Registered number: 07899184

PHOENIX LEARNING & CARE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

PHOENIX LEARNING & CARE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	D M Sherratt W M Buckingham F HR Delbaere J H Pain
Company secretary	F HR Delbaere
Registered number	07899184
Registered office	First Floor Rolle Quay House Rolle Quay Barnstaple Devon EX31 1JE
Independent auditors	Nexia Smith & Williamson Portwall Place Portwall Lane Bristol BS1 6NA

PHOENIX LEARNING & CARE HOLDINGS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their Group Strategic Report for the year ended 31 August 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Phoenix Group (Phoenix Learning & Care Holdings Limited and subsidiaries, "Phoenix") during the year were managed under the following four business sectors:

(a) Residential Children's homes for Young People with behavioural, emotional and social difficulties ("BESD")
(b) Specialist schools providing education to Young People with behavioural, emotional and social difficulties from 11 to 16 years of age or Young People with ASD from 7 to 16 years.
(c) Independent Specialist Residential Colleges providing bespoke education to Young Adults with learning disabilities from 16 to 25 years of age
(d) Ongoing continuing care and supported living services for Adults

The directors continue to review the principal activities and their extension during the forthcoming year.

GROUP VISION AND GOALS

Iln conducting the principal activities outlined above, Phoenix's vision is:

"Our business is the provision of services for people with differing needs. We work to give every individual the chance to flourish."

To achieve the above vision, Phoenix's key goals are to:

- achieve positive outcomes for all the Young People and adults it cares for;
- keep a Young Person centred approach to the Group's strategy and development;
- invest in training & development while supporting and growing its people and teams;
- diversify and develop the services it provides;
- position the business for continued sustainable growth;
- understand the needs of the customers it serves;
- continually review and improve the quality of its services provided;
- make Phoenix a respected, valued and trusted brand.

REVIEW OF THE YEAR AND FUTURE OUTLOOK

Summary

2017 continued to be a period of further consolidation across the services operated by the Group. The Residential Children's service continued to expand with one new site launched and another imminently awaiting regulatory approval. The Oakwood Court College Personalised Learning Service ('OCCPLS') was also expanded by the addition of another property in close geographic proximity to the Independent Specialist College in Dawlish. The organisation continues to rise to the challenges in the recruitment of new colleagues by offering competitive salaries and reinforcing the employee benefits package including the planned launch of enhanced employee benefits at the employee awards ceremony in November 2017 featuring discount shopping/childcare vouchers to help boost healthy pipelines of new employees joining our teams to fill ad-hoc vacancies and critically resource new sites.

Phoenix continues to operate within a challenging environment with Local Authorities and other government run bodies facing funding constraints while there has been increasing pressure from additional regulatory scrutiny.

Our response to increased regulatory scrutiny was to appoint a Quality and Service Delivery Director in June 2017 with a view to supplementing this with the appointment of a Quality Manager in early 2018. These appointments will be critical to driving up consistency and quality across all our services. Phoenix has been able to improve occupancy numbers and derive higher average fees by working with new Local Authorities or being more innovative in support provision.

During the year, the Group continued its investment into its systems with information technology connectivity and telephone system upgrades deployed coupled to the introduction of cloud based recording and analysis system to all children's homes, schools, college and adults services, allowing behaviour and outcomes to be recorded, tracked and analysed. Additionally an employee rota system has been deployed. Both the cloud based reporting and timesheet system are currently undergoing integration with the business as it represents a significant culture shift in information entry and handling for our teams.

Better systems will help ensure we provide accountable, value-for-money services to our customers while also striving to improve the quality of care given to all of the individuals we support across the spectrum of our services.

From December 2016 a review of the night-time sleep-in payments was made in line with national minimum wage guidelines. The strategic aspiration to pay all of our employees the National Living Wage (or above) as set by the Living Wage Foundation remains and to that end plans were put in place to revise remuneration levels for most front line care workers increasing as of 1st September 2017 ranging from 6.7% to 14.7% with increments at the higher end to reward employees with required QCF qualifications and those in Senior RSW roles to re-inforce employee career development.

In November 2017 we held our third very successful Annual employee recognition Awards ceremony celebrating the employee excellence that exists within our business presenting professional categories of award alongside a selection of HEART awards to individual employees who extolled the virtues of our company values; Honesty, Empathy, Aspiration, Respect and Teamwork.

At the awards ceremony we introduced elements of our new brand identity, this brings a change of colour palette away from dark green to a more contemporary colour scheme incorporating a heart in our logo plus tagline Nurture - Flourish – Grow with coloured circles representing the vibrancy and energy of the individuals we support. This branding was well received by the audience and will be integrated into our marketing, stationery and new website forecast for 2018.

The Executive Management Team was further strengthened with the appointment of a part-time Director of Therapies (Clinical Psychologist) in order to review the Therapeutic provision provided across the group with a view to increasing our expertise and capabilities whilst providing improved value for money. The Director of Education retired at the end of the academic year in July 2017 and this position is currently being recruited for.

