# Aurora ASD Limited

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

Registered number: 10198361

# Contents

## Strategic report

The directors present their strategic report on Aurora ASD Limited ("the Company") for the year ended 30 April 2020.

**Principal activities**

The Company is an innovative provider of education and care for children and young people with special needs. The Company owns and operates three schools:

- Aurora Hedgeway School, a day school and home for children and young people with communication and associated difficulties. During the year a decision was made to close the children's homes associated with the school;
- Aurora Hanley School, a facility that offers flexible day and residential placements for students with complex communication and social difficulties typically associated with Asperger's syndrome and Autism;
- Aurora Redehall School, a day school for children aged 6-16 years with communication difficulties typically associated with Asperger's Syndrome and Autism; and
- Aurora Caterham Education Centre is a day school supporting young people aged 11-19 with communication difficulties typically associated with Asperger's Syndrome and Autism. This school was opened in March 2020.

The Company continues to invest to develop existing and new facilities and service offerings, so that it can grow and best support those in its care. The Company has further redevelopment and refurbishment plans across its sites, to ensure optimum learning environments are available to all students.

**Results**

The profit for the year amounted to £1,264,524 *(2019: profit of £926,996)*. The Company has net assets of £1,593,549 *(2019: net assets of £329,025)*.

**Key performance indicators**

The directors use a number of non-financial performance indicators for the Company. However, those deemed to be key are regulatory gradings, because these are widely recognised by service users. The most recent can be found at the following websites: www.cqc.org.uk and www.gov.uk/government/organisations/ofsted.

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 2020** | Year to 30 April 2019 |
|---|---|---|
| **Turnover** | **£6,874,788** | £6,057,449 |
| **EBITDA** | **£1,673,116** | £1,289,829 |

The current year has seen more demand for services and the Company has continued to grow occupancy, giving rise to an increase in turnover. In March 2020 the Caterham Education Centre was opened. EBITDA continues to grow through turnover and cost control from carefully managed staff costs and using Group 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. 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 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 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.

## Strategic report (continued)

**Principal risks and uncertainties** *(continued)*

*Economic and policy risk (continued)*
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 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 if there is an outbreak in a school 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.

*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 restrictions to 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 Company, 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 Company 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 Company also has a disaster recovery plan in place for all services covering current business requirements.

There is a system of internal controls which seeks 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 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 general level of activity to improve from 2020 results as the impact of the redevelopment work continues to be realised and as day placement capacity increases across all schools. The directors do not foresee any events outside the Company's control, which are expected to have significant impact on the business. The directors have assessed risks to the business above.

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 ASD Limited, together with the audited financial statements and auditor's report for the year ended 30 April 2020.

### 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.

The directors have reviewed key forecast results for the Company 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 government has committed to fund places regardless of whether users physically attend the services until at least August 2021 and so revenues have not been affected by this outbreak.

The Group has developed contingency plans if an outbreak was to occur at a site to minimise the risk to users and staff and to the financial health of the Group including options not limited to closing schools and providing remote learning or, for residential users, isolating the house that the outbreak is in. From these scenarios, the directors believe that the Company has sufficient resources to manage these risks.

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:

S Ramalingam
D Slater
J Young (appointed 2 May 2019, resigned 13 December 2019)

### Dividends

No dividend was declared or paid in the current year or 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.

### 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

## **Directors' report** (continued)

**Disabled employees (continued)**

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. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**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. The use of financial derivatives is governed by the Group's policies 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:

**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 ASD Limited

## Report on the audit of the financial statements

### Opinion
In our opinion the financial statements of Aurora ASD 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 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; and
- the related notes 1 to 18.

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.

### 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.

## Independent auditor's report to the members of Aurora ASD Limited *(continued)*

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 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.

