

RE: COMPANY NO: 05608149  
AUDIT EXEMPTION NOTE 14 (Pg 31)

Registered Number 10421490 (England and Wales)

**Storal Learning Ltd**  
**Financial Statements for the year ended**  
**31 December 2021**

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**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CONTENTS**

Corporate information	1
Strategic report	2 – 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report to the members of Storal Learning Ltd	6 – 8
Consolidated income statement	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated statement of cash flows	14
Company statement of cash flows	15
Notes to the financial statements	16 – 40

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CORPORATE INFORMATION**

Directors	Mark Emerson Anderegg Varun Chanrai Ashwin Grover Jan-Henning Woitschatzke
Registered Office	111 Baker Street Mezzanine Level London W1U 6RR
Auditor	Azets Audit Services 2nd Floor Regis House 45 King William Street London EC4R 9AN
Registered number	10421490

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**STRATEGIC REPORT**

The directors present their strategic report on the group for the year ended 31 December 2021.

**Principal activities**

Storal Learning Ltd and its associated subsidiaries ("Storal Learning") is a group company engaged in providing childcare services to parents in various communities across England.

**Review of the business and key performance indicators**

In 2021, the group continued its growth plans and acquired four early years settings and, in the process, grew from 1,637 registered places to 1,885 registered places at 31 December 2021. In addition, the group refinanced its existing debt facilities with Tosca Debt Capital, whilst also unlocking additional funding for future acquisitions.

Covid-19 had an impact on the operating companies in the group during 2021. The directors have considered if any of the goodwill relating to the operating companies should be impaired as a result of the impact of Covid-19, and are satisfied that following the lockdown of March to June 2020, trading thereafter, and business forecasts, that no write down is warranted.

Following the completion of the refinance, the group plans to continue acquiring high quality nurseries in our chosen regions and to continue supporting our nurseries in delivering ever higher standards of childcare by providing expertise, resources, and by instilling a positive working culture of knowledge sharing and continuous improvement. Current debt outstanding at 31 December 2021 was £14,950,384, the directors have carefully considered the level of debt within the business and the anticipated future performance of the investee companies and are satisfied that the performance of the underlying companies support the debt arrangements. This was reviewed in detail at the point of refinance and again on a monthly basis thereafter.

The business environment from a demand perspective remains positive as parent enquiries and thus occupancy has held up strongly compared to other sectors. However the combined impact of Brexit and the pandemic has meant that staff shortages are endemic in the industry and recruitment has been a major challenge. Finding ample high quality staff remains the biggest challenge in the sector.

**Future developments**

With the business now stable once again, the company plans to continue acquiring high quality nurseries in our chosen regions and to continue supporting our nurseries in delivering ever higher standards of childcare by providing expertise, resources, and by instilling a positive working culture of knowledge sharing and continuous improvement. The group now plans to build its own nurseries in addition to its acquisitive business model.

**Business environment**

The business environment remains neutral to positive as occupancy has held up strongly compared to other sectors. With working from home being the norm for much of 2021, there is a new found appreciation for the nursery sector and its work. However, finding ample high quality staff remains the biggest challenge in the sector and many nurseries across the portfolio have had to hold back occupancy due to staff shortages.

**Financial risk management objectives and policies**

The main risks arising from the group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The directors review and agree policies for managing each of these risks, which are summarised below.

**Credit risk**

The group's principal financial assets are cash, amounts due from shareholders to fund future acquisitions by way of uncalled preferred share capital.

Cash balances are held with reputable banks with suitable credit ratings. The uncalled share capital is drawn down as required and each of the shareholders is committed to fund any cash calls as required. Receivable balances are monitored on an ongoing basis, but for most trading activity, payment is received in advance of services being rendered.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**STRATEGIC REPORT (continued)**

*Liquidity risk*

The group seeks to manage financial risk by ensuring sufficient liquidity is available within the group to meet foreseeable needs and to invest cash assets safely and profitably.

The group has cash balances and has therefore been able to meet its working capital requirements throughout the period under review. The company and the group has entered into loan agreements to finance acquisitions made during the year.

*Interest rate risk*

The group uses loans and preferred shares to fund acquisitions. The group's policy is not to enter into interest rate swaps to hedge interest rate risk. The directors monitor the exposure to interest rate fluctuations and consider the costs and benefits of hedging rates.

**Principal risks and uncertainties**

Recruitment remains the principal risk to growth. The labour market is extremely tight and finding good quality nursery staff is difficult up and down the country. Storal Learning prides itself on its culture, values and behaviours it expects of its staff and its strategy remains to attract, train and retain the highest quality nursery staff in the market.

The Behaviours we expect of all staff are:

- We are professionals
- We deliver positive outcomes
- We strive for personal and professional development
- We champion change and opportunity
- We encourage inclusivity
- We communicate effectively
- We challenge, consider and commit

These behaviours are embedded in all our policies and are the norm for our way of working and treating each other.

Continued increases in the national living wage also remains a challenge. Wages are our biggest cost item and any increase in the national living wage could affect profitability.

Competition is increasing in the market. Private equity is increasingly looking to enter the industry and this could increase competition for quality acquisition targets.

The hourly rate we receive from the government does not routinely keep up with the inflation rate.

As a provider of nursery services, we have a responsibility in accordance with the Children Act 1989 and 2004, The Early Years Foundation Stage, Sections 175 and 176 Education Act 2002 and related guidance to protect all children and families in our care. Failure to comply with these regulations may impact on our ability to provide childcare services.

**Compliance**

The group is required to comply with a range of increasingly complex laws, regulations and other standards.

By order of the board



Director - V. Chanrai

Date: 18 July 2022

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**  
**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the group for the year 31 December 2021.

**Directors**

The persons who have been directors during year were:

Mark Emerson Anderegg  
Varun Chanrai  
Ashwin Grover  
Jan-Henning Woitschitzke

**Dividends**

The directors do not recommend the payment of a dividend.

**Strategic Report**

The company has chosen, in accordance with section 414C of the Companies Act 2006, to set out in the Strategic Report the following information which would otherwise be required to appear in the Directors' Report:

- Review of business including future developments
- Financial risk management objectives
- Indication of exposure to liquidity risk, cash flow risk, and interest rate risk.

**Qualifying third-party indemnity provisions**

Throughout the year, a qualifying third party indemnity provision for the benefit of the directors was in force.

**Employees**

It is the group's policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled and to provide training, career development and promotion to disabled employees wherever appropriate. To satisfy that need, consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial economic information, employees are kept informed about the group's affairs.

**Events since the balance sheet date**

The group successfully completed the acquisition of Blueberry Nursery School in February 2022 and N&P Nursery in May 2022. Sarah Mackenzie was also appointed as group CEO during quarter one.

**Disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Azets Audit Services will therefore continue in office.

By order of the board



Director - V. Chanrai

Date: 18 July 2022

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 applicable to those companies reporting under IFRS.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STORAL LEARNING LTD**

**Opinion**

We have audited the financial statements of Storal Learning Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. In our opinion:

- 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 December 2021, and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and in accordance with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and

**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 group and parent 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.



**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STORAL LEARNING LTD**

**Opinions 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- 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
- the parent company 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, 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 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.

**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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STORAL LEARNING LTD**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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.

*Azets Audit Services*

**Ian Jefferson (Senior Statutory Auditor)**  
**for and on behalf of Azets Audit Services**  
**Statutory Auditor**  
2nd Floor, Regis House  
45 King William Street  
London  
EC4R 9AN

Date: 18 July 2022

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31 December 2021

	Note	2021 £	2020 £
<b>Continuing operations</b>			
Revenue	5	12,202,839	10,461,477
Cost of sales		(7,269,851)	(6,692,598)
<b>Gross profit</b>		<b>4,932,988</b>	<b>3,768,879</b>
Other income	6	40,706	856,441
Administrative expenses		(3,153,084)	(3,266,893)
Costs related to acquisition of subsidiaries		(188,557)	(113,382)
<b>Operating profit before exceptional items</b>		<b>1,632,053</b>	<b>1,245,045</b>
Exceptional expenses	7	(1,047,654)	-
<b>Operating profit</b>		<b>584,399</b>	<b>1,245,045</b>
Interest paid to banks		(757,033)	(431,011)
Interest on lease liabilities		(116,950)	(110,291)
Preferred share dividend		(187,570)	(147,865)
Loss on disposal of fixed assets		(86,198)	-
Finance expense	10	(1,147,751)	(689,167)
(Loss)/profit on ordinary activities before taxation		(563,352)	555,878
Income tax expense	11	(140,069)	(47,803)
<b>(Loss)/profit for the financial year</b>		<b>(703,421)</b>	<b>508,075</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Income tax	11	(143,701)	-
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR</b>		<b>(847,122)</b>	<b>508,075</b>

The accompanying notes form an integral part of these financial statements

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2021

Company number: 10421490

	Note	2021 £	2020 £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	12	13,507,566	9,283,787
Property, plant and equipment	13	18,240,190	15,291,615
Deferred tax	19	-	380
		<b>31,747,756</b>	<b>24,575,782</b>
<b>Current assets</b>			
Trade and other receivables	15	2,965,028	2,972,539
Cash and cash equivalents		2,147,769	3,171,424
		<b>5,112,797</b>	<b>6,143,963</b>
<b>Total assets</b>		<b>36,860,553</b>	<b>30,719,745</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	20	892	792
Share premium account		2,077,299	2,077,299
Retained earnings		(2,226,495)	(1,491,138)
Revaluation reserve		1,796,261	1,939,962
<b>Total equity</b>		<b>1,647,957</b>	<b>2,526,915</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	2,102,091	1,620,155
Financial liabilities – borrowings	17	35,912	1,002,449
Lease liabilities	22	218,072	203,633
		<b>2,356,075</b>	<b>2,826,237</b>
<b>Non-current liabilities</b>			
Owing to banks and third parties		20,229,460	15,278,654
Owing to shareholders		6,622,286	6,434,716
Financial liabilities – borrowings	17	26,851,746	21,713,370
Trade and other payables	16	600,000	-
Provision for liabilities	18	748,813	477,784
Lease liabilities	22	4,655,962	3,175,439
		<b>32,856,521</b>	<b>25,366,593</b>
<b>Total liabilities</b>		<b>36,860,553</b>	<b>30,719,745</b>

These financial statements were approved by the board of directors on 18 July 2022 and were signed on its behalf by:



Director - V. Chanrai

The accompanying notes form an integral part of these financial statements

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**COMPANY BALANCE SHEET**  
As at 31 December 2021

Company number: 10421490

	Note	2021 £	2020 £
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	14	21,543,953	16,902,172
Property, plant and equipment	13	534,359	79,920
Deferred tax		-	-
		<u>22,078,312</u>	<u>16,982,092</u>
<b>Current assets</b>			
Trade and other receivables	15	3,863,735	3,089,902
Cash and cash equivalents		71,443	98,556
		<u>3,935,178</u>	<u>3,188,458</u>
<b>Total assets</b>		<u>26,013,490</u>	<u>20,170,550</u>
<b>Equity attributable to owners of the parent</b>			
Share capital	20	892	792
Share premium account		2,077,299	2,077,299
Retained earnings		(3,752,117)	(1,362,180)
<b>Shareholders' equity</b>		<u>(1,673,926)</u>	<u>715,911</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	5,179,694	13,004,738
Lease liabilities	22	53,336	-
		<u>5,233,030</u>	<u>13,004,738</u>
<b>Non-current liabilities</b>			
Owing to banks and third parties		14,950,384	-
Owing to shareholders		6,622,286	6,434,716
Financial liabilities – borrowings	17	21,572,670	6,434,716
Trade and other payables	16	600,000	-
Provision for liabilities	18	68,464	15,185
Lease liabilities	22	213,252	-
		<u>22,454,386</u>	<u>6,449,901</u>
<b>Total liabilities</b>		<u>26,013,490</u>	<u>20,170,550</u>
Company's loss for the financial year		<u>2,389,937</u>	<u>511,968</u>

These financial statements were approved by the board of directors on 18 July 2022 and were signed on its behalf by:



Director - V. Chanrai

The accompanying notes form an integral part of these financial statements

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021

	Share capital £	Share premium £	Retained earnings £	Revaluation Reserve £	Total attributable to the owners of the company £
<b>Balance at 1 January 2020</b>	<b>792</b>	<b>2,077,299</b>	<b>(1,960,332)</b>	<b>1,939,962</b>	<b>2,057,721</b>
Recognised on adoption of IFRS 16 (see note 22)	-	-	(38,881)	-	(38,881)
Profit for the year	-	-	508,075	-	508,075
<b>Balance at 31 December 2020</b>	<b>792</b>	<b>2,077,299</b>	<b>(1,491,138)</b>	<b>1,939,962</b>	<b>2,526,915</b>
Issue of share capital	100	-	-	-	100
Recognised on adoption of IFRS 16 (see note 22)	-	-	(31,936)	-	(31,936)
Loss for the year	-	-	(703,421)	-	(703,421)
Fair value deferred tax adjustment through other comprehensive income	-	-	-	(143,701)	(143,701)
<b>Balance at 31 December 2021</b>	<b>892</b>	<b>2,077,299</b>	<b>(2,226,495)</b>	<b>1,796,261</b>	<b>1,647,957</b>

