

Aurora LD II Limited

Annual report and financial statements for the year ended 30 April 2021

Registered number: 10141690

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Contents

	Page
Strategic report	1
Directors' report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Strategic Report

The directors present their strategic report on Aurora LD II Limited (“The Company”) for the year ended 30 April 2021. “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 is an innovative provider of education and care for children and young people with special educational needs and disabilities.

The Company has operated Aurora Eccles School since March 2017. The school provides flexible day placements for students aged 7 to 16 years with communication and associated difficulties or specific learning difficulties such as dyslexia. During the year the Company has continued to make significant investment at the site in order to further develop and upgrade the facilities and services offered, so that it can best support those in its care.

Results

The profit for the year amounted to £936,528 (2020: profit of £89,578). Profit has increased due to increased capacity and occupancy from the continued investment in the site (£1.4m fixed asset additions in 2020). The Company has net assets of £661,747 (2020: net liabilities of £274,781); this is in line with expectations, typical for a business in its development phase and is further explained in the going concern accounting policy.

Key performance indicators

The directors’ use a number of financial and non-financial performance indicators to monitor and evaluate the performance of the Company including a key measure of the regulatory gradings, because these are widely recognised by service users. The latest government inspections report can be found at the following website: <https://www.isi.net/>. The directors also use the occupancy rates of each of the schools to monitor and evaluate the performance of the Company.

The directors consider the financial key performance indicators for the Company to be turnover and earnings before interest, tax, depreciation and amortisation (EBITDA). These metrics best reflect the financial performance of the Company 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 are reviewed by the business on a regular basis.

	Year to 30 April 2021	Year to 30 April 2020
Turnover	£5,694,370	£4,420,659
EBITDA	£1,391,718	£468,221

The current year has seen more demand for services and the Company has continued to grow occupancy, giving rise to an increase in turnover. EBITDA continues to grow through turnover, cost control and efficiencies gained from utilising the benefits of group wide contracts.

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 via its Group Risk Committee. Below are the principal risks and uncertainties that may affect the Company and mitigating factors.

Economic and policy risk

The majority of the Company’s revenue for the next financial year is generated from Local Authorities, Clinical Commissioning Groups (CCGs) and other publicly funded bodies. As such, the success of the Company is linked to the willingness of such public bodies to fund the Company 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 Company. To mitigate this risk, the Company endeavours to keep well informed 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 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 continue to monitor the situation on the availability of staff and implement mitigation strategies as required to help reduce the impact of increased agency costs.

The directors continually consider the consequences of the Covid-19 outbreak, changes in regulations and the impact that these have on its services. 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 for all pupils. 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 that are actioned as and when a service has been closed with staff, students and parents/carers being regularly updated. The directors do not anticipate any immediate negative impact on the operations of the school and continue to monitor the situation.

Strategic Report (*continued*)

Principal risks and uncertainties (continued)

Regulatory risk

All Aurora Group services are regulated by the Office for Standards in Education, Children's Services and Skills (Ofsted), the Independent Schools Inspectorate (ISI) 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 restrictions to a service, the loss of child, young person and adult placements, and reputational risk. To mitigate regulatory risk, robust policies and procedures are in place throughout the Company, a Governance framework established, regular internal audits completed, and quality inspections are carried out by an experienced 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 develop services for which there is a demand and then to operate those services to meet stakeholder requirements. The Company relies on the management of efficient and established processes and controls to identify, develop and operate its services. The potential impact and likelihood of processes failing, and operational risk materialising is assessed on a regular basis. Where 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 Company has a disaster recovery plan in place for all services covering all current business requirements.

Management is active in seeking knowledge on changes to the business environment which may have an impact on the way that the Company does business.

Credit risk

The credit risk is primarily attributable to the Company'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.

Liquidity risk

By managing liquidity, the Company aims to ensure it can meet its financial obligations as and when they fall due.

As detailed in Note 1, the financial statements have been prepared on a going concern basis, in support of which the Board has reviewed the Company's trading forecasts for the next 12 months taking into account the current macroeconomic environment. As a result, the directors are confident that the assumptions underlying these forecasts are reasonable and that the Group will be able to operate on this basis.

Future developments

The directors expect the level of activity to improve from 2021 results as demand for services continues and occupancy increases. The directors have assessed risks to the business, above, and do not foresee any events outside the Company's control that are expected to have significant impact on the business

Approved by the Board and signed on its behalf by:



D Slater
Director

Date: 26 January 2022

Directors' report

The directors present their annual report on the affairs and the audited financial statements of Aurora LD II Limited, together with the audited financial statements and auditor's report for the year ended 30 April 2021.

