

Company Registration No. 11166092 (England and Wales)

HONOUR PROJECT MIDCO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022

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HONOUR PROJECT MIDCO LIMITED

COMPANY INFORMATION

Directors	C McSharry A G Robinson M J Forrester A Schochlin S Soder
Company number	11166092
Registered office	Central Services Hesley Hall Tickhill Doncaster DN11 9HH
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

HONOUR PROJECT MIDCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

Fair Review of the Business

We aim to present a balanced and comprehensive review of the development and performance of the company during the period and its position at the period end. Our review is consistent with the size and relatively non-complex nature of our business and is written in the context of the risks and uncertainties that we face.

Our principal activities during the year were being a holding company for its subsidiary Honour Project Bidco Limited.

Honour Project Midco Limited's immediate parent is Honour Project Holdco Limited. Honour Project Bidco Limited is the smallest group for which consolidated accounts including The Hesley Group Limited are prepared. Cedar Luxco S.a.r.l is the largest group for which consolidated accounts including Honour Project Midco Limited are prepared.

Key Performance Indicators

	Year ended 30 June 2022 £000s	Period ended 30 June 2021 £000s
Operating Loss	(4)	(5)
Net Interest payable	(453)	(715)
Net Assets	7,571	8,028

Principal Risks and Uncertainties

The principal risks of the company are the performance of its subsidiaries.

The Hesley Group Limited is the main trading entity for the consolidated group and uses Hesley Care & Education Limited's properties to deliver its services. The financial statements of The Hesley Group Limited, Hesley Care and Education Limited, Hesley Holdings Limited and Honour Project Bidco Limited are prepared on a going concern basis. These are the subsidiaries of Honour Project Midco Limited.

Financial instrument objectives and risks

At the 30 June 2022 the company held cash at bank of £42k (2021 - £546k). This cash is to fund fluctuations in the groups working capital requirements.

Financial Restructuring

The company and wider group restructured the financing arrangements with shareholders and lenders. This refinancing was concluded in April 2022. As a result of financial restructuring, the business has stable long term finance arrangements in place.

Future developments

There are no significant future developments relating to the company.

Section 172 Companies Act Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement explains how the company's directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others.

HONOUR PROJECT MIDCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Section 172 Companies Act Statement (continued)

S172(1) (B) "The interests of the Company's employees"

The directors recognise that the Company's employees are fundamental and core to our business. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay, benefits and welfare to our health, safety, safeguarding and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The Company is dedicated to improving the performance and self-esteem of its staff in a way that directly improves the quality of life of the people we support. To this end our workforce development department (Hesley People) provides and commissions an extensive programme of workforce development activities. This combination of learning opportunities range from e-learning, individual coaching and mentoring, apprenticeships, learning events and updates, open learning and attendance at accredited courses.

S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, local authorities, CCGs and other NHS bodies. The Company continuously assess the priorities related to those with whom we do business.

S172(1) (D) "The impact of the Company's operations on the community and the environment"

We pride ourselves on our unique provision of residential support. We consider that positive physical environments demonstrate our commitment to those who live in or otherwise access our services. What is more, we see that such environments have a strongly positive influence in creating the best therapeutic milieu for the people who live within them and for the staff to work in.

Single person and small group occupancy of high-quality accommodation is the model of living arrangements throughout all provisions, in both young people's and adult services.

Sufficient space within, as well as around, the schools, colleges and homes of those we support is a key environmental consideration, as is the opportunity to individualise one's own living areas or room.

For some, the more rural locations of the Hesley Village or Low Laithes for example, may be ideal. For others, the more urban settings and more immediate community access of King Street, or Copperclay Mews may best match their needs and wishes.

Whatever the context of the care setting, the impact on the community and wider environment is inherent in our planning. As such, the Company receives information on these topics to both provide relevant information for specific Board decisions. Each site is included within the facilities management program, which ensures full compliance with environmental regulation and any local authority requirements.