The accompanying notes form an integral part of these financial statement

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021

	Share capital £	Share premium £	Retained earnings £	Total attributable to the owners of the company £
<b>Balance at 1 January 2020</b>	792	2,077,299	(850,212)	1,227,879
Loss for the year	-	-	(511,968)	(511,968)
<b>Balance at 31 December 2020</b>	<b>792</b>	<b>2,077,299</b>	<b>(1,362,180)</b>	<b>715,911</b>
Issue of share capital	100	-		100
Loss for the year	-	-	(2,389,937)	(2,389,937)
<b>Balance at 31 December 2021</b>	<b>892</b>	<b>2,077,299</b>	<b>(3,752,117)</b>	<b>(1,673,926)</b>

The accompanying notes form an integral part of these financial statements

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(703,421)	508,075
Adjustments for:		
Depreciation of property, plant and equipment	388,815	373,303
Interest paid	757,033	431,011
Preferred share dividend payable	187,570	147,865
Taxation	140,069	47,803
Lease interest payments	116,950	110,911
Loss on disposal of property, plant and equipment	86,198	-
Exceptional debt restructuring costs	1,047,654	-
Decrease in trade and other receivables	394,118	307,518
Increase/(decrease) in trade and other payables	(488,905)	(285,691)
<b>Cash generated/(absorbed) by operations</b>	<b>1,926,081</b>	<b>1,640,795</b>
Tax paid	(107,458)	(31,858)
<b>Net cash generated from operating activities</b>	<b>1,818,623</b>	<b>1,608,937</b>
<b>Cash flows from investing activities</b>		
Exceptional debt restructuring costs	(1,047,654)	-
Cash acquired in subsidiary	496,391	925
Purchase of subsidiaries	(4,934,280)	(1,317,500)
Sale of property, plant and equipment	202,074	-
Purchase of property, plant and equipment	(455,762)	(649,506)
Purchase of other assets	-	(50,454)
<b>Net cash outflow from investing activities</b>	<b>(5,739,231)</b>	<b>(2,016,535)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	100	-
Amounts due from shareholders	(84)	-
Receipt of loans	14,800,000	900,000
Repayment of bank loans	(10,930,201)	(351,313)
Interest paid to banks	(606,649)	(431,011)
Payment of finance lease liabilities	(35,912)	(35,912)
Payment of lease liabilities	(330,301)	(297,904)
<b>Net cash inflow/(outflows) from financing activities</b>	<b>2,896,953</b>	<b>(216,140)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,023,655)</b>	<b>(623,738)</b>
Cash and cash equivalents at beginning of year	3,171,424	3,795,162
<b>Cash and cash equivalents at end of year</b>	<b>2,147,769</b>	<b>3,171,424</b>

The accompanying notes form an integral part of these financial statements



**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**COMPANY STATEMENT OF CASH FLOWS**

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Loss for the year	(2,389,937)	(511,968)
Adjustments for:		
Depreciation of property, plant and equipment	49,141	23,552
Interest paid	429,669	-
Preferred share dividend payable	187,570	147,865
Taxation	53,279	23,311
Lease interest payments	7,541	-
Increase in trade and other receivables	(7,012)	(5,157)
Increase/(decrease) in trade and other payables	141,310	(8,994)
<b>Cash generated by operations</b>	<b>(1,528,439)</b>	<b>(331,391)</b>
Tax paid	-	-
<b>Net cash generated from operating activities</b>	<b>(758,439)</b>	<b>(331,391)</b>
<b>Cash flows from investing activities</b>		
Purchase of subsidiaries	(3,871,782)	(1,557,513)
Purchase of property, plant and equipment	(229,365)	(64,815)
<b>Net cash outflow from investing activities</b>	<b>(4,871,147)</b>	<b>(1,622,328)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	100	-
Amounts due from shareholders	(84)	-
Amounts owed (from)/to related companies	(8,903,091)	2,020,966
Receipt of bank loans	14,800,000	-
Interest paid to banks	(279,285)	-
Payment of lease liabilities	(15,167)	-
<b>Net cash inflow from financing activities</b>	<b>5,602,473</b>	<b>2,020,966</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(27,113)</b>	<b>67,247</b>
Cash and cash equivalents at beginning of year	98,556	31,309
<b>Cash and cash equivalents at end of year</b>	<b>71,443</b>	<b>98,556</b>

The accompanying notes form an integral part of these financial statements

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General Information**

The company is a private company, limited by shares and is registered in England and Wales. The address of its registered office is 111 Baker Street, Mezzanine Level, London W1U 6RR. The financial statements cover the trading year to 31 December 2021.

**2 Statement of compliance**

These group and company financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board in conformity with the requirements of the Companies Act 2006 applicable to those companies reporting under IFRS.

**New Standards, Amendments and Interpretations**

At the date of authorisation of these financial statements, the group has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective.

- Narrow scope amendments to IFRS 3, IAS 16 and IAS 37. The Amendments effective date 1 January 2022.
- Annual improvements to IFRS Standards 2018-2020. The Amendments effective date 1 January 2022.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current. The Amendments effective date 1 January 2023.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The Amendments effective date 1 January 2023.
- Amendments to IAS 8: Definition of Accounting Estimates. The Amendments effective date 1 January 2023.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction. The Amendments effective date 1 January 2023.

As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed. The Directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Accounting policies**

**(a) Basis of preparation**

These financial statements are prepared on a going concern basis under the historical cost convention and are in accordance with applicable accounting standards.

The financial statements are presented in £ sterling.

**(b) Going concern**

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The business is highly cash generative and the group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

**(c) Basis of consolidation**

The group financial statements consolidate the financial statements of Storal Learning Ltd and all its subsidiary undertakings drawn up to 31 December 2021.

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

Details of the group's trading subsidiary companies are set out in Note 14.

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

In accordance with the exemption conferred by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss accounts.

**(d) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method of accounting. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Costs directly attributable to the business combination have been written off as incurred.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired is recognised as goodwill.

**(e) Revenue recognition**

Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those services net of discounts, and VAT. The group concludes that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer. Payment is typically due with 7 days. Contracts with customers do not contain a financing component or any element of variable consideration.

Revenue from services relating to fixed price contracts is recognised in relation to the delivery of the performance obligations specified in the contract. Penalties for non-performance against specific terms of the contract are provided for when there is a probable outflow of resources under the contract terms and the amount can be reliably estimated. Such adjustments are deducted from revenue.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the balance sheet (see Note 16). Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Accounting policies (continued)**

**(f) Employee benefits**

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

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes. Once the contributions have been paid the group has no further payment obligations.

**(g) Taxation**

The taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

*Current tax*

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting years using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

*Deferred tax*

Deferred tax is recognised on all temporary differences at the reporting date except for unrelieved tax losses and other deferred tax assets which 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 calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the temporary difference.

