Aurora Care and Education Midco Limited

Annual Report and financial statements for the year ended 30 April 2020

Registered number: 09767477

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Contents

Strategic report

The directors present their strategic report on Aurora Care and Education Midco Limited ("the Company") for the year ended 30 April 2020. "The Aurora Group" is defined as Aurora Care & Education Holdings Limited and all of its subsidiaries of which the Company is one of them.

Principal activities

The Company primarily borrows funds on behalf of the wider Aurora Group, which is a provider of education and care for children, young people and adults with special needs. These borrowings are used by the Aurora Group to pursue growth opportunities and invest in existing services in order to further develop the facilities and service offerings, so that they can best support those in its care.

Results

The loss for the year amounted to £4,491,176 *(2019: loss of £4,198,179)*. The Company has net current assets of £56,475,339 (*2019: net current assets of £46,520,645*) and net liabilities of £13,606,274 *(2019: net liabilities of £9,115,098*); this is in line with expectations, typical for a business in its infancy and is further explained in the going concern accounting policy.

Key performance indicators

As a Company holding loans for the Aurora Group, the directors consider the financial key performance indicators at the wider Group level rather than for the Company in isolation. The financial key performance indicators for the Group are turnover and earnings before interest, tax, depreciation and amortisation (EBITDA). These metrics best reflect the financial performance of the Group and are consistent with how the finances of the business are assessed and managed on an operational basis. In addition, cash flow and net debt is reviewed by the business on a regular basis.

The financial statements of the parent company, Aurora Care and Education Holdings Limited, contains further detail on KPIs.

Principal risks and uncertainties

The directors recognise that the degree of exposure to risks and the Company's ability to manage those risks effectively will influence how successful the business is. The directors identify, assess and manage the risks associated with the business objectives and strategy. Below are the principal risks and uncertainties that may affect the Company and mitigating factors. Since the Company holds loans for use amongst the wider Aurora Group, the principal risks and uncertainties are aligned with the Group.

Economic and policy risk
The majority of the Aurora Group's revenue is generated from Local Authorities, Clinical Commissioning Groups (CCGs) and other publicly funded bodies. As such, the success of the Group is linked to the willingness of such public bodies to fund the Group services. Uncertainty surrounds public body budgets and policy and a change in either, relating to education, health and social care, may pose a risk to the Group. To mitigate this risk, the Group endeavours to keep abreast of future and proposed legislative changes, assesses public body demand through regular dialogue, and reviews fees and value for money within the marketplace.

The directors have considered the potential consequences of the UK leaving the European Union (EU). The Group neither exports nor makes significant imports but does employ staff from other EU countries. The directors do not anticipate any immediate impact on the availability of its current staff and continues to monitor the situation.

The directors have considered the consequences of the Covid-19 outbreak. In line with government policy, the schools have remained open with suitable measures in place and, where pupils have been unable to attend, the Company has invested in alternative provisions to enable remote learning and support. The government has committed to fund pupils regardless of whether they physically attend the schools and residential services until at least August 2021 and so revenues have not been affected by this outbreak. Contingency plans have been developed in line with government advice and guidance if there is an outbreak in a school and staff, students and parents/carers are regularly updated. The directors do not anticipate any immediate negative impact on operations of the schools and continues to monitor the situation.

Regulatory risk
All Aurora Group services are regulated by the Office for Standards in Education, Children's Services and Skills (Ofsted) or the Care Quality Commission (CQC). The key risks posed by operating within a heavily regulated environment are the introduction of new regulations and failure to meet existing regulations. Failure to comply with regulatory requirements may result in de-regulation of a service, the loss of child, young person and adult placements, and reputational risk. To mitigate regulatory risk, robust policies and procedures have been implemented throughout the Group, a Governance framework established, regular internal audits completed, and quality inspections are carried out by an independent team. Further to this, rigorous recruitment and training procedures are in place to ensure that our employees are appropriately equipped to work within our services.

Business and operational risk
The success of the business depends on the ability of management to identify services for which there is demand and to build or acquire suitable sites at an appropriate price in order to align services to this demand. The Group then relies on efficient and well controlled processes. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis. Where these likelihoods are felt to be outside the directors' appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels. The Group also has a disaster recovery plan in place for all services covering current business requirements.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Business and operational risk (continued)
There is a system of internal controls which seek to ensure that events which would damage the reputation of the business are prevented. Management is active in seeking knowledge on changes to the business environment which may have an impact on the way that the Group does business.

