Company Registration No. 12970658 (England and Wales)

EHC HOLDINGS TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

EHC HOLDINGS TOPCO LIMITED

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EHC HOLDINGS TOPCO LIMITED

Company Information

Directors	A J Blyth S R Etroy N Greilsamer S A Melton S Marshall Dr G Rich
Company secretary	E J Phipps
Registered number	12970658
Registered office	Ferham House Kimberworth Road Rotherham South Yorkshire S61 1AJ
Solicitors	Pinsent Masons 55 Colmore Row Birmingham B3 2FG
Independent auditor	Ernst & Young LLP Chartered Accountants 1 Bridgewater Place Water Lane Leeds LS11 5QR
Bankers	NatWest 3rd Floor 2 Whitehall Quay Leeds LS1 4HR

The directors present their Strategic report for the year ended 31 March 2022.

Review of business and future developments

EHC Holdings Topco Limited was incorporated on 23 October 2020 and purchased EHC Holdings MidCo Limited, the newly created holding company that simultaneously acquired EHC Holdings HoldCo Limited which then acquired Cx TopCo Limited and its subsidiaries on 17 November 2020. The principal activity of the Company during the year was that of a holding company.

The main activities of the Company's subsidiary undertakings during the year were those of nursing home operators.

The Group provides nursing care to a wide spectrum of individuals through 36 care homes. All the homes cater for adults with highly complex care needs, be they due to physical, mental, or learning support needs, or any combination thereof.

The Group's primary objective will always be to provide the highest possible quality of care. This links into key objectives of maintaining the quality of care and the safety of residents. The Group works closely with external bodies to ensure services reflect the latest developments in the health care sector within its primary and key objectives.

The Group has invested £27.1 million (19 week period to 31 March 2021: £9.5 million) in capital expenditure during the year under review and opened 4 new homes in Birmingham, Hull, Bradford and South Elmsall. Plans are in place to build new homes each year and new sites are continually and actively being sought to ensure the development pipeline is in place for future years.

During the year under review, the Group put in place an interest rate hedge to fix the variable interest rate on 74% of its existing facilities to a fixed interest rate of 0.93%. The Group has drawn an additional £35m (19 week period to 31 March 2021: £170m) of funding facilities in the year, resulting in £205m of funding facilities drawn at 31 March 2022. In addition to the funding facilities, the Group had £22m (2021: 21m) of payables loan notes outstanding at 31 March 2022. The Group has available cash reserves of £30 million (2021: £18 million), to support future investment plans. The Group traded within its agreed covenant levels and expects that to continue having prepared forecasts to March 2024.

Group revenues were £120 million in the year (19 week period to 31 March 2021: £38 million). Additional revenue growth within the business was attributable to increases in the number of residents cared for, the acuity levels (resident needs) of new residents joining the Group being greater than those leaving, plus general inflationary increases. General inflationary increases are based upon covering the business increase in underlying cost base, which includes increased costs as a result of National Living Wage increases. The Group has also incurred increased energy costs driven by the impact of global energy price increases which are in part driven by the war in Ukraine.

The underlying financial performance of the Group was not materially impacted by COVID-19 in the year ended 31 March 2022. The costs of COVID-19 that impacted the business in respect of PPE, restrictions on the movements of staff and testing regime were broadly covered by grants. The Group has experienced higher than usual levels of inflation driven by a combination of factors affected by COVID-19, the war in Ukraine and Brexit, however these impacts did not materially affect the results for the year. There was no adverse impact during the year due to climate change.

Whilst the Group has net liabilities and net current liabilities, overall it has a strong asset base with significant intangible and tangible non-current assets, as well as a strong cash balance.

The Group continues to build new homes. There are future homes at various stages of development from land acquisition to site development and build.

Key performance indicators

The directors use a number of KPIs to monitor, control and direct the business. The primary numerical KPIs are occupancy, revenue, staff costs and profitability. Below is a summary of those KPIs for the current financial period.

Group	**Year ended 31 March 2022**	**19 week period to 31 March 2021**
	No.	**No.**
Average occupancy (beds)	799	751

Key performance indicators (continued)

Group	Year ended 31 March 2022	19 week period to 31 March 2021
	£million	£million
Revenue	120.0	38.2
Staff costs	80.9	27.3
Operating profit/(loss)	7.9	(1.5)

The main non-financial KPIs used relate to quality. The directors monitor quality over a wide range of measures through DEQA. Due to the sensitive nature of care related information, the Group works closely with external authorities to assess and ensure the required standards of care are maintained.

Principal risks and uncertainties

The key risks and uncertainties facing the Group fall into two main areas, maintaining high standards of care and financial management.

Maintaining high standards of care

Providing the highest possible quality of care is the Group's prime objective. The foundation of being able to provide a high standard of care is to agree an appropriate fee with funders that allows the Group to put in place sufficient support, and to appropriately train and motivate employees accordingly.

The Group has invested in a clinical function that is independent to the operations of the business and headed up by a Clinical Director who reports directly to the CEO. In the year under review the clinical team continue to represent a key and fundamental part of central infrastructure headcount cost. This team monitors the compliance of the Group's services by using a robust clinical governance framework which is now digitised and allows real time oversight of daily, weekly and 4 weekly information. This enables the team to identify risks and supports both the clinical team and operations team in reacting more rapidly to arising risks. Digital Exemplar Quality Assurance (DEQA) is a framework of daily tasks, weekly tasks, and audits. Also, as part of the DEQA Regional Directors of Operations carry out an operational service review every 8 weeks which is verified by an internal audit carried out by the quality team as a minimum annually or more frequently if required. These audits result in action plans which are monitored to make sure improvements are implemented through a digital platform and every 4 weeks there is a Digital Compliance review carried out by the compliance team in conjunction with the Home Managers. The team use these 4 weekly reviews with the Home Managers to offer guidance and support when required. The Group has fully implemented eMAR (Electronic Medication Administration Record) to all homes which allows daily insight of medicine management in each service. A digital review of each Homes eMAR dashboard is undertaken every 4 weeks and our eMAR managers support, guide and train our staff using the internal intelligence generated using a risk-based approach, and this allows us to ensure our residents receive the correct medication which impacts positively on their health. Digitisation of the Health and Safety management processes has also been achieved which now enable us to have daily insight into health and safety checks completed at service level.

All the above are supported by a market leading system providing real time data analytics and predictive tools.

In addition to our own internal quality processes, all homes are independently inspected by the Care Quality Commission.

Financial management

Successful financial management is based upon the underlying operational performance of the business. The Group business model is to achieve ambitious growth targets by a combination of funding new home development from bank loans and operational profit.

Budgets are reviewed and updated if circumstances change at least annually. Actual financial performance of the Group and every individual home is measured against these plans every 4 weeks. In addition, key performance indicators of Average Weekly Fee and Average Weekly Occupancy are monitored daily.

Financial management (continued)

The Group generates positive operational cash flows. The table below demonstrates this point:

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Operating profit/(loss)	7,880	(1,459)
Depreciation and amortisation (non-cash)	17,167	6,153
Working capital movements	(2,278)	2,346
Cash generated from operating activities	**22,769**	**7,040**
Interest paid	(14,486)	(3,927)
Tax paid	(127)	(139)
Net cash generated from operating activities	**8,156**	**2,974**

Financial risk management objectives and policies

The main risk arising from the Group's financial instruments can be analysed as follows:

Credit risk

The Group has good relationships with its suppliers based on prompt payment and regular dialogue. Whilst rarely required, if the rating of a Company within the Group does not support the advancing of credit by a supplier, then where no other alternative is available, arrangements will be made to support that Company based on the credit position of another operating Company.

Interest rate risk

Under the current Bank Loan facilities interest calculations are variable and linked to SONIA, 74% of the facilities have been fixed via a hedged product. The directors of the Group have consulted with external treasury advisors as to the suitability of these arrangements and consider them to be in line with the Group's strategy in the foreseeable future. This position is under regular review by the Directors, along with business performance, debt positioning and future developments as part of regular interaction with lenders.

Liquidity risk

The Group's cash inflows and outflows mainly arise from operating activities and development of new homes.

Ensuring that the appropriate fees are charged and collected from the appropriate party in a timely manner will continue to be paramount to maintaining a strong working capital balance. The most significant operational cost to the business is employees and related costs, there is limited scope to improve liquidity risk within this area of outflows.

The Group always aims to achieve the best cost option, without compromising its primary objective, with the most favorable payment terms available. The benefits of group purchasing have been utilised wherever possible.

In addition to operational cash flows, the Group has cash outflows as a result of its development activity building new homes. This activity is partly funded from operational cash flows and partially from bank loans. Before each construction contract is awarded the Directors evaluate the availability of funds to complete the contract and the impact on the covenant position. Only if there are sufficient funds available and there is no material risk to the Group covenant limits being breached will the contract be approved.

