Company Registration No. 11166417 (England and Wales)

HONOUR PROJECT BIDCO LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

HONOUR PROJECT BIDCO LIMITED

COMPANY INFORMATION

Directors	C McSharry A G Robinson M J Forrester A Schochlin S Soder
Company number	11166417
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 BIDCO 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 Group during the period and its position at the period end. Our review is consistent with the size and relatively noncomplex nature of our business and is written in the context of the risks and uncertainties that we face.

The principal activities of the Group are the provision of specialist residential services for adults and the provision of schools and colleges offering care, education and vocational opportunities for young people aged 8 to 25. All the people we support have autism and intellectual disability with complex needs and behaviour that may challenge.

The business trades through one of the Group's subsidiaries The Hesley Group Limited and is known to its customers, suppliers and stakeholders as the Hesley Group.

The mission of the Hesley Group is to enable people with complex needs to achieve their full potential. We are driven by our values to provide services and support that is person-centred, outcome focused and quality driven and keep people safe.

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

Business Activities

The financial statements are drawn up for the year to 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.

Key Performance Indicators

	Year ended 30 June 2022 £m	Period ended 30 June 2021 £m
Turnover	39.0	82.4
Operating (Loss)/Profit	(21.8)	3.4
Net Liabilities	52.2	22.8
Capital Expenditure	3.7	12.7
Registered Beds	154	158
Period/Year end occupancy:		
Full time residential	135	138
Day Placements	18	8

Financial Performance

The Group has achieved an operating loss of £21.8m during the period compared to an operating profit of £3.4m for the previous 18 months. £16.1m of the operating loss was caused by the closure of Fullerton House School and care home and Wilsic Hall School and care home which are included in discontinued operations. Both homes were initially suspended in March 2021 as a result of safeguarding concerns raised by Ofsted.

At the same time as Fullerton and Wilsic care homes were suspended, Doncaster Safeguarding Partnership opened a safeguarding inquiry and investigation. The business identified the key issues and agreed an action plan with Ofsted. However, it became clear that the inquiry and investigation was set to continue into 2023/2024. In November 2021, Ofsted indicated that the suspension would continue for the duration of the investigation, and hence there was no visibility for the care homes to reopen in the foreseeable future. Therefore, the difficult decision was taken to deregister the care homes and close Wilsic and Fullerton schools from April 2022 and July 2022 respectively and then deregister them.

Throughout the year the adult services have remained stable and in September 2021 the business opened Ivy Lane Day school with 24 places.

Pre-opening costs and other on off items have been classified as exceptional within the financial statements as explained within note 8.

Key Financial Drivers

- Revenue is driven by fees for providing residential care services to adults and education services to children we support
- The majority of costs are our skilled and caring workforce that are important in delivering services to the children and adults we support.
- Other costs are incurred in operating and maintaining our care homes, schools and college.

Development of Services

The business continues to invest in its properties and capital projects. During the year £2.9m (18 months to 2021 - £3.4m) was invested in maintaining and improving existing sites and £0.8m (18 months to 2021 - £9.3m) was invested in developing new sites.

Financial Restructuring

The financial loss of the schools and related care homes required the Group to restructure its financing arrangements with its shareholders and lenders. This refinancing was concluded in April 2022. As a result of financial restructuring, the Group's shareholders invested £13.9m allowing the Group to put in place stable long term finance arrangements. Details of the restructuring are summarised in the Financial Risk Management section of this report.

Non-Financial Performance

As at 30 June 2022, the number of registered beds available across the Group was 154 (2021 - 158). This compares to a residential occupancy at the period end of 135 (2021 - 138). Due to the nature of the people we support practical occupancy at any point in time can vary but is always lower than the number of registered beds.

Post balance sheet events

There have been a number of significant events that have happended after the year end. These include:

- Fullerton House School
  Closure and deregistration of the School in July 2022

- Dragonby Road 6 bed adult residential service
  Opened in September 2022

- The National Safeguarding Practice review Panel
  Issued their phase 1 report in October 2022 on "safeguarding children with disabilities and complex health needs in residential settings". This report focuses on the safeguarding issues at Fullerton and Wilsic. It uses information from the Doncaster safeguarding inquiry and Project Lemur Alpha and focuses on the experiences of children in the services.

  The business took swift action at the time of the suspensions to address concerns raised including formulating a detailed action plan in conjunction with relevant regulatory authorities, dismissing several staff, expanding the quality and safeguarding functions and strengthening the senior management team to strengthen senior leadership and oversight. Following several months of subsequent work and close interactions with regulatory authorities regarding the likelihood of reopening, the decision was taken to de-register both homes in November 2021.