Credit risk
The credit risk is primarily attributable to the Group's trade debtors, which are predominantly public bodies. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk is limited because the debtors are public bodies and there is no indication that there has been a change in their ability to pay. The public bodies concerned have not been downgraded as a result of the UK's decision to leave the EU.

Market risk
The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's long-term debt obligations. Please refer to the financial statements of the parent, Aurora Care and Education Holdings Limited, for the sensitivity analysis that outlines the Group's exposure to interest rate risk.

Future developments

The directors consider the Group to be in a strong position to continue to consolidate the foundations of the business and its existing assets. The Group continues to invest in existing services and intends to actively pursue growth opportunities across its different service lines.

Approved by the Board and signed on its behalf by:

S Ramalingam
Director

Date: 28 October 2020

Directors' report

The directors present their annual report on the affairs and the audited financial statements of Aurora Care and Education Midco Limited together with the audited financial statements and auditor's report for the year ended 30 April 2020.

Going concern

The directors have considered the principal risks and uncertainties, which are described in the strategic report, when assessing the going concern assumption. The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is a 100% owned subsidiary of Aurora Care and Education Holdings Limited, the parent company of The Aurora Group. The majority of the Company's liabilities represent amounts due to fellow Group companies. The entity has received a letter of support from the directors of the Aurora Care and Education Holdings Limited group which states they will provide financial support such that the Company remains a going concern for a period of at least 12 months from date of signing of these financial statements. The directors of the Company have assessed the ability of Aurora Care and Education Holdings Limited to provide this support. The Aurora Group has loans payable totalling £70,081,614 for which the facilities have been extended and are repayable on 31 December 2021. The extension of the loan facilities included the agreement of a new quarterly EBITDA financial covenant, which have been set based on the forecast EBITDA financial performance of the Group up to 31 December 2021. In the period post year end the Group have performed favourably against forecast; occupancy, turnover and EBITDA have all performed above forecast levels. Management have performed sensitivity analysis on key inputs to the forecasts considering; expected occupancy growth and staff costs. The directors therefore have a reasonable expectation that the financial covenant will be met based on their review of performance to date and cost control measures available to them. Based on this the Company directors have concluded that, as Aurora Care and Education Holdings Limited has control over all entities with the group, they have control and the ability to access sufficient funds to provide this level of support.

From March 2020, the Company was faced with the economic consequences in respect of the Covid-19 pandemic outbreak. The Company's investments are in schools and residential services that have remained open during this time, and, where pupils have been unable to attend schools or services, the Group has invested in measures to enable remote learning and support. The government has committed to fund students regardless of whether they physically attend the services until at least August 2021. The directors have produced forecasts showing the Company has adequate resources to continue in existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Directors

The directors who served the Company during the year and up to the date of the report unless otherwise stated, were as follows:

S Ramalingam
D Slater
J Young (appointed 6 February 2019, resigned 13 December 2019)

Dividend

No dividend was declared or paid in the current year or in the prior year. The directors continue not to recommend payment of a dividend.

Political contributions

The Company has made no political contributions or incurred any political expenditure during either year.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors that were made during the year and remain in force at the date of this report.

Future developments

The future developments of the Company are detailed within the strategic report on page 2.

Financial risk management objective and policies

The Company's activities expose it to a number of financial risks including credit risk. The use of financial derivatives is governed by the Group's policies which are outlined within the strategic report.

Directors' report *(continued)*

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

S Ramalingam
Director

Date: 28 October 2020

Unit 13, Twigworth Court Business Centre,
Tewkesbury Road, Gloucester
United Kingdom
GL2 9PG

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Independent auditor's report to the members of Aurora Care and Education Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aurora Care and Education Midco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Aurora Care and Education Midco Limited *(continued)*

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

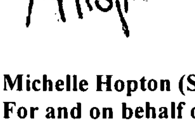
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Michelle Hopton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

28 October 2020

Statement of comprehensive income

For the year ended 30 April 2020

	Note	Year to 30 April 2020 £	Year to 30 April 2019 £
Administrative expenses		**(139,437)**	(133,409)
Operating loss		**(139,437)**	(133,409)
Interest payable and similar expenses	3	**(5,452,163)**	(4,924,638)
Loss before taxation	4	**(5,591,600)**	(5,058,047)
Tax on loss	7	**1,100,424**	859,868
Loss for the financial year		**(4,491,176)**	(4,198,179)
Total comprehensive loss for the year		**(4,491,176)**	(4,198,179)

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses for the year other than the results as set out above.