The Founder and Strategic Advisor is preparing toward retirement at the end of 2017.

Phoenix continues to remain a provider of high quality care and services to its customers while operating within a highly regulated industry.

Financial Performance and KPIs

During 2017, the Group showed positive growth in its operations with reported revenues increasing 18.6% year on year to £10.2m (2016: £8.6m). The key contributors to this growth came from improvements in occupancy from underlying children's homes resources and some further growth in Independent Specialist College and OCCPLS revenues.

The financial year, although presenting another year of operational consolidation, the Group's Residential Children's Homes services operated through Phoenix Child Care Limited ("PCC") did see the development of two new children's homes that increased capacity in the service. However, delays in these homes opening due to factors outside of the group's control resulted in large pre-opening losses seen in the year. The Phoenix Academy saw a reduction in student numbers during the year that followed a restructure of the service but following the year end, the school continues to trade at full capacity. New capacity was introduced in Adult continuing care and supported living services through the launch of a new 7 bed supported living service in Teignmouth in August 2016.

Revenues in PCC increased year on year by 16.7% to £5.6m (2016: £4.8m) with Residential Children's Homes services increasing by 24% and specialist schools reducing by 30% resulting from the reduction in student numbers at Phoenix Academy.

Revenues in Phoenix Learning & Care Limited ("PLC") increased by 15.3% to £4.5m (2016: £3.9m) with Independent Specialist College services increasing by 17% from increases in student numbers whilst Adult continuing care and supported living services saw a 13% increase from the new supported living service launched.

Demand and number of students attending the Independent Specialist College continued to improve in the financial year to August 2018 and more demand is being seen for more acute and specialist care within this service.

Adjusted EBITDA, which attempts to provide an indicator of the underlying trading performance, is shown in the table below:

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2017

Financial KPIs			**2017 - £'000**		
	PCC	PLC	PLCH	PLCP	**Consolidated**
1. Adjusted EBITDA - continuing activites	12 months	12 months	12 months	12 months	
Operating activities	(228)	676	(573)	68	**(58)**
Depreciation and amortisation	109	56	242		**41**
Monitoring fees			122		**122**
Impairment or loss on disposal of fixed assets					**-**
Non-trading exceptional costs	22		184		**184**
Restructuring costs	48				**48**
Intercompany rental charges		68		(68)	**-**
Bad debt write off	32				**32**
New site operating losses	243	9			**252**
Adjusted EBITDA	**226**	**808**	**(25)**	**-**	**1,009**
2. Adjusted EBITDA as a percentage of revenues	4%	18%			**10.0%**
3. Capital Expenditure (see note 11)	121	90	-	-	**211**
4. Debtor days	66	20	-	-	**45**
Non Financial KPIs					
1. Employee Headcount (average)	174	145	-	-	**319**
2. PCC Children's home occupancy (average)	70.0%				**70.0%**

Financial KPIs			**2016 - £'000**		
	PCC	PLC	PLCH	PLCP	**Consolidated**
1. Adjusted EBITDA - continuing activites	12 months	12 months	12 months	8 months	
Operating activities	(251)	714	(569)	40	**(66)**
Depreciation and amortisation	100	72	242		**414**
Monitoring fees			162		**162**
Impairment or loss on disposal of fixed assets	52	99			**151**
Non-trading exceptional costs		55	129		**184**
Intercompany rental charges		40		(40)	**-**
Adjusted EBITDA	**(99)**	**980**	**(36)**	**-**	**845**
2. Adjusted EBITDA as a percentage of revenues	(2%)	25%			**9.8%**
3. Capital Expenditure (see note 11)	104	127	-	-	**231**
4. Debtor days	14	32	-	-	**22**
Non Financial KPIs					
1. Employee Headcount (average)	140	119	-	-	**259**
2. PCC Children's home occupancy (average)	68.9%				**68.9%**

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2017

Overall, adjusted EBITDA increased to £1m (2016: £0.8m) which represented a growth year on year of 19%. The large transaction costs associated with the refinance during the year, restructuring costs from departing directors and some smaller exceptional non-trading costs impacted the operating activities of the Group. Further consideration is shown for the impact of the delays seen in the new sites opened where costs were incurred ahead of revenues materialising and directly resulting from delays outside the Group's control. Investment in the Group's overhead base continued ahead of future development in its operations.

Financial KPIs are maintained and monitored by the directors and these are shown in the above table. Debtor days saw a slight increase year on year from some delays in Local Authority payments at the year end.

The full trading results for the year to 31 August 2017 are shown in the consolidated statement of comprehensive income on page 14.