Principal Risks and Uncertainties

The Group focuses upon specialist services in the provision of healthcare and education for young people and adults with behaviour that may challenge. As such, the performance of the Group can be impacted by external factors. The principal factors are changes in the national and local policy towards third party contraction and commissioners of education, health and social care, alongside changes in the regulatory environment, competitive threats from both private and public providers and the loss of key employees. The following are the most significant risks and uncertainties facing the Group.

Loss of revenue contracts with UK local authorities, CCGs and other NHS bodies

The Group's revenue derives from public funded bodies, such as Local Education Authorities, Local social Care and clinical Commissioning Groups ('CCGs'). The Group expects that the reliance upon such sources will continue indefinitely, and as such relies upon the abilities of these bodies to pay for the Group's services. In order to mitigate these risks, the Group regularly assess services in conjunction with funders to ensure that they represent value for money and meet the specific needs to individuals which are placed. The Group also works with policy makers on consultations regarding changes in policy.

Applicable laws and regulation

The Group is subject to laws and regulations. OFSTED Care and Education are the regulator of the Schools and the Care Quality Commission are the regulator of the Adult services. All services seek compliance with Safeguarding and other national regulatory bodies such as the Health & safety Executive, Disclosure and Baring Service and UK employment legislation.

Regulatory inspections are carried out both on an announced and unannounced basis, dependent upon the specific regulatory provision. The main regulators work on a four grade rating system and failure to achieve a 'Good' rating requires an improvement plan by the service and organisation, If the service has significant safeguarding concerns then the regulator has the right to suspend the registration.

In order to mitigate these risks, the Group has in place extensive and comprehensive policies and procedures which are based upon regulators' standards and UK law. The adherence to these policies and procedures is subject to self-audit by local management and to audit by an internal team of experienced professionals and external consultants. Other regulation and legislation is implemented and monitored by the relevant department.

In light of the safeguarding issues at Fullerton and Wilsic the business has undergone a major restructure and made significant changes across our senior management team to strengthen senior leadership and oversight.

Failure to recruit and retain high quality care staff

The Group is subject to significant pressures felt in the wider market concerning the recruitment and retention of a highly skilled work force. In order to mitigate this risk significant time and resources have been committed; a dedicated safer recruitment team has been established, the Group uses a variety of methods to attract new colleagues from local job adverts and marketing campaigns, online marketing with the relevant platforms used in the sector and social media updates. The Group continues to pay competitively and has a workforce development team that provides an extensive programme of course and activities to improve the performance and wellbeing of our staff.

Financial Risk Management

Liquidity risk

The Group prepares annual budgets including profit and loss, balance sheet and cash flow forecasts which reflect all known and anticipated commitments. Borrowing facilities are in place as necessary to finance requirements, including an unutilised facility which covers working capital requirements. The Group has sufficient available facilities and cash flows from profits to fund current and anticipated commitments.

Interest rate risk

The financial loss of the schools and related care homes required the Group to restructure its financing arrangements with its lenders. This refinancing was concluded in April 2022.

They key points of the restructuring were:

- £13.9m cash injection in the form of loan notes from the main shareholder to support business needs;
- Repay £3.0m of the bank RCF;
- The capex facility was also reduced to the £3.5m already drawn;
- The term of the facilities was extended to December 2024 with a possible 1 year extension to December 2025;
- Interest rate increased to 4.25% + SONIA;
- New covenants were set based on the revised business plan.

Interest Rate Hedging

The financing agreement requires a hedging strategy to be agreed with the lenders. This includes both a cap and a swap on a certain percentage of the debt facilities.

Financial Resources

At 30 June 2022 the Group's borrowings and equity consisted:

	£m
Bank Loans	62.8
Cash	7.1
Loan Notes	67.7
Net Debt	123.4
Equity	(52.2)

Net Debt is defined as long and short term borrowings less cash. The Group has no imposed capital requirements.

Going Concern Review
As a result of agreeing the refinancing package with its shareholders and lenders, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the 12 months from approval of the financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements. The loss in this year's consolidated accounts is partially due to non-cash items such as goodwill amortisation, depreciation, impairment of goodwill and tangible fixed assets and interest accrued but not paid during the period, as well as costs associated with discontinued operations as outlined above.

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 and Group under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company and Group. 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.

When making decisions, each director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"
The directors understand the business and the complex needs of the people we support. The mission of the Company and Group is to enable people with complex needs to achieve their full potential. The long-term strategy of the Company and Group is to continue to operate its existing services and, where there is a demand, develop new services.

S172(1) (B) "The interests of the Company and Group's employees"
The directors recognise that the Company and Group'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.

Section 172 Companies Act statement (continued)
The Company and Group 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 and Group'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 and Group continuously assess the priorities related to those with whom we do business.

S172(1) (D) "The impact of the Company and Group'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 and Group 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 and Group 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 and Group 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 and Group.

The Company and Group'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.

