RE: COMPANY NO: 04498331
AUDIT EXEMPTION NOTE 13 (PAGE 30-31)

Registered Number 10421490 (England and Wales)

Storal Learning Ltd
Financial Statements for the year ended 31 December 2019

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STORAL LEARNING LTD
Annual report and consolidated financial statements
31 December 2019

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STORAL LEARNING LTD
Annual report and consolidated financial statements
31 December 2019

CORPORATE INFORMATION

Directors	Mark Emerson Anderegg Varun Chanrai Ashwin Grover Jan-Henning Woitschatzke
Registered Office	1, Kingdom Street London W2 6BD
Auditor	Azets Audit Services 2nd Floor Regis House 45 King William Street London EC4R 9AN
Registered number	10421490

STRATEGIC REPORT

The directors present their strategic report on the group for the year ended 31 December 2019.

Principal activities

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

Review of the business and key performance indicators

In 2019, the company completed 3 high quality acquisitions and, in the process, grew from 14 nurseries to 17. It grew from 1,002 registered places to 1,473 registered places at 31 December 2019. In addition the company conducted a sale and leaseback of 8 of its freehold nurseries, freeing up liquidity on its balance sheet and using some of the proceeds to reduce its debt.

The results of the company show revenue of £9,700,064 and a pre-tax loss of £679,102 before fair value gains on properties of £1,939,962, net of tax.

In monitoring the performance of the business and assessing the risks which the company faces, the key financial and non-financial performance indicators are gross margin (2019: 37%; 2018: 34%), EBITDA (2019: £395,767; 2018: -£496,834) and achieving a good or outstanding grade from OFSTED for the nurseries.

Future developments

The company has further plans in 2020 to continue acquiring high quality nurseries in our chosen regions and to continue supporting our nurseries in delivering ever higher standards of childcare by providing expertise, resources, and by instilling a positive working culture of knowledge sharing and continuous improvement.

Business environment

The business environment remains positive. The market is fragmented with ample consolidation opportunities. In spite of the COVID-19 pandemic, the business has fared relatively well and has a cash reserve at the balance sheet date of £3,795,162. Occupancy, whilst below budget, is still strong and will continue to grow as schools reopen during September 2020.

Financial risk management objectives and policies

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

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

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the group's shareholders and trade receivables.

In order to manage credit risk, the directors set limits for individual customers and for government subsidies, based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Where applicable, credit limits are reviewed on a group basis.

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

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

STRATEGIC REPORT (continued)

Interest rate risk
The group uses bank loans and preferred shares to fund acquisitions. There is no interest rate risk associated with the preferred shares as they have a fixed coupon of 3.75% until redemption. The bank loans bear cash interest at LIBOR plus 2% to 2.60% per annum. To mitigate against interest rate changes, the group has entered into long dated commercial mortgages with long dated amortisation schedules so as to preserve group cash flow.

Principal risks and uncertainties

The directors have set out below the principal risks facing the business.

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

Like all businesses, the group faces set risks and challenges, however none of these risks is fundamentally different from those faced by the group in the previous year and the directors take comfort from the extensive skills and track record of the leadership team in managing and mitigating these risks so far as practical while maintaining or enhancing the performance of the group.

The directors are of the opinion that a thorough risk management process has been adopted which involves formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

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

The behaviours the group expect of all staff are:
- We are professionals
- We deliver positive outcomes
- We strive for personal and professional development
- We champion change and opportunity
- We encourage inclusivity
- We communicate effectively
- We challenge, consider and commit

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

Continued increases in the national living wage also remains a threat. Wages are the group's most significant cost item and any increase in the national living wage would affect profitability.

Competition is increasing in the market and private equity investors are increasingly looking to enter the industry which will increase competition for quality acquisition targets.

The hourly rate the group receives from the government does not routinely keep up with the inflation rate.

Compliance

The group is required to comply with a range of increasingly complex laws, regulations and other standards. During the period new and improved processes were implemented to comply with GDPR laws, supplier payment practices and gender pay gap reporting.

By order of the board

Director - V. Chanrai

Date: 21 December 2020

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the group for the year 31 December 2019.

Directors

The persons who have been directors during year were:

Mark Emerson Anderegg
Varun Chanrai
Ashwin Grover
Jan-Henning Woitschatzke

Dividends

The directors do not recommend the payment of a dividend.

Strategic Report

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

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

Qualifying third-party indemnity provisions

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

Employees

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

Events since the balance sheet date

The group successfully completed the acquisition of Barney Lodge and C&S Childcare.

Disclosure of information to auditors

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

Auditors

On 7 September 2020 Group Audit Services Limited trading as Wilkins Kennedy Audit Services changed its name to Azets Audit Services Limited. The name under which it practices is Azets Audit Services and accordingly the audit report is signed in that name. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Azets Audit Services will therefore continue in office.