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 Company has received a letter of support from the directors of the Aurora Care and Education Holdings Limited 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 £74,539,106 which have been refinanced post year end. In Autumn 2021, the debt liability has been reduced by circa £31m through a sale and lease back agreement of 4 freehold properties owned by the group at year end. The residual debt facility was refinanced in December 2021 with a new shareholder loan note instrument due 2026 with additional capacity for further drawdowns to fund further investment. Current forecasts show the Group continue to perform favourably against budgeted occupancy, turnover and EBITDA. The cashflow forecast is reviewed regularly and continues to show a strong position for future years. Management have performed sensitivity analysis on key inputs to the forecasts considering expected occupancy growth and staff costs.

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.

The directors have reviewed key forecast results that are for a period beyond 12 months of the signing date for the Company together with the Group, being occupancy levels, operating and non-operating cash flows and determined they are adequate to remain a going concern.

From March 2020, a Covid-19 pandemic outbreak resulted in government measures including amongst other things social distancing and shielding of vulnerable people. However, in line with Government policy, the services have remained open and, where pupils have been unable to attend, the Group has invested in measures to enable remote learning and support. The directors do not consider Covid-19 a principal risk to the company given that schools are returning back to operational level pre Covid.

This has meant that Covid-19 has minimal impact on the accounts and the Company continues to operate as a going concern. Detailed forecasts and assumptions related to Covid-19 have not been prepared as these would not have a significant impact on the Company's ability to be a going concern.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Directors

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

M R Costello (appointed 5 November 2020)
D G Phipps (appointed 5 November 2020)
S Ramalingam
D Slater

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 which were made during the year and remain in force at the date of this report.

Directors' report (*continued*)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and via Company communications to employees.

Business relationships with suppliers

The business relationships with suppliers are paramount to the Group's performance. The Group has longstanding relationships with its suppliers and proximity of the different hubs to their suppliers is a key factor. The Group treats its suppliers with due care as timely delivery of quality goods is essential for normal operations. Furthermore, the Group always applies payment terms at market standards and does not pressure suppliers to accept prices that are not at arm's length.

The Group operates in a business environment where business ethics can be violated or breached. Whilst the Group is able to operate with a large degree of freedom, it is bound by its own ethics. The risk associated with bribery and corruption is assessed by the business regularly, to ensure legal and ethical compliance.

Creditor payment policy

The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard on payment practice.

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 and liquidity risk which are outlined within the strategic report.

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:



D Slater
Director

Date: 26 January 2022

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Aurora LD II Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aurora LD II Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 April 2021 and of its profit 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;
- the accounting policies; 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

In auditing the financial statements, we have concluded that the directors' 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 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.

Independent auditor's report to the members of Aurora LD II 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax regulation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Office for Standards in Education, Children's Services and Skills (OFSTED) and the health & safety and equality act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Aurora LD II Limited (continued)

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 or 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

26 January 2022

Statement of comprehensive income

For the year ended 30 April 2021

	Note	Year to 30 April 2021 £	Year to 30 April 2020 £
Turnover	3	5,694,370	4,420,659
Cost of sales		<u>(3,639,664)</u>	<u>(3,228,824)</u>
Gross profit		2,054,706	1,191,835
Administrative expenses		<u>(1,225,671)</u>	<u>(1,123,497)</u>
Other operating income		82,417	-
Profit before taxation	4	911,452	68,338
Tax on profit	7	<u>25,076</u>	<u>21,240</u>
Profit for the financial year		936,528	89,578
Total comprehensive income for the year		936,528	89,578

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

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

The notes on pages 12 to 20 form part of these financial statements.

Balance sheet
As at 30 April 2021

	Note	As at 30 April 2021 £	As at 30 April 2020 £
Fixed assets			
Intangible assets	8	136,484	299,929
Tangible assets	9	5,151,004	4,016,550
		<u>5,287,488</u>	<u>4,316,479</u>
Current assets			
Debtors	10	1,529,747	739,978
Cash at bank and in hand		910,680	322,967
		<u>2,440,427</u>	<u>1,062,945</u>
Creditors: Amounts falling due within one year	12	<u>(7,066,168)</u>	<u>(5,654,205)</u>
Net current liabilities		<u>(4,625,741)</u>	<u>(4,591,260)</u>
Total assets less current liabilities		<u>661,747</u>	<u>(274,781)</u>
Net assets/(liabilities)		<u>661,747</u>	<u>(274,781)</u>
Capital and reserves			
Called-up share capital	13	1	1
Profit and loss account	13	661,746	(274,782)
Shareholder's funds/(deficit)		<u>661,747</u>	<u>(274,781)</u>

These financial statements were approved by the directors and authorised for issue on 26 January 2022 and are signed on their behalf by:



D Slater
Director
Aurora LD II Limited
Company Registration Number: 10141690

The notes on pages 12 to 20 form part of these financial statements.

