect of 59 subsidiary entities at entity statutory materialities.
- Our full scope audits covered 99.6% of the group's revenue and 99.6% of the group's Earnings before interest, tax, depreciation and amortisation.

- Carrying value of goodwill and intangibles (Group).
- Carrying value of investments (Parent).

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

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of goodwill and intangibles (Group) The key audit matter identified is in respect of the risk of material misstatement in the valuation of Goodwill and other intangible assets. The Group had £158.0 million of goodwill as at 31 August 2018 (31 August 2017: £172.9 million) and £127.0 million of other intangibles assets as at 31 August 2018 (31 August 2017: £141.9 million). The carrying values of these assets are contingent upon future cash flows and there is a risk that these assets will be impaired if the cash flows are not in line with expectations. We consider this to be a key audit risk given the magnitude of the carrying value and the significant judgement and estimation involved in the impairment assessments of these assets. The key assumptions in management's cash flow projections are: placement numbers, long-term growth rate, and discount rate. Changes in these assumptions could lead to an impairment in the carrying value of these assets.	To address this risk we have designed and performed a number of audit procedures over the impairment assessments performed by management. Our procedures included the following: Assessing the suitability of the impairment model and understanding management's process and the judgements utilised for developing estimates and assumptions. This included testing of the underlying "value-in-use" calculations. Performing a retrospective review of the prior period estimates by comparing to actual results in the current period and agreeing the current year cash flow assumptions to current year actual results. Using PwC valuation specialists to review the discount rate applied in management's calculation. Obtaining corroborating evidence to support significant assumptions and changes in the cash flow projections. Performing a sensitivity analysis based on reasonably possible outcomes. Checking the mathematical accuracy of the calculations. Assessing Management's estimates on the useful lives of Goodwill and other intangibles with reference to the Group's expected consumption pattern of economic benefits. Based on the work performed we found that the underlying financial information and assumptions used were supported by the evidence we obtained.

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments (Parent Company) The Company has an investment balance of £13.4m as at 31 August 2018 (31 August 2017: £13.4m) which is material to the financial statements. Judgement is required in assessing the recoverability of the investment. The investment is ultimately supported by the underlying value of the business. If there were to be a reduction in the value of the business this could impact the recoverability of the investment.	We carried out procedures to assess management's valuation of the underlying business in supporting the recoverability of the investment. Our procedures included the following: Assessing the suitability of the impairment model and understanding management's process and the judgements utilised for developing estimates and assumptions. This included testing of the underlying "value-in-use" calculations. Performing a retrospective review of the prior period estimates by comparing to actual results in the current period and agreeing the current year cash flow assumptions to current year actual results. Using PwC valuation specialists to review the discount rate applied in management's calculation. Obtaining corroborating evidence to support significant assumptions and changes in the cash flow projections. Performing a sensitivity analysis based on reasonably possible outcomes. Checking the mathematical accuracy of the calculations. Based on the work performed we found that the underlying financial information and assumptions used were supported by the evidence we obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The accounting and financial management for all reporting units is controlled from the UK, so we as the group engagement team have performed all audit work.

The group financial statements are a consolidation of 74 subsidiaries (of which 13 are dormant) comprising the group's operating businesses and centralised functions. We performed full scope audit procedures in respect of 59 subsidiary entities at entity statutory materialities. Our full scope audits covered 99.6% of the group's revenue and 99.6% of the group's Earnings before interest, tax, depreciation and amortisation.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

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

	Group financial statements	*Parent company financial statements*
Overall materiality	£1,267k (2017: £3,000k).	£292k (2017: £253k).
How we determined it	2.5% of Earnings before interest, tax, depreciation and amortisation.	2% of total liabilities.
Rationale for benchmark applied	The Group is unlisted and controlled by a private equity firm. The Group has expanded through a combination of organic growth and debt financing, and the entity's loss before tax is affected by substantial charges for depreciation, amortisation and interest. Accordingly, we consider Earnings before interest, tax, depreciation and amortisation to be an appropriate benchmark. We believe that Earnings before interest, tax, depreciation and amortisation provides us with a consistent year on year basis for determining materiality.	We have applied this benchmark, a generally accepted auditing practice for non-profit oriented holding entities, in the absence of indicators that an alternative benchmark would be appropriate. We believe that the total liabilities provides us with a consistent year on year basis for determining materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £6k and £764k. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £63k (Group audit) (2017: £150k) and £14k (Parent company audit) (2017: £25k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 when:

- 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.