**(h) Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**(i) Intangible assets**

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred, other than for certain research and development costs as disclosed below.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Intangible asset class	10 years
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**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Accounting policies (continued)**

**(j) Goodwill**

Goodwill acquired on each business combination is capitalised, classified as an asset on the balance sheet and valued at cost less any necessary provision to reflect the perceived impairment of that goodwill. In determining whether or not an impairment provision is required, the directors take into account a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

**(k) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Freehold property	2% on cost
Short leasehold improvements	Over the term of the lease
Fixtures and fittings	25% on cost
Office equipment	33% on cost
Motor Vehicles	33% on cost
Right-of-use assets	Straight-line basis over the remaining term of the lease.

**(l) Impairment of non-financial assets**

At each reporting date non-financial assets are reviewed to determine whether there is any indication that the assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of the asset is the greater of the net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

*Reversals of impairment*

An impairment loss is reversed on intangible assets (excluding goodwill) only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss is recognised in the current year.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Accounting policies (continued)**

**(m) Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the company if it is reasonable certain to assess that options;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

**(n) Investments in subsidiaries**

Investments in subsidiary companies in the company's financial statements are held at historical cost less accumulated impairment losses.

**(o) Financial Instruments**

*Short-term receivables and payables*

Receivables and payables with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

*Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated and company cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

*Other financial liabilities*

Other financial liabilities include borrowings and other payables. Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

*Preferred shares*

Preferred shares are included in the accounts at their issue price. Interest accrues on a compound basis at 3.75%. Unpaid preferred share capital is separately disclosed within trade and other receivables.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Accounting policies (continued)**

**(p) Classification of shares as debt or equity**

To be classified as equity, shares must have the right to benefit from all the risks and rewards of the business. Ordinary shares in the company have this right and are treated as equity capital. Preferred shares have a fixed right to capital and a pre-determined rate of return and so do not benefit from the relevant risks and rewards of operations and so are treated as loan capital.

**(q) Provisions**

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**4 Significant judgements and estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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.

*Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates.

*Intangible assets*

The group establishes a reliable estimate of the useful life of intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the intangibles are attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

*Impairment of receivables*

The group uses the simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cashflows considering the potential for default at any point during the life of the financial instrument. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the receivable, the ageing profile of receivables and historical experience. The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

*Impairment of goodwill*

In determining whether or not an impairment provision is required, the directors take into account a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

*Business combinations*

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the net assets and liabilities of the acquired entity.

The group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Where less than 100% of a business is acquired and put and call options are granted over the remaining interest the put option is recognised and carried at the present value of the put option exercise price and a corresponding charge made to reserves or added to the cost of the investment. The group makes judgements and estimates to establish the fair value of the put option.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 Revenue**

All revenue arose from the rendering of childcare services in the United Kingdom.

	2021	2020
	£	£
Private fee income	8,554,120	5,602,910
Government subsidised fee income	3,545,987	3,789,853
Government grant	102,732	1,068,714
	<b>12,202,839</b>	<b>10,461,477</b>

**6 Other Income**

Other income noted below is not considered to be part of the main revenue generating activity and is therefore present separately from revenue.

	2021	2020
	£	£
Insurance claims receivable	-	856,441
Sundry income	40,706	-
	<b>40,706</b>	<b>856,441</b>

**7 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after:

	2021	2020
	£	£
Depreciation of owned fixed assets	388,815	373,303
Operating lease rentals	101,190	112,969
Exceptional debt restructuring expenses	1,047,654	-
Auditor's remuneration:		
Audit of these financial statements	19,100	16,600
Other services	38,600	35,160
Other services relating to tax compliance	16,500	13,000

Audit fees are disclosed on a consolidated basis, and as such company fees are not disclosed.



**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>8</b>	<b>Staff numbers and costs</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>

Staff costs during the year were as follows:

Wages and salaries	<b>7,261,333</b>	6,855,664
Temporary and casual staff	<b>21,638</b>	17,831
Social security costs	<b>487,999</b>	440,063
Other pension costs	<b>111,950</b>	102,521
	<b>7,882,920</b>	7,416,079

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Directors	<b>4</b>	4
Nursery managers and staff	<b>556</b>	405
Administration support	<b>24</b>	21
	<b>584</b>	430

9	Directors' emoluments	2021	2020
		£	£
	Emoluments	442,860	440,566
	Defined contribution pension scheme contributions	2,638	566
		<u>445,498</u>	<u>441,132</u>

The emoluments of the highest paid director are as follows:

Emoluments	<b>202,250</b>	200,283
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10	Finance expense	2021	2020
		£	£
	Interest paid to banks	757,033	431,011
	Interest on lease liabilities	116,950	110,291
	Preferred share dividend	187,570	147,865
	Loss on disposal of fixed assets	86,198	-
		1,147,751	689,167

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>11</b>	<b>Income tax (charge)/credit</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
	UK Corporation Tax	<b>(26,278)</b>	<b>(107,458)</b>
	Over provision in prior periods	<b>236</b>	<b>36,668</b>
	<b>Total current tax</b>	<b>(26,042)</b>	<b>(70,790)</b>
	<b>Deferred taxation:</b>		
	- Fair value gains	<b>(143,701)</b>	<b>-</b>
	- Tax losses	<b>(380)</b>	<b>(73,606)</b>
	- Temporary timing differences	<b>(113,647)</b>	<b>-</b>
	Over provision in prior periods	<b>-</b>	<b>96,593</b>
	<b>Total deferred tax</b>	<b>(257,728)</b>	<b>22,987</b>
	<b>Total tax</b>	<b>(283,770)</b>	<b>(47,803)</b>

*Reconciliation of tax charge*

Tax assessed for the year is lower than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19%. The differences are explained below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<b>(563,352)</b>	<b>555,878</b>
Profit/(loss) multiplied by the standard rate of tax in the UK of 19%	<b>(107,037)</b>	<b>105,617</b>
Expenses not deductible for tax purposes	<b>35,638</b>	<b>49,728</b>
Origination and reversal of temporary timing differences	<b>156,021</b>	<b>25,725</b>
Increase in deferred tax rate	<b>199,148</b>	
Overprovision in prior period	<b>-</b>	<b>(133,261)</b>
	<b>283,770</b>	<b>47,803</b>

**Factors affecting future tax charges**

A reduction in the UK corporation tax rate to 17% (effective 1 April 2021) was substantively enacted on 15 September 2016. Furthermore, a budget resolution made on 17 March 2021 which announced that the main UK corporation tax rate will remain at 19% from 1 April 2021 (cancelling the enacted cut to 17%) and increase to 25% from April 2023. This was substantively enacted on 24 May 2021 and accordingly deferred tax has been recognised at 25%).

