Registered number: 07899184

PHOENIX LEARNING & CARE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

COMPANY INFORMATION

Directors	D M Sherratt W M Buckingham F HR Delbaere J H Pain T Massie (appointed 1 September 2020) M A Heywood-Briggs (appointed 1 September 2020)
Company secretary	F HR Delbaere
Registered number	07899184
Registered office	Support Hub Unit 5 Chinon Court Tiverton Devon EX16 6SS
Independent auditors	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA

PHOENIX LEARNING & CARE HOLDINGS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their Group Strategic Report for the year ended 31 August 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Phoenix Group (Phoenix Learning & Care Holdings Limited and subsidiaries, "Phoenix") during the year were managed under the following four business sectors:

- Residential Children's homes for Young People with social, emotional and mental health difficulties ("SEMH")
- Specialist schools providing education to Young People with social, emotional and mental health difficulties, Additional Leaning Needs (ALN), or Young People with ASD from 7 to 16 years.
- Independent Specialist Residential Colleges providing bespoke education to Young Adults with learning disabilities from 16 to 25 years of age
- Ongoing continuing care and supported living services for Adults

The directors continue to review the principal activities and their extension during the forthcoming year.

GROUP VISION AND GOALS

In conducting the principal activities outlined above, Phoenix's vision is:

"Our business is the provision of services for people with differing needs. We work to give every individual the chance to flourish."

The Phoenix brand keystones are:

Nurture - care for and protect someone while they are growing.

Flourish - to grow or develop in a healthy or vigorous way especially as a result of support, gesture or action.

Grow - to undergo development by increasing physically, developmentally and through personality and experiences.

To achieve the above vision, Phoenix's key goals are to:
- achieve positive outcomes for all the Young People and Adults it cares for;
- keep a Young Person centred approach to the Group's strategy and development;
- invest in training & development while supporting and growing its people and teams;
- diversify and develop the services it provides;
- position the business for continued sustainable growth;
- understand the needs of the customers it serves;
- continually review and improve the quality of its services provided;
- make Phoenix a respected, valued and trusted brand.

REVIEW OF THE YEAR AND FUTURE OUTLOOK

Summary

The 2020-2021 year continued to be overshadowed by the global Coronavirus pandemic which resulted in second UK 'circuit-breaker' lockdown during November – December '20 and then after Christmas a third 'circuit-breaker' lockdown over the January to February '21 period. Some exemplary commitment was prevalent as Phoenix Team Members went the extra mile to support those we support – some of whom had contracted COVID creating lock-in situations where our Team Members stayed with those we support who had tested positive for the virus.

Management time again this year has been focussed on our response to the pandemic and this continues to absorb Senior Leadership attention to adhere to changing Government regulations and still conflicting, or left to the last minute - government advice. Enhanced cleaning regimes, PPE stock sourced and held, employees working from home, central offices closed and other modified ways of working have been prevalent.

Further to the Pandemic our Therapies team have been providing drop-in clinics for our Team Members and supporting them in addition to the other Team member welfare facilities we provide. A Phoenix wellbeing strategy was launched with future plans to introduce an annual Team Survey, and a regular Employee Forum.

Regulatory quality inspection performance remained largely static with minimal regulatory inspections taking place due to the Pandemic.

Despite the pandemic 2020-2021 proved to be another growth year with year-on-year performance outperforming budget. Growth plans continued against the continued backdrop of the pandemic and resultant difficulties of sourcing both contractors and materials. Efail Wen our first Welsh children's home located near Caerphilly was registered as a 2-bed Children's Home in Oct '20 starting the working relationship with Care Inspectorate Wales (CIW) as a new regulatory inspection body to Phoenix. A further two 2-bed Children's homes were opened during late '20 and Springfield opened in April '21.

The realisation of a key element of our strategic plan to bring together previously disparate Head Office functions under a single Support Hub better located to suite future growth saw the opening of the Support Hub, Chinon Court in Tiverton. This has much more space and much improved links to the national transport network in addition to on-site parking and will be used for face to face training.

Recruitment of new employees remains buoyant with the company attracting talented employees as a result of a continued strengthening brand. Employee attrition remained comparatively low due to the pandemic.

One key highlight was the conclusion of the Mencap Vs Tomlinson-Blake sleep-in appeal case hearing at the Supreme Court in London with the final adjudication that carers are not entitled to 'Sleep-in' payments at a national minimum wage level when sleeping-in overnight.

A number of important new projects started included the purchase of Monmouth House Private Nursery Limited in South Wales (location converted to Ysgol Ty Monmouth), Redroof in Warmley and the tenancy of Unit C Fromeforde House in Yate, Neptune School, and Oakwood Yate Campus respectively for future education facilities. Properties; Newlands, Wrenmore Elms, Buckland and Llanerch Goed were sourced and named Bryn Heulog, Springfield, Hillside and Pren Gwyllt with work commenced to convert them to new children's homes and sourcing of a property in Tredegar was commenced for a further future Children's Home. A new site in Berkshire to support the expansion of education services was also invested in ahead of securing the site.

Phoenix continues to remain a provider of high-quality care and services to its customers while operating within a highly regulated industry.

The Directors continually engage with Commissioners, Local Authorities and regulators to understand the changing needs of the Group's customers and the Young People in need of support and care.

Current priorities include identification and on boarding new children's homes and identifying new education opportunities.

Financial Performance and KPIs

The financial year to August 2021 continued in the same vein as the prior year with a good financial performance to budget whilst continued trading during the COVID pandemic. All services showed favourable revenue growth year on year through a combination of increased capacity, maturing occupancy and deployment of new business opportunities. Consolidated revenues increased 16% year on year to £18.4m (2020: £15.8m). Children's schools with the continued maturation of Acorn School opened in 2019 and following further capacity increase deployed saw overall year on year growth in revenues amounting to 46% whilst Further Education revenues increased 11%. These changes highlighting a growing focus on expanding the Group's education services to compliment the ever in increasing Care services deployed.