Statement of changes in equity
For the year ended 30 April 2021

	Called-up share capital £	Profit and loss account £	Total £
At 1 May 2019	1	(364,360)	(364,359)
Profit for the financial year	-	89,578	89,578
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	89,578	89,578
	<hr/>	<hr/>	<hr/>
At 30 April 2020	1	(274,782)	(274,781)
Profit for the financial year	-	936,528	935,528
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	936,528	936,528
	<hr/>	<hr/>	<hr/>
At 30 April 2021	1	661,746	661,747
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 20 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2021

1 Accounting policies

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

a. General information and basis of accounting

Aurora LD II Limited (the Company) is a private company limited by shares and registered in England and Wales under the Companies Act 2006. 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 directors' report on pages 3 to 4.

The financial statements have been prepared under the historical cost convention and modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company 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 LD II 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. The Company 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 financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related parties' transactions.

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 Company has received a letter of support from the directors of the Aurora Care and Education Holdings Limited 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 £74,539,106 which have been refinanced post year end. In Autumn 2021, the debt liability has been reduced by circa £31m through a sale and lease back agreement of 4 freehold properties owned by the group at year end. The residual debt facility was refinanced in December 2021 with a new shareholder loan note instrument due 2026 with additional capacity for further drawdowns to fund further investment. Current forecasts show the Group continue to perform favourably against budgeted occupancy, turnover and EBITDA. The cashflow forecast is reviewed regularly and continues to show a strong position for future years. Management have performed sensitivity analysis on key inputs to the forecasts considering expected occupancy growth and staff costs.

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.

The directors have reviewed key forecast results that are for a period beyond 12 months of the signing date for the Company together with the Group, being occupancy levels, operating and non-operating cash flows and determined they are adequate to remain a going concern.

From March 2020, a Covid-19 pandemic outbreak resulted in government measures including amongst other things social distancing and shielding of vulnerable people. However, in line with Government policy, the services have remained open and, where pupils have been unable to attend, the Group has invested in measures to enable remote learning and support. The directors do not consider Covid-19 a principal risk to the company given that schools are returning back to operational level pre Covid.

This has meant that Covid-19 has minimal impact on the accounts and the Company continues to operate as a going concern. Detailed forecasts and assumptions related to Covid-19 have not been prepared as these would not have a significant impact on the Company's ability to be a going concern.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the financial statements *(continued)*

For the year ended 30 April 2021

1 Accounting policies *(continued)*

c. Turnover

Turnover represents sales of education and care services net of Value Added Tax and discounts. Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Turnover is recognised in the accounting year in which the services are rendered.

Where a contract has only been partially completed at the balance sheet, date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income, which is recognised as income over the respective terms of the agreements. Turnover on contracts exceeding one year is recognised on a straight-line basis over the term of the contract.

d. Cost of sales

Cost of sales are fees and costs directly associated with generating turnover and are recognised on an accruals basis. Cost of sales comprise salaries and direct operating costs in relation to operating the school.

e. Other income

Other income represents non-contractual income for education and care services that is recognised in the period it is receivable.

f. Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary and associated undertakings and businesses, representing any excess of the fair value of the consideration given over the provisional fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its estimated useful economic life, as follows:

Goodwill	5 years
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Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the statement of comprehensive income. Reversals of impairment are recognised when the reasons for impairment no longer apply.

g. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Customer relationships	5 years
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Amortisation is charged to administrative expenses in the statement of comprehensive income. Where there is indication that the residual value or useful life has changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

h. Tangible assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Land	not depreciated
Buildings	50 years
Fixtures, fittings and equipment	5-20 years
Motor vehicles	4 years
Computer hardware and software	3 years

During the year, the Company reviewed the benefits derived from its fixed assets over time. It was determined that the depreciation accounting estimates for fixture and fittings should change to 5 – 20 years to better reflect the useful life of the assets.

Notes to the financial statements (*continued*)

For the year ended 30 April 2021

1 Accounting policies (*continued*)

h. Tangible assets (*continued*)

Assets under construction are recorded within fixed assets and are not depreciated, as these assets are not available for use in the business. Upon completion, the assets are recorded within the appropriate fixed asset category and are depreciated as described above.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indications exist, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless they arise on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the statement of comprehensive income if it is caused by a clear consumption of economic benefits. Otherwise, impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

i. 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.

j. Post-retirement benefits

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the statement of comprehensive income represents the contributions payable to the schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k. 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.