Capital risk management

As per the Going concern note in the Directors' report, management have considered the Group's ability to continue to finance the Group's day to day working capital requirements through existing cash reserves, by the use of daily, weekly and 4 weekly forecasts, these illustrate that it can for the foreseeable future. The directors believe that the Group is well placed to manage its business risks successfully.

Employees

Everyone who works with the Group has the opportunity to learn and develop. All new colleagues do a 3-to-5-day induction with other new recruits, as well as a local induction in their home or team. The Group also encourages and supports colleagues to complete mandatory and statutory training to keep their skills and knowledge up to date, as well as giving them access to a range of qualifications, apprenticeships, eLearning modules and our in-house CPD training programs, to help them to progress in their career.

The Group's 5 core values of Fun, Integrity, Responsive, Success and Teamwork, underpin everything. The Group is proud of its culture that has been built around these values, which puts residents and employees at the heart of the business. The Group hires the best, gives them first class training, and supports them throughout their career. The Group is committed to inclusion across race, gender, age, religion, identity, and experience makes it an inspiring, welcoming and supportive place to work. The Group strives to create a workforce that reflects the diverse nature of the communities that it serves, and where everyone feels empowered to bring their full selves to work. The Group believes that this is one of the things that makes it an innovative organisation that is better able to succeed in the health and social care market.

The Group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of staff becoming disabled, every effort is made to ensure that employment continues, and that appropriate training is arranged.

The Group operates a Diversity, Equality and Inclusion (DE&I) process to help improve the diversity, fairness and inclusiveness of its culture. The Group believes this will help foster connections, increase acceptance and tolerance, create trust and improve morale.

Environment (SECR disclosure)

The Company consumes electricity and gas in the UK only running and operating care homes. In addition, travel between sites by employees and transport of resident's results in the consumption of fuel. Energy consumption in the year/period under review is detailed below:

Year ended 31 March 2022

	KWH consumed	KWH consumed per resident	CO2 emissions (tonnes)	CO2 emissions (tonnes per resident)
Gas	12,306,023	15,401	2,262	2.8
Electricity	4,235,401	5,301	987	1.2
Fuel	1,227,207	1,536	286	0.4
Total	**17,768,631**	**22,238**	**3,535**	**4.4**

19 week period to 31 March 2021

	KWH consumed	KWH consumed per resident	CO2 emissions (tonnes)	CO2 emissions (tonnes per resident)
Gas	4,058,016	5,403	747	1.0
Electricity	1,314,286	1,750	545	0.7
Fuel	334,061	445	79	0.1
Total	**5,706,363**	**7,598**	**1,371**	**1.8**

Gas and electricity is purchased from energy companies and used in our care homes and falls within Scope 2 as defined within SECR standards. 98% of fuel consumption is as a result of employees travelling from site to site using their own vehicles which would fall under Scope 3 as defined within SECR standards. 2% of fuel consumption results from the operation of vehicles owned by the group used to transport residents which would fall under Scope 3 as defined within SECR standards.

KWH consumed was calculated using data from utility invoicing and in the case of fuel miles travelled, miles travelled were converted to KWH using conversion data from the RAC website. This data was then converted into CO2 emissions using conversion data from the Carbon Trust website.

Environment (SECR disclosure) (continued)

Energy efficiency measures

Through our ESG programme we understand the importance of environmental issues and we accommodate good practice in this regard wherever practical. Such measures include our homes having low energy LED lighting throughout and sustainable drainage systems (SuD). Our new build homes include LED Lighting and electric vehicle parking with charging points. Also where planning dictates we introduce other energy saving measures, including Combined Heat and Power Units (CHP) which have been installed at one of our sites and we have plans to expand this to other sites.

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1): (a)-(f) of the Companies Act 2006 ("s172") when performing their duty to promote the success of the Company and the Group. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company and the Group.

When making decisions, each director ensures that they act in the way they consider, in good faith, would most likely promote the Group's success for the benefit of its stakeholders as a whole, and in doing so have regard (among other matters) to:

s172 (a) "The likely consequences of any decision in the long term"

The Board has a 5-year plan which indicates key milestones in delivering this plan, the performance against this plan is reviewed at each Board meeting. The Group's strategy is to reinvest any profits made into the development of new homes increasing the number of residents it can support.

During the year under review, the Group put in place an interest rate hedge to fix the variable interest rate on 74% of its existing facilities to a fixed interest rate of 0.93%. The Group also invested in digitalisation of its processes, particularly around maintaining high standards of care.

s172 (b) "The interests of the Company and Group's employees"

The Group is committed to recruiting and developing the highest quality individuals through which it can deliver its primary objective of meeting the needs of its residents. Wellbeing of employees is a central part of this process.

During the year under review, the CEO retired and was replaced by S A Melton who has extensive experience working for large multisite organisations including within healthcare. The executive Board was also enhanced by the appointment of a HR Director and Property Director both from large people based and/or multi-site organisations.

s172 (c) "The need to foster the Company and Group's business relationships with suppliers, customers and others"

To achieve the primary objective of meeting the needs of residents the Group works in partnership with key suppliers to build up long term trading relationships. The delivery of high-quality services and products from the supply chain is a key part of delivering this primary objective.

The Group's prime objective is meeting the needs of its customers, all decision making revolves around this.

s172 (d) "The impact of the Company and Group's operations on the community and the environment"

The services the Group provides are essential to provide support for some of the most vulnerable stakeholders of the communities in which its homes are located.

The Company opened 4 homes in the year, which created 300 more jobs in the communities in which the homes were built, namely Yorkshire and the West Midlands. These homes created capacity for us to look after an additional 118 residents.

Section 172 statement (continued)

s172 (e) "The desirability of the Company and Group maintaining a reputation for high standards of business conduct"

Reference has been made earlier in this report to the quality assurance measures in place to ensure we deliver a high standard of support to our residents. This is backed up by independent review by the Care Quality Commission that inspects all our homes on a periodic basis.

We strive to maintain our good reputation and apply similarly high standards to all areas of our business

s172 (f) "The need to act fairly as between members of the Company and Group"

The interest of shareholders is managed through a legal framework which sets out their individual rights. The Group and Company also comply with requirements of the Companies Act.

Approved by the board of directors on 26 August 2022 and signed on its behalf by:

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A J Blyth

Director

The directors present their Annual report and the audited financial statements of EHC Holdings Topco Limited ("the Company") and its subsidiary undertakings ("the Group") for the year ended 31 March 2022.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

A J Blyth	
S R Etroy	
N Greilsamer	
S A Melton	(appointed 1 November 2021)
Dr G Rich	(appointed 13 May 2021)
J H Whitehead	(resigned 1 November 2021)
S Marshall	(appointed 6 August 2021)

Results and dividends

The results for the year are set out on page 14.

No interim dividends were paid (19 week period to 31 March 2021: £nil). The directors do not recommend payment of a final dividend (19 week period to 31 March 2021: £nil).

Going concern

The Directors of the Group have considered the current trading and financing positions, including the net current liability position of £30m, the net liability position of £74m at 31 March 2022 and the loss for the year of £56m, as well as the forecasts through the going concern assessment period to 31 March 2024, and the reasonable worst case downside scenarios applied to those forecasts.

In considering the results and financial position for the period the directors note that the losses in the year of £55m include £68m of non-cash expenses (£7m depreciation, £10m amortisation of intangible assets, £38m rolled interest payable on preference shares and £13m movement in deferred tax charge predominately as a result of the change in corporation tax rate). The net current liability position of £30m at the year end date includes £51m of rolled interest payable that is not expected to be payable in the going concern period and therefore will not be a cash outflow. The interest on preference shares and vendor loan notes is accrued and only payable on a change in the ultimate controlling party. The group has available cash reserves of £30m at 31 March 2022.

These forecast scenarios prepared included lower than budgeted operational cash flows, emergence of a new Covid-19 outbreak, increased construction and maintenance costs, new homes taking longer to fill than budgeted, high inflation levels for an extended period, higher than anticipated interest rate increases. The forecast scenarios include outflows associated with the capital programmes the group has in place which is funded from current cash and operating cash flows through the assessed period. The results of the forecasting demonstrate sufficient liquidity of the group through the period and continued covenant compliance on senior debt.

Based on all the information available at the point of approving these financial statements the Directors conclude that it remains appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

Principal risks and uncertainties and future developments

The Strategic report includes details of the principal risks and uncertainties and future developments of the Group.

Financial risks

The directors have considered financial risk management as credit, liquidity, interest and capital risk. Please see note 23 for further details.

Employee involvement

The Group's policy is to consult and discuss with employees, through quarterly newsletters, matters likely to affect employees' interests. Information on matters of concern to employees is given through regular communication and letters which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance. There are no employee share schemes at present.

Qualifying third party indemnity provisions

The Group has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Independent auditor

Ernst & Young LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Post balance sheet events

1 new Home has opened since the Balance Sheet Date and we continue to develop future homes from land acquisition and site development. Future energy price increases are expected as driven by Ukraine War.