The growth in revenues were offset by continued investment in the Group's cost base and systems but the investment seen in prior years commences to deliver the results planned with the overall margin generated improving by a relative 42% at an adjusted EBITDA level. The year also experienced further exceptional costs in relation to COVID and other transaction, financing and legal costs.

The Group continued to invest in enhancing the senior management structure through appointments in the year to enable continued development of its services and offer. The appointments in the year of a Director of Operations (Education), Head of People and Head of Finance look to underpin the future development of the Group.

A further three children's homes were setup in the year and incurred onboarding and development costs seen in new site operating losses with occupancy maturing only towards the end of the financial year. General occupancy in the Children's Homes were impacted in the year from a general reduction in movements as a result of the pandemic but the teams managed to keep occupancy stable in most services whilst also developing the new sites.

Across the Group, there continued to be cost pressures from increasing regulatory requirements and the impact of a continued competitive and challenging labour market. Legislative impacts from increases in National Living Wage, pension costs and enhanced levels of staff training impacted all services throughout the Group but this investment aligns itself with the Group's aspirations of being an employer of choice.

Revenues in Phoenix Child Care Limited ("PCC") increased year on year by 24% to £11.4m (2020: £9.2m) with Children's Homes services increasing by 18% and Children's schools increasing by 46% driven by increased capacity and the maturation of the Acorn School service respectively.

Revenues in Phoenix Learning and Care Limited ("PLC") increased by 6% to £7.0m (2020: £6.7m) with Further Education services increasing by 11% from increases in student numbers whilst Adult Services decreased by 6% resulting from the reduction in higher level care packages in the year. The trend of increased demand for day students over residential students, but overall growth in student numbers, seen in prior years in Further Education services continued in 2021; this was effectively managed with the ability to quickly and efficiently reconfigure the learning environments to accommodate for this changing demand without significant disruption.

During the year, the Group received some pandemic funding support from Local Authority partners to support increases in PPE, staff, agency and other costs incurred in response to the needs of those we support and the people we employ. These additional funds have been shown as exceptional in the summary of the financial performance shown below.

Demand and number of students attending the Further Education Services continued to improve in the financial year to August 2021 and more demand is being seen for more acute and specialist care within this service.

Adjusted EBITDA, which attempts to provide an indicator of the underlying trading performance, is shown in the table below:

			2021 - £'000			
	PCC	PLC	PLCH	PLCP	MHPNL	**Consolidated**
Adjusted EBITDA - continuing activites	12 months	12 months	12 months	12 months	9 months	
Operating activities	1,186	661	(1,124)	(21)	(5)	**696**
Depreciation and amortisation	206	112	242	6		**567**
Monitoring fees			148			**148**
Non-trading exceptionals	105	32	838	21	(78)	**918**
Non-trading exceptional professional fees	20	2	118			**140**
Restructuring costs	46					**46**
Intercompany rental charges		75		(75)		**-**
New site operating losses	164	7				**171**
Adjusted EBITDA	**1,726**	**890**	**222**	**(70)**	**(83)**	**2,685**
Adjusted EBITDA as a percentage of revenues	15%	13%				**14.6%**
Capital Expenditure (see note 12)	3,045	433	-	-		**3,478**
Debtor days	13	48	-	-		**26**
Non Financial KPIs						
Employee Headcount (average)	249	208	-	-		**457**
PCC Children's home occupancy (average)	70.7%					

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

	2020 - £'000				
	PCC	PLC	PLCH	PLCP	**Consolidated**
Adjusted EBITDA - continuing activites	12 months	12 months	12 months	12 months	
Operating activities	7,463	(3,611)	(2,713)	(11)	1,128
Depreciation and amortisation	153	91	242	6	492
Monitoring fees			204		204
Non-trading exceptionals	17	(55)			(38)
Non-trading exceptional professional fees	1		18		19
Intercompany debt write off	(6,536)	4,211	2,245	80	-
Restructuring costs	20				20
Intercompany rental charges		74		(74)	-
Bad debt write off	31	15			46
New site operating losses	83	8	5		96
Adjusted EBITDA	**1,232**	**733**	**1**	**1**	**1,967**
Adjusted EBITDA as a percentage of revenues	13%	11%			**12.2%**
Capital Expenditure (see note 12)	314	251	-	-	**565**
Debtor days	9	85	-	-	**41**
Non Financial KPIs					
Employee Headcount (average)	221	203	-	-	**424**
PCC Children's home occupancy (average)	60.4%				

Overall, adjusted EBITDA increased by 37% to £2.7m (2020: £1.9m). The improvement resulted from the growth seen in Children's Schools, improved contribution from all other services and more effective use of the Group's overhead base costs. Delays in new services coming on line that attracted onboarding costs, continued investment in the senior roles to support the Group's growth all impacted the performance seen in the year.

Financial KPIs are maintained and monitored by the directors and these are shown in the above table.

The full trading results for the year to 31 August 2021 are shown in the consolidated profit and loss account on page 17.

In the year, the Group acquired a further two freehold sites in Neptune School and Bryn Heulog (children's home), completed a share purchase of Monmouth House Private Nursery Limited (location converted to Ysgol Ty Monmouth), invested in additional modular buildings at Acorn School and developed a further 7 leasehold sites secured including the new Support Hub in Devon. This required significant investment that was supported by operational cash flows and additional senior debt finance alongside considerable time given by individuals within the Group to realise these projects.

The Group's financing structure is shown in the table below:

Financing:	2021 £'000	2020 £'000
Called up share capital	264	264
Secured bank loans	5,858	4,028
Unsecured Loan Notes	8,584	8,541
Total	**14,706**	**12,833**

Further secured bank loans were provided to the Group to support its expansion in the year whilst a tranche of unsecured loan notes were repaid resulting in the increase year on year.