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.

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

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 2018 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.

C. Maw
Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
5 February 2019

SSCP Spring Topco Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 August 2018

	Note	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Turnover	2	241,209	299,108
Cost of sales		(135,432)	(184,530)
Gross profit		105,777	114,578
Administrative expenses		(99,775)	(111,848)
Exceptional items	3	-	(6,755)
Operating profit/(loss)	3	6,002	(4,025)
Interest receivable and similar income	4	12	12
Interest payable and similar expenses	5	(50,935)	(61,767)
		(50,923)	(61,755)
Loss on before taxation		(44,921)	(65,780)
Taxation	8	856	5,572
Loss and Total comprehensive expense for the financial year		(44,065)	(60,208)

Turnover and operating profit/(loss) derive 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 2018

	Note	31 August 2018 £ 000	31 August 2017 £ 000
Fixed assets			
Intangible assets	9	284,992	314,757
Tangible assets	11	89,405	82,135
		374,397	396,892
Current assets			
Stocks	13	20	30
Debtors	14	27,378	31,557
Cash at bank and in hand	15	18,313	21,974
		45,711	53,561
Creditors: amounts falling due within one year	16	(87,287)	(33,207)
Net current (liabilities)/assets		(41,576)	20,354
Total assets less current liabilities		332,821	417,246
Creditors: amounts falling due after more than one year	17	(420,135)	(455,789)
Provisions for liabilities	18	(25,914)	(31,068)
Net liabilities		(113,228)	(69,611)
Capital and reserves			
Called up share capital	21	-	-
Share premium account		14,087	13,639
Profit and loss account		(127,315)	(83,250)
Equity attributable to owners of the company		(113,228)	(69,611)
Total equity		(113,228)	(69,611)

The financial statements on pages 16 to 48 were approved and authorised by the Board on 5th February 2019 and signed on its behalf by:

....

J-L Janet

Director

....

D J Leatherbarrow

Director

The notes on pages 22 to 48 form an integral part of these financial statements.

SSCP Spring Topco Limited

(Registration number: 09248650)
Parent Company Parent Company Balance Sheet as at 31 August 2018

	Note	31 August 2018 £ 000	31 August 2017 £ 000
Fixed assets			
Investments	12	13,363	13,363
Current assets			
Debtors	14	10,010	9,270
Creditors: amounts falling due within one year	16	-	(38)
Net current assets		10,010	9,232
Total assets less current liabilities		23,373	22,595
Creditors: amounts falling due after more than one year	17	(14,629)	(12,659)
Net assets		8,744	9,936
Capital and reserves			
Called up share capital	21	-	-
Share premium reserve		14,168	13,652
Profit and loss account		(5,424)	(3,716)
Total equity		8,744	9,936

The company made a loss after tax for the financial year of £1,708,000 (2017 - loss of £2,674,000).

The financial statements on pages 16 to 48 were approved and authorised by the Board on 5th..... February 2019 and signed on its behalf by:

....
J-L Janet
Director

....
D J Leatherbarrow
Director

SSCP Spring Topco Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 August 2018

	Called up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2016	-	1,087	(23,042)	(21,955)
Loss for the financial year	-	-	(60,208)	(60,208)
Total comprehensive expense	-	-	(60,208)	(60,208)
Share issue	-	12,557	-	12,557
Share purchases by EBT	-	(5)	-	(5)
At 31 August 2017	-	13,639	(83,250)	(69,611)

	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)

SSCP Spring Topco Limited

Parent Company Statement of Changes in Equity for the Year Ended 31 August 2018

	Called up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2016	-	1,095	(1,042)	53
Loss for the financial year	-	-	(2,674)	(2,674)
Total comprehensive expense	-	-	(2,674)	(2,674)
Share issue	-	12,557	-	12,557
At 31 August 2017	-	13,652	(3,716)	9,936

	Called up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 September 2017	-	13,652	(3,716)	9,936
Loss for the financial year	-	-	(1,708)	(1,708)
Total comprehensive expense	-	-	(1,708)	(1,708)
Share issue	-	516	-	516
At 31 August 2018	-	14,168	(5,424)	8,744

The notes on pages 22 to 48 form an integral part of these financial statements.