By order of the board

Director - V. Chanrai

Date: 21 December 2020

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

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

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

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

Opinion

We have audited the financial statements of Storal Learning Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 group's or the parent 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.

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 this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Other information

Without qualifying our opinion, we draw attention to the fact that the comparative information in the financial statements was unaudited.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

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

Date: 21 December 2020

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019	2018
Continuing operations		**£**	**£**
Revenue	5	**9,700,064**	3,848,153
Cost of sales		**(6,119,061)**	(2,555,257)
Gross profit		**3,581,003**	1,292,896
Administrative expenses		**(3,391,508)**	(1,622,589)
Costs related to acquisition of subsidiaries		**(243,075)**	(324,770)
Operating loss		**(53,580)**	(654,463)
Interest paid to banks		**(313,276)**	(101,341)
Interest on lease liabilities		**(85,302)**	-
Preferred share dividend		**(199,163)**	(127,073)
Loss on disposal of fixed assets		**(27,781)**	-
Finance expense	9	**(625,522)**	(228,414)
Loss on ordinary activities before taxation		**(679,102)**	(882,877)
Income tax (expense)/credit	10	**(42,464)**	60,098
Loss for the financial year		**(721,566)**	(822,779)
OTHER COMPREHENSIVE INCOME			
Fair value gain on properties		**2,395,015**	-
Income Tax	10	**(455,053)**	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**1,218,396**	(822,779)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Note	2019	2018
		£	£
Assets			
Non-current assets			
Goodwill	11	**8,041,818**	5,555,146
Property, plant and equipment	12	**14,770,887**	6,365,794
Deferred tax	18	**73,986**	94,894
		22,886,691	12,015,834
Current assets			
Trade and other receivables	14	**3,264,095**	3,265,778
Cash and cash equivalents		**3,795,162**	1,390,026
		7,059,257	4,655,804
Total assets		**29,945,948**	16,671,638
Equity attributable to owners of the parent			
Share capital	19	**792**	792
Share premium account		**2,077,299**	2,077,299
Retained earnings		**(1,960,332)**	(1,166,716)
Revaluation reserve		**1,939,962**	-
Total equity		**2,057,721**	911,375
Liabilities			
Current liabilities			
Trade and other payables	15	**1,859,022**	894,337
Financial liabilities – borrowings	16	**1,081,809**	411,880
Lease liabilities	21	**137,589**	-
		3,078,420	1,306,217
Non-current liabilities			
Owing to banks and third parties		**14,686,519**	8,310,588
Owing to shareholders		**6,286,852**	6,087,689
Financial liabilities – borrowings	16	**20,973,371**	14,398,277
Provision for liabilities	17, 18	**562,282**	55,769
Lease liabilities	21	**3,274,154**	-
		24,809,807	14,454,046
Total liabilities		**29,945,948**	16,671,638

These financial statements were approved by the board of directors on 21 December 2020 and were signed on its behalf by:

Director - V. Chanrai

Company number: 10421490

The accompanying notes form an integral part of these financial statements

COMPANY BALANCE SHEET
As at 31 December 2019

	Note	2019	2018
		£	**£**
Assets			
Non current assets			
Investment in subsidiaries	13	**15,344,660**	10,224,056
Property, plant and equipment	12	**38,657**	1,580
Deferred tax		**8,126**	-
		15,391,443	10,225,636
Current assets			
Trade and other receivables	14	**2,883,460**	2,813,121
Cash and cash equivalents		**31,309**	514,948
		2,914,769	3,328,069
Total assets		**18,306,212**	13,553,705
Equity attributable to owners of the parent			
Share capital	19	**792**	792
Share premium account		**2,077,299**	2,077,299
Retained earnings		**(850,212)**	(576,875)
Shareholders' equity		**1,227,879**	1,501,216
Liabilities			
Current liabilities			
Trade and other payables	15	**10,791,481**	5,964,800
		10,791,481	5,964,800
Non-current liabilities			
Owing to shareholders	16	**6,286,852**	6,087,689
		6,286,852	6,087,689
Total liabilities		**18,306,212**	13,553,705
Company's loss for the financial year		**273,337**	345,284

These financial statements were approved by the board of directors on 21 December 2020 and were signed on its behalf by:

Director - V. Chanrai

Company number: 10421490

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Revaluation Reserve £	Total attributable to the owners of the company £
Balance at 1 January 2018 (unaudited)	453	-	(343,937)	-	(343,484)
Loss for the year	-	-	(822,779)	-	(822,779)
Issue of shares	339	-	-	-	339
Share premium		2,077,299	-	-	2,077,299
Total transactions with owners	339	2,077,299	-	-	2,077,638
Balance at 31 December 2018	792	2,077,299	(1,166,716)	-	911,375
				-	
Recognised on adoption of IFRS 16 (see note 21)	-	-	(72,050)	-	(72,050)
Loss for the year	-	-	(721,566)	-	(721,566)
Fair value gains through other comprehensive income	-	-	-	1,939,962	1,939,962
Balance at 31 December 2019	**792**	**2,077,299**	**(1,960,332)**	**1,939,962**	**2,057,721**