Residential Children's Homes

The trading market in children's residential care remains as per previous years challenging with many Local Authorities continuing to face scrutiny in their budgets, increased demand and limited placement opportunities (i.e. low sufficiency). Resilience in the local market continues to remain weak with commissioners still reporting high levels of out-of-county placements and local providers reporting high levels of voids indicative of stress in the Child matching process and emerging risk adverseness in providers generally for taking high acuity packages that could result in adverse Ofsted ratings at next inspection. Phoenix interaction with the regulator is positive and we are proactive in our communications. Several referrals are anticipated post Pandemic as the impact of lockdown and limited physical attendance at school is likely to increased safeguarding referrals.

Agency use continues to be negligible and only used on specific interventions.

In addition to Efail Wen mentioned earlier an additional two 2-bed Children's Homes were opened in the form of Rose Cottage and Primrose both located in South Devon.

A review of our portfolio has taken place and Four Winds children's home was decommissioned due to its size and location. Three additional properties are identified to be decommissioned (Penn House, Bridge View and 524) and disposed of to invest in new settings in improved locations.

Specialist Schools

Phoenix continues to provide educational needs through its facilities at Acorn School and the Phoenix Academy, schools that offer truly bespoke and individualised learning opportunities to those children unable to attend more mainstream provisions.

Each individual is treated with inclusion, compassion and understanding with the aim to encourage, where appropriate, integration into mainstream schools.

The Education Governance role we reviewed to provide synergy with the Operations Director (Care) role and an appointment to the post of Operations Director (Education) was made in the early '21.

Expansion of our Education facilities is in progress with the acquisition and fit out of the two new buildings previously mentioned. Work continues to secure further sites notably along the M4 corridor towards London.

Independent Specialist Residential Colleges

Phoenix provides specialist education for young people with learning difficulties and disabilities through Oakwood College with campuses located in Dawlish, Devon and Torpoint, Cornwall. The services provide each learner with the skills they need to develop independence, lead purposeful and fulfilling lives and enjoy opportunities to gain knowledge and experiences that can lead to employment at the conclusion of their College programme. The College offers internship programmes.

Learner numbers on-roll are 73 for the 2021 academic year compared to the position of 65 on-roll during the 2020 academic year.

The trend continues towards day learners and plans are in place to convert some residential space at the Dawlish college to classroom facilities during the Summer 21 recess.

Continuing Care and Supported Living Services

The Group's capacity in this area remained stable this year and continued to compliment the underlying services already operated by the Group. Commissioners remain active in eroding commissioned hours as individuals gain further independence.

Integrated Therapies Team
The Integrated Therapies Team (ITT) configured with both Psychology and Allied Health service availability continues under the strategic Lead of Dr Ben Smith consists of clinical psychology and counselling resource in addition to speech and language (SaLT) specialists, drama and music therapists. The core team continues to grow in synergy with additional new settings with associates resource available of Occupational therapy, education psychology and the like when required. The ITT team provide clinical supervision across our services, targeted 1-1 intervention with individuals in addition to formal classroom training in Trauma and Attachment in addition to ad-hoc support to our Team members during the pandemic.

The team are invested in outcomes tracking using clinical evaluation tools to help identify, track and improve outcomes for those we support. These tools specifically focus on mental health, behaviour, emotional wellbeing, relationships, risk and attachment.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have considered the effect of risk on Phoenix's business. The principal risks considered are outlined below:

People

Phoenix's employees remain central to the business' strategy and the Group is reliant upon its key employees in order to maintain the standards and competitive advantage. The Directors understand the need to invest in current staff engagement and communication structures and continue to work hard to retain employees. Pay and working conditions are closely monitored and aligned to market rates. Recruitment of new employees remains positive with the company attracting talented employees as a result of better branding, improved management and increased opportunities. Employee attrition remains a challenge but no worse than our competitor base and analysis of leavers denote a sizeable and analysis of leavers denote key reasons for leaving being hygiene factors (i.e. leaving the area, gaining careers elsewhere or family commitments). Recruitment of Registered managers in Childcare remains particularly challenging and that is a national issue.

Pandemic

As a people business Pandemics affecting the organisations ability to resource services is a critical concern. To mitigate a Business Continuity strategy exists and much focus is made by the leadership teams to ensure people are safe using a contain, delay, mitigate strategy.

Regulatory Environment

Phoenix operates within highly regulated industries and current trading activities are monitored by the following organisations:

a) OFSTED: Children and families services
b) OFSTED: Schools
c) OFSTED: Further Education and skills
d) Care Quality Commission ("CQC")
e) Care Inspectorate Wales - Children's Homes (Wales)
f)) Estyn - Schools (Wales)

All six different bodies provide strict guidelines, standards and legal requirements that Phoenix needs to adhere to with some services being regulated by more than one body. Breaches of any requirements could adversely impact on the relationships with existing clients; the business' reputation and ultimately its ability to take on any new business or retain current business. Strict compliance with all the legislation, guidance and requirements is therefore promoted throughout the Group and is monitored through close internal inspections and checks.

Brexit

Brexit planning has taken place and we are considered a very LOW risk of any significant impact resulting from the UK leaving the EU. Risk assessments have taken place on key issues likely to affect us which centre on medication supplies. No impact is forecast. We cannot easily predict any national changes to fuel, food or cost of borrowing changes.

Our customer base is all UK based and our employee teams rely on a negligible component of overseas labour.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

CORPORATE AND SOCIAL RESPONSIBILITY

Employment policies
Phoenix remains a proactive equal opportunities employer and has a policy to ensure that all employees and future job applicants are given equal opportunity irrespective of their race, religion or belief, sexual orientation, age, gender or disability.