The Group's financing structure is shown in the table below:

Financing	2017 £000	2016 £000
Called up share capital	264	237
Secured bank loans	4,165	3,907
Unsecured Loan Notes	7,233	7,416
Total	**11,662**	**11,560**

During the year, the secured bank loans were refinanced from Cooperative Bank to Royal Bank of Scotland plc. The unsecured Loan Notes were also restructured as part of the refinance in the year to extend their repayment to 2021 in line with the new secured bank loans.

Residential Children's Homes

2017 saw increased levels of scrutiny by OFSTED on residential child care providers and we continue to rise to that regulatory challenge.

The trading market in social care remains challenging with many Local Authorities continuing to face scrutiny in their budgets. However resilience in the local market remains weak with commissioners reporting high levels of out-of-county placements and local providers reporting high levels of voids indicative of stress in the Child matching process and an emerging risk adverseness in providers generally for taking high acuity packages that could result in adverse Ofsted ratings.

A new 3 bed service opened in North Devon and is expected to fill quickly and at the year end, a 4 bed service in mid Devon is awaiting imminent regulatory inspection to be granted a licence to operate.

These actions along with the continued high quality service provision, further investment in systems and people, all within the context of an increasing level of scrutiny within an already highly regulated market, and challenges faced in recruiting colleagues, have seen the Group's overall occupancy levels start to increase year on year.

The business continues to progress cost base management and efficiency improvements and agency usage is now only present around planned short term additional 2:1 support (paid for by Local Authorities) or recruitment hot-spots related specifically to night-waking positions. No new Children's homes services are anticipated to open during 2018 although recruitment of additional Children's Homes Managers and identification of physical sites continue.

The Directors continually engage with Commissioners, Local Authorities and regulators to understand the changing needs of the Group's customers and the Young People in need of support and care.

Specialist Schools

Phoenix continues to provide educational needs through its facilities at Acorn School and the Phoenix Academy, schools that offer truly bespoke and individualised learning opportunities to those children unable to attend more mainstream provisions.

Each individual is treated with inclusion, compassion and understanding with the aim to encourage, where appropriate, integration into mainstream schools.

The Phoenix Academy has seen learner numbers improve as forecast with the switch to KS2 and ASD diagnosis and this site is now full with 12 learners post year end and into the next financial year. Further expansion at the site is being reviewed and initial designs for an extension to the school have been submitted. The school remains at an Inadequate status from the November 2015 Ofsted inspection (although subsequent material change notifications have confirmed the concerns at the time have been addressed). A re-inspection is anticipated later this year as part of the Ofsted 3 year inspection cycle.

Phoenix has been very successful in placing children from its own residential provisions in mainstream, or variants of mainstream, education. As a result opportunities for student referrals to Acorn school have decreased. The site location is compromised in that it shares the physical site with one of our residential children's homes. A new school site has been located and secured in 2018 to transfer the operations of Acorn School with the aim to bring this live from the new 2018/19 academic year. There is a planned increase in capacity to further develop Acorn's places by c400% and the Group is working with the DfE to ensure a smooth transition and opening of the new school.

Independent Specialist Residential Colleges

Phoenix provides specialist education for young people with learning difficulties and disabilities through Oakwood College with campuses located in Dawlish, Devon and Torpoint, Cornwall. The services provide each learner with the skills they need to develop independence, lead purposeful and fulfilling lives and enjoy opportunities to gain knowledge and experiences that can lead to employment at the conclusion of their College programme. The College offers internship programmes.

Learner numbers on-roll were 43 for the 2017 academic year compared to the position of 32 on-roll during the 2016 academic year, however for the academic year to August 2018 learner numbers have increased to 52 plus 3 Oakwood Court College Personalised Learning Service. 17 of these 52 are learners at the Torpoint campus which again reflects improved working relationships with feeder schools in Plymouth. Further investment at the Torpoint site has configured a further two classrooms, an education office, a staff room and a therapy room in addition to the 3 additional classrooms configured during 2016.

The industry continues to experience a challenging marketing and funding environment through the devolvement of funding ownership from the central EFA to individual Local Authorities, causing on-going confusion for both parents and prospect learners. We bolstered our transitions team during 2017 to give additional dedicated resource across both Dawlish and Torpoint. This team remains strong and maintain good relationships with prospect learners and their families. The trend towards less residential placements or residential placements across Monday to Thursday continues.

The college prospectus was revised during 2017 and will be further revised in light of the new company branding during 2018 alongside a specific website for the college.

Phoenix aims to deliver further diversification of the Group's offer within its Independent Specialist Colleges while maintaining its core service, this diversification will see highly specialised services designed to offer very high acuity learners a route into the college through an integrated pathway. This will ensure it caters for the increase in learner numbers following the recent changes in funding process and allow it to exploit other more bespoke specialist markets.