Matters covered in the Strategic report

The Company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the Company's Strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of principal activities, risk management policies and objectives, employee disclosures and carbon reporting requirements.

Statement of disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the board of directors on 26 August 2022 and signed on its behalf by:

DocuSigned by:
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A J Blyth

Director

EHC HOLDINGS TOPCO LIMITED

Directors' Responsibilities Statement
For the year ended 31 March 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 the Company and of the profit or loss of the group and the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or 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 and group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the group and enable them to ensure that the Company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's Report to the Members of EHC Holdings Topco Limited

Opinion

We have audited the financial statements of EHC Holdings Topco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company statements of financial position, Consolidated cash flow statement and the Consolidated and Company statements of changes in equity, the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, FRS 101 "Reduced Disclosures Framework"; and
- the financial statements 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 March 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 10, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 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 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.

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, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, UK adopted international accounting standards and FRS 101, the Companies Act 2006 and the tax laws and regulation in the UK. We concluded there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to the Care Quality Commission (Registration) Regulations 2019, the Health and Social Care Act 2008, anti-bribery and corruption regulations, and GDPR.
- We understood how EHC Holdings Topco Limited is complying with those frameworks by making enquiries of management and those responsible for compliance and legal matters. We corroborated our enquiries through our review of Board minutes and consideration of the results of our audit procedures performed across the group, including audit procedures in respect of the compliance of these financial statements with the disclosure requirements of UK adopted international accounting standards and the Companies Act 2006.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it was considered there was a susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud and error. Specifically, we identified a fraud risk in relation to revenue recognition and performed detailed audit procedures over the revenue accounts utilising our analytics tools and paying particular attention to manual journals in order to address the risk of management override.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. In addition to those set out above, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation. The results of our procedures did not identify any instances or irregularities, including fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DS

Ernst & Young LLP

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Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds, UK

Date: 26 August 2022

EHC HOLDINGS TOPCO LIMITED

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Revenue	4	119,984	38,231
Other operating income	5	2,835	1,099
Operating costs			
Staff costs	7	(80,935)	(27,284)
Consumables		(5,579)	(2,371)
Amortisation of intangible assets	11	(9,963)	(3,658)
Depreciation written off property, plant and equipment	12	(7,204)	(2,495)
Other operating charges		(11,258)	(4,981)
Total operating costs		(114,939)	(40,789)
Operating profit/(loss)		7,880	(1,459)
Finance costs	8	(57,384)	(19,517)
Loss before taxation		(49,504)	(20,976)
Taxation	9	(12,831)	1,223
Loss for the year/period		(62,335)	(19,753)
Other comprehensive income			
Cash flow hedge gains	20	6,385	-
Hedge interest reclassified to profit or loss		343	-
Other comprehensive income for the year/period		6,728	-
Total comprehensive loss for the year/period		(55,607)	(19,753)

All amounts relate to continuing activities.

The notes on pages 19 to 50 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED
Registered number: 12970658

Consolidated Statement of Financial Position
As at 31 March 2022

	Note	2022 £'000	(restated*) 2021 £'000
Assets			
Non-current assets			
Goodwill	10	206,361	206,361
Other intangible assets	11	195,594	205,557
Property, plant and equipment	12	186,768	166,940
Non-current financial assets	23	5,224	-
		593,947	578,858
Current assets			
Trade and other receivables - due within one year	15	11,227	7,385
Cash and cash equivalents		33,864	20,094
Other current financial assets	23	1,504	-
		46,595	27,479
Total assets		640,542	606,337
Equity and liabilities			
Equity			
Share capital	20	10	10
Share premium	20	1,137	1,087
Cash flow hedge reserve	20	6,728	-
Retained earnings	20	(82,088)	(19,753)
Total equity		(74,213)	(18,656)
Non-current liabilities			
Non-current loans and borrowings	18	575,278	543,659
Deferred tax	19	63,364	50,435
		638,642	594,094
Current liabilities			
Trade and other payables	16	76,113	30,899
Total liabilities		714,755	624,993
Total equity and liabilities		640,542	606,337

*See note 3

The financial statements on pages 14 to 50 were approved and authorised for issue by the board of directors and were signed on its behalf on 26 August 2022 by:

DocuSigned by:
E3F899AE08C3457

A J Blyth
Director

The notes on pages 19 to 50 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED
Registered number: 12970658

Company Statement of Financial Position
As at 31 March 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investments	13	297,304	297,304
Current assets			
Trade and other receivables			
- due within one year	15	26,138	297,304
Cash at bank and in hand		148	-
		26,286	297,304
Total assets		323,590	594,608
Equity and liabilities			
Equity			
Share capital	20	10	10
Share premium	20	1,137	1,087
Retained earnings	20	(53,838)	(13,910)
Total equity		(52,691)	(12,813)
Non-current liabilities			
Non-current loans and borrowings	18	324,540	322,893
Current liabilities			
Trade and other payables	16	51,741	284,528
Total liabilities		376,281	607,421
Total equity and liabilities		323,590	594,608

As permitted by Section 408 of the Companies Act 2006, EHC Holdings Topco Limited has not presented its own Statement of comprehensive income. The loss for the financial year dealt with in the financial statements of the holding company was £39,928,000.

The financial statements on pages 14 to 50 were approved and authorised for issue by the board of directors and were signed on its behalf on 26 August 2022 by:

DocuSigned by:
E3F800AE08C3467
....
A J Blyth
Director

The notes on pages 19 to 50 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED

Consolidated and Company Statement of Changes in Equity
For the year ended 31 March 2022

Consolidated	Share capital	Share premium	Cash flow hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Loss for the period	-	-	-	(19,753)	(19,753)
Total comprehensive loss for the period	-	-	-	**(19,753)**	**(19,753)**
Issue of share capital	10	1,087	-	-	1,097
Balance at 31 March 2021 and 1 April 2021	**10**	**1,087**	-	**(19,753)**	**(18,656)**
Loss for the year	-	-	-	(62,335)	(62,335)
Cash flow hedge gains for the year	-	-	6,385	-	6,385
Hedge interest reclassified to profit or loss	-	-	343	-	343
Total comprehensive income/(loss) for the year	-	-	**6,728**	**(62,335)**	**(55,607)**
Issue of share capital (note 20)	-	50	-	-	50
Balance at 31 March 2022	**10**	**1,137**	**6,728**	**(82,088)**	**(74,213)**

Company	Share capital	Share premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Loss for the period	-	-	(13,910)	(13,910)
Total comprehensive loss for the period	-	-	**(13,910)**	**(13,910)**
Issue of share capital	10	1,087	-	1,097
Balance at 31 March 2021 and 1 April 2021	**10**	**1,087**	**(13,910)**	**(12,813)**
Loss for the year	-	-	(39,928)	(39,928)
Total comprehensive loss for the year	-	-	**(39,928)**	**(39,928)**
Issue of share capital (note 20)	-	50	-	50
Balance at 31 March 2022	**10**	**1,137**	**(53,838)**	**(52,691)**

Details regarding the purpose of each reserve within equity are given in note 20.

The notes on pages 19 to 50 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED

Consolidated Cash Flow Statement
For the year ended 31 March 2022

Group	Note	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Cash inflow generated from operations	21	22,769	7,040
Interest paid		(14,486)	(3,927)
Tax paid		(127)	(139)
Net cash generated from operating activities		8,156	2,974
Investing activities			
Purchase of property, plant and equipment	12	(27,032)	(9,545)
Proceeds of disposals of property, plant and equipment		-	3
Purchase of subsidiaries (net of cash acquired)	14	-	(241,871)
Net cash used in investing activities		(27,032)	(251,413)
Financing activities			
Proceeds from issue of shares	20	50	948
Proceeds from issue of preference shares	20	-	296,356
Repayment of other borrowings		-	(27,259)
New borrowings		36,608	-
Payment of lease liability obligations	17	(4,012)	(1,512)
Net cash generated from financing activities		32,646	268,533
Net increase in cash and cash equivalents		13,770	20,094
Cash and cash equivalents at start of year/period		20,094	-
Cash and cash equivalents at end of year/period		33,864	20,094

*Included in the cash and cash equivalents is £3.7m of restricted cash (as at 31 March 2021: £2.4m).

The notes on pages 19 to 50 form an integral part of these financial statements.

1. Company information

EHC Holdings Topco Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on page 2.

2. Significant accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared on the going concern basis under historical cost convention, except for financial instruments measured at fair value through profit or loss and other comprehensive income.

These consolidated financial statements are presented in pounds sterling (£), which is the Group's functional currency. All financial information presented has been rounded to the nearest thousands, unless otherwise stated.

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

The Company's financial statements have also been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and disclosure requirements of the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions in the Company only financial statements.