Phoenix also continues to have a strong focus on the competence and credibility of its workforce and performs safer recruitment verification on all our employees. This ensures that the business maintains its high level of safeguarding processes and controls.

Training
Phoenix puts great emphasis on the training and development of our Team Members to improve and maintain the quality of service provided. During the year, the Group continued to delivery enhance the training provision by identifying more creative and innovative ways of developing its people. We continue to have many employees undertaking and gaining L3 and L5 qualifications.

Social and community responsibilities - charitable donations
Phoenix encourages all its employees and those we support to give something back to their local communities and facilitates fundraising for charities.

Stakeholders
Phoenix continues to enjoy solid relationships with its banks, suppliers and other stakeholders, including its regulatory bodies in the form of OFSTED, CQC, CIW, Estyn. All are kept fully informed as appropriate regarding Phoenix's strategy and developments and remain supportive.

This report was approved by the board on 29/10/2022 and signed on its behalf.

Jon Pain
Jon Pain (Oct 29, 2022 11:27 GMT+1)

J H Pain
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their report and the financial statements for the year ended 31 August 2021.

Directors

The directors who served during the year were:

D M Sherratt
W M Buckingham
F HR Delbaere
J H Pain
T Massie (appointed 1 September 2020)
M A Heywood-Briggs (appointed 1 September 2020)

Results and dividends

The loss for the year, after taxation, amounted to £945,924 *(2020 -loss £435,817)*.

The Directors recommended a final dividend for the year of £nil (2020 - £nil).

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

The Group will continue to provide high quality care and education for young people with behavioural, emotional and social difficulties.

Employee involvement

The group's loyal and skilled workforce is essential for its future prosperity. Employees are encouraged to attend training and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them. Further information on the employment policy is provided in the Group Strategic Report.

Employee engagement

Employees have regular supervision and team briefings with their local managers. Information flow to and from the Board is achieved via the Executive Management Team (EMT) with contribution from departmental and operational team meetings with data inputs from the Governance, Incident Review, Health & Safety and Policy Review groups. Strategic representation from the key operational areas of the company contribute within these groups.

The company has invested in a strengthened People Services team alongside plans for improvement to resourcing and governance in our Learning & Development team. A 'Wellbeing survey' was launched and a Wellbeing Sharepoint site set-up. The organisation's Integrated Therapy Team have continued to be made available to all employees via an ongoing series of drop-in clinics and informative newsletters.

All new employees, during induction, are introduced to the Chief Executive and other Senior/ Executive Management and receive briefings on the company, its history, brand and sphere of operations, quality and financial performance are reviewed as well as an overview of the incumbent five year strategy and development projects.

A range of benefits are available to all qualifying Employees including an employee discount scheme, Blue light card, access to Employee Assistance Helpline and enhanced holiday allowances where applicable. Certain employees are incentivised on quality and financial performance and the company has paid local teams performance bonuses for achieving Outstanding services as adjudicated by the regulator.

Employee feedback is obtained via the supervision and governance processes, and key decisions made by the EMT to respond to any topics of interest raised.

Directors are generally accessible to all team members although during the pandemic the opportunity to enjoy physical face-to-face interaction has been curtailed.

The employee HEART recognition awards ceremony has been postponed in line with many other similar events for the second year and we look forward to bringing this back, subject to COVID restrictions, in 2022. Phoenix sponsored the 2020 Children & Young People Now awards 'Children and Young People's Champion' Award and we anticipate continuing this in 2021.

Disabled employees

It is the policy of the Group to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Where possible, arrangements are made for continuing employment of employees who have become disabled whilst in the Group's employment.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

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

Post balance sheet events

On 25 January 2022, the loan note and PIK interest held in Phoenix Learning & Care Property Limited was refinanced to now become payable on the earlier of exit or 28 January 2023. The additional arrangement fee associated with the extension of £16,176 is payable on the same date.

On 25 March 2022, the group purchased a freehold property for £675,000 through new loan note funding of the same amount.

On 9 September 2022, the group purchased a freehold property for £850,000 through a new debt facility of the same amount.

Auditors

The auditors, CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson Audit Limited), will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28/10/2022 and signed on its behalf.

F HR Delbaere
Director

evelyn
PARTNERS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Phoenix Learning & Care Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2021 which comprise the Consolidated statement of comprehensive income, Consolidated and parent company statement of financial position, Consolidated and parent company statement of changes in equity, Consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the the group's and of the parent company's affairs as at 31 August 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2.3 to the financial statements concerning the group and parent company's ability to continue as a going concern.

As at 31 August 2021, the group's liabilities exceeded its assets by £6,384,635 and the parent company's liabilities exceeded its assets by £13,303,802. The continuing ability of the group and the parent company to continue as going concerns is dependent on the refinancing of the other loans which mature within 12 months from signing the financial statements.

As further explained in note 2.3 to the financial statements, this indicates the existence of a material uncertainty which may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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 and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of the relevant laws and regulations, the group's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the group's industry and regulation.

We understand the group complies with requirements of the framework through:

- Outsourcing statutory accounts preparation and tax compliance to external experts.
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly and are considered at Board meetings.
- Seeking relevant updates, and updating internal procedures and controls as necessary as legal and regulatory requirements change.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- Ofsted regulations, due to the nature of the group's operations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Inspected the most recent correspondence with Ofsted regarding the outcome of inspections at all sites.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue through manual journal entries.
- Valuation of investments and goodwill as these are estimates made by management.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing a sample of revenue transactions to underlying documentation;
- Testing a sample of manual journal entries, selected through applying specific risk assessments based on the group's processes and controls surrounding manual journal entries;
- Challenging management regarding the assumptions used in the estimates identified above.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX LEARNING & CARE HOLDINGS LIMITED (CONTINUED)

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

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.