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Total attributable to the owners of the company £
Balance at 1 January 2018	453	-	(231,591)	(231,138)
Loss for the year	-	-	(345,284)	(345,284)
Issue of shares	339	-	-	339
Share premium	-	2,077,299	-	2,077,299
Total transactions with owners	399	2,077,299	-	2,077,638
Balance at 31 December 2018	792	2,077,299	(576,875)	1,501,216
Loss for the year	-	-	(273,337)	(273,337)
Balance at 31 December 2019	**792**	**2,077,299**	**(850,212)**	**1,227,879**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £	2018 £
Cash flows from operating activities		
Loss for the year	**(721,566)**	(822,779)
Adjustments for:		
Depreciation of property, plant and equipment	**449,347**	157,629
Interest paid	**313,276**	101,341
Preferred share dividend payable	**199,163**	127,073
Taxation	**42,464**	(60,098)
Lease interest payments	**85,302**	-
Loss on disposal of property, plant and equipment	**27,781**	-
Increase in trade and other receivables	**(29,035)**	(564,309)
Increase in trade and other payables	**780,566**	614,452
Cash generated/(absorbed) by operations	**1,147,298**	(446,691)
Tax paid	**-**	-
Net cash generated from operating activities	**1,147,298**	(446,691)
Cash flows from investing activities		
Cash acquired in subsidiary	**(12)**	332,008
Purchase of goodwill	**-**	-
Purchase of subsidiaries	**(5,000,000)**	(9,103,282)
Purchase of property, plant and equipment	**(175,471)**	(1,374,652)
Net cash outflow from investing activities	**(5,175,483)**	(10,145,926)
Cash flows from financing activities		
Issue of ordinary shares	**-**	339
Issue of preferred shares	**-**	1,051,687
Share premium received	**-**	2,077,299
Receipt of bank loans	**9,654,229**	7,850,200
Repayment of bank loans	**(2,526,685)**	(148,139)
Interest paid to banks	**(313,276)**	(101,341)
Payment of lease liabilities	**(380,947)**	-
Net cash inflow from financing activities	**6,433,321**	10,730,045
Net increase in cash and cash equivalents	**2,405,136**	137,428
Cash and cash equivalents at beginning of year	**1,390,026**	1,252,598
Cash and cash equivalents at end of year	**3,795,162**	1,390,026

The accompanying notes form an integral part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

	2019 £	2018 £
Cash flows from operating activities		
Loss for the year	**(273,338)**	(345,284)
Adjustments for:		
Depreciation of property, plant and equipment	**3,550**	1,105
Interest paid/(received)	**-**	-
Preferred share dividend payable	**199,163**	127,073
Taxation	**(8,126)**	-
Increase in trade and other receivables	**24,662**	(116,179)
Increase in trade and other payables	**117,050**	47,377
Cash generated by operations	**62,961**	(285,908)
Tax paid	**-**	-
Net cash generated from operating activities	**62,961**	(285,908)
Cash flows from investing activities		
Purchase of subsidiaries	**(5,120,603)**	(8,377,902)
Purchase of property, plant and equipment	**(40,627)**	(784)
Net cash outflow from investing activities	**(5,161,230)**	(8,378,686)
Cash flows from financing activities		
Issue of ordinary shares	**-**	339
Issue of preferred shares	**-**	1,051,687
Share premium received	**-**	2,077,299
Amounts owed to related companies	**4,614,630**	4,962,909
Interest received	**-**	-
Net cash inflow from financing activities	**4,614,630**	8,092,234
Net (decrease)/increase in cash and cash equivalents	**(483,639)**	(572,360)
Cash and cash equivalents at beginning of year	**514,948**	1,087,308
Cash and cash equivalents at end of year	**31,309**	514,948

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The company is a private company, limited by shares and is registered in England and Wales. The address of its registered office is 1, Kingdom Street, London, W2 6BD. The financial statements cover the trading year to 31 December 2019.

2 Statement of compliance

These group and company financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the European Union.

New Standards, Amendments and Interpretations

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the company.

Management anticipates that all of the pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

The company has not adopted any Standards or Interpretations in advance of the required implementation dates.

New standards impacting the company have been adopted in the financial statements for the year ended 31 December 2019 are:

- IFRS 16 Leases

Details of the impact of this standard is given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the company.

IFRS 16 Leases

IFRS 16 'Leases' was issued by the IASB in January 2017 and is effective for accounting periods beginning on or after 1 January 2019. The new standard replaces IAS 17 'Leases' and eliminates the classification of leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed.

The group has adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The group has elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Statement of compliance - continued

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less. The impact of IFRS 16 has been disclosed in note 21.

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2019, which the company has decided not to adopt early. There are no significant amendments which require disclosing.