SSCP Spring Topco Limited

Consolidated Cash Flow Statement for the Year Ended 31 August 2018

	Note	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Cash generated from operating activities	22	47,935	47,709
Taxation (net) paid		(3,147)	(1,082)
Net cash generated from operating activities		44,788	46,627
Cash flows from investing activities			
Interest received		12	12
Purchase of subsidiary undertaking (net of cash acquired)	10	(9,056)	(221,859)
Proceeds from sale of subsidiary undertaking		-	6,126
Acquisitions of tangible assets		(12,367)	(7,033)
Proceeds from sale of tangible assets		60	628
Acquisition of intangible assets		(219)	(207)
Proceeds from sale of intangible assets		-	1,864
Net cash used in investing activities		(21,570)	(220,469)
Cash flows from financing activities			
Interest paid		(24,420)	(31,770)
Proceeds from issue of ordinary shares, net of issue costs		516	12,557
Payments for purchase of own shares		(67)	(5)
Proceeds from new long term loans		-	162,050
Repayment of loans and borrowing		(1,942)	(11,588)
Proceeds from issue of shares classified as liabilities		-	45,087
Repayment of capital element of finance lease and HP		(30)	(44)
Issue of loan notes		-	16,000
Repurchase of loan notes and interest by EBT		(936)	(148)
Issue costs on loans		-	(6,002)
Net cash (used in)/ generated from financing activities		(26,879)	186,137
Net (decrease)/increase in cash and cash equivalents		**(3,661)**	**12,295**
Cash and cash equivalents at 1 September/1 April		21,974	9,679
Cash and cash equivalents at 31 August		18,313	21,974

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2018

1 Accounting policies

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

The address of its registered office is: Frays Court, 71 Cowley Road, Uxbridge, Middlesex, UB8 2AE, England.

These financial statements were authorised for issue by the Board on 5 February 2019.

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.

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 2018. 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.

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 liabilities of £41.6m (2017: net current assets of £20.4m) but this reflects the Group entering into an agreement to repay some long-dated loan notes prior to 31st August 2019. These repayments were entirely financed by the issue of new loan notes repayable in 2026 and therefore shortly after the balance sheet date £58.3m of loan notes will be reclassified as falling due after more than 1 year. Adjusting for this, the Group has net current assets of £16.7m (2017: £20.4m).

• *Net liabilities (having reflected bank loans, loan note and preference share obligations) of £113.2m (2017: £69.6m).* Bank loans amounting to £273.2m (96% of the overall balance) are repayable in 2022 and 2023; loan notes amounting to £85.9m are repayable in 2024 and 2025.

• Therefore of the total obligations under bank loans, loan notes and preference shares of £484.8m, £58.3m is classified as under 1 year but was refinanced with loan notes due after 5 years on 4th September 2018, £6.3m is due within one year, £274.8m is due within one to five years and £145.3m is due after five years.

• The Group recorded a loss of £44.1m (2017: £60.2m) for the period under review, after reflecting non-cash interest costs of £25.6 m (2017: £27.7m) and amortisation of intangibles amounting to £40.1m (2017: £52.9m).

The Group generated positive operating cash flows in the period under review of £20.4 m (2017: £14.9m), net of cash interest costs of £24.4m (2017: £31.8m) and at 31 August 2018 held cash balances amounting to £18.3m (2017: £22.0m) 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 period.

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 2018 a detailed annual budget for the year to 31 August 2019 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.

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.

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.

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

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

• 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 period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period 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 period 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.

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.

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.

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 and leasehold property	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.

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.

2 Turnover

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

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Rendering of services	241,209	299,108

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

3 Operating profit

Operating profit/(loss) is stated after charging/(crediting)

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Depreciation expense of owned assets	4,634	5,080
Depreciation of assets held under finance lease and hire purchase contracts	40	56
Amortisation expense	40,063	52,851
Operating lease charges	1,813	2,183
Loss/(profit) on disposal of tangible assets	101	(44)
(Release)/establishment of sleep-in provision (see note 18)	(1,532)	1,532

Earnings before interest, taxes, depreciation and amortisation for the year amounted to £50.7m (2017: £54.0m), having reflected an operating profit of £6.0m (2017: loss of £4.0m) and amortisation and depreciation of £44.7m (£58.0m) as per the table above.