The notes on pages 11 to 17 form part of these financial statements.

Balance sheet
As at 30 April 2020

	Note	As at 30 April 2020 £	As at 30 April 2019 £
Fixed assets			
Investments	8	**1**	1
Current assets			
Debtors	9	**71,012,006**	60,350,076
Deferred tax asset		**502,643**	1,309,600
		71,514,649	61,659,676
Creditors: Amounts falling due within one year	10	**(15,039,310)**	(15,139,031)
Net current assets		**56,475,339**	46,520,645
Total assets less current liabilities		**56,475,340**	46,520,646
Creditors: Amounts falling due after more than one year	11	**(70,081,614)**	(55,635,744)
Net liabilities		**(13,606,274)**	(9,115,098)
Capital and reserves			
Called-up share capital	13	**1**	1
Profit and loss account	13	**(13,606,275)**	(9,115,099)
Shareholder's deficit		**(13,606,274)**	(9,115,098)

These financial statements were approved by the directors and authorised for issue on 28 October 2020 and are signed on their behalf by:

S Ramalingam
Director

Company Registration Number: 09767477

The notes on pages 11 to 17 form part of these financial statements.

Statement of changes in equity
For the year ended 30 April 2020

	Called-up share capital £	Profit and loss account £	Total £
At 1 May 2018	1	(4,916,920)	(4,916,919)
Loss for the financial year	-	(4,198,179)	(4,198,179)
Total comprehensive loss	-	(4,198,179)	(4,198,179)
At 30 April 2019	1	(9,115,099)	(9,115,098)
Loss for the financial year	-	(4,491,176)	(4,491,176)
Total comprehensive loss	-	(4,491,176)	(4,491,176)
At 30 April 2020	**1**	**(13,606,275)**	**(13,606,274)**

The notes on pages 11 to 17 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2020

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Aurora Care and Education Midco Limited is a private company limited by shares registered in England and Wales under the Companies Act. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2. The financial statements cover Aurora Care and Education Midco only and do not reflect the results of the consolidated group.

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Aurora Care and Education Midco Limited is considered to be Pounds Sterling because that is the currency of the economic environment in which the Company operates. The financial statements are also presented in Pounds Sterling.

Aurora Care and Education Midco Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Aurora Care and Education Midco Limited is consolidated in the financial statements of its parent, Aurora Care and Education Holdings Limited, which may be obtained at Companies House, Cardiff, CF14 3UZ. Exemptions have been taken in these separate Company financial statements in relation to preparing consolidated financial statements, financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party transactions. The financial statements represent the results of the Company only and does not reflect the results of any subsidiaries within the group.

b. Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is a 100% owned subsidiary of Aurora Care and Education Holdings Limited, the parent company of The Aurora Group. The majority of the Company's liabilities represent amounts due to fellow Group companies. The entity has received a letter of support from the directors of the Aurora Care and Education Holdings Limited group which states they will provide financial support such that the Company remains a going concern for a period of at least 12 months from date of signing of these financial statements. The directors of the Company have assessed the ability of Aurora Care and Education Holdings Limited to provide this support. The Aurora Group has loans payable totalling £70,081,614 for which the facilities have been extended and are repayable on 31 December 2021. The extension of the loan facilities included the agreement of a new quarterly EBITDA financial covenant, which have been set based on the forecast EBITDA financial performance of the Group up to 31 December 2021. In the period post year end the Group have performed favourably against forecast; occupancy, turnover and EBITDA have all performed above forecast levels. Management have performed sensitivity analysis on key inputs to the forecasts considering; expected occupancy growth and staff costs. The directors therefore have a reasonable expectation that the financial covenant will be met based on their review of performance to date and cost control measures available to them. Based on this the Company directors have concluded that, as Aurora Care and Education Holdings Limited has control over all entities with the group, they have control and the ability to access sufficient funds to provide this level of support.

From March 2020, the Company was faced with the economic consequences in respect of the Covid-19 pandemic outbreak. The Company's investments are in schools and residential services that have remained open during this time, and, where pupils have been unable to attend schools or services, remote learning and support has been implemented. The government has committed to fund students regardless of whether they physically attend the school until at least August 2021. The directors have produced forecasts showing the Company has adequate resources to continue in existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

c. Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the statement of comprehensive income using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Notes to the financial statements *(continued)*
For the year ended 30 April 2020

1 Accounting policies *(continued)*

d. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income as the transaction or other event that resulted in the tax expense or income.

e. Financial instruments

Financial assets and liabilities
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the balance sheet when, and only when, there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as part of cash and cash equivalents for the purposes of the cash flow statement.

Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Derecognition
Financial assets are derecognised when: the contractual rights to the cash flows from those assets expire or are settled; or where substantially all the risk and rewards of those assets are transferred to another entity; or where another entity becomes able to unilaterally sell those assets in their entirety to an unrelated third party. Financial liabilities are derecognised only when the relevant financial obligations are extinguished.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measured at the undiscounted receivable amount, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Notes to the financial statements *(continued)*

For the year ended 30 April 2020

1 Accounting policies *(continued)*

f. Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

g. Fixed asset investments

Investments are held at cost less any provision for impairment.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no significant judgements in accounting policies in these financial statements.

Key accounting estimates and assumptions

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

Tax provisions
The Company's deferred tax position, an asset of £502,643 *(2019:£1,309,600)* relates to management's assessment of tax benefit available to the Company in the future and has yet to be agreed with HMRC. Uncertain tax items for which provisions are made relate principally to the interpretation of tax legislation regarding arrangements entered into in the ordinary course of business. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

3 Interest payable

	Year to 30 April 2020	Year to 30 April 2019
	£	£
Loan interest payable	**5,452,163**	4,924,638

4 Loss before taxation

The analysis of auditor's remuneration is as follows:	**Year to 30 April 2020**	Year to 30 April 2019
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	-	3,500

The audit fee for the year ended 30 April 2020 of £3,663 is borne by Aurora Care and Education Opco Limited and not recharged to Aurora Care and Education Midco Limited.

5 Staff numbers and costs

The Company did not employ any staff in the year or in the prior year.

Notes to the financial statements *(continued)*
For the year ended 30 April 2020

6 Directors' remuneration and transactions

The Company did not pay any emoluments to the directors during either year. The directors are remunerated by other entities within the Aurora Group or wider Octopus Group for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as directors of this Company. The financial statements of Aurora Care and Education Opco Limited are available to the public from Companies House.

7 Tax on loss

(a) Analysis of credit in the year

	Year to 30 April 2020	Year to 30 April 2019
	£	£
Current tax:		
UK corporation tax on losses for the year	**(946,352)**	-
Adjustment in respect of prior periods	**(961,029)**	-
Total current tax	**(1,907,381)**	-
Deferred tax:		
Origination and reversal of timing differences	-	(961,029)
Adjustment in respect of prior periods	**859,867**	-
Effect of changes in tax rates	**(52,910)**	101,161
Total deferred tax	**806,957**	(859,868)
Tax on loss	**(1,100,424)**	(859,868)

(b) Factors affecting tax credit

The tax credit for the year is higher *(2019:higher)* than the average standard rate of corporation tax in the UK of 19% *(2019: 19%)*. The differences are explained below:

The credit for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	Year to 30 April 2020	Year to 30 April 2019
	£	£
Loss before tax	**(5,591,600)**	(5,058,047)
	£	£
Tax on loss at standard UK tax rate of 19% *(2019: 19%)*	**(1,062,404)**	(961,029)
Effects of:		
Expenses not deductible for tax purposes	-	(1)
Effects of Group relief	**116,052**	-
Adjustments from previous periods	**(101,162)**	-
Tax rate changes	**(52,910)**	101,162
Tax credit for the year	**(1,100,424)**	(859,868)

Finance Bill 2016 enacted a reduction in corporation tax rate to 17% with effect from 1 April 2020; this was the rate at which deferred tax was provided in the 2019 accounts. Finance Bill 2020 confirmed that the rate of corporation tax will remain at the rate of 19% from 1 April 2020 (cancelling the enacted cut to 17%). As this change was enacted before year-end by the passing of Budget Resolution on 17 March 2020, deferred tax is now provided at 19%.

The Company has no carried forward tax losses for the year *(brought forward: £Nil)*. The Company has no unrecognised deferred tax asset at the year-end *(2019: £Nil)*.

Notes to the financial statements *(continued)*
For the year ended 30 April 2020

8 Investments

Subsidiary undertakings

	£
Cost and carrying value	
At 30 April 2019	1
At 30 April 2020	**1**

The Company has investments in the following subsidiary undertakings.