The following standards have been issued but not applied:

- Amendments to References to Conceptual Framework in IFRS Standards. The Amendments effective date 1 January 2020.
- Amendments to IFRS 3 Business Combinations addresses the definition of a Business combination, to help companies determine whether an acquisition is of a business or a group of assets. The Amendments are effective 1 January 2020.
- Amendments to IAS 1 and IAS 8 addresses definition of material in the context of applying IFRS. The concept of what is and is not material is crucial in preparing financial statements, a change in the definition may fundamentally affect how preparers make judgements in preparing financial statements. The Amendments effective date 1 January 2020

4 Accounting policies

(a) Basis of preparation

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

The financial statements are presented in £ sterling.

(b) Going concern

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

The directors have taken into account the unusual circumstances created by the COVID-19 pandemic in the preparation of the base case forecasts and believe that there is minimal impact of COVID-19 pandemic on the group's business.

(c) Basis of consolidation

The group financial statements consolidate the financial statements of Storal Learning Ltd and all its subsidiary undertakings drawn up to 31 December 2019.

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

Details of the group's trading subsidiary companies are set out in Note 13.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(d) Business combinations

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

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

(e) Revenue recognition

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

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

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the balance sheet (see Note 15). Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(f) Employee benefits

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

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

(g) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on all temporary differences at the reporting date except for unrelieved tax losses and other deferred tax assets which are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the temporary difference.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(h) Government grants

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

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

(i) Intangible assets

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

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

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

Intangible asset class	10 years

(j) Goodwill

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

(k) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(l) Impairment of non-financial assets

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

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

(m) Leases

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Accounting policies (continued)

(n) Investments in subsidiaries

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

(o) Financial instruments

Short-term receivables and payables

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

Cash and cash equivalents

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

Other financial liabilities

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

Preferred shares

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

(p) Classification of shares as debt or equity

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

(q) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Significant judgements and estimates

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are.

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

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

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

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

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

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

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

5 Revenue

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

	2019	2018
	£	£
Private fee income	**6,712,974**	2,697,726
Government subsidised fee income	**2,985,596**	1,097,294
Other income	**1,494**	53,133
	9,700,064	3,848,153

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after:

	2019	2018
	£	£
Depreciation of owned fixed assets	**449,347**	157,629
Operating lease rentals	**127,974**	184,121
Auditor's remuneration:		
Audit of these financial statements	**16,000**	10,000
Other services	**30,650**	13,300
Other services relating to tax compliance	**11,700**	9,100

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

7 Staff numbers and costs

	2019	2018
	£	£
Staff costs during the year were as follows:		
Wages and salaries	**5,730,654**	2,681,078
Temporary and casual staff	**4,866**	3,541
Social security costs	**673,755**	187,663
Other pension costs	**103,846**	28,148
	6,513,121	2,900,430

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

	2019	2018
	£	£
Directors	**4**	4
Nursery managers and staff	**407**	170
Administration support	**17**	7
	428	181

8 Directors' emoluments

	2019	2018
	£	£
Emoluments	**440,000**	328,668
Defined contribution pension scheme contributions	**4,440**	1,601
	444,440	330,269

The emoluments of the highest paid director are as follows:

Emoluments	**202,220**	143,228

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2019	2018
9	**Finance expense**	**£**	£
	Interest paid to banks	**313,276**	101,341
	Interest on lease liabilities	**85,302**	-
	Preferred share dividend	**199,163**	127,073
	Loss on disposal of fixed assets	**27,781**	
		625,522	228,414

		2019	2018
10	**Income tax (charge)/credit**	**£**	£
	UK Corporation Tax	**(21,556)**	6,553
	Total current tax	**(21,556)**	6,553
	Deferred taxation:		
	- Fair value gains	**(455,053)**	-
	- Tax losses	**(20,908)**	53,545
	Total deferred tax	**(475,961)**	53,545
	Total tax	**(497,517)**	60,098

Reconciliation of tax charge

Tax assessed for the year is higher than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% The differences are explained below:

Loss on ordinary activities before tax	**679,102**	882,877
Loss multiplied by the standard rate of tax in the UK of 19%	**129,029**	167,747
Expenses not deductible for tax purposes	**(125,457)**	(101,096)
Origination and reversal of temporary timing differences	**(46,036)**	
Arising on fair value gains	**(455,053)**	
Overprovision in prior period	**-**	(6,553)
	(497,517)	60,098

Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. Furthermore, a budget resolution made on 17 March 2020 which announced that the main UK corporation tax rate will remain at 19% from 1 April 2020 (cancelling the enacted cut to 17%). This was substantively enacted on 17 March 2020 and accordingly deferred tax has been recognised at 19%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Intangible assets: Goodwill

	2019 Total £	2018 Total £
Cost brought forward	**5,555,146**	1,272,405
Additional goodwill arising from previous acquisition	**279,019**	-
Goodwill arising on acquisition	**2,207,653**	4,282,741
At end of year	**8,041,818**	5,555,146