Exceptional items:

	£ 000	£ 000
Loss on disposal of subsidiary	-	4,361
Gain on disposal of intangible assets	-	(1,656)
Restructuring and integration costs	-	4,050
	-	6,755

Fees payable to the company's auditors:

	£ 000	£ 000
Audit of the financial statements	25	25
Audit of subsidiary financial statements	245	246
Audit-related assurance services	5	4
Tax compliance services	45	49
Tax advisory services	-	378
Corporate finance services	-	704
Total amount payable to the company's auditors	320	1,406

4 Interest receivable and similar income

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Interest income on bank deposits	12	12

5 Interest payable and similar expenses

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Interest on loans and borrowings	24,217	32,195
Interest on preference shares	7,297	7,035
Net changes in fair value of cash flow hedges	(719)	(468)
Amortisation of finance fees	1,820	2,370
Interest on investor loan notes	18,317	20,631
Interest on obligations under finance leases and hire purchase contracts	3	4
	50,935	61,767

6 Staff costs

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

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Wages and salaries	49,847	64,732
Social security costs	5,099	5,995
Other pension costs	1,497	1,503
	56,443	72,230

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

	Year ended 31 August 2018 No.	1 April 2016 to 31 August 2017 No.
Teaching, care and administrative staff	2,110	1,717

Company

The company had no employees during the period under review (2017: nil).

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Remuneration	1,250	1,057
Contributions paid to money purchase schemes	16	16
	1,266	1,073

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

	Year ended 31 August 2018 No.	1 April 2016 to 31 August 2017 No.
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Remuneration	699	631
Company contributions to money purchase pension schemes	5	4

8 Tax on loss on ordinary activities

Tax charged/(credited) in the income statement

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Current taxation		
UK corporation tax	3,187	3,194
UK corporation tax adjustment in respect of prior periods	(472)	(830)
Total current tax	2,715	2,364
Deferred taxation		
Arising from origination and reversal of timing differences	(3,524)	(7,278)
Arising from changes in tax rates and laws	26	(658)
Arising from adjustment in respect of prior periods	(73)	-
Total deferred taxation	(3,571)	(7,936)
Total tax credit	(856)	(5,572)

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 (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.71%).

The differences are reconciled below:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Loss before tax	(44,921)	(65,780)
Corporation tax at standard rate	(8,535)	(12,965)
Effects of:		
Effect of expense not deductible in determining taxable profit (tax loss)	11,403	16,125
UK deferred tax expense (credit) relating to changes in tax rates or laws	26	(658)
Deferred tax credit in relation to intangible assets on business combinations	(3,205)	(7,244)
Adjustment for prior period	(545)	(830)
Total tax credit	(856)	(5,572)

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

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected 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 2017	(27,783)
Credit to income statement	287
Arising on business combinations	(706)
Provisions used in the year	3,284
At 31 August 2018	(24,918)

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

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

31 August 2017	Liability £ 000
Accelerated capital allowances	(74)
Tax losses available	87
Other timing differences	161
Acquired tangible assets	(3,875)
Acquired intangible assets	(24,082)
	(27,783)

Company

The company has no deferred tax provision at 31 August 2018 (2017: £Nil).

9 Intangible assets

Group

	Goodwill £ 000	Foster carer base £ 000	Customer relationships £ 000	Brand £ 000	Total £ 000
Cost					
At 1 September 2017	210,433	13,675	91,421	69,637	385,166
Transfers from tangible assets	-	-	-	90	90
Additions	-	105	-	86	191
Acquired through business combinations	6,202	421	2,551	845	10,019
At 31 August 2018	216,635	14,201	93,972	70,658	395,466
Amortisation					
At 1 September 2017	37,543	5,229	15,869	11,768	70,409
Amortisation charge	21,131	2,758	9,173	7,001	40,063
Transfers from tangible assets	-	-	-	2	2
At 31 August 2018	58,674	7,987	25,042	18,771	110,474
Net book amount					
At 31 August 2018	157,961	6,214	68,930	51,887	284,992
At 31 August 2017	172,890	8,446	75,552	57,869	314,757

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	2,878	1.6
Independent Foster Care Services Limited	203	2.0
Acorn Care 1 Limited and subsidiaries	2,467	2.9
Child Care Bureau Limited	163	4.8
Brighter Futures Foster Care Limited	246	4.9
Brand		
Belton Associates (Group Holdings) Limited and subsidiaries	21,845	6.6
Independent Foster Care Services Limited	553	7.0
Acorn Care 1 Limited and subsidiaries	28,507	7.9
Child Care Bureau Limited	317	9.8
Brighter Futures Foster Care Limited	516	9.9
Customer Relationships		
Belton Associates (Group Holdings) Limited and subsidiaries	30,721	6.6
Independent Foster Care Services Limited	930	7.0
Acorn Care 1 Limited and subsidiaries	34,760	7.9
Child Care Bureau Limited	802	9.8
Brighter Futures Foster Care Limited	1,717	9.9

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 2018 (2017: £nil).