MHopton

**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 £ |
|---|---|---|---|
| **Turnover** | 3 | **6,874,788** | 6,057,449 |
| Cost of sales | | **(4,397,846)** | (3,951,795) |
| **Gross profit** | | **2,476,942** | 2,105,654 |
| Administrative expenses | | **(1,171,726)** | (1,099,660) |
| **Profit before taxation** | 4 | **1,305,216** | 1,005,994 |
| Tax on profit | 7 | **(40,692)** | (78,998) |
| **Profit for the financial year** | | **1,264,524** | 926,996 |
| **Total comprehensive income for the year** | | **1,264,524** | 926,996 |

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 11 to 20 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** | | | |
| Negative goodwill | 8 | **(7,533)** | (9,635) |
| Total negative goodwill | | **(7,533)** | (9,635) |
| Customer relationships | 8 | **107,500** | 137,500 |
| Intangible assets | | **99,967** | 127,865 |
| Tangible assets | 9 | **7,728,090** | 7,156,925 |
| | | **7,828,057** | 7,284,790 |
| **Current assets** | | | |
| Debtors | 10 | **2,668,748** | 2,329,122 |
| Cash at bank and in hand | | **689,896** | 230,491 |
| Deferred tax asset | 11 | **13,315** | 14,979 |
| | | **3,371,959** | 2,574,592 |
| **Creditors: Amounts falling due within one year** | 12 | **(9,482,010)** | (9,444,928) |
| **Net current liabilities** | | **(6,110,051)** | (6,870,336) |
| **Total assets less current liabilities** | | **1,718,006** | 414,454 |
| **Provisions for liabilities** | 13 | **(124,457)** | (85,429) |
| **Net assets** | | **1,593,549** | 329,025 |
| **Capital and reserves** | | | |
| Called-up share capital | 15 | **1** | 1 |
| Profit and loss account | | **1,593,548** | 329,024 |
| **Shareholder's funds** | | **1,593,549** | 329,025 |

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*
Aurora ASD Limited
Company Registration Number: 10198361

**The notes on pages 11 to 20 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 | (597,972) | (597,971) |
| Profit for the financial year | - | 926,996 | 926,996 |
| Total comprehensive income | - | 926,996 | 926,996 |
| **At 30 April 2019** | 1 | 329,024 | 329,025 |
| Profit for the financial year | - | 1,264,524 | 1,264,524 |
| Total comprehensive income | - | 1,264,524 | 1,264,524 |
| **At 30 April 2020** | **1** | **1,593,548** | **1,593,549** |

**The notes on pages 11 to 20 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 to the preceding period.

### a. General information and basis of accounting

Aurora ASD 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 and directors' report.

The functional currency of Aurora ASD 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 ASD 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 ASD 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 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 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.

The directors have reviewed key forecast results for the Company 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 government has committed to fund places regardless of whether users physically attend the services until at least August 2021 and so revenues have not been affected by this outbreak.

The Group has developed contingency plans if an outbreak was to occur at a site to minimise the risk to users and staff and to the financial health of the Group including options not limited to closing schools and providing remote learning or, for residential users, isolating the house that the outbreak is in. From these scenarios, the directors believe that the Company has sufficient resources to manage these risks.

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 2020*

**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 in advance of services provided, the amounts are recorded as deferred income, which is recognised as income over the respective terms of the agreements.

**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. 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 | 7 years |

Negative goodwill arising on an acquisition is recognised on the acquisition date and subsequently the excess, up to the fair value of non-monetary assets acquired, is recognised in profit or loss in the years in which the non-monetary assets are recovered.

**f. 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 | 7 years |

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.

**g. Tangible assets**

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible 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 years |
| Computer hardware and software | 3 years |

Assets under construction are recorded within tangible assets and are not depreciated as these assets are not available for use in the business. Upon completion, the assets are transferred to 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 tangible 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 tangible asset. An impairment loss on a revalued tangible 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.

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

**1 Accounting policies** *(continued)*

**h. 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 years 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.

**i. 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.

**j. 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.

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

## 1 Accounting policies *(continued)*

### j. Financial instruments *(continued)*

*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 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 receivable.

*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.

### k. 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.

### l. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. The Company does not currently have assets under finance lease.

## 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 (note 8)*
The Company considers whether intangible assets 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*
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 has yet 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 2020*

## 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 2020** | Year to 30 April 2019 |
|---|---|---|
| | **£** | £ |
| Rendering of services | **6,874,788** | 6,057,449 |

## 4 Profit before taxation

Profit before taxation is stated after charging:

| | **Year to 30 April 2020** | Year to 30 April 2019 |
|---|---|---|
| | **£** | £ |
| Depreciation of tangible fixed assets | **340,002** | 255,937 |
| Amortisation of intangible assets | **27,898** | 27,898 |
| Operating lease costs | **58,774** | 69,245 |
| | **426,674** | 353,080 |

There was no profit or loss on the disposals of assets made in the year *(2019: £nil)*. Amortisation of intangible assets is included in administrative expenses.