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12 Intangible assets: Goodwill**

	<b>2021 Total £</b>	<b>2020 Total £</b>
Cost brought forward	<b>9,283,787</b>	8,041,818
Additional goodwill arising from previous acquisition	-	50,454
Goodwill arising on acquisition	<b>4,223,779</b>	1,191,515
At end of year	<b>13,507,566</b>	<b>9,283,787</b>

Goodwill is reviewed and tested on an annual basis or more frequently if there is indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of the total investments (including goodwill) which create the overall cash-generating units. The recoverable amount of the CGUs is determined from value-in-use calculations. The value-in-use is the present value of the cash flows expected to be generated over a projection year together with a terminal value. The projection year is the time year over which future cash flows are predicted. The group's methodology is to use a projection year of one year being the year over which reliable cash flows can be estimated.

The methodology applies a long term growth rate. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities and reflect management's expectations of the range of economic conditions that may exist over the projection year.

The key assumptions for the value-in-use calculations are as follows:

Profit	Based on the latest forecast for revenue and costs as approved by the directors and takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base.
Growth rates	3%, calculated based principally on current inflation rates and does not exceed the long-term average potential growth rate of the respective operations.
Discount rates	The post-tax rate used to discount the forecast cash flows is 15% based on the group's estimated weighted average cost of capital and the risks associated.

The directors have determined that there has been no impairment and a sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be possible by the directors. This included a change in the discount rate of up to 1% and changes in the long-term growth rate between 0% and 2% in absolute terms. The sensitivity analysis shows no impairment would arise under each scenario. The directors have concluded that it is reasonable to assume that there will be no material deterioration in the customer base over the projection year which will significantly impact future cash flows and that no reasonably possible change in key assumptions would result in impairment.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12 Intangible assets: Goodwill (continued)**

*Acquisition analysis for acquisitions before 1 January 2021*

During the financial period ended 31 December 2020, the group entered into a share purchase agreement to acquire the entire share capital of Barney Lodge (acquired on 4 February 2020) and C&S Childcare Limited (acquired on 29 February 2020).

Goodwill has arisen as the purchase consideration exceeds the fair value of net assets acquired. Acquisition costs (primarily advisors fee, diligence costs and banking fees) have been expensed.

All of the above-mentioned acquisitions have been included in the consolidated balance sheet at fair value at the acquisition date.

<b>Acquisition analysis:</b>	<b>Book value</b>	<b>Revaluation adjustments</b>	<b>Fair value</b>
	£	£	£
Property plant and equipment	129,085	-	129,085
Trade and other receivables	15,962	-	15,962
Cash in hand and at bank	925	-	925
Trade and other payables	(19,987)	-	(19,987)
Net assets	125,985	-	125,985
Goodwill arising on acquisition			1,191,515
			1,317,500
Discharged by:			
Cash			1,317,500

The turnover and profits of the two acquisitions included in the 2020 financial statements were as follows:

<b>Turnover</b>	<b>Operating loss</b>
£	£
776,590	(117,353)

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12 Intangible assets: Goodwill (continued)**

*Acquisition analysis for acquisitions after 1 January 2021*

During the financial period ended 31 December 2021, the group entered into a share purchase agreement to acquire the entire share capital of Glebe Farm Nursery School Limited (acquired on 15 November 2021) and Farley Nursery School Limited (acquired on 24 November 2021).

Goodwill has arisen as the purchase consideration exceeds the fair value of net assets acquired. Acquisition costs (primarily advisors fee, diligence costs and banking fees) have been expensed.

All of the above mentioned acquisitions have been included in the consolidated balance sheet at fair value at the acquisition date.

<b>Acquisition analysis:</b>	<b>Book value</b>	<b>Revaluation adjustments</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Property plant and equipment	1,494,181	-	1,494,181
Trade and other receivables	386,607	-	386,607
Cash in hand and at bank	496,391	-	496,391
Trade and other payables	(536,278)	-	(536,278)
Provisions for liabilities	(13,680)	-	(13,680)
Net assets	1,739,946	-	1,793,946
Goodwill arising on acquisition			4,223,779
			<b>6,017,725</b>
<i>Discharged by:</i>			
Deferred consideration			1,083,445
Cash			4,934,280

The turnover and profit of the two acquisitions included in the 2021 financial statements were as follows:

<b>Turnover</b>	<b>Operating loss</b>
<b>£</b>	<b>£</b>
308,560	72,532

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 Property, plant and equipment**

<b>Group</b>	<b>Land and buildings</b>	<b>Right-of-use business premises (note 22)</b>	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Asset under construction</b>	<b>2021 Total</b>
	£	£	£	£	£	£	£	£
<b>Cost:</b>								
At 1 January 2021	12,131,060	4,237,460	139,379	154,450	415,076	19,428	-	<b>17,096,853</b>
Acquisitions	1,381,359	-	83,367	10,781	18,674	-	-	<b>1,494,181</b>
Recognised on adoption of IFRS 16	-	342,322	-	-	-	-	-	<b>342,322</b>
Additions	71,765	1,456,604	53,007	49,285	131,809	-	149,896	<b>1,912,366</b>
Disposals	(304,556)	-	-	(34,893)	(290,092)	(18,823)	-	<b>(648,364)</b>
As at 31 December 2021	<b>13,279,628</b>	<b>6,036,386</b>	<b>275,753</b>	<b>179,623</b>	<b>275,467</b>	<b>605</b>	<b>149,896</b>	<b>20,197,358</b>
<b>Depreciation:</b>								
At 1 January 2021	279,015	1,033,507	11,372	65,735	396,470	19,139	-	<b>1,805,238</b>
Recognised on adoption of IFRS 16	-	122,981	-	-	-	-	-	<b>122,981</b>
Charge for the year	83,796	240,383	9,448	38,150	16,749	289	-	<b>388,815</b>
Released on disposals	(16,284)	-	-	(34,893)	(289,866)	(18,823)	-	<b>(359,866)</b>
As at 31 December 2021	<b>346,527</b>	<b>1,396,871</b>	<b>20,820</b>	<b>68,992</b>	<b>123,353</b>	<b>605</b>	<b>-</b>	<b>1,957,168</b>
<b>Net book value:</b>								
As at 31 December 2021	<b>12,933,101</b>	<b>4,639,515</b>	<b>254,933</b>	<b>110,631</b>	<b>152,114</b>	<b>-</b>	<b>149,896</b>	<b>18,240,190</b>
As at 31 December 2020	<b>11,852,045</b>	<b>3,203,953</b>	<b>128,007</b>	<b>88,715</b>	<b>18,606</b>	<b>289</b>	<b>-</b>	<b>15,291,615</b>

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 Property, plant and equipment (continued)**