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Intangible assets: Goodwill (continued)

Acquisition analysis for acquisitions before 1 January 2019

During the financial period ended 31 December 2018, the group entered into a share purchase agreement to acquire the entire share capital of Ickle Pickles Day Nursery Limited (acquired on 20 February 2018), Playmates Nurseries Limited (acquired on 19 March 2018), The Honeytree Day Nursery Limited (acquired on 14 May 2018), Rocking Horse Nursery Limited (acquired on 6 June 2018), Swingboat Holdings Limited and its subsidiaries Ashby Day Nursery Limited, Woodville Day Nursery Limited, Hermitage Day Nursery Limited (acquired on 4 December 2018) and Old Croft Bank Day Nursery Limited (acquired on 31 December 2018).

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

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

Acquisition analysis:	**Book value**	**Revaluation adjustments**	**Fair value**
	£	£	**£**
Goodwill	380,311	(380,311)	-
Property plant and equipment	3,217,596	1,237,002	**4,454,598**
Stock	4,591	-	**4,591**
Trade and other receivables	541,537	(290,949)	**250,588**
Cash in hand and at bank	332,008	-	**332,008**
Trade and other payables	(2,008,993)	1,787,749	**(221,244)**
Net assets	2,467,050	2,353,491	**4,820,541**
Goodwill arising on acquisition			**4,282,741**
			9,103,282
Discharged by:			
Cash			**9,103,282**

The turnover and profits/losses of the six acquisitions included in the 2018 financial statements were as follows:

Acquired company	**Turnover**	**Profit/(loss)**
	£	**£**
Ickle Pickles Day Nursery Limited	387,518	(55,909)
Playmates Nurseries Limited	543,394	22,995
The Honeytree Day Nursery Limited	816,914	(150,249)
Rocking Horse Nursery Limited	276,061	(50,330)
Swingboat Holdings Limited	119,893	(35,667)
Old Croft Bank Day Nursery	-	(12,592)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Intangible assets: Goodwill (continued)

Acquisition analysis for acquisitions after 1 January 2019

During the financial period ended 31 December 2019, the group entered into a share purchase agreement to acquire the entire share capital of The Willow Tree Day Nursery Limited (acquired on 1 March 2019), Tiggywinkles Day Nursery Limited (acquired on 15 May 2019) and Smart Start Child Care Services Limited (acquired on 9 September 2019).

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

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

Acquisition analysis:	**Book value**	**Revaluation adjustments**	**Fair value**
	£	£	**£**
Property plant and equipment	1,386,414	1,482,471	**2,868,885**
Trade and other receivables	94,890	(61,013)	**33,877**
Cash in hand and at bank	334,943	(334,955)	**(12)**
Deposits held	(12,172)	12,172	**-**
Trade and other payables	(511,786)	401,383	**(110,403)**
Net assets	1,292,289	1,500,058	**2,792,347**
Goodwill arising on acquisition			**2,207,653**
			5,000,000
Discharged by:			
Cash			**5,000,000**

The turnover and profit of the three acquisitions included in the 2019 financial statements were as follows:

Acquired Company	**Turnover**	**Profit**
	£	**£**
The Willow Tree Day Nursery Limited	1,028,443	574,070
Tiggywinkles Day Nursery Limited	412,756	576,636
Smart Start Day Nursery Limited	192,528	91,720

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Property, plant and equipment

Group

	Land and buildings	Right-of-use business premises (note 21)	Leasehold improvements	Office equipment	Furniture and fittings	Motor vehicles	**2019 Total**
	£	£	£	£	£	£	£
Cost:							
As previously reported	6,281,305	-	40,484	4,869	338,393	18,487	6,683,538
Recognised on adoption of IFRS 16	-	2,463,490	-	-	-	-	2,463,490
At 1 January 2019	6,281,305	2,463,490	40,484	4,869	338,393	18,487	9,147,028
Acquisitions	-	-	-	8,306	58,391	566	67,263
Additions	2,876,440	1,299,670	50,868	43,861	4,302	-	4,275,141
Disposals	-	-	(40,484)	-	-	-	(40,484)
Fair value adjustment	2,395,015	-	-	-	-	-	2,395,015
As at 31 December 2019	11,552,760	3,763,160	50,868	57,036	401,086	19,053	15,843,963
Depreciation:							
As previously reported	109,936	-	3,851	2,246	193,488	8,223	317,744
Recognised on adoption of IFRS 16	-	311,156	-	-	-	-	311,156
At 1 January 2019	109,936	311,156	3,851	2,246	193,488	8,223	628,900
Charge for the year	101,504	148,072	10,149	12,245	166,547	10,830	449,347
Released on disposals	-	-	(5,171)	-	-	-	(5,171)
As at 31 December 2019	211,440	459,228	8,829	14,491	360,035	19,053	1,073,076
Net book value:							
As at 31 December 2019	**11,341,320**	**3,303,932**	**42,039**	**42,545**	**41,051**	**-**	**14,770,887**
As at 31 December 2018	6,171,367	-	36,633	2,623	144,905	10,264	6,365,794