10 Business combinations

On 17 August 2018, Belton Associates Limited acquired 100% of the issued share capital of Brighter Futures Foster Care Ltd for a total consideration of £6,042,000.

Brighter Futures Foster Care Ltd contributed £302,000 of revenue and profit of £59,000 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	Fair values £000
Intangible assets	-	2,500	2,500
Tangible assets	32	-	32
Trade and other receivables	827	-	827
Cash	143	-	143
Deferred tax	-	(425)	(425)
Trade and other payables	(472)	-	(472)
Total identifiable net assets	530	2,075	2,605
Goodwill			3,437
Total			6,042

Total consideration paid of £6,042,000 includes cash of £5,636,000 and directly attributable costs of £406,000.

For cash flow purposes the amounts are disclosed as cash consideration £6,042,000, less deferred consideration of £200,000, less outstanding directly attributable costs of £311,000, and less cash balances acquired of £143,000; net total of £5,388,000.

The deferred consideration is payable on 20 February 2019. The amount has not been discounted as discounting is immaterial.

On 8 June 2018, Belton Associates Limited acquired 100% of the issued share capital of Child Care Bureau Limited for a total consideration of £3,974,000.

Child Care Bureau Limited contributed £712,000 revenue and £146,000 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	Fair values £000
Intangible assets	-	1,317	1,317
Tangible assets	31	-	31
Trade and other receivables	315	-	315
Cash	106	-	106
Deferred tax	-	(224)	(224)
Trade and other payables	(336)	-	(336)
Total identifiable net assets	116	1,093	1,209
Goodwill			2,765
Total			3,974

Total consideration paid of £3,974,000 includes cash of £3,787,000 and directly attributable costs of £187,000.

For cash flow purposes the amounts are disclosed as cash consideration £3,974,000, less deferred consideration of £200,000, and less cash balances acquired of £106,000; net total of £3,668,000.

The deferred consideration is payable in February 2019. The amount has not been discounted as discounting is immaterial.

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 2017	74,229	2,836	1,214	7,504	826	86,609
Transfers to intangible assets	-	-	-	(90)	-	(90)
Additions	8,437	58	149	3,445	429	12,518
Disposals	(347)	(88)	(15)	(114)	(183)	(747)
Transfers	5	(187)	(9)	191	-	-
At 31 August 2018	82,324	2,619	1,339	10,936	1,072	98,290
Depreciation						
At 1 September 2017	1,589	280	311	2,082	212	4,474
Charge for the period	1,697	342	162	2,178	295	4,674
Eliminated on disposal	(3)	(28)	(12)	(92)	(126)	(261)
Transfers to intangible assets	-	-	-	(2)	-	(2)
Transfers	-	(38)	(39)	77	-	-
At 31 August 2018	3,283	556	422	4,243	381	8,885
Net book amount						
At 31 August 2018	79,041	2,063	917	6,693	691	89,405
At 31 August 2017	72,640	2,556	903	5,422	614	82,135

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:

	2018 £ 000	2017 £ 000
Fixtures and fittings	36	61

Company

The company had no tangible assets at 31 August 2018 (2017: £nil).

12 Investments

Company

	31 August 2018 £ 000	31 August 2017 £ 000
Investments in subsidiaries	13,363	13,363

Subsidiaries	£ 000
Cost	
At 1 September 2017	13,363
At 31 August 2018	13,363
Carrying amount	
At 31 August 2018	13,363
At 31 August 2017	13,363

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 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
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

Undertaking	Country of incorporation	Percentage	Principal activity
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 mangaement 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
Bramfield House School Limited**	England & Wales	100%	Provision of care and education services
Careforward Limited**	England & Wales	100%	Dormant

Undertaking	Country of incorporation	Percentage	Principal activity
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 Fostercare 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
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

Undertaking	Country of incorporation	Percentage	Principal activity
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

^ Kindercare Fostering Northern Ireland Limited, Fostering Relations Limited and Fostering Solutions (Northern) 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:

* Frays Court, 71 Cowley Road, Uxbridge, Middlesex. UB8 2AC
** 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

13 Stocks

	Group	
	31 August 2018 £ 000	31 August 2017 £ 000
Fuel stock	20	30

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

Company
The company had no stock at 31 August 2018 (2017: £nil).