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 | - | 19,500 |

The audit fee for year ended 30 April 2020 of £20,407 is borne by the parent company Aurora Care and Education Opco Limited and not recharged to Aurora ASD Limited.

## 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 2020** | Year to 30 April 2019 |
|---|---|---|
| | **No** | No |
| Administration | **16** | 11 |
| Operations | **121** | 107 |
| | **137** | 118 |

The aggregate payroll costs of the above were:

| | **Year to 30 April 2020** | Year to 30 April 2019 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **3,178,122** | 2,643,265 |
| Social security costs | **277,027** | 234,818 |
| Other pension costs | **245,013** | 124,588 |
| | **3,700,162** | 3,002,671 |

# Notes to the financial statements *(continued)*

*For the year ended 30 April 2020*

## 5 Staff numbers and costs *(continued)*

*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 £245,013 *(2019: £124,588)*. Contributions of £59,078 were payable at the end of the financial year *(2019: £24,251)*.

## 6 Directors' remuneration and transactions

The Company did not pay any emoluments to the directors during either year. The directors are remunerated by Aurora Care and Education Opco Limited, another entity within the Aurora 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 a 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 profit

### (a) Analysis of charge in the year

| | **Year to 30 April 2020 £** | Year to 30 April 2019 £ |
|---|---|---|
| Current tax: | | |
| UK corporation tax on profits for the year | - | - |
| Adjustment in respect of previous periods | - | 3,665 |
| **Total current tax** | - | 3,665 |
| Deferred tax: | | |
| Origination and reversal of timing differences | **32,076** | 87,862 |
| Adjustment in respect of previous periods | **293** | (3,280) |
| Effect of changes in tax rates | **8,323** | (9,249) |
| **Total deferred tax** | **40,692** | 75,333 |
| **Total tax per statement of comprehensive income** | **40,692** | 78,998 |

### (b) Factors affecting tax charge

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

| | **Year to 30 April 2020 £** | Year to 30 April 2019 £ |
|---|---|---|
| Profit before tax | **1,305,216** | 1,005,994 |
| | **£** | £ |
| Tax on profit at standard UK tax rate of 19% *(2019: 19%)* | **247,991** | 191,139 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **45,883** | 33,818 |
| Income not taxable | **(379)** | (2,297) |
| Effects of group relief/other reliefs | **(261,419)** | (62,936) |
| Adjustment from previous periods | **293** | 385 |
| Tax rate changes | **8,323** | (9,249) |
| Deferred tax previously not recognised | - | (71,862) |
| **Tax charge for the year** | **40,692** | 78,998 |

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

## 7 Tax on profit *(continued)*

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)*.

## 8 Intangible assets

| | Negative goodwill £ | Customer relationships £ | Total £ |
|---|---|---|---|
| **COST** | | | |
| **At 1 May 2019 and 30 April 2020** | **(14,715)** | **210,000** | **195,285** |
| **AMORTISATION** | | | |
| At 1 May 2019 | (5,080) | 72,500 | 67,420 |
| Charge for the year | (2,102) | 30,000 | 27,898 |
| **At 30 April 2020** | **(7,182)** | **102,500** | **95,318** |
| **NET BOOK VALUE** | | | |
| **At 30 April 2020** | **(7,533)** | **107,500** | **99,967** |
| At 30 April 2019 | (9,635) | 137,500 | 127,865 |

Negative goodwill arose on the purchase of the trade and assets of Anderson school which occurred on 1 December 2016. The goodwill will be amortised over a period of seven years.

The customer relationships intangible arose from the purchase of Anderson school as described above. Customer relationships are amortised over a period of 7 years, based on occupants' average length of stay.