Continuing Care and Supported Living Services

The Group's capacity in this service was increased in August 2016 with the launch of a new 7 bed supported living home based in Teignmouth. This increased the capacity across all locations to 36 beds and complimented the underlying services already operated by the Group. By the year end, all places across the Group were filled with no vacancies.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have considered the effect of risk on Phoenix's business. The principal risks considered are outlined below:

People
Phoenix's employees remain central to the business' strategy and the Group is reliant upon its key employees in order to maintain the standards and competitive advantage. The Directors have identified the need to invest in current staff engagement and communication structures and continue to work hard to retain employees. Plans are emergent for improved operational governance across the business and involving key operational employees. Pay and working conditions are closely monitored and aligned to market rates.

Regulatory Environment

Phoenix operates within highly regulated industries and current trading activities are monitored by the following organisations:

a) OFSTED: Children and families services
b) OFSTED: Schools
c) OFSTED: Further Education and skills
d) Care Quality Commission ("CQC")

All four different bodies provide strict guidelines, standards and legal requirements that Phoenix needs to adhere to with some services being regulated by more than one body. Breaches of any requirements could adversely impact on the relationships with existing clients; the business' reputation and ultimately its ability to take on any new business or retain current business. Strict compliance with all the legislation, guidance and requirements is therefore promoted throughout the Group and is monitored through close internal inspections and checks.

CORPORATE AND SOCIAL RESPONSIBILITY

Employment policies

Phoenix remains a proactive equal opportunities employer and has a policy to ensure that all employees and future job applicants are given equal opportunity irrespective of their race, religion or belief, sexual orientation, age, gender or disability.

Phoenix also continues to have a strong focus on the competence and credibility of its workforce and performs safer recruitment verification on all our employees. This ensures that the business maintains its high level of safeguarding processes and controls.

Training

Phoenix puts great emphasis on the training and development of our Colleagues to improve and maintain the quality of service provided. During the year, the Group continued to enhance the training provision by identifying more creative and innovative ways of developing its people including the launch of the Aspiring Leaders program for Seniors wanting to progress into Registered Manager roles . We continue to have many employees undertaking L3 qualifications.

Social and community responsibilities - charitable donations

Phoenix encourages all its employees and those we support to give something back to their local communities and facilitates fundraising for charities.

Stakeholders

Phoenix continues to enjoy solid relationships with its banks and other stakeholders, including its regulatory bodies in the form of OFSTED and the CQC. All are kept fully informed as appropriate regarding Phoenix's strategy and developments and remain supportive.

This report was approved by the board on 9 August 2018 and signed on its behalf.

J H Pain
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their report and the financial statements for the year ended 31 August 2017.

Directors

The directors who served during the year were:

K G Burley *(resigned 5 December 2017)*
D M Sherratt
W M Buckingham
F HR Delbaere
J H Pain
M Parker (resigned 31 December 2016)

Results and dividends

The loss for the year, after taxation, amounted to £882,462 *(2016 - loss £947,731)*.

The Directors received a final dividend during the year of £nil (2016 - £nil).

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post balance sheet events

The Group has purchased a care home post year end for £650,000. This will be turned into a school for use within Phoenix Child Care Limited. The purchase was financed in full by a loan from RBS of equal value to the purchase price and this loan is held within Phoenix Learning & Care Holdings Limited.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2017

Future developments

The Group will continue to provide high quality care and education for young people with behavioural, emotional and social difficulties.

Employee involvement

The group's loyal and skilled workforce is essential for its future prosperity. Employees are encouraged to attend training and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them. Further information on the employment policy is provided in the Group Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 August 2018 and signed on its behalf.

F HR Delbaere
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Phoenix Learning & Care Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the Consolidated statement of comprehensive income, Consolidated and parent company balance sheets, Consolidated and parent company statement of changes in equity, Consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the the company's affairs as at 31 August 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED (CONTINUED)

Other information
The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED (CONTINUED)

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nexia Smith & Williamson

Kelly Jones (Senior statutory auditor)

for and on behalf of
Nexia Smith & Williamson

Statutory Auditor & Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA
Date: 9 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	*2016* *£*
Turnover	4	**10,156,366**	*8,647,363*
Cost of sales		**(7,453,597)**	*(6,056,083)*
Gross profit		**2,702,769**	*2,591,280*
Administrative expenses		**(2,768,923)**	*(2,667,103)*
Operating loss	5	**(66,154)**	*(75,823)*
Interest payable and expenses	8	**(840,450)**	*(856,613)*
Loss before taxation		**(906,604)**	*(932,436)*
Tax on loss	9	**24,142**	*(15,295)*
Loss for the financial year		**(882,462)**	*(947,731)*
Total comprehensive expense for the year		**(882,462)**	*(947,731)*