Notes to the financial statements *(continued)*

For the year ended 30 April 2021

1 Accounting policies *(continued)*

k. Financial instruments *(continued)*

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 undiscounted amount receivable, 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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting year, to defer settlement of the creditor for at least 12 months after the reporting date. If there is an unconditional right to defer settlement for at least 12 months after the reporting date, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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.

i) Impairment of intangible assets and goodwill (note 8)

The Company considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the associated cash-generating units. This requires estimation of the future cash flows from the cash-generating units and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

ii) Tax provisions (note 11)

The Company's deferred and current tax provisions relate to management's assessment of tax payable on open tax positions or tax benefits available to the Company in the future and have yet to be agreed with HMRC. Uncertain tax items for which a provision is 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.

Notes to the financial statements (continued)

For the year ended 30 April 2021

3 Turnover

The Company has a single class of business, providing educational and care services. The Company earns all of its revenue in the UK. An analysis of the Company's turnover is as follows:

	Year to 30 April 2021	Year to 30 April 2020
	£	£
Rendering of services	5,694,370	4,420,659
Other income	82,417	-
	<u>5,776,787</u>	<u>4,420,659</u>

4 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Year to 30 April 2021	Year to 30 April 2020
	£	£
Depreciation of tangible fixed assets	316,821	236,438
Amortisation of intangible assets	163,445	163,445
Profit on disposal of fixed assets	-	(1,162)
Operating lease costs	(1,943)	77,964
	<u>478,323</u>	<u>476,685</u>

The audit fee for the Company's financial statements for the year ended 30 April 2021 of £12,935 (2020: £12,588) is borne by the parent company Aurora Care and Education Opco Limited and not recharged to Aurora LD II Limited. Fees payable to Deloitte LLP and its associates for non-audit services to the company are £nil (2020: £nil).

5 Staff numbers and costs

The monthly average number of staff employed by the Company during the financial year amounted to:

	Year to 30 April 2021	Year to 30 April 2020
	No	No
Administration	20	22
Operations	95	70
	<u>115</u>	<u>92</u>

The aggregate payroll costs of the above were:

	Year to 30 April 2021	Year to 30 April 2020
	£	£
Wages and salaries	2,609,611	2,007,572
Social security costs	225,882	174,075
Other pension costs	215,494	164,630
	<u>3,050,987</u>	<u>2,346,277</u>

Pension schemes

The Company operates defined contribution pension schemes. The pension costs charge for the year represents contributions payable by the Company to the schemes and amounted to £215,494 (2020: £164,630). Contributions of £33,300 were outstanding at the end of the financial year (2020: £31,033).

Notes to the financial statements (continued)

For the year ended 30 April 2021

6 Directors' remuneration and transactions

The Company did not pay any emoluments to the directors during either year. The directors are remunerated by another entity within the Aurora Group, Aurora Care and Education Opco Limited, 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 a director of this Company. The financial statements of Aurora Care and Education Opco Limited are available to the public from Companies House.

7 Tax on profit

(a) Analysis of tax credit in the year

	Year to 30 April 2021 £	Year to 30 April 2020 £
Current tax	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(24,461)	(16,894)
Adjustment in respect of previous periods	(615)	(112)
Effect of changes in tax rates	-	(4,234)
Total deferred tax	(25,076)	(21,240)
Tax on profit	(25,076)	(21,240)

(b) Factors affecting tax credit

The (credit)/charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	Year to 30 April 2021 £	Year to 30 April 2020 £
Profit before tax	911,452	68,338
Tax on profit at standard UK tax rate of 19% (2019: 19.0%)	173,176	12,984
Effects of:		
Expenses not deductible for tax purposes	47,984	43,514
Effects of Group relief/other reliefs	(245,621)	(73,392)
Adjustment from previous periods	(615)	(112)
Tax rate changes	-	(4,234)
Tax credit for the year	(25,076)	(21,240)

The Finance Bill 2020 confirmed that the rate of corporation tax would remain at the rate of 19% from 1 April 2020 and as this is the rate enacted at the balance sheet date, this is the rate at which deferred tax has been provided. The Finance Bill 2021 announced an increase in the rate of corporation tax from April 2023 to 25%. This Finance Bill was substantively enacted on 24 May 2021 and the impact to the Company is estimated to be a credit of £25,956. 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 (2020: *£Nil*).