Section 172 Companies Act statement (continued)

The Company and Group'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 and Group acts in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the Company and Group"
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 and Group's members whilst also considering other stakeholders.

Energy and greenhouse gas emissions

The Company and Group's operations consume electricity and gas used for heating, lighting, and transport. This usage indirectly gives rise to emissions of greenhouse gases (carbon dioxide).

The carbon dioxide emissions are summarised below:

Carbon dioxide emissions arising from:

	2022 kWh	2021 kWh	2022 tCO2e	2021 tCO2e
Electricity	1,953,837	3,149,305	378	734
Natural gas	3,177,092	4,985,875	572	917
LPG	45,899	91,218	10	20
Kerosene	3,026,477	5,672,668	748	1,399
Gas oil	406,714	771,166	106	198
Diesel transport	785,301	1,008,264	189	243
Petrol transport	43,773	8,527	10	11
Staff vehicles	171,597	195,844	42	49
Total carbon dioxide emissions	**9,610,691**	**15,882,867**	**2,055**	**3,571**
tCO2e per £m turnover	52.83	43.3		

Methodology

A location-based calculation of CO2 equivalent emissions was made using energy data collected from utility energy suppliers. For any missing consumption, estimations were done by using either Direct comparison or Pro-rata extrapolation metholodgy, defined in the Enviornmental Reporting Guideline. Energy and emissions from owned transport were modelled using fuel card data. Energy and emissions from Staff mileage were modelled using an average UK vehicle.

The methodology is consistent with the 2022 edition of the UK Government GHG Conversion Factors for Company Reporting.

Narrative of efficiency measures over the year

During the reporting period, Hesley Group continued a roll-out of smart metering and fluorescent lighting. The Group also continued installing Trend Building Management System units. It continued using data management software for implementation in 2022 to track all of its energy consumption, emissions from energy consumption, and energy costs. The software was used to produce this report.

On behalf of the board

Cmcsharry

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C McSharry

Director

Date: 07/12/22

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 activities of the Group are the provision of specialist residential services for adults and the provision of colleges offering education and vocational opportunities for adults. The majority with autism, who have an intellectual disability and complex needs and behaviour that may be challenging.

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 14.

No ordinary dividends were paid (period ended 30 June 2021 - £nil). The directors do not recommend payment of a final dividend (period ended 30 June 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.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group recognise the critical contribution that the employment of quality and well motivated employees has on the delivery of the Group's services. In order to ensure that the people we support receive the best quality care, It is necessary to ensure that employees are all well trained and engaged in the values of the Group.

Employees are, under terms of the Group's policy, provided with information about the Group through regular meetings and consultation held between management and employees. This facilitates a free flow of information and ideas on matters of concern to the employees and allows the views of the employees to be taken into account when decisions are being made which are likely to affect their interests. Additionally, this encourages the involvement of the employees of the financial and economic factors affecting the performance of the Group.

For further consideration of employee engagement and fostering of business relationships see Section 172(1) statement within the strategic report.

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

HONOUR PROJECT BIDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Matters of strategic importance

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group'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 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

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C McSharry

Director

Date: 07/12/22

HONOUR PROJECT BIDCO 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 Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 BIDCO LIMITED

Opinion

We have audited the financial statements of Honour Project Bidco Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the consolidated income statement, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 Group's and of the parent company's affairs as at 30 June 2022 and of the Group's 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 Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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's or the parent 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 our audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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.

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 Group audit engagement team:
- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and parent company operate in and how the Group and parent company are 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.

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.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to CQC and OFSTED regulations. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these laws and regulations and inspected correspondence with regulatory authorities.

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.

Other matter - prior period financial statements not audited

The Group did not prepare consolidated financial statements for the period ended 30 June 2021 and consequently the corresponding consolidated figures are unaudited.

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

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

07/12/22

HONOUR PROJECT BIDCO LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Continuing operations £	Discontinued operations £	Year ended 30 June 2022 £	Continuing operations £	Discontinued operations £	Period ended 30 June 2021 £
Turnover		38,459,827	562,925	39,022,752	82,382,957	-	82,382,957
Other operating income		3,969	-	3,969	3,969	-	3,969
Staff costs	4	(27,184,129)	(4,511,230)	(31,695,359)	(56,906,390)	-	(56,906,390)
Depreciation and loss on disposal	6	(5,548,030)	-	(5,548,030)	(6,813,225)	-	(6,813,225)
Amortisation	6	(1,063,408)	(413,897)	(1,477,305)	(2,215,958)	-	(2,215,958)
Impairment losses		(2,087,385)	(11,303,800)	(13,391,185)			
Exceptional items	8	(2,256,908)	-	(2,256,908)	(2,606,232)	-	(2,606,232)
Other operating expenses		(6,038,166)	(415,580)	(6,453,746)	(10,442,837)	-	(10,442,837)
Operating (loss)/profit	6	(5,714,230)	(16,081,582)	(21,795,812)	3,402,284	-	3,402,284
Interest receivable and similar income	9	109	-	109	180	-	180
Interest payable and similar expenses	10	(14,261,527)	-	(14,261,527)	(18,543,311)	-	(18,543,311)
Other gains and losses	11	1,939,688	-	1,939,688	34,832		34,832
Loss before taxation		(18,035,960)	(16,081,582)	(34,117,542)	(15,106,015)	-	(15,106,015)
Tax on loss	12	4,713,467	-	4,713,467	(5,588,443)	-	(5,588,443)
Loss for the financial year		(13,322,493)	(16,081,582)	(29,404,075)	(20,694,458)	-	(20,694,458)