CLA Evelyn Partners Limited

Kelly Jones (Senior Statutory Auditor)

for and on behalf of
CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA
Date: 31/10/2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2021

	Note	2021 £	*2020 £*
Turnover	4	18,403,571	*15,809,428*
Cost of sales		(12,284,353)	*(10,786,875)*
Gross profit		6,119,218	*5,022,553*
Administrative expenses		(4,849,994)	*(3,932,603)*
Exceptional administrative expenses	10	(573,267)	*-*
Other operating income		-	*38,115*
Operating profit	5	695,957	*1,128,065*
Interest payable and expenses	8	(1,287,810)	*(1,306,690)*
Loss before taxation		(591,853)	*(178,625)*
Tax on loss	9	(354,071)	*(257,192)*
Loss for the financial year		(945,924)	*(435,817)*

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 25 to 49 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note		2021 £		2020 £
Fixed assets					
Intangible assets	11		2,610,692		*2,853,059*
Tangible fixed assets	12		9,919,068		*7,697,482*
			12,529,760		*10,550,541*
Current assets					
Stocks		8,810		*8,810*	
Debtors	14	2,059,142		*2,093,877*	
Cash at bank and in hand	15	1,665,887		*844,613*	
		3,733,839		*2,947,300*	
Creditors: amounts falling due within one year	16	(8,802,126)		*(17,987,142)*	
Net current liabilities			(5,068,287)		*(15,039,842)*
Total assets less current liabilities			7,461,473		*(4,489,301)*
Creditors: amounts falling due after more than one year	17		(13,589,830)		*(833,352)*
Deferred taxation	20		(256,278)		*(116,058)*
Net liabilities			(6,384,635)		*(5,438,711)*
Capital and reserves					
Called up share capital	21		264,356		*264,356*
Profit and loss account	22		(6,648,991)		*(5,703,067)*
			(6,384,635)		*(5,438,711)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/10/2022

F HR Delbaere
Director

The notes on pages 25 to 49 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note		2021 £		2020 £
Fixed assets					
Tangible assets	12		**28,256**		*28,256*
Investments	13		**3,849,544**		*3,849,544*
			3,877,800		*3,877,800*
Current assets					
Debtors	14	**887,478**		*54,393*	
Cash at bank and in hand	15	**18,498**		*1,888*	
		905,976		*56,281*	
Creditors: amounts falling due within one year	16	**(4,668,808)**		*(14,888,765)*	
Net current liabilities			**(3,762,832)**		*(14,832,484)*
Total assets less current liabilities			**114,968**		*(10,954,684)*
Creditors: amounts falling due after more than one year	17		**(13,418,770)**		-
Net liabilities			**(13,303,802)**		*(10,954,684)*
Capital and reserves					
Called up share capital	21		**264,356**		*264,356*
Profit and loss account	22		**(13,568,158)**		*(11,219,040)*
			(13,303,802)		*(10,954,684)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/10/2022

F HR Delbaere
Director

The notes on pages 25 to 49 form part of these financial statements.

The parent company's loss for the financial period amounted to £2,349,118 (2020: £3,698,243)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2019	264,356	(5,267,250)	(5,002,894)
Total comprehensive expense for the year	-	(435,817)	(435,817)
At 1 September 2020	264,356	(5,703,067)	(5,438,711)
Total comprehensive expense for the year	-	(945,924)	(945,924)
At 31 August 2021	264,356	(6,648,991)	(6,384,635)

The notes on pages 25 to 49 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2019	264,356	(7,520,797)	(7,256,441)
Total comprehensive expense for the year	-	(3,698,243)	(3,698,243)
At 1 September 2020	264,356	(11,219,040)	(10,954,684)
Total comprehensive expense for the year	-	(2,349,118)	(2,349,118)
At 31 August 2021	264,356	(13,568,158)	(13,303,802)

The notes on pages 25 to 49 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021

	2021 £	*2020* *£*
Cash flows from operating activities		
Loss for the financial year	(945,924)	*(435,817)*
Adjustments for:		
Amortisation of intangible assets	242,367	*242,367*
Depreciation of tangible assets	326,526	*252,413*
Impairments of goodwill	490,948	-
Loss on disposal of tangible assets	6,973	*3,247*
Interest charge	1,287,810	*1,306,690*
Taxation charge	354,071	*257,192*
Decrease/(increase) in debtors	34,735	*(661,918)*
Increase in creditors	756,044	*988,515*
Corporation tax (paid)	(286,525)	*(107,000)*
Net cash generated from operating activities	2,267,025	*1,845,689*
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,957,112)	*(564,670)*
Sale of tangible fixed assets	923,316	*10,924*
Acquisition of subsidiary	(755,605)	-
HP interest paid	(7,096)	*(10,590)*
Net cash from investing activities	(2,796,497)	*(564,336)*
Cash flows from financing activities		
New bank loans	2,100,000	-
Repayment of bank loans	(299,674)	*(292,679)*
Repayment of other loans	(288,047)	-
Repayment of/ new finance leases	(40,131)	*36,644*
Interest paid	(121,402)	*(146,196)*
Net cash used in financing activities	1,350,746	*(402,231)*
Net increase in cash and cash equivalents	821,274	*879,122*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

	2021 £	*2020* *£*
Cash and cash equivalents at beginning of year	**844,613**	*(34,509)*
Cash and cash equivalents at the end of year	1,665,887	*844,613*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,665,887	*844,613*

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 AUGUST 2021

	At 1 September 2020 £	Cash flows £	Other non-cash changes £	At 31 August 2021 £
Cash at bank and in hand	844,613	821,274	-	1,665,887
Debt due after 1 year	(616,304)	(1,889,988)	(10,912,478)	(13,418,770)
Debt due within 1 year	(11,952,275)	377,709	10,520,964	(1,053,602)
Finance leases	(112,928)	40,131	-	(72,797)
	(11,836,894)	(650,874)	(391,514)	(12,879,282)

The notes on pages 25 to 49 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

1. General information

Phoenix Learning & Care Holdings Limited is a private company, limited by shares, incorporated in England and Wales. The address of the registered office is Support Hub, Unit 5 Chinon Court, Lower Moor Way, Tiverton, Devon, EX16 6SS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.3 Going concern

The financial statements are prepared on a going concern basis.