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2017

	Note		2017 £		*Restated 2016 £*
Fixed assets					
Goodwill	10		**3,580,160**		*3,822,527*
Tangible assets	11		**6,281,389**		*6,243,590*
			9,861,549		*10,066,117*
Current assets					
Stocks	13	**8,810**		*8,810*	
Debtors	14	**1,654,328**		*957,125*	
Bank & cash balances		**163,643**		*557,565*	
		1,826,781		*1,523,500*	
Creditors: amounts falling due within one year	15	**(6,596,101)**		*(12,162,619)*	
Net current liabilities			**(4,769,320)**		*(10,639,119)*
Total assets less current liabilities			**5,092,229**		*(573,002)*
Creditors: amounts falling due after more than one year	16		**(8,033,308)**		*(1,487,806)*
			(2,941,079)		*(2,060,808)*
Provisions for liabilities					
Deferred taxation	20		**(23,092)**		*(48,704)*
Net liabilities			**(2,964,171)**		*(2,109,512)*
Capital and reserves					
Called up share capital	21		**264,356**		*236,553*
Profit and loss account	22		**(3,228,527)**		*(2,346,065)*
			(2,964,171)		*(2,109,512)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

9 August 2018

F HR Delbaere
Director

The notes on pages 21 to 40 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	11		**5,716**		*5,716*
Investments	12		**3,849,544**		*3,849,544*
			3,855,260		*3,855,260*
Current assets					
Debtors	14	**3,428,264**		*3,747,093*	
Bank & cash balances		**-**		*6,652*	
		3,428,264		*3,753,745*	
Creditors: amounts falling due within one year	15	**(4,826,346)**		*(10,657,229)*	
Net current liabilities			**(1,398,082)**		*(6,903,484)*
Total assets less current liabilities			**2,457,178**		*(3,048,224)*
Creditors: amounts falling due after more than one year	16		**(7,233,455)**		*(654,190)*
Net liabilities			**(4,776,277)**		*(3,702,414)*
Capital and reserves					
Called up share capital	21		**264,356**		*236,553*
Profit and loss account	22		**(5,040,633)**		*(3,938,967)*
			(4,776,277)		*(3,702,414)*

The company's loss for the year ended 31 August 2017 was £1,101,666 (2016: £1,138,820).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 August 2018

F HR Delbaere
Director

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2015	137,013	(1,398,334)	(1,261,321)
Comprehensive income for the year			
Loss for the year	-	(947,731)	(947,731)
Total comprehensive income for the year	-	(947,731)	(947,731)
Shares issued during the year	99,540	-	99,540
At 1 September 2016	236,553	(2,346,065)	(2,109,512)
Comprehensive income for the year			
Loss for the year	-	(882,462)	(882,462)
Total comprehensive income for the year	-	(882,462)	(882,462)
Shares issued during the year	27,803	-	27,803
At 31 August 2017	264,356	(3,228,527)	(2,964,171)

The notes on pages 21 to 40 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2015	137,013	(2,800,147)	(2,663,134)
Comprehensive income for the year			
Loss for the year	-	(1,138,820)	(1,138,820)
Total comprehensive income for the year	-	(1,138,820)	(1,138,820)
Shares issued during the year	99,540	-	99,540
At 1 September 2016	236,553	(3,938,967)	(3,702,414)
Comprehensive income for the year			
Loss for the year	-	(1,101,666)	(1,101,666)
Total comprehensive income for the year	-	(1,101,666)	(1,101,666)
Shares issued during the year	27,803	-	27,803
At 31 August 2017	264,356	(5,040,633)	(4,776,277)

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	2017 £	*Restated* *2016* *£*
Cash flows from operating activities		
Loss for the financial year	**(882,462)**	*(947,731)*
Adjustments for:		
Amortisation of intangible assets	**242,367**	*242,367*
Depreciation of tangible assets	**173,296**	*179,857*
Impairments of fixed assets	**-**	*136,378*
Loss on disposal of tangible assets	**-**	*10,988*
Interest paid	**840,450**	*856,613*
Taxation	**(24,142)**	*15,295*
(Increase) in debtors	**(697,203)**	*(162,380)*
Increase in creditors	**437,938**	*1,048,663*
Corporation tax (paid)	**(92,093)**	*(69,369)*
Net cash generated from operating activities	**(1,849)**	*1,310,681*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(211,095)**	*(149,728)*
Sale of tangible fixed assets	**-**	*13,811*
HP interest paid	**(9,603)**	*(7,240)*
Net cash from investing activities	**(220,698)**	*(143,157)*

(CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2017

	2017 £	2016 £
Cash flows from financing activities		
Issue of ordinary shares	-	*53,996*
New bank loans	4,250,000	-
Repayment of loan notes	(270,083)	*(710,442)*
New loan notes	-	*320,023*
Repayment of bank loans	(3,991,879)	-
Repayment of/new finance leases	(47,515)	*(40,559)*
Interest paid	(214,611)	*(329,304)*
Net cash used in financing activities	(274,088)	*(706,286)*
Net (decrease)/increase in cash and cash equivalents	(496,635)	*461,238*
Cash and cash equivalents at beginning of year	557,565	*96,327*
Cash and cash equivalents at the end of year	60,930	*557,565*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	163,643	*557,565*
Bank overdrafts	(102,713)	-
	60,930	*557,565*