14 Debtors

		Group		Company	
	Note	31 August 2018 £ 000	31 August 2017 £ 000	31 August 2018 £ 000	31 August 2017 £ 000
Trade debtors		22,947	27,670	-	-
Amounts owed by group undertakings		-	-	8,128	8,358
Loans to related parties	24	110	110	110	110
Accrued income		1,018	318	-	-
Other debtors		961	1,393	1,772	802
Prepayments		2,342	2,066	-	-
Total current trade and other debtors		27,378	31,557	10,010	9,270

All amounts fall due within one year.

Trade debtors are stated after provisions for impairment of £910,000 (2017: £1,113,000).

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

15 Cash at bank and in hand

	Group	
	31 August 2018 £ 000	31 August 2017 £ 000
Cash on hand	38	47
Cash at bank	18,275	21,927
	18,313	21,974

Company

The company had no cash at 31 August 2018 (2017: £nil).

16 Creditors: amounts falling due within one year

		Group		Company	
	Note	31 August 2018 £ 000	31 August 2017 £ 000	31 August 2018 £ 000	31 August 2017 £ 000
Bank loans and overdrafts		3,884	2,000	-	-
Loan notes	26	58,298	-	-	-
Trade creditors		2,593	2,398	-	-
Derivative financial instruments		-	719	-	-
Corporation tax		301	594	-	-
Social security and other taxes		1,432	1,499	-	-
Outstanding defined contribution pension costs		237	155	-	-
Obligations under finance lease and hire purchase contracts		24	7	-	-
Other creditors		864	574	-	38
Accruals and deferred income		19,654	25,261	-	-
		87,287	33,207	-	38

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 balance sheet date £58.3m of loan notes will be reclassified as falling due after more than 1 year.

17 Creditors: amounts falling due after more than one year

		Group		Company	
	Note	31 August 2018 £ 000	31 August 2017 £ 000	31 August 2018 £ 000	31 August 2017 £ 000
Loan notes		85,899	126,745	14,629	12,659
Bank loans		274,813	276,891	-	-
Preference shares		45,087	45,087	-	-
Interest accrued on preference shares		14,332	7,035	-	-
Obligations under finance lease and hire purchase contracts		4	31	-	-
		420,135	455,789	14,629	12,659

Maturity of debt

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

	Group		Company	
	31 August 2018 £ 000	31 August 2017 £ 000	31 August 2018 £ 000	31 August 2017 £ 000
Amounts falling due between one to five years				
Bank loans and overdrafts	274,813	44,609	-	-
Obligations under finance lease and hire purchase contracts	4	31	-	-
	274,817	44,640	-	-
Amounts falling due after more than five years				
Bank loans	-	232,282	-	-
Loan notes	85,899	126,745	-	12,659
Preference shares and interest accrued	59,419	52,122	-	-
	145,318	411,149	-	12,659
Total due after one year	420,135	455,789	-	12,659

Bank loans

Facility A Bank loan of £44.7m at 31 August 2018 (2017: £46.7m) attracts an interest rate of LIBOR plus 3.5%. During the period, two scheduled capital repayments of £1.0m were made on 28 February 2018 and 31 August 2018 respectively. Capital repayments of £1.9m will continue on a bi-annual basis, i.e. twice a year, until 31 August 2020, before increasing to £2.4m until 31 August 2021. The final repayment of £32.0m is due 24 April 2022.

Facility B Bank loan of £241.2m at 31 August 2018 (2017: £241.2m) attracts an interest rate of LIBOR plus 7.75%. No further capital repayments are due until 23 April 2023 when the entire balance becomes repayable.

Interest accrued on bank loans at 31 August 2018 was £2.5m (2017: £2.7m), recorded within accruals (Note 16).

Unamortised issue costs amounting to £7.2m (2017: £8.9m), have been offset against bank loans and are being amortised over the life of the loan.

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

The Group has access to an acquisition loan facility of £20m available until August 2019 and a revolving credit facility of £10m available over the life of Facility B on which it pays non usage fees of 1.4%. Both balances remain undrawn at 31 August 2018.

Investor loan notes

£62.5m of unsecured investor loan notes in the Group are held by SSCP Spring Holdings SCA. 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 2018 the value of capitalised interest was £29.4m (2017: £18.9m), with a further £5.4m interest accrued (2017: £3.8m).