Reduced disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements and, where relevant, equivalent disclosures have been made in the Group accounts in accordance with UK-adopted international accounting standards:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments; income, expenses, gains and losses on financial instruments; effects of initial application of IFRS 7;
- Comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment;
- Related party disclosures for transactions with the parent or wholly owned members of the Group;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:
    - Description of when performance obligations are satisfied, significant payment terms, and the nature of services to be transferred;
    - Significant judgements in determining the amount and timing of revenue recognition;
    - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations; and
- Separate lessee disclosures under IFRS 16.

2. *Significant accounting policies (continued)*

Amendments to IFRSs effective for the current year

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Group and the Company. The Group and the Company intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was originally set to expire on 30 June 2021, but as the impact of the COVID-19 pandemic continued beyond 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting beginning on or after 1 April 2021.

These amendments had no impact on the financial statements of the Group and the Company. The Group and the Company intends to use the practical expedients in future periods if they become applicable.

New and revised IFRSs in issue but not yet effective

Please see note 25 for new and revised IFRSs that have been issued but are not yet effective.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each period. Control is achieved when the Company:

a. has the power over the investee;
b. is exposed, or has rights, to variable return from its involvement with the investee; and
c. has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

2. Significant accounting policies (continued)

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Going concern

The Directors of the Group have considered the current trading and financing positions, including the net current liability position of £30m, the net liability position of £74m at 31 March 2022 and the loss for the year of £56m, as well as the forecasts through the going concern assessment period to 31 March 2024, and the reasonable worst case downside scenarios applied to those forecasts.

In considering the results and financial position for the period the directors note that the losses in the year of £55m include £68m of non-cash expenses (£7m depreciation, £10m amortisation of intangible assets, £38m rolled interest payable on preference shares and £13m movement in deferred tax charge predominately as a result of the change in corporation tax rate). The net current liability position of £30m at the year end date includes £51m of rolled interest payable that is not expected to be payable in the going concern period and therefore will not be a cash outflow. The interest on preference shares and vendor loan notes is accrued and only payable on a change in the ultimate controlling party. The group has available cash reserves of £30m at 31 March 2022.

These forecast scenarios prepared included lower than budgeted operational cash flows, emergence of a new Covid-19 outbreak, increased construction and maintenance costs, new homes taking longer to fill than budgeted, high inflation levels for an extended period, higher than anticipated interest rate increases. The forecast scenarios include outflows associated with the capital programmes the group has in place which is funded from current cash and operating cash flows through the assessed period. The results of the forecasting demonstrate sufficient liquidity of the group through the period and continued covenant compliance on senior debt.

Based on all the information available at the point of approving these financial statements the Directors conclude that it remains appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Significant accounting policies (continued)

Intangible assets other than goodwill

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets on the following bases:

Brand	21 years
Customer relationships	21 years

Investment in subsidiaries

Investments in subsidiaries are stated in the Company's statement of financial position at the nominal value of shares issued, or cash paid to acquire the investment, less any provision considered necessary by the directors for diminution in value.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer; identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue is measured at the fair value of the consideration received or receivable, based on the contractual price excluding taxes. Revenue in relation to management services is recognised over time using the output method based on the length of the agreed service provision. Revenue from a contract to provide care services is recognised over time using the output method based on the level of care required.

Should fees be reviewed and adjusted during the period where services are provided then the change in revenue is recognised as soon as is practicably possible.

The Group has applied practical expedients to recognise incremental costs of obtaining a contract as an expense and to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Contract assets

Contract assets are recognised when the Group has transferred services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the services to the customer.

2. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the Statement of comprehensive income as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to the Statement of comprehensive income if the carrying amount of the right-of-use asset is fully written down.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

Property, plant and equipment

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the Statement of financial position at cost less accumulated depreciation and any recognised impairment loss.

Freehold land is not depreciated.

Leasehold property improvements, fixtures, fittings and equipment and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold property	2% straight line
Leasehold property	Over the life of the lease
Right-of-use assets	Over the life of the lease
Fixtures, fittings and equipment	20% - 33% straight line
Motor vehicles	20% straight line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of comprehensive income.

Financial instruments

Recognition of financial instruments
Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets
Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

Trade, group and other receivables
Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets
An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is the probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade receivables
For trade receivables, expected credit losses are measured on an individual basis. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses").

Impairment of group receivables measured at amortised cost
The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the Group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the period end which have a detrimental impact on cash flows.

The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Group compares the risk of default at the period end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the period end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in the Statement of comprehensive income.

Derecognition of financial assets (including write-offs)
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in the Statement of comprehensive income.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities
Trade, group and other payables
Trade, group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Initial and subsequent measurement of equity instruments
Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

2. Significant accounting policies (continued)

Financial instruments (continued)

Derivatives financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

All financial instruments held at fair value are considered to be at level 2 in the fair value hierarchy. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that utilise observable market data.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

This includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

For the cash flow hedges, the amount accumulated in Other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in Other comprehensive income must remain in accumulated Other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated Other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

Retirement benefit cost

The Group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to defined contribution pension scheme are charged to the Statement of comprehensive income in the period in which the related service is provided. Amounts outstanding at the year end are included within other payables.

2. Significant accounting policies (continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

A grant that specifies performance conditions is recognised in the Statement of comprehensive income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in Statement of comprehensive income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital management

The Board's policy is to maintain a strong capital base to underpin the future development of the business in order to deliver value to shareholders. The Group finances its operations through reinvested profits, bank borrowings, shareholder investment, cash in hand and the management of working capital. The Group does not pay dividends reinvesting surpluses into maintaining its existing assets and developing new care homes.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of goodwill and other intangible assets

Determining whether goodwill or associated intangible assets are impaired requires judgement based on an estimation of the value in use of the cash generating units to which these assets have been allocated. The value in use calculation requires that the entity estimate the future cashflows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date is £206,361k (2021: £206,361k) (note 10). The carrying amount of other intangible assets at the balance sheet date is £195,594k (2021: £205,557k) (note 11). No impairment was recorded for the year ended 31 March 2022 (19 week period to 31 March 2021: £nil). Identification of intangible assets requires judgement, their valuation requires estimation.

Recognition of deferred taxes

The carrying values of deferred tax assets on the balance sheet are dependent on the estimates of future cashflows arising from the Group's operations. The realisation of the deferred tax asset recognised at 31 March 2022 of £9,254 (2021: £4,414k) as disclosed in note 19 is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets where it is more likely than not that benefit will be realised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, have all been adequately reflected in the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Measurement of lease liabilities

The directors have made several accounting judgements over the measurement of the land and buildings right-of-use assets. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on a rate the lessee would have to pay to borrow an asset of a similar value over a similar term, and with a similar security. The Group has applied a rate of 6.25% (19 week period to 31 March 2021: 6.25 % restated) to all its leases, as it represents the Group's current interest rate on its Senior long-term debt plus a margin equivalent to Bank of England long-term yield rates.

Prior period restatement:

The group has restated the 2021 right of use assets and associated lease liability, aggregated within Plant Property and Equipment, (note 12) and Non-current loans and borrowings (note 18) respectively. The restatement results from a reassessment of the incremental borrowing rate and a correction to the rate used in November 2020. Consequently, both Plant, Property and Equipment (note 12) and Non-current loans and borrowings (note 18) have been restated by reducing the previously reported amounts by £7.8m at 31 March 2021. There is no adjustment to Net Assets and no impact on other Primary Statements.

Acquisitions and business combinations

When an acquisition arises, the Group is required to report the fair value of assets and liabilities acquired and establish useful economic lives for identified assets. The identification and valuation of the assets and liabilities acquired involves estimation and judgement when determining whether the recognition criteria is met. Subjectivity is also involved with the estimation of the future value of goodwill and other intangible assets. The fair value of separately identifiable intangible assets acquired during the year was nil (19 week period to 31 March 2021: £209,215k) (note 11), with the key assumptions used to calculate these fair values being those around the estimated useful economic lives of the acquired customer relationships, the estimated future cashflows expected to arise from these relationships and the appropriate discount rate to be used to discount these cash flows to their present value.

Amortisation of intangibles

Other intangibles amortisation is charged to the Statement of comprehensive income based on the useful economic life selected, which requires an estimation of the period and profile over which the group expects to consume the future economic benefits embodied in the assets

4. Revenue

The revenue and profit before tax is attributable to the principal activity of the Group, namely highly complex care needs, and solely derived from operations in the United Kingdom. All revenue recognised is derived from contracts with customers.

Set out below is the amount of revenue recognised from:

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Amounts included in contract liabilities	3,982	-

The Group had no income in the year relating to performance obligations satisfied in previous periods (19 week period to 31 March 2021: £nil).

5. Other operating income

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Government grants	2,835	1,099
	2,835	1,099

Included in government grants is income of £nil (19 week period to 31 March 2021: £113,000) received in respect of the Coronavirus Job Retention Scheme.

All government grants awarded were related to the COVID-19 response within the care industry. There are no unfulfilled conditions relating to the grants as at year end.