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Property, plant and equipment (continued)

Group

	Land and buildings	Leasehold improvements	Office equipment	Furniture and fittings	Motor vehicles	2018 Total
	£	£	£	£	£	£
Cost:						
As at 1 January 2018	576,749	-	2,914	134,706	172	715,541
Acquisitions	4,354,556	40,484	178	180,812	18,315	4,594,345
Additions	1,350,000	-	1,777	22,875	-	1,374,652
As at 31 December 2018	6,281,305	40,484	4,869	338,393	18,487	6,683,538
Depreciation:						
As at 1 January 2018	51,749	-	634	107,560	172	160,115
Charge for the year	58,187	3,851	1,612	85,928	8,051	157,629
As at 31 December 2018	109,936	3,851	2,246	193,488	8,223	317,744
Net book value:						
As at 31 December 2018	6,171,369	36,633	2,623	144,905	10,264	6,365,794
As at 31 December 2017	525,000	-	2,280	27,146	-	554,426

Company

	Office equipment	**2019 Total**
	£	**£**
Cost:		
As at 1 January 2019	3,319	3,319
Additions	40,627	40,627
As at 31 December 2019	43,946	43,946
Depreciation:		
As at 1 January 2019	1,739	1,739
Charge for the year	3,550	3,550
As at 31 December 2019	5,289	5,289
Net book value:		
As at 31 December 2019	38,657	**38,657**
As at 31 December 2018	1,580	1,580

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Property, plant and equipment (continued)

Company

	Office equipment £	2018 Total £
Cost:		
As at 1 January 2018	2,535	2,535
Additions	784	784
Disposals	-	-
As at 31 December 2018	3,319	3,319
Depreciation:		
As at 1 January 2018	634	634
Charge for the year	1,105	1,105
Released on disposals	-	-
As at 31 December 2018	1,739	1,739
Net book value:		
As at 31 December 2018	1,580	1,580
As at 31 December 2017	1,901	1,901

13 Investments

Details of the company's subsidiaries at 31 December 2019, all of which are incorporated and registered in England and Wales are as follows:

Subsidiary undertaking	Principal activity	Type of shares held	Proportion held
Hemsley House Childcare Limited	Pre-primary education	Ordinary	100%
Company Creche Care Limited	Pre-primary education	Ordinary	100%
Chipmunks Limited	Activities of head offices	Ordinary	100%
Archway Nursery Limited	Pre-primary education	Ordinary	100%
Ickle Pickles Day Nursery Limited	Pre-primary education	Ordinary	100%
Playmates Nurseries Limited	Pre-primary education	Ordinary	100%
The Honeytree Day Nursery Limited	Pre-primary education	Ordinary	100%
Rocking Horse Nursery Limited	Pre-primary education	Ordinary	100%
Swingboat Holdings Limited	Holding company	Ordinary	100%
Ashby Day Nursery Limited	Pre-primary education	Ordinary	100%
Woodville Day Nursery Limited	Pre-primary education	Ordinary	100%
Hermitage Day Nursery Limited	Pre-primary education	Ordinary	100%
Old Croft Bank Day Nursery Limited	Pre-primary education	Ordinary	100%
The Willow Tree Day Nursery Limited	Pre-primary education	Ordinary	100%
Tiggywinkles Day Nursery Limited	Pre-primary education	Ordinary	100%
Smart Start Child Care Services Limited	Pre-primary education	Ordinary	100%
Storal GR Limited	Business support services	Ordinary	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Investments (continued)

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

For the year ended 31 December 2019 the above subsidiaries have taken the entitled exemption from audit under Section 479A of the Companies Act.

14 Trade and other receivables	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade receivables	363,125	179,893	-	-
Provision for bad debts	(85,615)	(22,714)	-	-
Sundry receivables	141,796	405,282	91,517	115,502
Prepayments	165,595	24,123	-	677
Due from related undertakings		-	112,749	17,748
Due from shareholders	2,679,194	2,679,194	2,679,194	2,679,194
	3,264,095	3,265,778	2,883,460	2,813,121

15 Trade and other payables	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade payables	275,096	132,349	62,791	41,644
Sundry payables	40,453	29,209	-	-
Other payables	708,451	171,965	28,432	(8,499)
Accruals	288,193	81,279	70,095	25,029
Contract liabilities	349,126	386,165		
Social security and other taxes	123,987	93,370	62,629	48,723
Corporation Tax	73,716	-	-	-
Due to related undertakings	-	-	10,567,534	5,857,903
	1,859,022	894,337	10,791,481	5,964,800