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held	Ownership
Aurora ASD Limited	England & Wales	Provision of educational and child services	Ordinary	100%	Indirect
Aurora Care and Education Opco Limited	England & Wales	Provision of educational, child and adult services	Ordinary	100%	Direct
Aurora FE Limited	England & Wales	Provision of educational services	Ordinary	100%	Indirect
Aurora LD Limited	England & Wales	Provision of educational, child and adult services	Ordinary	100%	Indirect
Aurora LD II Limited	England & Wales	Provision of educational services	Ordinary	100%	Indirect
Beechkeys Limited	England & Wales	Provision of educational services	Ordinary	100%	Indirect
Beechkeys Properties Limited	England & Wales	Property holdings	Ordinary	100%	Indirect
Foxes Academy Limited	England & Wales	Provision of educational services	Ordinary	100%	Indirect
The Reynard Care and Support Agency Limited	England & Wales	Provision of educational services	Ordinary	100%	Indirect
Trybond Limited	England & Wales	Property holdings	Ordinary	100%	Indirect

On 9 July 2019, Aurora Carroll Limited, a 100% owned dormant subsidiary, was dissolved.

The registered office of all the subsidiaries above is Unit 13, Twigworth Court Business Centre, Tewkesbury Road, Gloucester, Gloucestershire, GL50 3LG.

Notes to the financial statements *(continued)*
For the year ended 30 April 2020

9 Debtors due within one year

	As at 30 April 2020 £	As at 30 April 2019 £
Amounts falling due within one year:		
Amounts owed by Group undertakings – subsidiary company	**68,920,211**	60,165,662
Amounts owed by Group undertakings – fellow group company	**2,091,795**	184,414
	71,012,006	60,350,076

Amounts owed by Group undertakings carry no rate of interest and are payable on demand. All debtors are unsecured.

10 Creditors: Amounts falling due within one year

	As at 30 April 2020 £	As at 30 April 2019 £
Amounts owed to Group undertakings – fellow group company	**15,000,650**	15,000,650
Accruals and deferred income	**38,660**	138,381
	15,039,310	15,139,031

Amounts owed to Group undertakings carry no rate of interest and are repayable on demand. All creditors are unsecured.

11 Creditors: Amounts falling due after more than one year

	As at 30 April 2020 £	As at 30 April 2019 £
Loans payable	**70,081,614**	55,635,744

The loans payable are subject to certain financial covenants for the Group being met. The Group was in compliance with all covenants during the year and as at 30 April 2020. The loans are secured by way of a fixed and floating charge on the Company's undertakings.

Borrowings are repayable as follows:	As at 30 April 2020 £	As at 30 April 2019 £
Loans payable:		
Between one and five years	**70,081,614**	55,635,744

There are no loans payable beyond five years.

Notes to the financial statements *(continued)*
For the year ended 30 April 2020

12 Deferred tax

The deferred tax included in the balance sheet is as follows:	As at 30 April 2020 £	As at 30 April 2019 £
Included in current assets	**502,643**	1,309,600

The movement in the deferred taxation account during the year was:	As at 30 April 2020 £	As at 30 April 2019 £
Balance brought forward	**1,309,600**	449,730
Adjustment in respect of prior years	**(859,867)**	-
Deferred tax charge to statement of comprehensive income for the year	**52,910**	859,870
Balance carried forward	**502,643**	1,309,600

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:	As at 30 April 2020 £	As at 30 April 2019 £
Losses	**502,643**	1,309,600

13 Called-up share capital

Allotted, authorised, called-up and fully paid:	30 April 2020		30 April 2019	
	No	**£**	No	£
1 Ordinary share of £1	**1**	**1**	1	1

The Company has one class of ordinary shares, which carry no right to fixed income.

The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

14 Ultimate parent undertaking

The Company's ultimate parent is Octopus Capital Limited, a company registered in England and Wales with registered office address: 6th Floor, 33 Holborn, London EC1N 2HT. The consolidated financial statements of the Group are available to the public from Companies House. The smallest group in which the Company is consolidated is that headed by Aurora Care and Education Holdings Limited, incorporated in the United Kingdom with registered office Unit 13, Twigworth Court Business Centre, Tewkesbury Road, Gloucester, GL2 9PG. The largest group in which the Company is consolidated is that headed by Octopus Capital Limited. The consolidated financial statements of the Aurora Group are available to the public from Companies House. In the opinion of the directors, there is no ultimate controlling party.

15 Post balance sheet events

Implications resulting after 30 April 2020 from the Covid-19 pandemic have not affected the Company as detailed in the going concern section of the strategic report. No other adjusting or significant non-adjusting events have occurred between 30 April 2020 and the date of authorisation.