S172(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct"

The delivery of our mission requires some unique qualities. A wealth of experience and specialist expertise, high-quality therapeutic environments and resources, all in a place that's safe, stimulating, with positive well-considered risk management where individually tailored support, education and therapies can come together to give each and everyone the skills and confidence they need to be who they want to be. Most of all, it takes care - lots of it. It's why valuing the person and offering the best care is ingrained into everything we do.

The Company undertakes to carry out a range of quality assurance measures, including unannounced visits by members of the senior management team who assess the performance of the service against the national standards and our own high expectations. We will always aim to exceed minimum standards for involvement and consultation, care, management, staffing, safety and the condition of the environment. A range of visits are conducted to services including during the night by senior managers to help assess the quality and safety of the service we provide. Other agencies also carry out periodic inspections, for example Health and Safety teams and Environmental Health Food Safety Officers. An independent external assessor is contracted to undertake regular assessment of the standard of education provided by the Company.

HONOUR PROJECT MIDCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Section 172 Companies Act Statement (continued)

The Company's services are also registered with and are subject to regular inspection by external regulatory bodies. These are Care Quality Commission (CQC) in respect of adult services and Ofsted Education in respect of the quality of service in our schools. The Company and Group has Quality and safeguarding Boards which are chaired by an independent non-executive director. The purpose of the Boards is to ensure high quality service provision for everyone that is positive in terms of the service-user experience and is caring, safe, effective, well-led and responsive. The Boards meet quarterly and the main actions discussed at the quarterly Board are also discussed at the main Board.

The Company's senior management also undertake visits to services in order to understand how well they are being led, how effectively we are supporting people, the staff and managers views and the condition of the environment. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the Company acts in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the Company"

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our mission and strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly between the Company's members whilst also considering other stakeholders.

Energy and greenhouse gas emissions

The company's consideration of carbon dioxide emissions are set out in detail in the consolidated financial statements of its parent company, Honour Project Holdco Limited.

On behalf of the board

CMcSharry

.....
C McSharry
Director

08/12/22
Date:

HONOUR PROJECT MIDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the year ended 30 June 2022.

Principal activities

The principal activity of the company is that of a holding company.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid (2021 - £nil). The directors do not recommend payment of a final dividend (2021 - £nil).

Directors

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

M Crosbie (Resigned 16 December 2021)

N Mallet (Resigned 15 December 2021)

C McSharry

A G Robinson

M J Forrester

A Schochlin

(Appointed 15 December 2021)

S Soder

(Appointed 16 December 2021)

Qualifying third party indemnity provisions

The company 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.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Matters of strategic importance

The company has chosen in accordance with 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 risks and uncertainties, future developments and financial risk management.

Statement of disclosure to 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.

On behalf of the board

CMcSharry

.....

C McSharry

Director

08/12/22

Date:

HONOUR PROJECT MIDCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONOUR PROJECT MIDCO LIMITED

Opinion

We have audited the financial statements of Honour Project Midco Limited (the 'company') for the year ended 30 June 2022 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONOUR PROJECT MIDCO LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONOUR PROJECT MIDCO LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, and inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The audit team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to:

- Reviewing journal entries and other adjustments; and
- Evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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.



Lucy Robson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL
08/12/22.....

HONOUR PROJECT MIDCO LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Other operating expenses		(3,522)	(4,687)
Interest receivable and similar income	3	10,337,982	13,299,279
Interest payable and similar expenses	4	(10,791,338)	(14,014,176)
Loss before taxation		(456,878)	(719,584)
Tax on loss	5	-	-
Loss for the financial year		(456,878)	(719,584)

HONOUR PROJECT MIDCO LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2022**