As at 31 August 2021, the group has net liabilities of £6,384,635 and the parent company has net liabilities of £13,303,802. The directors have reviewed the group and parent company's forecasts and projections and have taken into account any reasonable likely changes to trading performance.

The group's other loans and associated balances within accruals (total of £12.6m) are repayable within 12 months from signing the financial statements and the going concern status of the group and parent company is dependent on the refinancing of these facilities. The loan note holders are supportive of the business and it is fully anticipated that the loan note agreements will be extended if required. However, the directors acknowledge that this circumstance represents a material uncertainty that may cast significant doubt upon the group and parent company's ability to continue as a going concern.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, has the continued financial support from the majority shareholder (Ashridge Capital) and are confident about the refinancing of the expiring facilities. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Turnover

The turnover shown in the consolidated statement of comprehensive income represents amounts invoiced during the year. Turnover from the supply of services represents the value of the services provided under contracts to the extent that there is a right to consideration and is recorded at the value of consideration due.

Where a contract has been only partially completed at the statement of financial position date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors.

2.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Amortisation is provided on the following bases:

Goodwill	-	5 % straight line

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years
L/Term Leasehold Property	- 12.5% to 25% straight line
Plant & machinery	- 10% to 33% straight line
Motor vehicles	- 25% straight line
Fixtures & fittings	- 10% to 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stocks.

2.10 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and

2. Accounting policies (continued)

2.10 Financial instruments (continued)

other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.16 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2. Accounting policies (continued)

2.18 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of comprehensive income in the same period as the related expenditure.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

The key areas of judgement and estimation uncertainty in these financial statements are highlighted below:

Valuation of tangible assets
At each statement of financial position date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. The carrying value of tangible assets as at 31 August 2021 is £9,919,068. No impairment has been recognised in the current year.

Valuation of investments
Investment balances are reviewed periodically by management for evidence of impairment with reference to the financial position of the company in which the investment is held. Where indicators of impairment are identified, an impairment review is performed and an impairment charge is recognised to the extent necessary. The carrying value of investments as at 31 August 2021 is £3,849,544. An impairment has been recognised during the year of £755,604, in respect of the acquisition made in the year.

Valuation of goodwill
Goodwill is reviewed periodically by management for evidence of impairment with reference to the financial position of the company to which the goodwill relates. Where indicators of impairment are identified, an impairment review is performed and an impairment charge is recognised to the extent necessary. The carrying value of goodwill as at 31 August 2021 is £2,610,692. An impairment has been recognised during the year of £490,948, in respect of the acquisition made in the year.

Valuation of debtors
Debtor balances are reviewed periodically by management for evidence of impairment with reference to the financial position of the counterparty. Where indicators of impairment are identified and it is considered probable that the debt will not be recovered in full, a provision is recognised. The total value of trade debtors as at 31 August 2021 is £1,331,733. No impairment has been recognised in the current year.

4. Turnover

The whole of the turnover is attributable to the principal activities of the group.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2021 £	*2020* *£*
Depreciation of tangible fixed assets	326,526	*252,413*
Amortisation of intangible assets	242,367	*242,367*
Impairment of intangible assets	490,948	*-*
Defined contribution pension cost	222,405	*188,894*
Auditor's remuneration - non-audit	12,565	*27,132*
Auditor's remuneration - group audit	50,750	*33,800*
Operating lease costs	612,140	*522,259*

Auditor fees for the company were £14,350 (2020 - £9,450).

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	*Group* *2020* *£*	Company 2021 £	*Company* *2020* *£*
Wages and salaries	11,084,107	*9,476,527*	-	*-*
Social security costs	990,806	*817,889*	-	*-*
Cost of defined contribution scheme	222,045	*188,894*	-	*-*
	12,296,958	*10,483,310*	-	*-*

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	*2020* *No.*
Administrative staff	457	*424*

The Company has no employees other than the directors, who did not receive any remuneration *(2020 -£NIL)*

7. Directors' remuneration

	2021 £	*2020 £*
Directors' emoluments	525,079	*201,126*
Company contributions to defined contribution pension schemes	20,882	*6,956*
	545,961	*208,082*

During the year retirement benefits were accruing to 4 directors *(2020 -2)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £154,473 *(2020 -£100,900).*

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,250 *(2020 -£3,478).*

The directors, and only the directors, are considered to be key management personnel and total compensation paid to the key management personnel in the year was £600,327 (2020 - £229,247).

8. Interest payable and similar expenses

	2021 £	*2020 £*
Bank interest payable	151,144	*123,406*
Other loan interest payable	1,119,684	*1,172,694*
Finance leases and hire purchase contracts	7,096	*10,590*
Other interest payable	9,886	-
	1,287,810	*1,306,690*

9. Taxation

	2021 £	*2020 £*
Corporation tax		
Current tax on profits for the year	203,414	*224,488*
Adjustments in respect of previous periods	17,684	*502*
Total current tax	221,098	*224,990*
Deferred tax		
Origination and reversal of timing differences	132,973	*32,202*
Total deferred tax	132,973	*32,202*
Taxation on profit on ordinary activities	354,071	*257,192*

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2020 -higher than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2021 £	*2020 £*
Loss on ordinary activities before tax	(591,853)	*(178,625)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	(112,452)	*(33,939)*
Effects of:		
Expenses not deductible for tax purposes	21,009	*7,844*
Adjustments to tax charge in respect of prior periods	10,977	*(57,552)*
Fixed asset differences	36,684	*22,047*
Non taxable income	(516)	*-*
Non tax deductible amortisation of goodwill and impairment	139,330	*46,050*
Deferred tax not recognised	573,055	*292,821*
Other differences leading to an increase (decrease) in the tax charge	(314,016)	*(20,079)*
Total tax charge for the year	354,071	*257,192*

9. Taxation (continued)

Factors that may affect future tax charges

The Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Corporation tax continues to be charged at 19% but deferred tax has now been calculated at 25%.