£9.4m of unsecured investor loan notes in the Company are held by management and the EBT. During the year, the EBT purchased a net amount of £0.7m of loan notes from managers leaving the group giving a balance held by the EBT at 31 August 2018 of £1.4m (2017: £0.7m). 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 2018 the value of capitalised interest was £4.6m (2017: £3.2m).

Issue costs of £0.4m (2017: £0.5m) are outstanding and are being amortised over the period to January 2024.

The Company had £16m of variable rate investor loan notes which carried an interest rate of LIBOR+13.5% per annum and were repayable on 8 February 2024. At 31 August 2018 the value of capitalised interest was £5.5m (2017: £2.6m). On 3 November 2017, these loan notes were listed on The International Stock Exchange Limited ("TISE").

The Company had £10m of unsecured vendor loan notes. These loan notes carried an interest rate of 12.5% and were repayable on 2 November 2024. At 31 August 2018 the value of capitalised interest was £2.9m (2017: £1.4m). On 3 November 2017, these loan notes were listed on The International Stock Exchange Limited ("TISE").

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 accrued interest of £5.5m, the £10m of 2024 vendor loan notes plus accrued interest of £2.9m and £21.5m of 2025 investor loan notes plus £2.8m of accrued 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 the result of these repayments, the Group will benefit from a lower average cost of borrowing going forward.

Redeemable preference shares

The 14% cumulative redeemable preference shares on which interest of £7,297,000 (2017: £7,035,000) was accrued in the period, are redeemable on 24 April 2025.

18 Provision for liabilities

Group

	Deferred tax £ 000	Dilapidations £ 000	Onerous leases £ 000	Sleep-in payments £ 000	Other provisions £ 000	Total £ 000
At 1 September 2017	27,783	603	316	1,532	834	31,068
Additional provisions	-	97	61	-	-	158
Business combinations	706	-	-	-	-	706
Provisions used	(3,571)	(23)	(58)	-	(834)	(4,486)
Unused provision reversed	-	-	-	(1,532)	-	(1,532)
At 31 August 2018	24,918	677	319	-	-	25,914

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.

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.

Sleep-in provision
In January 2018, a number of subsidiaries joined the Social Care Compliance Scheme which was set up by HMRC following the outcome of a Court Decision involving another social care provider in relation to historic National Minimum Wage underpayments as a result of sleep-in shifts. As part of the scheme the Group had until 20 December 2018 to calculate and declare underpayments to HMRC before making payment before 31 March 2019. During the year under review HMRC issued revised guidance following the outcome by the Court of Appeal which resulted in no payment required to HMRC and therefore the provision has been reversed in the year under review.

Other provisions
Other provisions recognised in the prior period related to an enforcement notice for works required to a listed property held by the Group. The work has now been completed and therefore the provision used in the period under review.

Company
The company had no deferred tax and other provisions at 31 August 2018 (2017: £nil).

19 Commitments under operating leases

Group

Operating leases
The total of future minimum lease payments is as follows:

	31 August 2018 £ 000	31 August 2017 £ 000
Not later than one year	1,452	1,913
Later than one year and not later than five years	2,877	1,823
Later than five years	609	221
	4,938	3,957

Company
The company had no commitments under operating leases at 31 August 2018 (2017: £nil).

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 £1,497,021 (2017 - £1,503,000).

Contributions totalling £237,000 (2017 - £155,000) were payable to the schemes at the end of the year and are included in creditors.

SSCP Spring Topco Limited

Notes to the Financial Statements for the Year Ended 31 August 2018

21 Called up share capital

Allotted, called up and fully paid shares

	31 August 2018 No. 000	31 August 2018 £ 000	31 August 2017 No. 000	31 August 2017 £ 000
'A' Ordinary shares of £0.00010 each	1,155	0.115	1,095	0.110
'B1' Ordinary shares of £0.00100 each	84	0.084	64	0.064
'B2' Ordinary shares of £0.00100 each	92	0.092	68	0.068
'C' Ordinary shares of £0.00001 each	662	0.007	662	0.007
	1,993	0.298	1,889	0.248

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 59,811 'A' Ordinary shares were allotted for an aggregate consideration of £300,849.

During the year 24,789 'B2' Ordinary shares were allotted for an aggregate consideration of £114,232.

During the year 19,938 'B1' Ordinary shares were allotted for an aggregate consideration of £100,288.