Notes to the financial statements (continued)

For the year ended 30 April 2021

8 Intangible assets

	Goodwill £	Customer relationships £	Total £
COST			
At 1 May 2020 and 30 April 2021	447,225	370,000	817,225
AMORTISATION			
At 1 May 2020	282,963	234,333	517,296
Charge for the year	89,445	74,000	163,445
At 30 April 2021	372,408	308,333	680,741
NET BOOK VALUE			
At 30 April 2021	74,817	61,667	136,484
At 1 May 2020	164,262	135,667	299,929

The goodwill and the customer relationships intangible fixed asset each arose on the purchase of the trade and assets of New Eccles Hall School and are both being amortised over a period of five years.

9 Tangible fixed assets

	Assets under construction £	Land and buildings £	Fixtures, fittings and equipment £	Computer hardware and software	Motor vehicles £	Total £
COST						
At 1 May 2020	1,339,804	1,745,770	1,133,506	225,200	30,726	4,475,006
Additions	804,966	66,220	533,988	30,255	-	1,435,429
Disposals	-	-	-	(6,158)	-	(6,158)
Transfer	(2,029,275)	2,005,505	23,770	15,846	-	15,846
At 30 April 2021	115,495	3,817,495	1,691,264	265,143	30,726	5,920,123
DEPRECIATION						
At 1 May 2020	-	48,694	284,006	113,451	12,305	458,456
Charge for the year	-	60,087	183,322	65,791	7,621	316,821
Disposals	-	-	-	(6,158)	-	(6,158)
At 30 April 2021	-	108,781	467,328	173,084	19,926	769,119
NET BOOK VALUE						
At 30 April 2021	115,495	3,708,714	1,223,936	92,059	10,800	5,151,004
At 30 April 2020	1,339,804	1,697,076	849,500	111,749	18,421	4,016,550

All land and buildings are freehold and included within this is land at cost of £320,000 which is not depreciated. The net carrying amount of assets held under finance leases included in computer hardware and software is £Nil (2020: £Nil).

During the year, the Company reviewed the benefits derived from its fixed assets over time. It was determined that the depreciation accounting estimates for fixture and fittings should change to 5 – 20 years to better reflect the useful life of the assets.

Notes to the financial statements (continued)

For the year ended 30 April 2021

10 Debtors due within one year

	As at 30 April 2021	As at 30 April 2020
	£	£
Amounts falling due within one year:		
Trade debtors	63,891	137,021
Other debtors	2,291	97,606
Amounts owed by Group undertakings – fellow group companies	1,195,405	378,898
Prepayments and accrued income	185,967	69,336
Deferred tax asset	82,193	57,117
	<u>1,529,747</u>	<u>739,978</u>

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

11 Deferred tax asset

	As at 30 April 2021	As at 30 April 2020
	£	£
Deferred tax asset	<u>82,913</u>	<u>57,117</u>

The movement in the deferred taxation account during the year was:

	As at 30 April 2021	As at 30 April 2020
	£	£
Balance brought forward	57,117	35,877
Adjustment in respect of prior years	615	112
Deferred tax change to the statement of comprehensive income for the year	<u>24,461</u>	<u>21,128</u>
Balance carried forward	<u>82,193</u>	<u>57,117</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	As at 30 April 2021	As at 30 April 2020
	£	£
Fixed asset timing differences	75,762	51,117
Short-term timing differences - trading	<u>6,431</u>	<u>6,000</u>
	<u>82,193</u>	<u>57,117</u>

12 Creditors: Amounts falling due within one year

	As at 30 April 2021	As at 30 April 2020
	£	£
Trade creditors	51,395	43,159
Amounts owed to Group undertakings – immediate parent company	2,001,790	2,463,953
Amounts owed to Group undertakings – fellow group companies	2,432,336	1,189,095
Social security and other taxes	65,289	39,108
Other creditors	81,341	59,632
Accruals and deferred income	<u>2,434,017</u>	<u>1,859,258</u>
	<u>7,066,168</u>	<u>5,654,205</u>

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

Notes to the financial statements *(continued)*

For the year ended 30 April 2021

13 Called-up share capital

Allotted, authorised, called-up and fully paid:

	30 April 2021		30 April 2020	
	No	£	£	£
1 Ordinary share of £1	1	1	1	1

The Company has one class of ordinary shares that 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 2021 from the Covid-19 pandemic have not had affected the Company as detailed in the going concern section of the strategic report.

In November 2021, the Company entered into a sale & leaseback arrangement of three properties whose proceeds were used to reduce the loans payable in the Group.

Except for events included in the going concern heading of the Directors Report, no other adjusting or significant non-adjusting events have occurred between 30 April 2021 and the date of authorisation.