**Group**

	<i>Land and buildings</i>	<i>Right-of- use business premises (note 22)</i>	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Furniture and fittings</i>	<i>Motor vehicles</i>	<i>2020 Total</i>
	£	£	£	£	£	£	£
<b>Cost:</b>							
<i>At 1 January 2020</i>	11,552,760	3,775,696	50,868	57,036	401,086	19,053	15,856,499
<i>Acquisitions</i>	-	-	88,511	26,208	13,990	375	129,084
<i>Recognised on adoption of IFRS 16</i>	-	461,764	-	-	-	-	461,764
<i>Additions</i>	578,300	-	-	71,206	-	-	649,506
<i>As at 31 December 2020</i>	12,131,060	4,237,460	139,379	154,450	415,076	19,428	17,096,853
<b>Depreciation:</b>							
<i>At 1 January 2020</i>	211,440	471,764	8,829	14,491	360,035	19,053	1,085,612
<i>Recognised on adoption of IFRS 16</i>	-	346,323	-	-	-	-	346,323
<i>Charge for the year</i>	67,575	215,420	2,543	51,244	36,435	86	373,303
<i>As at 31 December 2020</i>	279,015	1,033,507	11,372	65,735	396,470	19,139	1,805,238
<b>Net book value:</b>							
<i>As at 31 December 2020</i>	11,852,045	3,203,953	128,007	88,715	18,606	289	15,291,615
<i>As at 31 December 2019</i>	11,341,320	3,303,932	42,039	42,545	41,051	-	14,770,887

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 Property, plant and equipment (continued)**

<b>Company</b>	<b>Right-of-use business premises (note 22) £</b>	<b>Asset under construction £</b>	<b>Fixtures and fittings £</b>	<b>Office equipment £</b>	<b>2021 Total £</b>
<b>Cost:</b>					
As at 1 January 2021	-	-	-	108,761	<b>108,761</b>
Additions	274,213	149,896	33,204	46,267	<b>503,580</b>
As at 31 December 2021	<u>274,213</u>	<u>149,896</u>	<u>33,204</u>	<u>155,028</u>	<b><u>612,341</u></b>
<b>Depreciation:</b>					
As at 1 January 2021	-	-	-	28,841	<b>28,841</b>
Charge for the year	13,711	-	691	34,739	<b>49,141</b>
As at 31 December 2021	<u>13,711</u>	<u>-</u>	<u>691</u>	<u>63,580</u>	<b><u>77,982</u></b>
<b>Net book value:</b>					
As at 31 December 2021	<u>260,502</u>	<u>149,896</u>	<u>32,513</u>	<u>91,448</u>	<b><u>534,359</u></b>
As at 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,920</u>	<b><u>79,920</u></b>

<b>Company</b>	<b>Office equipment £</b>	<b>2020 Total £</b>
<b>Cost:</b>		
As at 1 January 2020	43,946	<b>43,946</b>
Additions	64,815	<b>64,815</b>
As at 31 December 2020	<u>108,761</u>	<b><u>108,761</u></b>
<b>Depreciation:</b>		
As at 1 January 2020	5,289	<b>5,289</b>
Charge for the year	23,552	<b>23,552</b>
As at 31 December 2020	<u>28,841</u>	<b><u>28,841</u></b>
<b>Net book value:</b>		
As at 31 December 2020	<u>79,920</u>	<b><u>79,920</u></b>
As at 31 December 2019	<u>38,657</u>	<b><u>38,657</u></b>



**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14 Investments**

Details of the company's subsidiaries at 31 December 2021, all of which are incorporated and registered in England and Wales are as follows:

<b>Subsidiary undertaking</b>	<b>Principal activity</b>	<b>Type of shares held</b>	<b>Proportion held</b>
Hemsley House Childcare Limited	Pre-primary education	Ordinary	100%
Storal Nurseries Limited	Pre-primary education	Ordinary	100%
Chipmunks Limited	Holding company	Ordinary	100%
Archway Nursery Limited	Pre-primary education	Ordinary	100%
Ickle Pickles Day Nursery Limited	Pre-primary education	Ordinary	100%
Playmates Nurseries Limited	Pre-primary education	Ordinary	100%
The Honeytree Day Nursery Limited	Pre-primary education	Ordinary	100%
Rocking Horse Nursery Limited	Pre-primary education	Ordinary	100%
Swingboat Holdings Limited	Holding company	Ordinary	100%
Ashby Day Nursery Limited	Pre-primary education	Ordinary	100%
Woodville Day Nursery Limited	Pre-primary education	Ordinary	100%
Hermitage Day Nursery Limited	Pre-primary education	Ordinary	100%
Old Croft Bank Day Nursery Limited	Pre-primary education	Ordinary	100%
The Willow Tree Day Nursery Limited	Pre-primary education	Ordinary	100%
Tiggywinkles Day Nursery Limited	Pre-primary education	Ordinary	100%
Smart Start Child Care Services Limited	Pre-primary education	Ordinary	100%
Barney Lodge Nursery Limited	Pre-primary education	Ordinary	100%
C&S Childcare Limited	Pre-primary education	Ordinary	100%
Glebe Farm Nursery School Limited	Pre-primary education	Ordinary	100%
Farley Nursery School Limited	Primary education	Ordinary	100%
Storal GR Limited	Business support services	Ordinary	100%

The registered office addresses for all of the above subsidiaries is the same address as the parent company, as stated in page 1 of these financial statements

For the year ended 31 December 2021 the above subsidiaries have taken the entitled exemption from audit under Section 479A of the Companies Act.

<b>15 Trade and other receivables</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables	34,402	92,817	-	-
Provision for bad debts	-	(74,529)	-	-
Sundry receivables	100,126	170,143	101,214	91,517
Prepayments	151,222	104,914	2,472	5,157
Due from related undertakings	-	-	1,080,771	314,034
Due from shareholders	2,679,278	2,679,194	2,679,278	2,679,194
	<b>2,965,028</b>	<b>2,972,539</b>	<b>3,863,735</b>	<b>3,089,902</b>

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>16</b>	<b>Trade and other payables</b>	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
	<b>Current liabilities</b>				
	Trade payables	271,430	246,046	156,464	113,954
	Other payables	932,814	626,743	15,732	33,399
	Deferred consideration	170,000	-	170,000	-
	Accruals	239,599	251,258	141,893	34,784
	Contract liabilities	209,248	292,127	-	-
	Social security and other taxes	131,761	96,288	42,174	32,816
	Corporation Tax	147,239	107,693	-	-
	Due to related undertakings	-	-	4,653,431	12,789,785
		<b>2,102,091</b>	<b>1,620,155</b>	<b>5,179,694</b>	<b>13,004,738</b>
	<b>Non-current liabilities</b>				
	Deferred consideration	600,000	-	600,000	-
		<b>600,000</b>	<b>-</b>	<b>600,000</b>	<b>-</b>
<b>17</b>	<b>Financial liabilities – borrowings</b>	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
	Current borrowings – amounts due within one year:				
	Bank loans (secured)	-	966,537	-	-
	Financial liability – leasing arrangement	35,912	35,912	-	-
		<b>35,912</b>	<b>1,002,449</b>	<b>-</b>	<b>-</b>
	Non-current borrowings - amounts falling due after more than one year:				
	Bank loans (secured)	14,950,384	9,963,666	14,950,384	-
	Financial liability – leasing arrangement	5,279,076	5,314,988	-	-
	Preferred share capital	5,912,109	5,912,109	5,912,109	5,912,109
	Preferred share dividend	710,177	522,607	710,177	522,607
		<b>26,851,746</b>	<b>21,713,370</b>	<b>21,572,670</b>	<b>6,434,716</b>

The preferred shares are redeemable at any time at the election of the company or upon a sale or listing. The shares accrue a dividend at 3.75% per annum on the amount subscribed for the shares (including premium) .