6. Loss before taxation

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Loss before taxation is stated after charging:		
Depreciation property, plant and equipment (note 12)	7,204	2,495
Amortisation of intangible assets (note 11)	9,963	3,658
Operating lease costs: land and buildings	50	3
Auditor's remuneration;		
Fees payable to the Company's auditor and their associates for the audit of the Company's financial statements	45	10
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	225	175
Total audit fees	270	185
Accountancy services	225	75
Total non-audit fees	225	75

The operating lease costs of £50k (19 week period to 31 March 2021: £3k) disclosed above relate to 'short-term' leases where the Group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

During the year, start-up staffing costs were incurred at Blackmoor, Bennet Court, Wykewood and Marmaduke of £1,395k (19 week period to 31 March 2021: £479k incurred at Ribble View, Tyne Grange and Marmaduke).

7. Information regarding directors and employees

Directors' remuneration	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Emoluments	1,051	145
Company contributions to money purchase pension schemes	26	-
	1,077	145

The number of directors who:	Year ended 31 March 2022 No.	19 week period to 31 March 2021 No.
Are members of a money purchase pension scheme	2	-

Remuneration of the highest paid director:	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Emoluments	328	80
	328	80

Directors' transactions

Please refer note 22 for directors' transactions during the year.

Employees

The average monthly number of staff, including directors, employed by the Group during the year was as follows:

	Year ended 31 March 2022 No.	19 week period to 31 March 2021 No.
Nursing and other care home staff	3,235	2,895
Administration	266	221
	3,501	3,116

The aggregate payroll costs of the Group were as follows:

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Wages and salaries	64,362	23,713
Social security costs	5,200	1,732
Pension costs – money purchase pension schemes	1,071	341
	70,633	25,786

7. Information regarding directors and employees (continued)

Staff costs in the Consolidated statement of comprehensive income include agency costs of £10,302k (19 week period to 31 March 2021: £1,498k).

The Company did not have any employees during this year (19 week period to 31 March 2021: £nil). No directors' remuneration was paid by the Company (19 week period to 31 March 2021: £nil).

Money purchase pension scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £1,071k (19 week period to 31 March 2021: £341k) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. As at 31 March 2022, contributions of £233k due in respect of the current reporting period had not been paid over to the scheme (2021: £169k). Pension payments are taken by the pension provider after the payroll dates and on a slightly different basis to the payroll deductions so the creditor represents this timing difference.

8. Finance costs

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Interest payable on lease liabilities	3,785	1,161
Interest payable on borrowings	15,725	5,038
Interest payable on preference shares	37,874	13,318
Total finance costs	57,384	19,517

9. Taxation

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Current tax:		
Adjustment in respect of prior years:	(98)	-
Total current tax	(98)	-
Deferred tax:		
Current year/period	(1,440)	(1,223)
Adjustment in respect of previous periods	85	-
Effect of changes in tax rates	14,284	-
Total deferred tax	12,929	(1,223)
Tax per Consolidated statement of comprehensive income	12,831	(1,223)

There is no expiry date on the timing differences, unused tax losses or tax credits.

9. Taxation (continued)

Reconciliation of the total tax charge/(credit):

The tax charge/(credit) assessed for the year is higher than (19 week period to 31 March 2021: higher than) the standard rate of corporation tax in the UK of 19% (19 week period to 31 March 2021: 19%).

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Loss before tax	(49,504)	(20,976)
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (19 week period to 31 March 2021: 19%)	(9,406)	(3,985)
Expenses not deductible for tax purposes	7,763	2,762
Adjustments in respect of prior years	(13)	-
Income not taxable	(110)	-
Tax rate changes	14,284	-
Amounts not recognised	313	-
Tax charge/(credit) for the year/period	12,831	(1,223)

Factors affecting tax charge for the year

Finance Act 2020 enacted provision to increase the UK Corporation tax rate to 19% from 1 April 2020 and accordingly the deferred tax at 31 March 2021 was calculated at this rate.

Finance Act 2021 which was Substantively Enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023. In valuing the deferred tax balances at the year-end a combination of 19% and 25% have been used based on the expected periods of reversals. There is no expiry date on the timing differences, unused tax losses or tax credits.

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10. Goodwill

	£'000
Cost	
Additions – business combinations (note 14)	206,361
At 31 March 2021	206,361
At 31 March 2022	206,361
Net book value	
At 31 March 2022	206,361
At 31 March 2021	206,361

The goodwill was acquired on 17 November 2020 as part of the acquisition of Cx TopCo Limited by EHC Holdings HoldCo Limited. Under the accounting standards, the process of allocating goodwill to each cash generating unit has been completed within 12 months of its initial recognition.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

In determining whether there is an impairment charge to be recognised in the current year we have assessed the total net assets of the group entities against the carrying value of the goodwill. The total value of the group net assets is in excess of the carrying amount of goodwill therefore no impairment charge is deemed necessary in the current year.

Cash Generating Units ("CGUs") are identified as the business segment operating care homes. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following years based on anticipated occupancy growth which in turn predicts revenue, costs, profit and cashflows.

For the purposes of discounting the cashflow the following assumptions have been applied:

- A perpetuity period has been used;
- For the first year a 4.0% growth rate has been applied with subsequent years a 2.0% growth rate has been applied to forecasted income. Sensitivity analysis indicates that a scenario of nil growth rate in perpetuity would not lead to impairment;
- Management have calculated the Group's discount rate as 6.65%. Sensitivity analysis indicates that a change of 3.35% in the weighted average cost of capital, based on an increase in interest rates, would not lead to impairment;

The base model indicates that the expected aggregate recoverable amount of the Group's CGUs exceeds the aggregate carrying amount. Sensitivity analysis indicates no impairment will occur if any of the assumptions were to vary significantly. Management have considered the position and are of the opinion that future forecasts and assumptions used are reasonable and therefore an impairment is not deemed necessary as at 31 March 2022.

11. Other intangible assets – Group

	Brand £'000	Customer Relationships £'000	Total £'000
Cost			
At 1 April 2021 and 31 March 2022	14,795	194,420	209,215
Amortisation			
At 1 April 2021	(259)	(3,399)	(3,658)
Charge for the year	(705)	(9,258)	(9,963)
At 31 March 2022	(964)	(12,657)	(13,621)
Net book value			
At 31 March 2022	13,831	181,763	195,594

	Brand £'000	Customer Relationships £'000	Total £'000
Cost			
Additions – business combination (note 14)	14,795	194,420	209,215
At 31 March 2021	14,795	194,420	209,215
Amortisation			
Charge for the period	(259)	(3,399)	(3,658)
At 31 March 2021	(259)	(3,399)	(3,658)
Net book value			
At 31 March 2021	14,536	191,021	205,557

The remaining amortisation period of the brand and customer relationship intangible assets is 19.6 years at the Statement of financial position date.

The Company had no intangible assets in the current year or prior period.

EHC HOLDINGS TOPCO LIMITED

Notes to the Financial Statements (continued)
For the year ended 31 March 2022

12. Property, plant and equipment – Group

	Freehold land and buildings £'000	Assets under construction £'000	Leasehold land and buildings £'000	Right-of-use assets £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2021 (restated*)	81,936	20,402	2,367	57,723	6,872	135	**169,435**
Additions	222	19,493	-	-	7,169	148	**27,032**
Transfers	17,698	(17,698)	-	-	-	-	**-**
Disposals	-	-	-	-	-	(55)	**(55)**
At 31 March 2022	99,856	22,197	2,367	57,723	14,041	228	**196,412**
Depreciation							
At 1 April 2021 (restated*)	(623)	-	(76)	(950)	(837)	(9)	**(2,495)**
Charge for the year	(1,577)	-	(76)	(2,548)	(2,941)	(62)	**(7,204)**
Disposals	-	-	-	-	-	55	**55**
At 31 March 2022	(2,200)	-	(152)	(3,498)	(3,778)	(16)	**(9,644)**
Net book value							
At 31 March 2022	97,656	22,197	2,215	54,225	10,263	212	**186,768**

*See note 3

EHC HOLDINGS TOPCO LIMITED

Notes to the Financial Statements (continued)
For the year ended 31 March 2022

12. Property, plant and equipment – Group (continued)

	Freehold land and buildings £'000	Assets under construction £'000	Leasehold land and buildings £'000	Right-of-use assets £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost							
Additions – separately acquired	195	8,050	-	-	1,289	11	**9,545**
Additions – business combinations (note 14)	81,741	12,352	2,367	65,544	5,583	128	**167,715**
Restatement*	-		-	(7,821)	-	-	**(7,821)**
Additions – business combinations (restated)	81,741	12,352	2,367	57,723	5,583	128	**159,894**
Disposals	-	-	-	-	-	(4)	**(4)**
At 31 March 2021	81,936	20,402	2,367	57,723	6,872	135	**169,435**
Depreciation							
Charge for the period	(623)	-	(76)	(950)	(837)	(9)	**(2,495)**
At 31 March 2021	(623)	-	(76)	(950)	(837)	(9)	**(2,495)**
Net book value							
At 31 March 2021	81,313	20,402	2,291	56,773	6,035	126	**166,940**

*See note 3

The Company had no property, plant and equipment in the current year or prior period.