22 Notes to the cash flow statement

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

	Note	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Cash flows from operating activities			
Loss for the financial year		(44,065)	(60,208)
Amortisation expense	3	40,063	52,851
Depreciation expense	3	4,674	5,136
Loss from disposals of investments		-	4,361
Profit on disposal of intangible assets		-	(1,656)
Loss/(profit) on disposal of tangible assets		101	(44)
Finance income	4	(12)	(12)
Finance costs	5	50,935	61,767
Taxation expense	8	(856)	(5,572)
Operating profit		50,840	56,623
Decrease/(increase) in stocks		10	(6)
Decrease/(increase) in debtors		5,321	(349)
Decrease in creditors		(5,946)	(10,363)
(Decrease)/increase in provisions		(2,290)	1,804
Cash generated from operating activities		47,935	47,709

Non-cash transactions excluded from the consolidated cash flow statement

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Investor Loan notes - accrued interest	18,317	20,483
Investor Loan notes - issuance	-	10,000
Preference shares - accrued interest	7,297	7,035
Amortisation of issue costs	1,820	2,370
Interest rate hedge	(719)	(469)

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.

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 'A' ordinary shares and 662,533 'C' ordinary shares in the Company.

SSCP Spring Holdings SCA holds preference shares in the Group of £45,086,507 (2017: £45,086,507) on which interest accrued in the period of £7,297,000 (2017: £7,035,000). 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. At 31 August 2018 I J Anderson owned 60,071 'A' Ordinary and 31,286 'B1' Ordinary shares in the Company (2017: 67,500 'A' Ordinary and 31,286 'B1' Ordinary). I J Anderson held £3,435,497 of investor loan stock (2017: £4,432,500) on which accrued interest at 31 August 2018 was £1,907,025 (2017; £1,616,000).

J-L Janet is a Director of the Company. At 31 August 2018 J-L Janet owned 12,770 'A' Ordinary shares and 19,195 'B2' Ordinary shares in the Company (2017: 15,883 'B2' Ordinary Shares). 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 2018 D J Leatherbarrow owned 59,811 'A' Ordinary shares in the Company and 19,938 'B1' Ordinary shares in the Company (2017: Nil). D J Leatherbarrow held £672,495 of investor loan stock (2017: Nil) on which accrued interest at 31 August 2018 was £373,298 (2017; £Nil).

D J Quinn is a Director of the Company. At 31 August 2018 D J Quinn owned 4,784 'A' Ordinary shares in the Company (2017: Nil).

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 period (2017: £566,667).

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:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	22,947	27,670
Other debtors	1,071	1,503
	24,018	29,173
Financial liabilities measured at fair value through profit and loss:		
Derivative financial instruments	-	(719)
Financial liabilities at amortised cost:		
Bank loans	(278,697)	(278,891)
Investor loan notes	(144,197)	(126,745)
Preference shares	(45,087)	(45,087)
Finance leases	(28)	(38)
Trade creditors	(2,593)	(2,398)
Other creditors	(1,101)	(729)
Interest accrued on preference shares	(14,332)	(7,035)
	(486,035)	(460,923)

Derivative financial instrument - interest rate swaps
At 31 August 2018, the Group did not hold any derivative financial instruments

The fair value of the instruments at 31 August 2018 was a liability of £Nil (2017: a liability of £720,000).

Company

The company has the following financial instruments:

	Year ended 31 August 2018 £ 000	1 April 2016 to 31 August 2017 £ 000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by group undertakings	8,128	8,358
Other debtors	1,882	912
	10,010	9,270
Financial liabilities at amortised cost:		
Investor loan notes	(14,629)	(12,659)
Other creditors	-	(38)
	(14,629)	(12,697)

26 Post Balance Sheet Events

On 22 August 2018, the Group entered into an unconditional agreement whereby on 4 September 2018 the Group repaid the £16m 2024 investor loan note plus any accrued interest of £5.5m, the £10m 2024 of vendor loan notes plus accrued interest of £2.9m and £21.5m of 2025 investor loan notes plus £2.8m of accrued 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, other than extending the term of the debt from 2024/5 to 2026. As the result of these repayments, the Group will benefit from a lower average cost of borrowing going forward.

On 15th October 2018 the Group acquired the entire share capital of Reach Out Care Limited, a company operating an independent fostering agency in the North East of England for a total consideration net of cash and debt of £0.9m.

27 Parent and ultimate parent undertaking

The ultimate parent is SSCP Spring Topco Limited, a company incorporated in England and Wales.

SSCP Spring Holdings SCA, a company incorporated in Luxembourg, owns 80.97% (2017: 84.34%) 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.