16 Financial liabilities – borrowings	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Current borrowings – amounts due within one year:				
Bank loans (secured)	885,809	411,880	-	-
Financial liability – leasing arrangement	196,000	-	-	-
	1,081,809	411,880	-	-
Non-current borrowings - amounts falling due after more than one year:				
Bank loans (secured)	9,495,707	8,310,588	-	-
Financial liability – leasing arrangement	5,190,812	-	-	-
Preferred share capital	5,912,109	5,912,109	5,912,109	5,912,109
Preferred share dividend	374,743	175,580	374,743	175,580
	20,973,371	14,398,277	6,286,852	6,087,689

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Financial liabilities – borrowings (continued)

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

The group's objectives when managing capital are:

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

17 Provision for liabilities

	2019	2018
	Total	Total
	£	£
Deferred tax liability	**562,282**	55,769

	Deferred tax	**Deferred tax**
Acquired	**107,229**	55,769
Fair value gains	**455,053**	-
	562,282	55,769

18 Net deferred tax

Split as:		
Deferred tax asset	**73,986**	94,894
Deferred tax liability	**(562,282)**	(55,769)
	(488,296)	39,125

Deferred tax

The provision for deferred tax consists of:

Tax losses	73,986	94,894
Fair value gains	(562,282)	(55,769)
	(488,296)	39,125

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Share capital

On incorporation, 35,250 £0.01 A ordinary shares and 10,000 £0.01 B ordinary shares were issued at par. On 12 November 2018, 23,877 £0.01 A ordinary shares were issued at a premium of £87 and 10,000 £0 01 ordinary C shares were issued at par.

Class of shares	Nominal value per share (£)	Number of shares in issue	Nominal value (£)	Share premium (£)	Total (£)
Amounts presented in equity:					
A Ordinary shares	0.01	59,127	592	2,077,299	2,077,891
B Ordinary shares	0.01	10,000	100	-	100
C Ordinary shares	0.01	10,000	100	-	100
			792	2,077,299	2,078,091
Amounts presented in liabilities:					
Preferred shares	0.01	591,210,926	5,912,109	-	5,912,109

A Ordinary, B Ordinary, and C Ordinary

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

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

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

(a) Firstly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to all unpaid arrears and accruals of Preferred dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;

(b) Secondly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to the subscription price of such Preferred shares; and

(c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary share in proportion to the number of such Ordinary shares held by them respectively.

REDEMPTION RIGHTS:
These shares do not carry redemption rights.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Share capital (continued)

Preferred Shares

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

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

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

(a) Firstly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to all unpaid arrears and accruals of Preferred dividend thereon (and any interest thereon) calculated down to and including the date of payment and to be payable irrespective of what, if any, profits have been made or earned by the company and irrespective of whether or not such unpaid arrears and accruals have become due and payable in accordance with the provisions of the Articles;

(b) Secondly, in paying to each holder of Preferred shares in respect of each Preferred share it holds, an amount equal to the subscription price of such Preferred shares; and

(c) Finally, the balance of such assets shall be distributed amongst the holders of the Ordinary share in proportion to the number of such Ordinary shares held by them respectively.

20 Reserves

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

Retained earnings – includes all retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Lease liabilities

On the adoption of IFRS 16 all operating leases have been capitalised on the balance sheet except those that relate to short term leases or leases for which the underlying asset is of low value. The group and company have recognised a number of right-of-use assets and a lease liabilities with regards to rental properties. The modified retrospective approach was used and as the leases were all in place at the 1 January 2019 the impact of applying IFRS 16 was accounted for as an adjustment to equity at the start of the current accounting period in which it is first applied, therefore the date of initial application was 1 January 2019.

The following right-of-use assets are in place at 31 December 2019

Company	Types of leases	Length of lease (years)	Interest Rate
Hemsley House Childcare Limited	Property – 1	20.00	3.35%
Hemsley House Childcare Limited	Property – 2	20.00	3.35%
The Honeytree Day Nursery Limited	Property – 1	10.00	2.75%
The Honeytree Day Nursery Limited	Property – 2	20.18	2.75%
Archway Nursery Limited	Property – 1	25.00	3.25%
Ickle Pickles Day Nursery Limited	Property – 1	23.44	3.35%
Smart Start Childcare Limited	Property – 1	30.00	3.00%
Willlow Tree Nursery Limited	Car Park	25.00	2.75%

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

On initial application at 1 January 2019

	Balance Sheet £
Right-of-use asset recognition	2,152,334
Lease liability recognition	(2,224,384)
Equity	72,050
	-

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

	Buildings £
Balance as at 1 January 2019	2,463,490
Additions	1,299,670
Depreciation as at 1 January 2019	(311,156)
Depreciation charge for the year	(148,072)
Balance as at 31 December 2019	**3,303,932**

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

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

Lease liabilities – maturity analysis (contractual undiscounted cash flows)

	2019 £
Less than one year	243,447
One to five years	986,410
Over five years	3,579,508
Total lease liabilities as at 31 December 2019	**4,809,365**

Lease liabilities included in the statement of financial position at 31 December 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Lease liabilities - continued

	2019
	£
Current	137,589
Non-current	3,274,154
	3,411,743

The amounts recognised in the statement of profit and loss for the year ending 31 December 2019 is presented below:

Amounts recognised in the profit and loss	**2019**
	£
Interest on lease liabilities	97,450
Depreciation of lease	148,071

Amounts recognised in the statement of cash flow	**2019**
	£
Cash flow from operating activities	85,302
Cash flow from financing activities	(380,947)

The aggregate undiscounted commitments for short-term and low value leases at the year end was £186,928.