Loss for the financial year is all attributable to the owners of the parent company.

Company Registration No. 11166417

HONOUR PROJECT BIDCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	£	2022 £	£	2021 £
Fixed assets					
Goodwill	14		5,464,028		9,792,707
Tangible assets	15		135,099,011		147,490,316
			140,563,039		157,283,023
Current assets					
Debtors	18	11,315,026		7,560,630	
Cash at bank and in hand		7,115,641		2,513,837	
		18,430,667		10,074,467	
Creditors: amounts falling due within one year	19	(50,716,611)		(38,240,660)	
Net current liabilities			(32,285,944)		(28,166,193)
Total assets less current liabilities			108,277,095		129,116,830
Creditors: amounts falling due after more than one year	20		(144,346,276)		(131,334,199)
Provisions for liabilities	23		(16,135,846)		(20,583,583)
Net liabilities			(52,205,027)		(22,800,952)
Capital and reserves					
Called up share capital	25		11,846,022		11,846,022
Profit and loss reserves	26		(64,051,049)		(34,646,974)
Total equity			(52,205,027)		(22,800,952)

The financial statements were approved by the board of directors and authorised for issue on 07/12/22 and are signed on its behalf by:

Cmcsharry

C McSharry
Director

A Robinson

A G Robinson
Director

Company Registration No. 11166417

HONOUR PROJECT BIDCO LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	£	2022 £	£	2021 £
Fixed assets					
Investments	16		105,589,803		105,589,803
Current assets					
Debtors	18	44,408,953		32,234,649	
Cash at bank and in hand		514,798		6,097	
		44,923,751		32,240,746	
Creditors: amounts falling due within one year	19	(40,490,260)		(29,817,777)	
Net current assets			4,433,491		2,422,969
Total assets less current liabilities			110,023,294		108,012,772
Creditors: amounts falling due after more than one year	20		(144,346,276)		(131,334,199)
Net liabilities			(34,322,982)		(23,321,427)
Capital and reserves					
Called up share capital	25		11,846,022		11,846,022
Profit and loss reserves	26		(46,169,004)		(35,167,449)
Total equity			(34,322,982)		(23,321,427)

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares Group accounts. The Company's loss for the year was £11,001,555 (period ended 31 June 2021 - £16,510,651)

The financial statements were approved by the board of directors and authorised for issue on 07/12/22 and are signed on its behalf by:

Cmcsharry

C McSharry
Director

A Robinson

A G Robinson
Director

HONOUR PROJECT BIDCO LIMITED

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

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	11,846,022	(13,952,516)	(2,106,494)
Period ended 30 June 2021:			
Loss for the period	-	(20,694,458)	(20,694,458)
Balance at 30 June 2021	11,846,022	(34,646,974)	(22,800,952)
Year ended 30 June 2022:			
Loss for the year	-	(29,404,075)	(29,404,075)
Balance at 30 June 2022	11,846,022	(64,051,049)	(52,205,027)

HONOUR PROJECT BIDCO LIMITED

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

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	11,846,022	(18,656,798)	(6,810,776)
Period ended 30 June 2021:			
Loss for the period	-	(16,510,651)	(16,510,651)
Balance at 30 June 2021	11,846,022	(35,167,449)	(23,321,427)
Year ended 30 June 2022:			
Loss for the year	-	(11,001,555)	(11,001,555)
Balance at 30 June 2022	11,846,022	(46,169,004)	(34,322,982)

HONOUR PROJECT BIDCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended 30 June 2022 £	£	Period ended 30 June 2021 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	27		(1,482,028)		15,755,802
Income taxes paid			-		(1,410,567)
Net cash (outflow)/inflow from operating activities			(1,482,028)		14,345,235
Investing activities					
Purchase of tangible fixed assets		(3,717,929)		(12,675,836)	
Proceeds on disposal of tangible fixed assets		51,685		-	
Interest received		109		180	
Net cash used in investing activities			(3,666,135)		(12,675,656)
Financing activities					
Interest paid		(4,120,033)		(4,345,107)	
Proceeds from borrowings		13,870,000		-	
Proceeds of new bank loans		3,000,000		-	
Repayment of bank loans		(3,000,000)		-	
Net cash generated from/(used in) financing activities			9,749,967		(4,345,107)
Net increase/(decrease) in cash and cash equivalents			4,601,804		(2,675,528)
Cash and cash equivalents at beginning of year			2,513,837		5,189,365
Cash and cash equivalents at end of year			7,115,641		2,513,837

1 Accounting policies

Company information

Honour Project Bidco 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 Group consists of Honour Project Bidco Limited and all of its subsidiaries.

