

**Consent to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 8 September 2016**

**Completed acquisition by SSCP Spring Topco Limited of Acorn Care 1 Ltd**

We refer to your letter dated 6 September 2016 and emails dated 14 September 2016 and 21 September 2016 requesting that the CMA consents to derogations to the Initial Enforcement Order of 8 September 2016 (the 'Initial Order').

**Definitions**

The terms defined in the Initial Order have the same meaning in this letter, unless otherwise specified.

'NFA' means Belton Associates (Group Holdings) Limited (Company No: 07875698) and its subsidiaries and includes all entities in the Stirling Group carrying out fostering operations as at the commencement date.

'Acorn' means all entities carrying out the Acorn business as defined in the Initial Order.

Under the Initial Order, save for written consent by the CMA, Stirling Group and SSCP Spring are required to hold separate the Acorn business from the Stirling Group business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case the CMA consents to the following:

**Derogations**

***1. Paragraph 5(l) of the Initial Order***

The following derogations are being granted in order to ensure that an appropriate level of oversight is maintained of the Acorn business and thereby to ensure the continuity and viability of the Acorn business.

The CMA gives its consent that the prohibition contained in paragraph 5(l) of the Initial Order, subject to the safeguards listed below, shall not apply insofar as the Authorised Individuals in their specific capacity as detailed in Annex 1 receive the following consolidated financial and other high-level information, to the extent that it is strictly necessary solely for the designated purpose as indicated below and further specified against their names in Annex 1:

*I. Information for the purposes of Stirling Group's and SSCP Spring's reporting under third party debt arrangements to meet financial reporting obligations*

- (i) Acorn's and NFA's Monthly, quarterly and annual consolidated financial packs relating to Acorn/NFA including profit and loss account, balance sheet and cash flow, with comparisons to budget and prior year in the form provided to the CMA on 14 September 2016;
- (ii) Commentary to the financial packs to be provided by Acorn's and NFA's CEO/CFO, highlighting any material matters in the accounts and the reasons for any significant variances to budget together with actions being taken to address those variances; and
- (iii) Information about any proposed or threatened publication of any materially unfavourable report or review by any regulatory authority relating to Acorn which might lead to significant reputational damage to Acorn.

*II. Information for the purposes of the directors of SSCP Spring complying with fiduciary duties and corporate reporting obligations*

- (i) Weekly performance report and brief commentary from the Acorn/NFA CEO/CFO explaining any material movements in the form of the consolidated financial pack referred to at paragraph I(i) above, as provided to the CMA on 14 September 2016.
- (ii) Information relating to the accounting processes being carried by Acorn/NFA from the Acorn/NFA CFO for the purposes of confirming that Acorn/NFA is keeping accurate financial records.
- (iii) Information of matters arising in relation to the 'restricted transactions' listed in Schedule 3 Part I of the investment agreement at Annex II. For the avoidance of doubt, the Authorised Individuals may only receive the relevant information and will need to request a further derogation from the Initial Order to be able to approve or make decisions based on the information received. The CMA will consider such derogation requests, if any, on a case by case basis.

- (iv) Reporting from Acorn management on any other matter which could have a material adverse impact on Acorn's financial position, reputation, or otherwise prejudice Acorn's ability to continue operating in the ordinary course of business.

### *III. Integration planning*

- (i) Reports prepared by the independent third party consultants engaged for strictly for the purposes of IT, Operations and HR integration planning.

This consent is granted on the basis that the above third party consultants have been advised of the Initial Order and will not disclose any non-public information gathered in the course of their engagement since the Initial Order to anyone except to the Authorised Individuals with respect to who a derogation is granted in this regard.

For the avoidance of doubt, any such report prepared under this derogation will not include any commercially-sensitive information relating to either of the two businesses. In particular, these reports will not include any information relating to (a) current and future pricing; (b) detailed current or future costs including disaggregated costs of IT systems or details of individual staff remuneration; or (c) information on current or future commercial strategy of either business.

### *IV. Information for the purposes of Stirling Group and SSCP Spring complying with insurance obligations*

- (i) Information required to comply with the relevant insurance obligations.

## **2. Paragraph 4(a) and 5(g) of the Initial Order**

### *1. Insurance Policies*

The CMA consents to Acorn being named as an 'additional insured' under the relevant insurance policies in the event of any claim.

### **Safeguards**

As noted above, the derogation in relation to paragraph 5(l) listed above is granted on the basis of the following understanding and safeguards:

- (a) that [X] and [X] are not involved in the day-to-day or commercial decision making of the two businesses;

- (b) that [X] of Acorn will excuse himself from SSCP Spring meetings in which matters relating to SSCP Spring's foster care business (with the exception of matters relating solely to Acorn business) are discussed; and
- (c) that [X], [X] and [X] of NFA will excuse themselves from SSCP Spring meetings in which matters relating to the Acorn business are discussed.

### *Undertakings and NDAs*

The information referred to paragraph 1 above will only be provided to the concerned Authorised Individual once the entity providing the said information has received an appropriate signed written undertaking and a Non-Disclosure Agreement (NDA) (in a form approved in advance by the CMA) from such Authorised Individual undertaking:

- (a) to preserve confidentiality of the information;
- (b) not to discuss or otherwise share the information received by them with any person other than those permitted to receive the said information in terms of this letter; and
- (c) not to use the information in any manner, directly or indirectly, other than for their respective specific purposes for which the consent is provided for.

### *Firewalls*

Stirling Group, SSCP Spring, NFA and Acorn will ensure that robust firewall measures are put in place to prevent all employees of Stirling Group, SSCP Spring or NFA from accessing information relating to the Acorn business or vice versa including:

- (a) restrictions on Authorised Individuals' email accounts to prevent unauthorised access;
- (b) all documents containing information relating to the Acorn business and the Stirling Group business to be password protected only to be known to the Authorised Individuals entitled to access the information as detailed in this letter; and
- (c) any hard copies of the information provided to the Authorised Individuals in terms of this letter to be kept in a specific folder in a locked filing cabinet to which only such Authorised Individuals have access.

*Destruction and return of Acorn and NFA information*

In the event that the transaction is prohibited or remedies accepted, any records or copies (electronic or otherwise) of such information that have passed, will be returned to the entity to which they relate, wherever they may be held and any copies destroyed.

## Annex I

	AUTHORISED INDIVIDUALS	SPECIFIC CAPACITY	DESIGNATED PURPOSE
Information for the purposes of Stirling Group and SSCP Spring reporting under third party debt arrangements to meet financial reporting obligations	[X]	[X]	To prepare the consolidated financial pack for Acorn and NFA respectively for provision to lenders
	[X]	[X]	
	[X]	[X]	To review the consolidated financial pack for provision to lenders
	[X]	[X]	
	[X]	[X]	
	[X]	[X]	

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	AUTHORISED INDIVIDUALS	SPECIFIC CAPACITY	DESIGNATED PURPOSE
Information for the purposes of the directors of SSCP Spring complying with fiduciary duties and corporate reporting obligations	[X], [X], [X], [X], [X], and [X]	[X]	To properly discharge their statutory / legal duties and obligations

	AUTHORISED INDIVIDUALS	SPECIFIC CAPACITY	DESIGNATED PURPOSE
Integration planning	[X]	[X]	To receive reports as detailed above from third party consultants.
	[X]	[X]	
	[X]	[X]	

Information for the purposes of Stirling Group and SSCP Spring complying with insurance obligations	AUTHORISED INDIVIDUALS	SPECIFIC CAPACITY	DESIGNATED PURPOSE
	[X]	[X]	To comply with the relevant insurance obligations.
	[X]	[X]	

## Annex II