10. Exceptional items

	2021 £	*2020* *£*
Loan note extension arrangement fees	82,319	-
Impairment of goodwill	490,948	-
	573,267	-

11. Intangible assets

Group

	Goodwill £
Cost	
At 1 September 2020	4,847,333
Additions (note 23)	490,948
At 31 August 2021	5,338,281
Amortisation	
At 1 September 2020	1,994,274
Charge for the year on owned assets	242,367
Impairment charge	490,948
At 31 August 2021	2,727,589
Net book value	
At 31 August 2021	2,610,692
At 31 August 2020	*2,853,059*

12. Tangible fixed assets

Group

	Freehold property £	L/Term Leasehold Property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £
Cost or valuation					
At 1 September 2020	7,788,500	226,558	164,441	685,805	511,193
Additions	2,738,161	148,908	31,100	121,252	438,980
Disposals	(1,004,655)	-	-	(5,246)	-
At 31 August 2021	9,522,006	375,466	195,541	801,811	950,173
Depreciation					
At 1 September 2020	696,038	152,230	101,966	476,035	252,746
Charge for the year on owned assets	103,001	19,724	10,846	44,159	91,541
Charge for the year on financed assets	-	-	-	57,255	-
Disposals	(79,284)	-	-	(328)	-
At 31 August 2021	719,755	171,954	112,812	577,121	344,287
Net book value					
At 31 August 2021	8,802,251	203,512	82,729	224,690	605,886
At 31 August 2020	*7,092,462*	*74,328*	*62,475*	*209,770*	*258,447*

12. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 September 2020	9,376,497
Additions	3,478,401
Disposals	(1,009,901)
At 31 August 2021	11,844,997
Depreciation	
At 1 September 2020	1,679,015
Charge for the year on owned assets	269,271
Charge for the year on financed assets	57,255
Disposals	(79,612)
At 31 August 2021	1,925,929
Net book value	
At 31 August 2021	9,919,068
At 31 August 2020	*7,697,482*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	*2020 £*
Motor vehicles	63,190	*120,445*

12. Tangible fixed assets (continued)

Company

	Freehold property £
Cost or valuation	
At 1 September 2020	28,256
At 31 August 2021	28,256
At 31 August 2021	-
Net book value	
At 31 August 2021	28,256
At 31 August 2020	*28,256*

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2020	3,849,544
Additions	755,604
Amounts written off	(755,604)
At 31 August 2021	3,849,544

During the year, Phoenix Learning & Care Holdings Limited acquired Monmouth House Private Nursery Limited. See note 23 for further details. The addition created has been written off in the year as the asset was transferred post acquisition and there is no intention to trade from Monmouth House Private Nursery Limited going forward.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Phoenix Child Care Limited	Ordinary	100%
Phoenix Learning and Care Limited	Ordinary	100%
Phoenix Learning and Care Property Limited	Ordinary	100%
Monmouth House Private Nursery Limited	Ordinary	100%

The registered address of each subsidiary is the same as that of the company.

The aggregate of the share capital and reserves as at 31 August 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Phoenix Child Care Limited	7,781,780	860,795
Phoenix Learning and Care Limited	2,971,266	548,426
Phoenix Learning and Care Property Limited	42,000	(20,334)
Monmouth House Private Nursery Limited	259,429	72,824

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

14. Debtors

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Trade debtors	1,331,733	*1,767,952*	-	-
Amounts owed by group undertakings	-	-	475,435	-
Other debtors	78,335	*131,109*	-	*53,946*
Prepayments and accrued income	648,627	*194,369*	411,596	-
Tax recoverable	447	*447*	447	*447*
	2,059,142	*2,093,877*	887,478	*54,393*

15. Cash and cash equivalents

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Cash at bank and in hand	1,665,887	*844,613*	18,498	*1,888*
	1,665,887	*844,613*	18,498	*1,888*

16. Creditors: Amounts falling due within one year

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Bank loans	384,613	*4,028,052*	384,613	*4,028,052*
Other loans	638,117	*7,924,223*	-	*7,924,223*
Trade creditors	205,630	*128,087*	6,477	-
Amounts owed to group undertakings	-	-	231,000	-
Corporation tax	110,191	*154,569*	-	-
Other taxation and social security	232,859	*200,840*	-	-
Obligations under finance lease and hire purchase contracts	45,969	*52,132*	-	-
Other creditors	270,893	*315,939*	23,011	*29,209*
Accruals and deferred income	6,913,854	*5,183,300*	4,023,707	*2,907,281*
	8,802,126	*17,987,142*	4,668,808	*14,888,765*

On 4 December 2020, a number of bank loans were refinanced for a further term of ten years ahead of their maturity and final redemption date in April 2021. The bank loans are now repayable in 2031 and attract interest between 2.25% and 2.61% per annum over base rate, with the exception of one bank loan which is repayable in 2026.