The Company's and the Group'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 disclosure

The 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 for parent company information presented within the consolidated financial statements:

- 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.

Basis of consolidation

The consolidated financial statements incorporate those of Honour Project Bidco Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2022.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1 Accounting policies (Continued)

Going concern
At 30 June 2022, the Group had net liabilities of £52,205,026 (2021- £22,800,952). At the time of approving the financial statements, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for at least 12 months following approval of these financial statements based on forecasts prepared and available financing. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group has restructured its finances and following review of its financial performance, the directors do not expect that there will be any withdrawal of this funding. The police investigation Project Lemur Alpha is still ongoing and, in the opinion of the directors, it is not clear if a penalty will be issued. It is expected that any outcome will be confirmed beyond the period considered for the going concern assessment.

The closure of the childrens' schools and homes has had no impact on the remaining services in the business and these have carried on as normal.

Reporting period
The financial statements are drawn up for the year to 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.

Turnover
Turnover is recognised at the fair value of the consideration received for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. Sales are recognised at the point at which the Group has fulfilled its contractual obligations to the customer. Income is deferred at the year end where income is received in advance of contractual obligations being met.

Grant income
Revenue based grants received are credited to the profit and loss account over the life of the project to which they relate, on a cost basis.

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

Exceptional costs
The Group classifies certain one-off expenses or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Intangible fixed assets - goodwill
Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least 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. More information on impairment movements in the year is given in note 13.

1 Accounting policies (Continued)

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line. Land is not depreciated
Fixtures and fittings	Over 5 years straight line
Computer equipment	Over 3 years straight line
Motor vehicles	20% reducing balance

Properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Borrowing costs related to fixed assets
All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Fixed asset investments
In the separate accounts of the Company, interests in subsidiaries, associates and jointly controlled entities 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 Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets
At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. More information on impairment movements in the year is given in note 13.

1 Accounting policies (Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents
Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments
The Group 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 Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 trade and other debtors, 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 Group 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 Group after deducting all of its liabilities.

1 Accounting policies (Continued)

Basic financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans, other loans and amounts due to Group undertakings, 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.

Other financial assets and liabilities
Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments
Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

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.

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
Defined contribution plans
For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Teachers' Pension Scheme ('TPS')
Retirement benefits to employees of the Group are provided by the Teachers' Pension Scheme which are multi-employer defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is a multi-employer scheme but there is insufficient information available to use defined benefit accounting, it is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

2 Judgements and key sources of estimation uncertainty

In the application of the Group'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 accounting estimates and assumptions

Useful life of assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Details of depreciation rates can be found in note 1 (accounting policies) and the depreciation charge in note 15 (tangible fixed assets).

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

Property, plant and equipment expenditure
The group incurs significant expenditure in maintaining and improving it's property, plant and equipment. Repairs and maintenance costs are expensed unless the replacement is expected to provide incremental future benefits to the Group. During the year the Group capitalised £3,717,929 (period ended 30 June 2021- £12,675,836) of costs and expensed £871,913 (period ended 30 June 2021- £1,624,940) of costs.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which this asset has been allocated. The value in use calculation requires that the entity estimates 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 £5,464,028 (note 14). An impairment loss of £2,851,374 has been recognised for the year ended 30 June 2022.

Impairment of tangible fixed assets
The Group considers whether there are indicators of impairment in their tangible fixed assets. Factors taken into consideration in reaching such a decision include market value of similar assets. The carrying amount of tangible fixed assets at the balance sheet date is £135,099,011 (note 15). An impairment loss of £10,539,811 has been recognised for the year ended 30 June 2022.

3 Turnover and other revenue

All of the Group's turnover £39,022,752 (period ended 30 June 2021 - £82,382,957) is derived in the UK from the provision of care services.