The group's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it may provide returns for shareholders and benefits for other stakeholders; and
- to provide adequate returns to shareholders by ensuring returns are commensurate with the risk.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>18</b>	<b>Provision for liabilities</b>	<b>2021</b>	<b>2020</b>
		<b>Total</b>	<b>Total</b>
		<b>£</b>	<b>£</b>
	Deferred tax liability (company £68,464)	<b>748,813</b>	<b>477,784</b>
		<b>Deferred tax</b>	<b>Deferred tax</b>
	Acquired		
	Temporary timing differences (company £68,464)	<b>150,059</b>	<b>22,731</b>
	Fair value gains	<b>598,754</b>	<b>455,053</b>
		<b>748,813</b>	<b>477,784</b>
<b>19</b>	<b>Net deferred tax</b>		
	Split as:		
	Deferred tax asset	<b>-</b>	<b>380</b>
	Deferred tax liability (company £68,464)	<b>(748,813)</b>	<b>(477,784)</b>
		<b>(748,813)</b>	<b>(477,404)</b>
	Deferred tax		
	The provision for deferred tax consists of:		
	Tax losses	<b>-</b>	<b>380</b>
	Temporary timing differences (company £68,464)	<b>(150,059)</b>	<b>(22,731)</b>
	Fair value gains	<b>(598,754)</b>	<b>(455,053)</b>
		<b>(748,813)</b>	<b>(477,404)</b>

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20 Share capital**

On incorporation, 35,250 £0.01 A ordinary shares and 10,000 £0.01 B ordinary shares were issued at par. On 12 November 2020, 23,877 £0.01 A ordinary shares were issued at a premium of £87 and 10,000 £0.01 ordinary C shares were issued at par. On the 29 November 2021, 10,000 £0.01 D ordinary shares were issued at par.

Class of shares	Nominal value per share (£)	Number of shares in issue	Nominal value (£)	Share premium (£)	Total (£)
Amounts presented in equity:					
A Ordinary shares	0.01	59,127	592	2,077,299	2,077,891
B Ordinary shares	0.01	10,000	100	-	100
C Ordinary shares	0.01	10,000	100	-	100
D Ordinary shares	0.01	10,000	100	-	100
			892	2,077,299	2,078,191
Amounts presented in liabilities:					
Preferred shares	0.01	591,210,926	5,912,109	-	5,912,109

**A Ordinary, B Ordinary, C Ordinary and D Ordinary**

**VOTING RIGHTS:**

The holders of these shares shall, in respect of the Ordinary shares held by them, be entitled to receive notice of, attend and speak at and vote, general meetings of the company and on a show of hands each such holder shall have one vote and on a poll or on a written resolution each such holder shall have one vote for each Ordinary share held by them.

**DIVIDEND RIGHTS:**

After payment of the preferred dividend, the profits of the company available for distribution and resolved with the consent of the Investor Majority to be distributed shall, subject to the provisions of the Companies Acts and the finance documents, be distributed by way of dividend amongst the holders of the Ordinary shares in proportion to the numbers of such shares held by them respectively. Every dividend shall be apportioned and paid to the appropriate member according to the amounts paid up or credited as paid up on the shares of the relevant class held by them during any portion of the year in respect of which the dividend is payable.

**RETURN OF CAPITAL RIGHTS:**

On a return of capital on a liquidation or otherwise, the surplus assets of the company available for distribution among the members (after the payment of the company's liabilities including any debts arising from non-payment of preferred dividends) shall be applied in the following manner and order of priority:

- Firstly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to all unpaid arrears and accruals of Preferred dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;
- Secondly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to the subscription price of such Preferred shares; and
- Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary share in proportion to the number of such Ordinary shares held by them respectively.

**REDEMPTION RIGHTS:**

These shares do not carry redemption rights.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20 Share capital (continued)**

**Preferred Shares**

**VOTING RIGHTS:**

The holders of the Preferred shares do not have any voting rights.

**DIVIDENDS RIGHTS:**

The holders of the Preferred shares shall, before application of any available profits to reserves or for any other purpose, be entitled to receive in respect of each Preferred share a fixed, cumulative, preferential dividend ("Preferred dividend") at an annual compound rate of 3.75% of the amount of the issue price paid up per Preferred share to the person registered as its holder on the due date. The Preferred dividend may be paid in cash on 31 December each year. All unpaid arrears and accruals of the Preferred dividend shall be paid on the date of an exit.

**RETURN OF CAPITAL RIGHTS:**

On a return of capital on a liquidation or otherwise, the surplus assets of the company available for distribution among the members (after the payment of the company's liabilities including any debts arising from non-payment of Preferred dividends) shall be applied in the following manner and order of priority:

- (a) Firstly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to all unpaid arrears and accruals of Preferred dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, *profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;*
- (b) Secondly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to the subscription price of such Preferred shares; and
- (c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary share in proportion to the number of such Ordinary shares held by them respectively.

**21 Reserves**

Share premium account – includes any premiums received on issue of share capital less transaction costs associated with the issue of shares.

Retained earnings – includes all retained profits and losses.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22 Right-of-use assets**

The following right-of-use assets are in place at 31 December 2021

Company	Types of leases	Length of lease (years)	Interest Rate
Hemsley House Childcare Limited	Property – 1	20.00	3.35%
Hemsley House Childcare Limited	Property – 2	20.00	3.35%
The Honeytree Day Nursery Limited	Property – 1	10.00	2.75%
The Honeytree Day Nursery Limited	Property – 2	20.18	2.75%
Archway Nursery Limited	Property – 1	25.00	3.25%
Ickle Pickles Day Nursery Limited	Property – 1	23.44	3.35%
Smart Start Childcare Limited	Property – 1	30.00	3.00%
Willow Tree Nursery Limited	Car Park	25.00	2.75%
C&S Childcare Limited	Property – 1	10.00	2.75%
Storal Learning	Property – 1	5.00	2.75%
Farley Nursery School Limited	Property – 1	10.00	2.75%
Farley Nursery School Limited	Property – 2	20.00	2.75%
Storal Nurseries Limited	Property – 1	20.00	3.75%

All lease obligations are secured by the lessor's title to the leased asset.