	Notes	£	2022 £	£	2021 £
Fixed assets					
Investments	6		79,505,057		79,505,057
Current assets					
Debtors	8	53,709,016		28,999,824	
Cash at bank and in hand		41,654		546,387	
		<u>53,750,670</u>		<u>29,546,211</u>	
Creditors: amounts falling due within one year	9	<u>(922,244)</u>		<u>(688,308)</u>	
Net current assets			<u>52,828,426</u>		<u>28,857,903</u>
Total assets less current liabilities			<u>132,333,483</u>		<u>108,362,960</u>
Creditors: amounts falling due after more than one year	10		<u>(124,762,734)</u>		<u>(100,335,333)</u>
Net assets			<u><u>7,570,749</u></u>		<u><u>8,027,627</u></u>
Capital and reserves					
Called up share capital	12		9,805,980		9,805,980
Profit and loss reserves	13		<u>(2,235,231)</u>		<u>(1,778,353)</u>
Total equity			<u><u>7,570,749</u></u>		<u><u>8,027,627</u></u>

The financial statements were approved by the board of directors and authorised for issue on 08/12/22 and are signed on its behalf by:

C McSharry

.....
C McSharry
Director

A Robinson

.....
A G Robinson
Director

HONOUR PROJECT MIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2020	9,805,980	(1,058,769)	8,747,211
Period ended 30 June 2021:			
Loss for the period	-	(719,584)	(719,584)
Balance at 30 June 2021	9,805,980	(1,778,353)	8,027,627
Year ended 30 June 2022:			
Loss for the year	-	(456,878)	(456,878)
Balance at 30 June 2022	9,805,980	(2,235,231)	7,570,749

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Company information

Honour Project Midco Limited ('the company') is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Central Services, Hesley Hall, Tickhill, Doncaster, DN11 9HH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Honour Project Holdco Limited. These consolidated financial statements are available from its registered office, Central Services, Hesley Hall, Tickhill, Doncaster, DN11 9HH.

Consolidated financial statements

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from approval of the financial statements based on the financing arrangements in place. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Reporting period

The financial statements are drawn up for the year ended 30 June 2022 ("the financial period"). Comparative figures are for the 18 month period to 30 June 2021. Therefore the previous period of account is not directly comparable.

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (Continued)

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including other borrowings, other creditors and accruals are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs.

Taxation

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of fixed asset investments

The company considers whether there are indicators of impairment in their fixed asset investments. Factors taken into consideration in reaching such a decision included economic viability and expected future financial performance of the investment. The carrying amount of investments at the balance sheet date is £79,505,057 (note 6). No impairment was recorded for the year ended 30 June 2022.

Recoverability of intercompany balances

Determination of whether the company's intercompany balances have been impaired requires estimation of the fellow group entities net asset position and its ability to generate future cashflows to settle the balance. The directors have performed a review of each intercompany balance for indications of impairment and estimated the future cashflows of the fellow group entity to determine recoverability. No impairment was recorded for the year ended 30 June 2022.

Key sources of estimation uncertainty

The directors consider there to be no key sources of estimation uncertainty which have a material impact on the financial statements.

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

3 Interest receivable and similar income

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Interest income		
Interest on bank deposits	24	819
Other interest income	10,337,958	13,298,460
	<u>10,337,982</u>	<u>13,299,279</u>

4 Interest payable and similar expenses

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Other interest on financial liabilities	10,791,338	14,014,176
	<u>10,791,338</u>	<u>14,014,176</u>

5 Taxation

The standard rate of corporation tax in the UK has been 19.00% with effect from 1 April 2017. Accordingly, the company's results for this accounting period are taxed at 19.00%. A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate to 17.00% from 1 April 2020 and this was substantively enacted in September 2016.

In the Chancellor's Budget on 11 March 2020 it was confirmed that the rate of corporation tax will remain at 19.00% from 1 April 2020.

Finance Bill 2021 was published on 11 March 2021. With effect from 1 April 2023, the bill sets the main rate of corporation tax at 25.00%. As this change has been substantively enacted at the balance sheet date, its effect is included in these financial statements. Subsequently, on 23 September 2022 it was announced that rather than rising to 25.00% from April 2023, the rate will now remain at 19.00%. However, this change has not been substantively enacted at the balance sheet date.