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group Year ended 30 June 2022 Number	Period ended 30 June 2021 Number	Company Year ended 30 June 2022 Number	Period ended 30 June 2021 Number
Staff based at head office	118	132	-	-
Staff based at sites delivering care and education services	1,151	1,609	-	-
Total	1,269	1,741	-	-

Their aggregate remuneration comprised:

	Group Year ended 30 June 2022 £	Period ended 30 June 2021 £	Company Year ended 30 June 2022 £	Period ended 30 June 2021 £
Wages and salaries	26,859,045	50,489,396	-	-
Social security costs	2,126,908	3,879,362	-	-
Pension costs	730,924	1,369,631	-	-
Compensation for loss of office	-	137,783	-	-
	29,716,877	55,876,172	-	-

Employee costs above exclude agency staff costs. Costs have fallen from the previous period due to the closure of Fullerton house school and care home and Wilsic Hall school and care home.

Staff costs in the Income Statement include agency staff costs.

5 Directors' remuneration

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Remuneration for qualifying services	625,534	1,129,756
Company pension contributions to defined contribution schemes	30,000	42,901
	655,534	1,172,657

5 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Remuneration for qualifying services	403,852	750,089
Company pension contributions to defined contribution schemes	10,000	15,000

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (period ended 30 June 2021 - 2).

6 Operating (loss)/profit

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Operating (loss)/profit for the period is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	5,548,030	6,813,225
Impairment of owned tangible fixed assets	10,539,811	-
(Profit)/loss on disposal of tangible fixed assets	(30,292)	53,617
Amortisation of intangible assets	1,477,305	2,215,958
Impairment of intangible assets	2,851,374	-

7 Auditor's remuneration

	Year ended 30 June 2022	Period ended 30 June 2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the Group and Company	10,600	11,000
Audit of the financial statements of the Company's subsidiaries	51,310	91,300
	61,910	102,300
For other services		
Other assurance services	2,750	5,500
Taxation compliance services	19,450	41,500
Other taxation services	11,850	15,950
All other non-audit services	18,050	49,900
	52,100	112,850

8 Exceptional items

	Year ended 30 June 2022	Period ended 30 June 2021
	£	£
Other exceptional costs	987,014	235,626
Exceptional covid costs	291,605	2,762,728
Covid-19 exceptional income	(7,900)	(1,099,750)
Exceptional costs relating to closure of Fullerton and Wilsic care homes and schools	986,189	707,628
	2,256,908	2,606,232

Exceptional items include non-recurring expenses or credits that have a material impact on the Group's financial results. These are disclosed separately to provide further understanding of the financial performance of the Group.

9 Interest receivable and similar income

	Year ended 30 June 2022	Period ended 30 June 2021
	£	£
Interest income		
Interest on bank deposits	109	180

10 Interest payable and similar expenses

	Year ended 30 June 2022	Period ended 30 June 2021
	£	£
Interest on bank overdrafts and loans	3,525,983	5,134,540
Other interest on financial liabilities	10,735,536	13,407,766
Finance costs for financial instruments measured at fair value through profit or loss	8	1,005
Total finance costs	14,261,527	18,543,311

11 Other gains and losses

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Fair value gains/(losses) on financial instruments		
Loss on hedge item in a fair value hedge	-	(101,467)
Gain on hedge item in a fair value hedge	1,939,688	136,299
	1,939,688	34,832

12 Taxation

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Current tax		
UK corporation tax on profits for the current period	-	869,245
Adjustments in respect of prior periods	(265,730)	(13,107)
Total current tax	(265,730)	856,138
Deferred tax		
Origination and reversal of timing differences	(3,810,080)	(184,504)
Changes in tax rates	(632,389)	4,860,912
Adjustment in respect of prior periods	(5,268)	55,897
Total deferred tax	(4,447,737)	4,732,305
Total tax (credit)/charge	(4,713,467)	5,588,443

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.

12 Taxation (Continued)

The total tax (credit)/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	(34,117,542)	(15,106,015)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(6,482,333)	(2,870,143)
Tax effect of expenses that are not deductible in determining taxable profit	3,013,778	1,938,857
Change in unrecognised deferred tax assets	10,738	-
Adjustments in respect of prior years	(270,998)	(13,107)
Group relief	-	1,537,998
Deferred tax adjustments in respect of prior years	-	55,897
Changes in tax rates	(984,652)	4,938,941
Taxation (credit)/charge	(4,713,467)	5,588,443

13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2022 £	2021 £
In respect of:			
Goodwill	14	2,851,374	-
Property, plant and equipment	15	10,539,811	-
Recognised in:			
Impairment losses		13,391,185	-

The Goodwill and Property, Plant & Equipment impairments relate to the Fullerton House School and Care home, Wilsic Hall School and Care Home and King Street Adult Residential Service.

14 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 July 2021 and 30 June 2022	14,773,046
Amortisation and impairment	
At 1 July 2021	4,980,339
Amortisation charged for the year	1,477,305
Impairment losses	2,851,374
At 30 June 2022	9,309,018
Carrying amount	
At 30 June 2022	5,464,028
At 30 June 2021	9,792,707

The company had no intangible fixed assets at 30 June 2022 or 30 June 2021.