13. Investments – Company only

	Shares in Subsidiary Undertaking £'000
Cost	
1 April 2021 and 31 March 2022	297,304
Net book value	
1 April 2021 and 31 March 2022	297,304

The Company owns 100.00% (2021: 100.00%) of the issued ordinary £2 share capital of EHC Holdings Midco Limited. The Company is the ultimate holding company of the companies listed below. All of the companies in the list are 100.00% (2021: 100.00%) owned by group companies. They are incorporated in England and Wales, have a registered office of Ferham House, Kimberworth Road, Rotherham, South Yorkshire, S61 1AJ, United Kingdom and have an accounting reference date of 31 March.

Name of undertaking	Nature of business	Class of shares held	Direct	% Held Indirect
Aaron Holdings Limited	Non-trading holding company	Ordinary	-	100.00
BCD Holdings Limited	Non-trading holding company	Ordinary	-	100.00
Benvane Investments Limited	Dormant	Ordinary	-	100.00
Benvane Limited	Non-trading holding company	Ordinary	-	100.00
Blackmoor Croft Health Care Limited	Nursing home	Ordinary	-	100.00
Bridgewood Health Care Limited	Nursing home	Ordinary	-	100.00
Brook View Health Care Limited	Nursing home	Ordinary	-	100.00
Cairnwell Capital Limited	Non-trading holding company	Ordinary	-	100.00
Cairnwell Developments Limited	Landlord company	Ordinary	-	100.00
Cairnwell Estates Limited	Landlord company	Ordinary	-	100.00
Church Walk Health Care Limited	Nursing home	Ordinary	-	100.00
Copperfields Health Care Limited	Nursing home	Ordinary	-	100.00
Corazon Capital Limited	Non-trading holding company	Ordinary	-	100.00
Corazon Estates Limited	Dormant	Ordinary	-	100.00
Corazon Health Care Investment Limited	Dormant	Ordinary	-	100.00
Cx Bidco Limited	Non-trading holding company	Ordinary	-	100.00
Cx Midco Limited	Non-trading holding company	Ordinary	-	100.00
Cx Midco 2 Limited	Non-trading holding company	Ordinary	-	100.00
Cx Topco Limited	Non-trading holding company	Ordinary	-	100.00
Dearnevale Health Care Limited	Nursing home	Ordinary	-	100.00
Dearnevale SPV Limited	Landlord company	Ordinary	-	100.00
Delano Birmingham 2009 Limited	Landlord company	Ordinary	-	100.00
Delano Doncaster 2010 Limited	Landlord company	Ordinary	-	100.00
Delano Investments Limited	Non-trading holding company	Ordinary	-	100.00
Delano Leeds 2009 Limited	Landlord company	Ordinary	-	100.00
Delano Liverpool 2007 Limited	Landlord company	Ordinary	-	100.00
Delano Sutton 2007 Limited	Landlord company	Ordinary	-	100.00
Delano Tipton 2007 Limited	Landlord company	Ordinary	-	100.00
Eastlands Health Care Limited	Nursing home	Ordinary	-	100.00
EHC Holdings Holdco Limited	Non-trading holding company	Ordinary	-	100.00
EHC Holdings Midco Limited	Non-trading holding company	Ordinary	100.00	-
Exemplar Business Services Limited	Non-trading holding company	Ordinary	-	100.00
Cheshire Springs Health Care Limited	Nursing homes	Ordinary	-	100.00
Bennet Court Health Care Limited	Nursing homes	Ordinary	-	100.00
Exemplar Health Care Limited	Non-trading holding company	Ordinary	-	100.00
Exemplar Health Care Group Limited*	Non-trading holding company	Ordinary	-	100.00

13. Investments – Company only (continued)

Name of undertaking	Nature of business	Class of shares held	Direct	% Held Indirect
Exemplar Health Care Partnerships Limited	Non-trading holding company	Ordinary	-	100.00
Exemplar Health Care Services Limited	Management services	Ordinary	-	100.00
Exemplar Holdings Limited	Non-trading holding company	Ordinary	-	100.00
Exemplar Homes Limited	Non-trading holding company	Ordinary	-	100.00
Exemplar Limited	Non-trading holding company	Ordinary	-	100.00
Exemplar Operations Limited	Non-trading holding company	Ordinary	-	100.00
Fairburn Mews Health Care Limited*	Nursing home	Ordinary	-	100.00
Fairburn Vale Health Care Limited*	Nursing home	Ordinary	-	100.00
Fairwinds Health Care Limited*	Nursing home	Ordinary	-	100.00
Gainsborough Health Care Limited	Dormant	Ordinary	-	100.00
Goldcrest Capital Investment Limited	Non-trading holding company	Ordinary	-	100.00
Greenside Health Care Limited	Nursing home	Ordinary	-	100.00
Greenside SPV Limited	Landlord company	Ordinary	-	100.00
Havenmere Health Care Limited	Nursing home	Ordinary	-	100.00
Immingham Health Care Limited	Dormant	Ordinary	-	100.00
Iora Codnor 2012 Limited	Landlord company	Ordinary	-	100.00
Iora Properties Limited	Non-trading holding company	Ordinary	-	100.00
Kavanagh Health Care Limited*	Nursing home	Ordinary	-	100.00
Kingfisher Health Care Services Limited	Nursing home	Ordinary	-	100.00
Lakeview Health Care Limited	Nursing home	Ordinary	-	100.00
Longley Health Care Limited	Nursing home	Ordinary	-	100.00
Lonnen Health Care Limited	Nursing home	Ordinary	-	100.00
Marmaduke Health Care Limited	Nursing home	Ordinary	-	100.00
Maypole Health Care Limited	Nursing home	Ordinary	-	100.00
Meadowcroft Health Care Limited*	Nursing home	Ordinary	-	100.00
Neville Health Care Limited	Nursing home	Ordinary	-	100.00
Otterburn Health Care Limited	Nursing home	Ordinary	-	100.00
Parkside Health Care Limited	Nursing home	Ordinary	-	100.00
Pathways Health Care Limited	Nursing home	Ordinary	-	100.00
Quarryfields Health Care Limited	Nursing home	Ordinary	-	100.00
Ravensdale Health Centre Limited	Nursing home	Ordinary	-	100.00
Ribble View Health Care Limited	Nursing home	Ordinary	-	100.00
Scotia Health Care Limited*	Nursing home	Ordinary	-	100.00
St Andrew's Court Health Care Limited	Nursing home	Ordinary	-	100.00
Swallownest Health Care Limited	Dormant	Ordinary	-	100.00
Thames Health Care Limited	Nursing home	Ordinary	-	100.00
The Lodge Health Care Limited	Nursing home	Ordinary	-	100.00
Tyne Grange Health Care Limited	Nursing home	Ordinary	-	100.00
Willowbeck Health Care Limited	Nursing home	Ordinary	-	100.00
Willowbeck SPV Limited	Landlord company	Ordinary	-	100.00
Wykewood Health Care Limited	Nursing home	Ordinary	-	100.00
Yarningdale Health Care Limited	Nursing home	Ordinary	-	100.00
Adwood Lodge Health Care Limited	Nursing home	Ordinary	-	100.00
Woolston House Health Care Limited	Nursing home	Ordinary	-	100.00
Hylton Grange Health Care Limited	Nursing home	Ordinary	-	100.00
Potters Green Health Care Limited	Nursing home	Ordinary	-	100.00
Tees Grange Health Care Limited	Nursing home	Ordinary	-	100.00
Edgewater Health Care Limited	Nursing home	Ordinary	-	100.00

*We report that these companies prepare accounts that will be subject to an audit. All other companies referenced above are excluded from the obligation to carry out the audit required under Section 479A of the Companies Act 2006 with the liabilities of these companies at 31 March 2022 being guaranteed by EHC Holdings Topco Limited under Section 479C of the Companies Act 2006.

14. Acquisitions

On 17 November 2020 the Group acquired 100 percent of the issued share capital of EHC Holdings MidCo Limited for consideration of £297,303,644, see note 20.

On the same date, EHC Holdings HoldCo Limited issued 200 ordinary shares of £0.01 each, 100 per cent of this issued share capital was acquired for cash consideration of £49,794,000 by EHC Holdings MidCo Limited.

On the same date, EHC Holdings HoldCo Limited acquired 100 percent of the issued share capital of Cx TopCo Limited and its subsidiaries for consideration (see below) of £276,367,000. All of the entities acquired are registered in England and Wales, more details can be found in note 13.