The notes on pages 21 to 40 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. General information

Phoenix Learning & Care Holdings Limited is a private company, limited by shares, incorporated in England and Wales. The address of the registered office is First Floor, Rolle Quay House, Rolle Quay, Barnstaple, Devon, EX31 1JE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Group has net current liabilities of £4,769,320 and net liabilities of £2,964,171 as at 31 August 2017. The directors have reviewed the group's forecasts and projections, taking account of reasonably possible changes in trading performance.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, based on the intention of continued financial support from the shareholders (Ashridge Capital (Phoenix) LP). Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Prior period restatement

Trade debtors have been restated to reflect invoices issued prior to 1 September 2016. The related income relates to the current year and therefore has been deferred at 31 August 2016. This has resulted in an increase to trade debtors and deferred income of £246,229. There is no impact on the profit for the prior period.

2. Accounting policies (continued)

2.5 Turnover

The turnover shown in the consolidated statement of comprehensive income represents amounts invoiced during the year. Turnover from the supply of services represents the value of the services provided under contracts to the extent that there is a right to consideration and is recorded at the value of consideration due.

Where a contract has been only partially completed at the statement of financial position date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors.

2.6 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Amortisation is provided on the following bases:

Goodwill	-	5 % straight line

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years
L/Term Leasehold Property	- 12.5% to 25% straight line
Plant & machinery	- 10% to 33% straight line
Motor vehicles	- 25% straight line
Fixtures & fittings	- 10% to 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stocks.

2.10 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension 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 in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.16 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2. Accounting policies (continued)

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

The key areas of judgement and estimation uncertainty in these financial statements are highlighted below:

Valuation of tangible assets
At each statement of financial position date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. The carrying value of tangible assets as at 31 August 2017 is £6,281,389.

Valuation of investments
Investment balances are reviewed periodically by management for evidence of impairment with reference to the financial position of the company in which the investment is held. Where indicators of impairment are identified, an impairment review is performed and an impairment charge is recognised to the extent necessary. The carrying value of investments as at 31 August 2017 is £3,849,544.

Valuation of goodwill
Goodwill is reviewed periodically by management for evidence of impairment with reference to the financial position of the company to which the goodwill relates. Where indicators of impairment are identified, an impairment review is performed and an impairment charge is recognised to the extent necessary. The carrying value of goodwill as at 31 August 2017 is £3,580,160.

Valuation of debtors
Debtor balances are reviewed periodically by management for evidence of impairment with reference to the financial position of the counterparty. Where indicators of impairment are identified and it is considered probable that the debt will not be recovered in full, a provision is recognised. The total value of debtors as at 31 August 2017 is £1,654,328.

4. Turnover

The whole of the turnover is attributable to the principal activities of the group.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	-	-
- owned by the company	112,220	111,555
- held under finance lease	61,076	68,302
Impairment of tangible fixed assets	-	136,378
Amortisation of intangible assets	242,367	242,367
Defined contribution pension cost	75,477	54,241
Auditors' remuneration - non audit	14,760	28,964
Auditors' remuneration - group audit	26,500	17,500
Profit/loss on disposal	-	10,988
Operating lease costs	296,807	193,729

Auditor fees for the company were £5,950 (2016 - £6,700).

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Wages and salaries	**6,507,844**	*5,224,734*	-	-
Social security costs	**538,484**	*431,785*	-	-
Cost of defined contribution scheme	**75,477**	*54,241*	-	-
	7,121,805	*5,710,760*	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	*2016 No.*
Administrative staff	**319**	*259*

The Company has no employees other than the directors, who did not receive any remuneration *(2016 - £NIL)*.

7. Directors' remuneration

	2017 £	*2016 £*
Directors' emoluments	**339,353**	*375,129*
Company contributions to defined contribution pension schemes	**3,685**	*4,449*
	343,038	*379,578*

During the year retirement benefits were accruing to 4 directors *(2016 - 4)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £109,938 *(2016 - £117,142)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,147 *(2016 - £1,112)*.

The directors, and only the directors, are considered to be key management personnel and total compensation paid to the key management personnel in the year was £343,038 (2016: £379,578).

8. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	214,079	245,176
Other loan interest payable	616,236	603,564
Finance leases and hire purchase contracts	9,603	7,240
Other interest payable	532	633
	840,450	*856,613*

9. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	1,470	11,637
Adjustments in respect of previous periods	-	(4,555)
	1,470	7,082
Total current tax	1,470	7,082
Deferred tax		
Origination and reversal of timing differences	(23,258)	8,213
Adjustments in respect of prior periods	374	-
Effect of tax rate change on opening balance	(2,728)	-
Total deferred tax	(25,612)	8,213
Taxation on loss on ordinary activities	(24,142)	15,295

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2016 - higher than)* the standard rate of corporation tax in the UK of 19.58% *(2016 - 20%)*. The differences are explained below:

	2017 £	*2016 £*
Loss on ordinary activities before tax	**(906,604)**	*(932,436)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 - 20%)	**(177,513)**	*(186,490)*
Effects of:		
Expenses not deductible for tax purposes	**26,601**	*12,156*
Adjustments to tax charge in respect of prior periods	**181**	*(4,555)*
Fixed asset differences	**15,435**	*45,959*
Non taxable income	**(27,089)**	*(2,911)*
Non tax deductible amortisation of goodwill impairment	**47,455**	*48,473*
Adjust closing deferred tax to average rate	**14,663**	*24,012*
Deferred tax not recognised	**76,125**	*78,651*
Total tax charge for the year	**(24,142)**	*15,295*

10. Intangible assets

Group

	Goodwill £
Cost	
At 1 September 2016	4,847,333
At 31 August 2017	4,847,333
Amortisation	
At 1 September 2016	1,024,806
Charge for the year	242,367
At 31 August 2017	1,267,173
Net book value	
At 31 August 2017	3,580,160
At 31 August 2016	*3,822,527*

11. Tangible fixed assets

Group

	Freehold property £	L/Term Leasehold Property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation						
At 1 September 2016	6,350,865	142,095	103,122	322,340	149,667	7,068,089
Additions	85,491	40,529	16,794	40,891	27,390	211,095
At 31 August 2017	6,436,356	182,624	119,916	363,231	177,057	7,279,184
Depreciation						
At 1 September 2016	402,050	90,874	75,684	149,730	106,161	824,499
Charge for the year on owned assets	67,416	19,647	6,281	3,158	15,718	112,220
Charge for the year on financed assets	-	-	-	61,076	-	61,076
At 31 August 2017	469,466	110,521	81,965	213,964	121,879	997,795
Net book value						
At 31 August 2017	5,966,890	72,103	37,951	149,267	55,178	6,281,389
At 31 August 2016	*5,948,815*	*51,221*	*27,438*	*172,610*	*43,506*	*6,243,590*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	*2016 £*
Motor vehicles	129,384	*161,002*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

11. Tangible fixed assets (continued)

Company

	Freehold property £
Cost or valuation	
At 1 September 2016	5,716
At 31 August 2017	5,716
At 31 August 2017	-
Net book value	
At 31 August 2017	5,716
At 31 August 2016	*5,716*

12. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Phoenix Child Care Limited (05506172)	Ordinary	100 %	Residential Child Care and Education
Phoenix Learning and Care Limited (03586426)	Ordinary	100 %	Specialist Residential Education and Adult Care Services
Phoenix Learning and Care Property Limited (09872260)	Ordinary	100 %	Property holding

12. Fixed asset investments (continued)

The registered office of each of the subsidiaries listed is the same as that of the company.

The aggregate of the share capital and reserves as at 31 August 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Phoenix Child Care Limited (05506172)	(282,645)	(200,017)
Phoenix Learning and Care Limited (03586426)	5,111,769	662,084
Phoenix Learning and Care Property Limited (09872260)	137,809	132,782
	4,966,933	594,849

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2016	3,849,544
At 31 August 2017	3,849,544
Net book value	
At 31 August 2017	3,849,544
At 31 August 2016	*3,849,544*

13. Stocks

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Raw materials and consumables	8,810	*8,810*	-	*-*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

14. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	1,260,429	765,635	-	-
Amounts owed by group undertakings	-	-	3,375,406	3,703,594
Other debtors	161,410	111,257	52,858	43,499
Prepayments and accrued income	232,489	80,233	-	-
	1,654,328	957,125	3,428,264	3,747,093

The comparative figures have been restated for the Group. See note 2.4 for further details.

15. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	102,713	-	102,713	-
Bank loans	4,164,848	3,906,727	4,164,848	3,906,727
Other loans	-	6,225,637	-	6,225,637
Trade creditors	146,165	101,731	-	8,267
Amounts owed to group undertakings	-	-	10	10
Corporation tax	12,718	100,115	-	-
Taxation and social security	191,009	96,092	-	-
Obligations under finance lease and hire purchase contracts	61,715	68,195	-	-
Other creditors	402,450	229,853	47,000	116,990
Accruals and deferred income	1,514,483	1,434,269	511,775	399,598
	6,596,101	12,162,619	4,826,346	10,657,229

The comparative figures have been restated for the Group. See note 2.4 for further details.

During 2017 the Group refinanced its bank loans from Co-op Bank to Royal Bank of Scotland plc. At 31 August 2017, all bank loans were classified as due within one year due to a technical breach of covenants that have been restructured post year end. The bank loans continue to be repayable with a maturity to 2021.

16. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans	7,788,973	1,190,415	7,233,455	654,190
Net obligations under finance leases and hire purchase contracts	40,003	81,038	-	-
Accruals and deferred income	204,332	216,353	-	-
	8,033,308	1,487,806	7,233,455	654,190

17. Loans

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	4,164,848	3,906,727	4,164,848	3,906,727
Other loans	-	6,225,637	-	6,225,637
	4,164,848	10,132,364	4,164,848	10,132,364
Amounts falling due 2-5 years				
Other loans	7,788,973	1,155,567	7,233,455	619,342
	7,788,973	1,155,567	7,233,455	619,342
Amounts falling due after more than 5 years				
Other loans	-	34,848	-	34,848
	-	34,848	-	34,848
	11,953,821	11,322,779	11,398,303	10,786,554

The bank loans and hire purchase liabilities are secured by the group.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	*Group 2016 £*
Within one year	**61,715**	*68,195*
Between 1-2 years	**40,003**	*55,657*
Between 2-5 years	**-**	*25,381*
	101,718	*149,233*

19. Financial instruments

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Financial assets				
Cash	**163,643**	*557,565*	**-**	*6,652*
Financial assets that are debt instruments measured at amortised cost	**1,654,328**	*890,893*	**3,428,264**	*3,747,093*
	1,817,971	*1,448,458*	**3,428,264**	*3,753,745*
Financial liabilities				
Bank overdraft	**102,713**	*-*	**102,713**	*-*
Financial liabilities measured at amortised cost	**14,027,784**	*(12,401,643)*	**(11,844,911)**	*(11,331,419)*
	14,130,497	*(12,401,643)*	**(11,742,198)**	*(11,331,419)*

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, loans and finance leases

20. Deferred taxation

Group

	2017 £	*2016 £*
At beginning of year	**(48,704)**	*(41,392)*
Charged to profit or loss	**25,612**	*(7,312)*
At end of year	**(23,092)**	*(48,704)*

At end of year

	Group 2017 £	*Group 2016 £*
Fixed asset timing differences	**(57,002)**	*(48,704)*
Tax losses carried forward	**33,910**	-
	(23,092)	*(48,704)*

21. Share capital

	2017 £	*2016 £*
Allotted, called up and fully paid		
2,643,556 *(2016 - 2,365,526)* Ordinary £0.10 shares	**264,356**	*236,553*

278,030 Ordinary £0.10 shares were issued on 3 April 2017 at par value.

22. Reserves

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

23. Commitments under operating leases

At 31 August 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	*Group 2016 £*
Not later than 1 year	**217,308**	*176,808*
Later than 1 year and not later than 5 years	**401,436**	*445,277*
Later than 5 years	**293,117**	*368,987*
	911,861	*991,072*

	Group 2017 £	*Group 2016 £*
Not later than 1 year	**70,379**	*60,379*
Later than 1 year and not later than 5 years	**71,689**	*26,178*
	142,068	*86,557*

24. Related party transactions

At the year end the company owed Mr K G Burley £10,000 in relation to a directors loan account (2016: £10,000).

At the year end the company owed Mr W M Buckingham £nil in relation to a directors loan account (2016: £70,000).

During the year, Phoenix Child Care Limited paid £46,964 in rentals to Mr K G Burley (2016: £46,964).

During the year, Phoenix Child Care Limited paid PKR Partnership £12,420 in rentals, a related party through common directorship of Mr K G Burley (2016: £12,420).

During the year Phoenix Learning and Care Limited paid rent to PKR Partnership of £41,510 (2016: £41,510) a related party through common directorships with Mr K G Burley. The year end balance due to PKR Partnership was £nil (2016: £nil).

At the year end Phoenix Child Care Limited owed Mr W M Buckingham £200,000 in relation to a directors loan account (2016: £22,072).

Other loans due to directors as at 31 August 2017 were £336,822 (2016: £314,068). During the year, the company issued other loans with a nominal value of £13,091 (2016: £98,127) and charged interest on other loans totalling £19,312 (2016: £25,790).

Other loans due to entities controlled by directors as at 31 August 2017 were £6,759,819 (2016: £6,184,929). During the year, the company issued other loans with a nominal value of £129,268 (2016: £1,458,142) and charged interest on other loans totalling £664,917 (2016: £510,549) to entities controlled by directors.

All shares issued during the year were issued to either directors or entities controlled by directors.

The company is party to a composite guarantee dated 1 February 2017 with the Royal Bank of Scotland.

At 31 August 2017 total borrowings subject to this agreement were £4,288,811.

25. Post balance sheet events

The Group has purchased a care home post year end for £650,000. This will be turned into a school for use within Phoenix Child Care Limited. The purchase was financed in full by a loan from RBS of equal value to the purchase price and this loan is held within Phoenix Learning and Care Holdings Limited.

26. Controlling party

The company was under the control of its directors throughout the current year.