More information on impairment movements in the year is given in note 13.

15 Tangible fixed assets

Group	Freehold land and buildings	Assets under construction	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 July 2021	139,395,866	12,394,224	6,559,005	1,766,620	1,120,364	161,236,079
Additions	262,620	280,823	2,552,141	542,904	79,441	3,717,929
Disposals	-	-	-	-	(45,245)	(45,245)
Transfers	10,306,165	(10,683,561)	232,263	145,133	-	-
At 30 June 2022	149,964,651	1,991,486	9,343,409	2,454,657	1,154,560	164,908,763
Depreciation and impairment						
At 1 July 2021	9,334,539	-	2,975,923	1,050,035	385,266	13,745,763
Depreciation charged in the year	3,377,335	-	1,458,751	559,398	152,546	5,548,030
Impairment losses	10,539,811	-	-	-	-	10,539,811
Eliminated in respect of disposals	-	-	-	-	(23,852)	(23,852)
At 30 June 2022	23,251,685	-	4,434,674	1,609,433	513,960	29,809,752
Carrying amount						
At 30 June 2022	126,712,966	1,991,486	4,908,735	845,224	640,600	135,099,011
At 30 June 2021	130,061,327	12,394,224	3,583,082	716,585	735,098	147,490,316

The Company had no tangible fixed assets at 30 June 2022 or 30 June 2021.

More information on impairment movements in the year is given in note 13.

The Group has provided security against all assets including all tangible fixed assets with a net book value of £135,099,011 (2021 - £147,490,316) to secure the Group's banking facilities.

Assets Under Construction of £10,683,561 relate to services brought into use during the financial year.

16 Fixed asset investments

		Group		Company	
		2022	2021	2022	2021
	Notes	£	£	£	£
Investments in subsidiaries	17	-	-	105,589,803	105,589,803

16 Fixed asset investments (Continued)

Movements in fixed asset investments
Company

	Shares in group undertakings
	£
Cost	
At 1 July 2021 and 30 June 2022	105,589,803
Carrying amount	
At 30 June 2022	105,589,803
At 30 June 2021	105,589,803

17 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
Hesley Holdings Limited	Central Services, Hesley Hall, Tickhill, Doncaster, DN11 9HH	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.

18 Debtors

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade debtors	4,329,275	4,611,952	-	-
Corporation tax recoverable	581,719	315,989	-	-
Amounts owed by group undertakings	51,372	24,703	39,106,843	31,216,046
Other debtors	415,409	262,526	-	-
Prepayments and accrued income	4,972,727	2,278,605	4,337,586	951,748
	10,350,502	7,493,775	43,444,429	32,167,794
Amounts falling due after more than one year:				
Derivative financial instruments (note 22)	964,524	-	964,524	-
Prepayments and accrued income	-	66,855	-	66,855
	964,524	66,855	964,524	66,855
Total debtors	11,315,026	7,560,630	44,408,953	32,234,649

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.

19 Creditors: amounts falling due within one year

	Group 2022	2021	Company 2022	2021
	£	**£**	**£**	**£**
Trade creditors	1,251,610	596,297	-	-
Amounts owed to group undertakings	39,833,515	28,995,323	39,835,842	28,997,650
Other taxation and social security	639,288	709,377	-	-
Other creditors	404,948	972,639	193,722	193,722
Accruals and deferred income	8,587,250	6,967,024	460,696	626,405
	50,716,611	38,240,660	40,490,260	29,817,777

Amounts owed to 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.

20 Creditors: amounts falling due after more than one year

		Group		Company	
		2022	2021	2022	2021
	Notes	£	£	£	£
Bank loans and overdrafts	21	62,817,241	62,700,000	62,817,241	62,700,000
Shareholder loan notes	21	81,529,035	67,659,035	81,529,035	67,659,035
Other creditors	22	-	975,164	-	975,164
		144,346,276	131,334,199	144,346,276	131,334,199

21 Borrowings

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans	62,817,241	62,700,000	62,817,241	62,700,000
Shareholder loan notes	81,529,035	67,659,035	81,529,035	67,659,035
	144,346,276	130,359,035	144,346,276	130,359,035
Payable after one year	144,346,276	130,359,035	144,346,276	130,359,035

The shareholder loan notes consist of loan notes that were taken out on 16 February 2018 and are due to the immediate parent entity. During the year, the company issued a further £13,870,000 loan notes to the immediate parent entity, this related to additional funding provided by shareholders to support the business.

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. No interest was paid in the year but was accrued in group balances. 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.

The financing arrangements with its lenders were restructured and agreed in April 2022.