The acquisitions have been accounted for using the acquisition method of accounting. At 17 November 2020, the assets and liabilities of the acquired entities were consolidated at their fair values to the Group, as set out below:

	Book value £'000	**Adjustments £'000**	**Fair value £'000**
Other intangible assets	94,190	115,025	209,215
Property, plant and equipment	158,209	9,506	167,715
Trade and other receivables	8,783	(233)	8,550
Cash and cash equivalents	8,402	-	8,402
Trade and other payables	(15,467)	835	(14,632)
Lease liabilities	(65,098)	(447)	(65,545)
Borrowings	(192,041)	-	(192,041)
Deferred tax	(18,734)	(32,924)	(51,658)
Total identifiable net assets	(21,756)	91,762	70,006
Goodwill			206,361
Total consideration			276,367

The consideration was satisfied by:	**£'000**
Cash	250,273
Loan notes & equity issued	26,094

Contribution by the acquired business for the reporting period included in the Consolidated statement of comprehensive income since acquisition:	**£'000**
Turnover	38,231
Loss after tax	(19,753)

Acquisition related costs incurred in respect of this acquisition were £1.2m, these expenses have been recognised in the Statement of comprehensive income.

15. Trade and other receivables

	Group		Company	
Current	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Amounts owed by group companies	-	-	26,138	297,304
Trade receivables	9,397	6,497	-	-
Prepayments and other receivables	1,696	888	-	-
Corporation tax	134	-	-	-
	11,227	7,385	26,138	297,304

Amounts owed by group companies are unsecured, repayable on demand and interest free.

All of the Group's trade receivables are from contracts with customers. The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Trade receivables disclosed above include amounts which are past due at the reporting date. Standard credit terms for trade receivables are 30 days from invoice date. The Group makes an allowance for doubtful receivables where the amount is not considered recoverable. The nature of the majority of the Group's revenues is such that they either receive payment in advance of the provision of the service and / or are able to cease the provision of services in the event that agreed credit terms are not adhered to (which would be defined as a circumstance of default). This means the credit risk exposure of the Group is low.

The average age of these receivables is 29 days (19 week period to 31 March 2021: 23 days).

Ageing of trade receivables past due but not impaired:

	Group	
Current	**2022 £'000**	**2021 £'000**
31-60 days	1,743	1,235
61-90 days	1,128	260
Over 91 days	60	-
Total	2,931	1,495

No trade receivables were impaired at the year-end date. There was no provision for doubtful debts required at the date of acquisition or at 31 March 2022.

16. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Amounts owed to group companies	-	-	621	271,210
Trade payables	2,495	3,220	52	-
Other taxation and social security	1,994	1,735	-	-
Other payables	7,133	5,124	-	-
Interest accrued	51,270	13,863	51,068	13,318
Accruals	3,432	2,088	-	-
Lease liabilities	558	796	-	-
Contract liabilities	4,231	3,982	-	-
Corporation tax	-	91	-	-
Loans and borrowings	5,000	-	-	-
	76,113	30,899	51,741	284,528

Amounts owed to group companies are unsecured, repayable on demand and interest free.

Loans and borrowings comprise a £5m Original Revolving Facility Loan (RCF).

The RCF Loan bears interest at a standard rate of 3.25% plus SONIA (19 weeks period to 31 March 2021: 3.25% plus LIBOR). This standard rate can be discounted to a minimum of 2.50% plus SONIA (19 week period to 31 March 2021: 2.50% plus LIBOR) based on the senior net leverage ratio which is reviewed quarterly. This facility is unsecured, and repayable in November 2028. At 31 March 2022, The RCF Loan was drawn down by £5m (2021: nil).

Other payables include £1,426k (2021: £1,314k) in relation to amounts held on behalf of customers, with a corresponding balance held within cash balances.

Contract liabilities represents invoices that have been raised to cover periods beyond the end of the financial year end. All contract liabilities will be fulfilled within twelve months of the balance sheet date.

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

17. Leases - Group

The Group's leasing activities relate to rentals payable for its home properties used in the provision of its principal activity. Leases are negotiated for a term of 35 years. Leases of buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Right-of-out use assets consists of the following leases:

	2022 £'000	(restated*) 2021 £'000
Land & buildings (note 12)	54,225	56,773
	54,225	56,773

17. Leases – Group (continued)

Lease liabilities related to the leases are split between current and non-current:

	2022 £'000	(restated*) 2021 £'000
Current (note 16)	558	796
Non-current (note 18)	56,587	56,576
Total finance costs	57,145	57,372

*See note 3

The following amounts were recognised in the income statement in relation to the leases:

	Year ended 31 March 2022 £'000	19 week period to 31 March 2021 £'000
Depreciation charge for Right-of-use assets	2,548	950
Interest on lease liabilities	3,785	1,161
Expense relating to short term leases	50	3
	6,383	2,114

At the Statement of financial position date, the Group had £nil (2021: £nil) lease commitments relating to short term leases.

The total cash outflow for leases during the year was £4,012k (19 week period to 31 March 2021: £1,512k).

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 March and the contractual maturity date.

	2022 £'000	2021 £'000
Right-of-use assets – Land and buildings		
Within one year	4,842	4,842
Between one and five years	19,368	19,368
Over five years	79,856	84,698
	104,066	108,908

18. Non-current loans and borrowings

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current				
Other borrowings	216,390	184,782	22,239	20,592
Preference shares (note 20)	302,301	302,301	302,301	302,301
Lease liabilities (restated*) (note 17)	56,587	56,576	-	-
	575,278	543,659	324,540	322,893

*See note 3

Other borrowings consist of the following:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current				
Other loans	194,151	164,190	-	-
Loan notes	22,239	20,592	22,239	20,592
	216,390	184,782	22,239	20,592

Interest rate benchmark transition from LIBOR to SONIA

During the year, due to the Interest Rate Benchmark Reform and resulting phase out of LIBOR from 1 January 2022, the Group transitioned to SONIA to be used as an alternative benchmark rate (ABR) for all the funding facilities comprising £160m Facility B Loan, £40m Additional Capital Funding Loan (ACF) and £5m Original Revolving Facility Loan (RCF).

The transition had no significant impact on the consolidated financial statements of the Group.

Other loans comprise a £160m Facility B Loan, a £40m Additional Capital Funding Loan (ACF).

The Facility B Loan and ACF Loan bear interest at a standard rate of 6.5% plus SONIA (19 week period to 31 March 2021: 6.5% plus LIBOR). This standard rate can be discounted to a minimum of 6.0% plus SONIA (19 week period to 31 March 2021: 6.0% plus LIBOR) based on the senior net leverage ratio which is reviewed quarterly. Both these facilities are unsecured, and repayable in November 2028. At 31 March 2022, the ACF Loan was drawn down by £40m (2021: £10m).

The loan notes are 8% fixed rate subordinated loan notes and are unsecured.

Analysis of debt maturity	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
In more than five years	216,390	184,782	22,239	20,592
	216,390	184,782	22,239	20,592

19. Deferred taxation - Group

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

	Fixed assets £'000	Capital gains rolled over £'000	Temporary trading differences £'000	Other timing differences £'000	Tax losses £'000	Total £'000
Business combination	7,624	8,081	40,367	(4,258)	(156)	51,658
Credit to profit or loss	-	-	(1,223)	-	-	(1,223)
At 1 April 2021	7,624	8,081	39,144	(4,258)	(156)	50,435
Charge/(credit) to profit or loss	5,989	2,552	9,228	(3,472)	(1,368)	12,929
At 31 March 2022	13,613	10,633	48,372	(7,730)	(1,524)	63,364

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax assets are recognised for accelerated capital allowances to the extent that the realisation of the related tax benefit through future taxable profits is probable and is expected to reverse within 12 months.

Finance Act 2020 enacted provision to increase the UK Corporation tax rate to 19% from 1 April 2020 and accordingly the deferred tax at 31 March 2021 was calculated at this rate.

Finance Act 2021 which was Substantively Enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023. In valuing the deferred tax balances at the year-end a combination of 19% and 25% have been used based on the expected periods of reversals. There is no expiry date on the timing differences, unused tax losses or tax credits.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Deferred tax liabilities	72,618	54,849
Deferred tax assets	(9,254)	(4,414)
At 31 March	63,364	50,435

20. Capital and reserves

Group	**2022 £'000**	**2021 £'000**
Authorised, allotted, called up and fully paid		
Called-up share capital		
97,415 (2021: 77,600) A Ordinary shares of £0.01 each	1	1
900,000 (2021: 900,000)B Ordinary shares of £0.01 each	9	9
Share capital	10	10
Share premium	1,137	1,087
Retained earnings	(82,088)	(19,753)
Cash flow hedge reserve	6,728	-
Preference shares classified as debt	302,301	302,301

Company	**2022 £'000**	**2021 £'000**
Authorised, allotted, called up and fully paid		
Called-up share capital		
97,415 (2021: 77,600) A Ordinary shares of £0.01 each	1	1
900,000 (2021: 900,000) B Ordinary shares of £0.01 each	9	9
Share capital	10	10
Share premium	1,137	1,087
Retained earnings	(53,838)	(13,910)
Preference shares classified as debt	302,301	302,301

During the year, 19,815 ordinary 'A' shares with a nominal value of £0.01 were issued for cash consideration of £50,330.