22 Related party transactions

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

The directors are the only key management.

Details of directors' emoluments are disclosed in Note 8.

23 Controlling parties

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Financial risk management and financial instruments - group and company

Credit risk

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

Financial assets carried at amortised cost - carrying amounts	Group	Group Restated	Company	Company
	2019	2018	2019	2018
	£	£	£	£
Cash and cash equivalents	3,795,162	1,390,026	31,309	514,948
Trade receivables	277,510	157,179	-	-
Other financial assets	3,113,216	3,108,599	2,883,460	2,813,121
	7,185,888	4,655,804	2,914,769	3,328,069

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

Liquidity risk – group and company

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

2019

	Carrying amount	Within 1 year	2 to <5 years	5 years and over
Group	£	£	£	£
Non-derivative financial liabilities				
Secured bank loans	10,381,516	1,197,254	4,789,018	4,395,244
Financial liabilities – borrowings	5,386,812	196,000	588,000	4,602,812
Leasing liabilities	3,411,743	137,589	601,542	2,672,612
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	2,722,331	1,785,306	374,743	562,282
		3,316,149	6,353,303	18,145,059

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

2018

Group	**Carrying amount £**	**Within 1 year £**	**2 to <5 years £**	**5 years and over £**
Non-derivative financial liabilities				
Secured bank loans	8,722,468	673,554	2,020,662	6,028,252
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	894,337	894,337	-	-
		1,567,891	2,020,662	11,940,361

2019

Company	**Carrying amount £**	**Within 1 year £**	**2 to <5 years £**	**5 years and over £**
Non-derivative financial liabilities				
Secured bank loans	-	-	-	-
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	10,791,481	10,791,481	-	-
		10,791,481	-	5,912,109

2018

Company	**Carrying amount £**	**Within 1 year £**	**2 to <5 years £**	**5 years and over £**
Non-derivative financial liabilities				
Secured bank loans	-	-	-	-
Preferred share capital	5,912,109	-	-	5,912,109
Trade and other payables	6,144,512	6,144,512	-	-
		6,144,512	-	5,912,109

All financial liabilities are carried at amortised cost.

Capital management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Secured bank loans

	Nominal Interest rate	Year of Maturity	Face Value
Hemsley House Childcare Limited	2.85%	2031	249,839
Archway Nursery Limited	2.75%	2032	212,632
Ickle Pickles Day Nursery Limited	3.35%	2032	130,159
Company Creche Care Limited	2.25%	2037	532,671
Playmates Nurseries Limited	2.50%	2038	640,008
The Honeytree Day Nursery Limited	2.50%	2038	1,357,602
Rocking Horse Nursery Limited	2.50%	2038	969,423
Swingboat Holdings Limited	2.75%	2038	2,281,692
Old Croft Bank Day Nursery Limited	2.75%	2038	973,662
The Willow Tree Day Nursery Limited	2.75%	2039	1,480,253
Tiggywinkles Day Nursery Limited	2.75%	2034	1,150,437
Smart Start Childcare Services Limited	3.00%	2034	333,129
Smart Start Child Care Services Limited	3.00%	2024	70,009

Secured bank loans:

	Nominal Interest rate	Year of Maturity	Face Value
Floating rate bank loan	3.00%	2024	70,009
Floating rate bank loan	2.85%	2031	249,839
Floating rate bank loan	2.75% - 3.35%	2032	342,791
Floating rate bank loan	2.75% - 3.00%	2034	1,483,566
Floating rate bank loan	2.25%	2037	532,671
Floating rate bank loan	2.50% - 2.75%	2038	6,222,387
Floating rate bank loan	2.75%	2039	1,480,253

25 Contingent liabilities and events since the balance sheet date

There were no contingent liabilities at 31 December 2019. Events since the balance sheet are disclosed in the Directors' Report.

The group successfully completed the acquisition of Barney Lodge on 3 February 2020 and C&S Childcare on 28 February 2020.

26 Post Balance Sheet Events

The directors have taken into account the unusual circumstances created by the COVID-19 pandemic in the preparation of these financial statements. In line with the advice from the World Health Organisation, as well as national and local authorities, the group has implemented robust contingency plans across the business to protect the health of the people and those with whom the group comes into contact. The directors continue to monitor the business for any further impact.