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

5 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Loss before taxation	(456,878)	(719,584)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(86,807)	(136,721)
Tax effect of expenses that are not deductible in determining taxable profit	-	1,653,087
Change in unrecognised deferred tax assets	86,807	22,521
Group relief	-	(1,538,887)
Taxation charge for the period	-	-

6 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	7	79,505,057	79,505,057

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 July 2021 & 30 June 2022	79,505,057
Carrying amount	
At 30 June 2022	79,505,057
At 30 June 2021	79,505,057

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

7 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Honour Project Bidco Limited	Central Services, Holding company Hesley Hall, Tickhill, Doncaster, DN11 9HH		Ordinary	100.00	-
Hesley Holdings Limited	As above	Holding company	Ordinary	-	100.00
Hesley Care & Education Limited	As above	Provision of premises for the use of The Hesley Group	Ordinary	-	100.00
Hesley Hall Limited	As above	Dormant	Ordinary	-	100.00
Hesley Services Limited	As above	Dormant	Ordinary	-	100.00
The Hesley Group Limited	As above	Operating of schools for children and villages for adults with severe challenging behaviour	Ordinary	-	100.00

Hesley Hall Limited and Hesley Services Limited have taken the exemption in section 480 of the Companies Act 2006 (the Act) from the requirements in the Act for their individual accounts to be audited.

8 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Amounts owed by group undertakings	53,709,016	28,999,824

Amounts owed by group undertakings are unsecured and repayable on demand. A rate of interest is applied to group borrowings based on a rate agreed at the start of the calendar year.

9 Creditors: amounts falling due within one year

	2022 £	2021 £
Other creditors	920,244	686,308
Accruals and deferred income	2,000	2,000
	<u>922,244</u>	<u>688,308</u>

10 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Other borrowings	11	<u>124,762,734</u>	<u>100,335,333</u>

HONOUR PROJECT MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

11 Borrowings

	2022 £	2021 £
Shareholder loan notes	124,762,734	100,335,333
Payable after one year	124,762,734	100,335,333

The loan notes were taken out on 16 February 2018. An additional £13,870,000 of loan notes were advanced in April 2022. They carry an interest rate of 10% and are repayable at the earliest of 16 February 2026, or immediately prior to a sale or listing. The maturity of the loan notes is under the control of the loan holders, due to the ability for them to mature at the date of sale. However, for the purposes of analysis of debt maturity it is assumed that the loans will be retained until maturity on 16 February 2026. Included within the long term other loans balance are payment in kind ("PIK") Notes to the value of £54,435,976 (2021 - £30,080,775) that are payable in full on maturity.

12 Share capital

	2022 £	2021 £
Ordinary share capital Issued and fully paid 9,805,980 Ordinary shares of £1 each	9,805,980	9,805,980

The ordinary shares are redeemable, hold full voting rights and entitle the holder to full participation in respect of a return of capital in the event of a winding up of the company. The holder is also entitled to full participation in any dividend issued by the directors.

13 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

14 Ultimate controlling party

Honour Project Holdco Limited, a company incorporated in the United Kingdom, is the immediate parent company.

Cedar Luxco S.a.r.l., a company registered in Luxembourg, is the ultimate parent company. This is the parent of the largest group for which consolidated accounts including Honour Project Midco Limited are prepared. The consolidated accounts of Cedar Luxco S.a.r.l. can be obtained from the company's registered office: 37a Avenue J.F. Kennedy, Luxembourg 1855, Luxembourg.

Honour Project Holdco Limited is the parent of the smallest group for which consolidated accounts including Honour Project Midco Limited are prepared. The consolidated accounts of Honour Project Holdco Limited are available from the company's registered office: Central Services Hesley Hall, Tickhill, Doncaster, DN11 9HH.