On incorporation, 1 ordinary 'B' share with a nominal value of £0.01 was issued for cash consideration.

On 17 November 2020, 26,000 ordinary 'A' shares with a nominal value of £0.01 were issued for cash consideration of £66,040; 882,298 ordinary 'B' shares with a nominal value of £0.01 were issued for cash consideration of £882,298 and 296,355,306 preference shares with a nominal value of £0.01 were issued for a cash consideration of £296,355,306, total cash consideration being £297,303,644.

Subsequently, 51,600 ordinary 'A' shares with a nominal value of £0.01 were issued for consideration of £131,064; 17,701 ordinary 'B' shares with a nominal value of £0.01 were issued for consideration of £17,701 and 5,945,470 preference shares with a nominal value of £0.01 were issued for £5,945,470, for a total consideration of £6,094,235.

The 'B' ordinary shares are subject to a 'ratchet' whereby immediately prior to, but conditional upon an exit, subject to a hurdle, a number of ordinary 'B' shares are converted into or redesignated as deferred shares (on a one-to-one basis).

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

20. Capital and reserves (continued)

The Company's preference shares are redeemable and shown as a liability in the Company's financial statements. They carry a right to a fixed cumulative preferential dividend at a rate of 12% and could be redeemed at the request of the Company. They do not carry the right to vote at general meetings of the Company. These have been included within non-current trade and other payables.

A deferred share has no right to receive any dividend or other distribution or participate in the profits of the Company and does not carry the right to vote at general meetings of the Company.

	Ordinary A Number	Ordinary B Number
At 1 April 2021	77,600	900,000
At 31 March 2022	97,415	900,000

Share premium

Share premium represents the consideration received for shares above their nominal value net of transaction costs.

Retained earnings

Cumulative profit and loss net of distributions to owners.

Cash flow hedge reserve

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently reclassified to profit or loss.

21. Reconciliation of operating profit/loss to cash generated from operating activities

Group	2022 £'000	2021 £'000
Loss for the year/period	(62,335)	(19,753)
Taxation	12,831	(1,223)
Finance costs	57,384	19,517
Depreciation charges	7,204	2,495
Amortisation charges	9,963	3,658
(Increase)/decrease in receivables	(3,708)	1,404
Increase in payables	1,430	942
Cash generated from operating activities	22,769	7,040

22. Related parties

Ultimate controlling party
At the end of the financial year the directors noted that the ultimate controlling party was ACOF VI Holdings LP (a fund of Ares Management Corporation) , based on the disposition of shareholdings in the Company.

Directors' transactions

No directors' transactions took place in the financial year (19 week period to 31 March 2021: £nil) except as stated below.

Related party transactions

The total remuneration for key management personnel for the year totalled £9,218k (19 week period to 31 March 2021: £961k).

During the year, loans were made to two directors and one key management personnel of EHC Holdings Topco Limited as follows :

	Loaned Amount £'000	Amount outstanding at 31 March 2022 £'000
Director		
S A Melton	200,000	201,501
G Rich	300,000	-
	500,000	201,501
Manager		
R Smith	50,000	50,375

These loans incur an interest rate of 2%.

23. Financial risk management

Categories of financial instruments

	2022 £'000	2021 £'000
Financial assets		
Financial assets measured at fair value		
Current derivative assets		
Interest rate swap – Cash flow hedges	1,504	-
Non-current derivative assets		
Interest rate swap – Cash flow hedges	5,224	-
Financial assets measured at amortised cost	43,262	26,591
Financial liabilities		
Financial liabilities measured at amortised cost		
Current	58,963	24,852
Non-current	575,278	543,659
	634,241	568,511

23. Financial risk management (continued)

Derivatives and hedging

On 19 October 2021, Exemplar entered into a 4 year, £150m floating to fixed rate interest swap with Natwest Markets Plc at an all-in cost of 0.9283% on top of the existing 6.5% SONIA plus variable margin under the Facility B loan. The Group applies hedge accounting in respective of the interest rate swap with any unrealised movements in the fair value of the interest rate swap going through other comprehensive income and is accumulated in the cash flow hedge reserve.

The fair value of the interest rate swap at 31 March 2022 was an asset of £6.7m. The fair value of the interest rate swap is based on the present value of the estimated future cashflows based on observable yield curves.

During the year a gain of £6.7m was recognised in the other comprehensive income in relation to the change in fair value of the interest rate swap.

The weighted average cost of variable loan interest paid on the £150m Facility B hedged loan in the period from October 19th 2021 to 31 March 2022 was 0.274% giving a differential of 0.6543% equating to £393k which was settled to Natwest Markets Plc on 31 December 2021 (£223.8k) and 31 March 2022 (£169.7k).

The interest swap in place covers 74% of the total variable bank loan principle outstanding at 31 March 2022 (£205m).

Hedge effectiveness

In order to qualify for hedge accounting, the following effectiveness requirements have to be fulfilled.

1. Economic relationship

The hedged item creates an exposure to pay quarterly interest on £150m notional, settled every three months from 19 October 2021 thorough to 30 September 2025. The interest rate swap on the same notional creates an equal and opposite floating interest receipt and a fixed interest payment.

The Company has evaluated how interest rates will impact the embedded financing feature of the derivative relative to the hedged item. Since the embedded financing feature is small, it is not expected to have a significant impact on the assessment of the economic relationship.

2. Effect of credit risk

As credit risk is not part of the hedged risk, the credit risk of Exemplar only impacts value changes of the hedging instrument.

Credit risk arises from the credit rating of Exemplar and the counterparty to the interest rate swap, the bank. The risk associated with Exemplar Group and the bank is considered minimal and will be re-assessed in cases where there is a significant change in either party's circumstances.

To comply with the risk management policy, the hedge ratio is based on debt with a notional of £150m with a three month interest settlement date and maturity date of 30 September 2025, offset by an interest rate swap with the same critical terms. This results in a hedge ratio of 1:1 or 100%.

3. Source of ineffectiveness

Potential sources of ineffectiveness are:

- a change in the credit risk of EHC Holdings Holdco Limited: and
- the impact of movements in market interest rates on the starting value of the hedging instrument on the hedge relationship designation date.

In order to measure actual ineffectiveness that should be recorded in profit or loss, a hypothetical derivative is constructed on designation date to model the change in the fair value of the hedged item. This should be constructed without the inclusion of credit risk. The hypothetical derivative will therefore be constructed as a 'pay floating GBP SONIA, receive fixed GBP SONIA interest rate swap

23. Financial risk management (continued)

Derivatives and hedging (continued)

Sensitivity

Profit or loss is sensitive to changes in interest rates due to the variable elements of the borrowing rates. Equity changes as a result of interest rate changes drive an increase/decrease in the fair value of the cash flow hedges of borrowings through other comprehensive income as demonstrated below.

	Interest rate decrease – 100bps	Interest rate increase – 100bps
	£m	£m
Fair value of interest rate swap	2.1	10.8
Equity (decrease)/increase	(4.3)	4.5

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long- term funding and liquidity management requirements. The Company manages liquidity risk via centralised Group's Corporate Treasury function using sources of financing from other Group entities and investing excess liquidity. The Company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Credit risk

The Group has good relationships with its suppliers based on prompt payment and regular dialogue. Whilst rarely required, if the rating of a Company within the Group does not support the advancing of credit by a supplier then, where no other alternative is available, arrangements will be made to support that Company based on the credit position of another operating Company.

Liquidity risk

The Group's cash inflows and outflows largely pertain to those arising from operating activities. Ensuring that the appropriate fees are charged and collected from the appropriate party in a timely manner will continue to be paramount to maintaining a strong working capital balance.

As the most significant cost to the business is salaries and related costs there is limited scope to enhance this area. The Group always aims to achieve the best cost option with the most favourable payment terms available and the benefits of Group purchasing have been utilised wherever possible

Capital risk management

As per the going concern note earlier in these financial statements, management have considered its ability to continue to finance the Group's day to day working capital requirements through existing cash reserves. Forecasts illustrate that it can for the foreseeable future. The directors believe that the Group is well placed to manage its business risks successfully and do not foresee any risks arising in the immediate future.

Under the current Bank Loan facilities interest calculations are variable and linked to SONIA, 74% of the facilities have been fixed via a hedged product. The directors of the Group have consulted with external treasury advisors as to the suitability of these arrangements and consider them to be in line with the Group's strategy in the foreseeable future. This position is under regular review by the Directors, along with business performance, debt positioning and future developments as part of regular interaction with lenders.

24. Contingent liabilities and capital commitments

At the date of signing, there are no contingent liabilities that are not recognised in the financial statements.

There are capital commitments and development contract commitments of £26,135,521 (2021: £3,493,000) at the year end.

25. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard	Effective date
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current	1 January 2023
Amendments to IAS 1 Disclosure of Accounting policies	1 January 2023
Amendments to IAS 8 Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.