17. Creditors: Amounts falling due after more than one year

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Bank loans	5,473,507	-	5,473,507	-
Other loans	7,945,263	*616,304*	7,945,263	-
Net obligations under finance leases and hire purchase contracts	26,828	*60,796*	-	-
Accruals and deferred income	144,232	*156,252*	-	-
	13,589,830	*833,352*	13,418,770	-

18. Loans

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Amounts falling due within one year				
Bank loans	384,613	*4,028,052*	384,613	*4,028,052*
Other loans	638,117	*7,924,223*	-	*7,924,223*
Amounts falling due 1-2 years				
Bank loans	384,613	-	384,613	-
Other loans	7,945,263	-	7,945,263	-
Amounts falling due 2-5 years				
Bank loans	1,498,418	-	1,498,418	-
Other loans	-	*616,304*	-	-
Amounts falling due after more than 5 years				
Bank loans	3,590,476	-	3,590,476	-
	14,441,500	*12,568,579*	13,803,383	*11,952,275*

The bank loans and hire purchase liabilities are secured by the group. Interest is charged on the other loans at 10% per annum. Other loans expire in April 2023 with the exception of one loan which expires in January 2022.

19. Financial instruments

	Group 2021 £	*Group 2020 £*	Company 2021 £	*Company 2020 £*
Financial assets				
Cash	1,665,887	*844,613*	18,498	*1,888*
Financial assets that are debt instruments measured at amortised cost	1,460,487	*1,934,019*	475,435	*53,946*
	3,126,374	*2,778,632*	493,933	*55,834*
Financial liabilities measured at amortised cost	19,707,042	*16,939,362*	18,087,579	*14,888,765*

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, loans and finance leases.

20. Deferred taxation

Group

	2021 £	*2020 £*
At beginning of year	**(116,058)**	*(83,856)*
Charged to profit or loss	**(132,973)**	*(32,202)*
Arising on business combinations (note 23)	**(7,247)**	-
At end of year	**(256,278)**	*(116,058)*

The provision for deferred taxation is made up as follows:

	Group 2021 £	*Group 2020 £*
Fixed asset timing differences	**(288,672)**	*(133,996)*
Short term timing differences	**32,394**	*17,938*
	(256,278)	*(116,058)*

There is no deferred tax in respect of the company (2020 - £nil).

Unprovided deferred tax

Within the group there is an unprovided deferred tax asset in respect of short term timing differences of £1,538,267 (2020 - £965,212).

Within the company there is an unprovided deferred tax asset in respect of short term timing differences of £1,510,049 (2020 - £947,899).

21. Share capital

	2021 £	*2020 £*
Allotted, called up and fully paid		
2,643,556 *(2020 -2,643,556)* Ordinary shares of £0.10 each	**264,356**	*264,356*

22. Reserves

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

23. Business combinations

On 2 December 2020, Phoenix Learning & Care Holdings Limited acquired 100% of the share capital of Monmouth House Private Nursery Limited. Included within the net assets of Monmouth House Private Nursery Limited was part ownership of the freehold of 35 Bassaleg Road, Newport. As part of the Sale and Purchase Agreement, the remaining share of the freehold was purchased from the Pension Fund, being Sanlam Life & Pensions UK Limited, via an intercompany loan from Phoenix Learning & Care Holdings Limited.

Immediately following acquisition, Monmouth House Private Nursery Limited ceased to trade as a nursery, the property was sold to Phoenix Child Care Limited for £500,000 and the remaining tangible fixed assets were hived-up to Phoenix Child Care Limited at book value of £13,561.

As a result of the cessation of trade, all goodwill created on acquisition was immeditely impaired.

Acquisition of Monmouth House Private Nursery Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value	Fair value adjustments	Fair value
	£	£	£
Fixed Assets			
Tangible	443,237	78,052	521,289
	443,237	78,052	521,289
Current Assets			
Debtors	744	-	744
Cash at bank and in hand	5,524	-	5,524
Total Assets	449,505	78,052	527,557
Creditors			
Due within one year	(255,653)	-	(255,653)
Deferred taxation	(7,247)	-	(7,247)
Total Identifiable net assets	186,605	78,052	264,657
Goodwill			490,948
Total purchase consideration			755,605

23. Business combinations (continued)

Consideration

	£
Cash	755,605

The goodwill arising on acquisition has been fully impaired as there is no intention to trade the business acquired going forward.

24. Commitments under operating leases

At 31 August 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	*Group 2020 £*
Land and Building		
Not later than 1 year	564,177	*429,033*
Later than 1 year and not later than 5 years	1,170,759	*711,882*
Later than 5 years	1,049,902	*-*
	2,784,838	*1,140,915*

	Group 2021 £	*Group 2020 £*
Other		
Not later than 1 year	76,694	*74,306*
Later than 1 year and not later than 5 years	69,626	*95,566*
	146,320	*169,872*

25. Related party transactions

The group paid a company under common directorship £11,355 (2020: £7,515) for design services. The year end balance due to the related party was £1,631 (2020: £110).

During the year the group paid rent to a director of £9,000 (2020: £nil) for use of one of their properties. The year end balance due to the director was £nil (2020: £nil).

Other loans due to directors who served during the year as at 31 August 2021 were £167,963 (2020: £163,064). During the year,, the company charged interest on other loans totalling £22,536 (2020: £21,075).

Other loans due to entities controlled by directors as at 31 August 2021 were £7,777,300 (2020: £7,555,899). During the year, the company charged interest on other loans totalling £1,002,780 (2020: £999,443) to entities controlled by directors.

The company is party to a composite guarantee dated 3 April 2017 with the Royal Bank of Scotland.

At 31 August 2021 total borrowings subject to this agreement were £5,858,120 (2020: £4,028,052).

26. Post balance sheet events

On 25 January 2022, the loan note and PIK interest held in Phoenix Learning & Care Property Limited was refinanced to now become payable on the earlier of exit or 28 January 2023. The additional arrangement fee associated with the extension of £16,176 is payable on the same date.

On 25 March 2022, the group purchased a freehold property for £675,000 through new loan note funding of the same amount.

On 9 September 2022, the group purchased a freehold property for £850,000 through a new debt facility of the same amount.

27. Controlling party

The ultimate controlling party is Ashridge Capital (Phoenix) Limited Partnership.