Date of Initial recognition	01/10/2021	09/12/2021 & 25/11/2021	01/01/2020
	Company	Group	Group
	Sheet	Balance Sheet	Balance Sheet
	£	£	£
Right-of-use asset recognition	274,213	1,401,732	115,441
Lease liability recognition	(274,213)	(1,433,668)	(154,322)
Equity	-	31,936	38,881
	-	-	-

**Movements during the year**  
**Type of right-of-use assets**

	Buildings £
Balance as at 1 January 2020	3,303,932
Additions at 29 February 2020	461,764
Depreciation as at 29 February 2020	(346,323)
Depreciation charge for the year	(215,420)
Balance as at 31 December 2020	3,203,953
Additions at 1 October 2021	274,213
Additions on acquisition at 25 November 2021	342,322
Additions at 9 December 2021	1,182,391
Depreciation as at 25 November 2021	(122,981)
Depreciation charge for the year	(240,383)
Balance as at 31 December 2021	4,639,515

The weighted average incremental borrowing rate applied to the lease liability recognised in the statement of financial position at the date of initial application is noted above.

This is based on the companies' incremental borrowing rate at the date of initial recognition.

**Lease liabilities – maturity analysis (contractual undiscounted cash flows)**

	2021 £	2020 £
Less than one year	379,180	309,417
One to five years	1,582,381	989,575
Over five years	4,731,837	3,374,593
Total lease liabilities as at 31 December 2021	6,693,198	4,673,585

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22 Right-of-use assets- continued**

Lease liabilities included in the statement of financial position:

	2021	2020
	£	£
Current	218,072	203,633
Non-current	4,655,962	3,175,439
	<u>4,874,034</u>	<u>3,379,072</u>

The amounts recognised in the statement of profit and loss for the year ending 31 December 2021 is presented below:

Amounts recognised in the profit and loss	2021	2020
	£	£
Interest on lease liabilities	116,950	110,911
Depreciation of lease	240,383	215,420
Expenses relating to short-term leases	101,190	112,969

**Amounts recognised in the statement of cash flow**

Cash flow from operating activities	116,950	110,911
Cash flow from financing activities	<u>(330,301)</u>	<u>(297,904)</u>

**22.1 Lease commitments**

The future minimum rental payment under short-term leases were as follows:

	2021	2020
	£	£
Not later than one year	-	50,400
Later than one and not later than five years	-	-
	<u>-</u>	<u>50,400</u>

**23 Related party transactions**

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The directors are the only key management.

Details of directors' emoluments are disclosed in Note 9.

**24 Controlling parties**

At the balance sheet date, Varun Chanrai and Ashwin Grover were the controlling party of the group.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25 Financial risk management and financial instruments - group and company**

*Credit risk*

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the statement of financial position date, as summarised below. Management considers that the group is exposed to little credit risk arising on its receivables due to the value of those receivables. The credit risk on cash balances is limited because the third parties are banks with high credit ratings assigned by international credit rating agencies.

Financial assets carried at amortised cost - carrying amounts	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Cash and cash equivalents	2,147,769	3,171,424	71,443	98,556
Trade receivables	34,402	18,288	-	-
Other financial assets	2,930,626	2,954,251	3,863,735	3,089,902
	<b>5,112,797</b>	<b>6,143,963</b>	<b>3,935,178</b>	<b>3,188,458</b>

The group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

*Liquidity risk – group and company*

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

**2021**

Group	Carrying amount £	Within 1 year £	2 to <5 years £	5 years and over £
<b>Non-derivative financial liabilities</b>				
Secured bank loans	14,950,384	-	-	14,950,384
Financial liabilities – borrowings	5,314,988	35,912	107,736	5,171,340
Leasing liabilities	4,874,034	218,072	1,022,588	3,633,374
Preferred share capital	5,912,109	-	-	5,912,109
Deferred consideration (current and non-current)	770,000	170,000	600,000	-
Trade and other payables	3,391,081	1,932,091	710,177	748,813
		<b>2,356,075</b>	<b>2,440,501</b>	<b>30,416,020</b>



**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25 Financial risk management and financial instruments - group and company (continued)**

2020

	Carrying amount	Within 1 year	2 to <5 years	5 years and over
Group	£	£	£	£
<b>Non-derivative financial liabilities</b>				
Secured bank loans	10,930,203	1,294,443	3,883,329	5,752,431
Financial liabilities – borrowings	5,350,900	35,912	107,736	5,207,252
Leasing liabilities	3,379,072	203,633	501,572	2,673,867
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	2,620,546	1,620,155	522,607	477,784
		3,154,143	5,015,244	20,023,443

2021

	Carrying amount	Within 1 year	2 to <5 years	5 years and over
Company	£	£	£	£
<b>Non-derivative financial liabilities</b>				
Secured bank loans	14,950,384	-	-	14,950,384
Leasing liabilities	266,589	53,336	213,253	-
Preferred share capital	5,912,109	-	-	5,912,109
Deferred consideration (Current and non-current)	770,000	170,000	600,000	-
Trade and other payables	5,009,694	5,009,694	-	-
		5,233,030	813,253	20,862,493

2020

	Carrying amount	Within 1 year	2 to <5 years	5 years and over
Company	£	£	£	£
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	13,004,738	13,004,738	-	-
		13,004,738	-	5,912,109

*All financial liabilities are carried at amortised cost.*

**Capital management**

The group's main objective when managing capital is to reward stakeholders, meet financial obligations to staff and protect returns to shareholders by ensuring it will continue to trade profitably in the foreseeable future. The group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The group considers its capital to include share capital, share premium, fair value reserve and retained earnings. Net debt includes short and long-term borrowings (including lease obligations) and shares classed as financial liabilities, net of cash and cash equivalents. The group has not made any changes to its capital management during the year and it is not subject to any externally imposed capital requirements.

**STORAL LEARNING LTD**  
**Annual report and consolidated financial statements**  
**31 December 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25 Financial risk management and financial instruments - group and company (continued)**

**Secured bank loans**

The bank loan is repayable in 2026 with no annual instalments falling due before and is secured by way of fixed and floating charge over the assets of the company, including legal charges over individual properties. The directors consider that additional information regarding the bank loan is commercially sensitive.

**26 Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not recognised amounted to £409,137 (2020: £nil)

**27 Contingent liabilities and events since the balance sheet date**

There were no contingent liabilities at 31 December 2021. Events since the balance sheet are disclosed in the Directors' Report.