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

## 9 Tangible fixed assets

| | Assets under construction £ | Land and buildings £ | Fixtures, fittings and equipment £ | Computer hardware and software £ | Total £ |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 May 2019 | 8,621 | 6,866,702 | 537,638 | 187,560 | 7,600,521 |
| Additions | 22,094 | 397,732 | 366,922 | 121,454 | 908,202 |
| Transfers | (8,621) | - | 11,586 | - | 2,965 |
| **At 30 April 2020** | **22,094** | **7,264,434** | **916,146** | **309,014** | **8,511,688** |
| **DEPRECIATION** | | | | | |
| At 30 April 2019 | - | 235,578 | 128,745 | 79,273 | 443,596 |
| Charge for the year | - | 128,371 | 140,574 | 71,057 | 340,002 |
| **At 30 April 2020** | - | **363,949** | **269,319** | **150,330** | **783,598** |
| **NET BOOK VALUE** | | | | | |
| **At 30 April 2020** | **22,094** | **6,900,485** | **646,827** | **158,684** | **7,728,090** |
| At 30 April 2019 | 8,621 | 6,631,124 | 408,893 | 108,287 | 7,156,925 |

All land and buildings are freehold and included within this is land at cost of £611,603 *(2019: £611,603)* which is not depreciated.

## 10 Debtors due within one year

| | **As at 30 April 2020 £** | As at 30 April 2019 £ |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | **2,071,517** | 1,936,484 |
| Amounts owed by Group undertakings – fellow group companies | **408,862** | 167,572 |
| Amounts owed by Group undertakings – immediate parent company | - | 59,776 |
| Prepayments and accrued income | **164,864** | 149,285 |
| Other debtors | **23,505** | 16,005 |
| | **2,668,748** | 2,329,122 |

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

## 11 Deferred tax asset

| | **As at 30 April 2020 £** | As at 30 April 2019 £ |
|---|---|---|
| Deferred tax asset | **13,315** | 14,979 |

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

## 12 Creditors: Amounts falling due within one year

| | As at 30 April 2020 £ | As at 30 April 2019 £ |
|---|---|---|
| Trade creditors | **80,264** | 96,663 |
| Amounts owed to Group undertakings – immediate parent company | **6,246,731** | 6,659,785 |
| Amounts owed to Group undertakings – fellow group companies | **311,753** | 393,855 |
| Social security and other taxes | **61,699** | 61,854 |
| Other creditors | **73,003** | 47,221 |
| Accruals and deferred income | **2,708,560** | 2,185,550 |
| | **9,482,010** | 9,444,928 |

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

## 13 Provisions for liabilities

| | As at 30 April 2020 £ | As at 30 April 2019 £ |
|---|---|---|
| Deferred tax liability | **124,457** | 85,429 |

## 14 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 (note 11) | **13,315** | 14,979 |
| Included in provisions for liabilities (note 13) | **(124,457)** | (85,429) |
| | **(111,142)** | (70,450) |

| The movement in the deferred taxation account during the year was: | As at 30 April 2020 £ | As at 30 April 2019 £ |
|---|---|---|
| Balance brought forward | **(70,450)** | 4,883 |
| Adjustment in respect of prior years | **(293)** | 3,280 |
| Deferred tax charge to statement of comprehensive income for the year | **(40,399)** | (78,613) |
| **Balance carried forward** | **(111,142)** | (70,450) |

| 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 £ |
|---|---|---|
| Fixed asset timing differences | **(124,457)** | (85,429) |
| Short-term timing differences - trading | **13,315** | 14,979 |
| | **(111,142)** | (70,450) |

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

### 15 Called-up share capital

| | 30 April 2020 | | 30 April 2019 | |
|---|---|---|---|---|
| | £ | No | £ | No |
| **Allotted, authorised, called-up and fully paid:** | | | | |
| 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.

### 16 Operating lease commitments

The Company has the following future minimum lease payments under non-cancellable operating leases for each of the following years:

| **Payments due:** | **Fixtures, fittings and equipment** | **Motor vehicles** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| **As at 30 April 2020** | | | |
| Not later than one year | **8,251** | **35,989** | **44,240** |
| Later than one year and not later than five years | **7,564** | **32,717** | **40,281** |
| | **15,815** | **68,706** | **84,521** |
| As at 30 April 2019 | | | |
| Not later than one year | 9,902 | 44,355 | 54,257 |
| Later than one year and not later than five years | 18,878 | 77,244 | 96,122 |
| | 28,780 | 121,599 | 150,379 |

### 17 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.

### 18 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 directors' report. No other adjusting or significant non-adjusting events have occurred between 30 April 2020 and the date of authorisation.