The key points of the restructuring were

- £13.9m of new funding provided by the shareholders to support the business;
- Repay £3.0m of the bank RCF;
- The capex facility was also reduced to the £3.5m already drawn;
- The term of the facilities was extended to December 2024 with a possible 1 year extension to December 2025;
- Interest rate increased to 4.25% + SONIA; and
- New covenants were set based on the revised business plan.

The lenders have by way of a debenture a fixed and floating charge over all the assets of the Group.

22 Financial instruments

	Group 2022 £	2021 £	Company 2022 £	2021 £
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	964,524	-	964,524	-
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	975,164	-	975,164

Other financial assets and liabilities balance relates to interest rate swaps on the bank loan measured at fair value through profit or loss.

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £29,600,000 swap the SONIA element of interest payments on the bank loans to an average rate of 1.3175% for periods up until 2023.

The Group uses interest rate caps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £29,600,000 cap interest payments on the bank loans to a rate of 1.3175% for periods up until 2023.

The fair values of interest rate swaps and caps are determined using yield curves.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the Group and Company are:

Group	Liabilities 2022 £	Liabilities 2021 £
Accelerated capital allowances	2,238,255	2,094,875
Tax losses	(1,616,409)	-
Fair value uplift on land & buildings	15,514,000	18,488,708
	16,135,846	20,583,583

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2022 £	Company 2022 £
Liability at 1 July 2021	20,583,583	-
Credit to profit or loss	(4,447,737)	-
Liability at 30 June 2022	16,135,846	-

23 Deferred taxation (Continued)

The deferred tax liability of £16,135,846 (2021 - £20,583,583) is expected to reverse over a period greater than 12 months and relates to accelerated capital allowances, tax losses and other timing differences.

24 Retirement benefit schemes

	Year ended 30 June 2022	Period ended 30 June 2021
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	730,924	1,369,631

The Group operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The total balance of pension contributions outstanding at the year end is £128,942 (2021 - £147,062).

Teachers' Pension Scheme
The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' *Pensions Regulations 2010* and *Teachers' Pension Scheme Regulations 2014*. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Employer and employee contribution rates
The employer contribution rate was set at 23.68% (including a 0.08% administration fees), compared to 23.68% during the prior year with an employer cost cap of 10.9% of pensionable pay.

The Department of Education has also devolved the scheme administration costs to scheme employers in the form of an administration charge of 0.08% of the employers' salary costs which has resulted in a total employer payment rate of 23.68%.

The next revision to the employer contribution rate is not expected to take effect until 1 April 2023. This will follow on from the previous actuarial valuation which happened on 31 March 2016. This valuation determined the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

The pension costs paid to TPS in the year amounted to £210,127 (period ended 30 June 2021 - £335,979). The total balance of pension contributions outstanding at the year end is £12,712 (2021 - £21,195).

Under current UK GAAP, the TPS is a multi-employer pension scheme. The Group is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Group has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The company has set out above the information available on the scheme and the implications for the Group in terms of the anticipated rates.

25 Share capital

	Group and company	
	2022	2021
Ordinary share capital	£	£
Issued and fully paid		
11,846,022 Ordinary shares of £1 each	11,846,022	11,846,022

The ordinary shares are redeemable, hold full voting rights and entitles 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 a dividend issued by the directors.

26 Reserves

Profit and loss reserves
Cumulative profit and loss net of distributions to owners.

27 Cash (absorbed by)/generated from group operations

	Year ended 30 June 2022 £	Period ended 30 June 2021 £
Loss for the year after tax	(29,404,075)	(20,694,458)
Adjustments for:		
Taxation (credited)/charged	(4,713,467)	5,588,443
Finance costs	14,261,527	18,543,311
Investment income	(109)	(180)
(Gain)/loss on disposal of tangible fixed assets	(30,292)	33,943
Amortisation and impairment of intangible assets	4,328,679	2,215,958
Depreciation and impairment of tangible fixed assets	16,087,841	6,813,225
Other gains and losses	(1,939,688)	(34,832)
Movements in working capital:		
(Increase)/decrease in debtors	(2,524,142)	4,020,080
Increase/(decrease) in creditors	2,451,698	(729,688)
Cash (absorbed by)/generated from operations	(1,482,028)	15,755,802

28 Analysis of changes in net debt - group

	1 July 2021 £	Cash flows £	Other non-cash changes £	30 June 2022 £
Cash at bank and in hand	2,513,837	4,601,804	-	7,115,641
Borrowings excluding overdrafts	(130,359,035)	(13,870,000)	(117,241)	(144,346,276)
	(127,845,198)	(9,268,196)	(117,241)	(137,230,635)

29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Acquisition of tangible fixed assets	446,596	962,673	-	-

30 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel of the Group, who are also directors, is as follows.

	Period ended 30 June 2022 £	Year ended 30 June 2021 £
Aggregate compensation	1,778,621	3,222,302

Other related party transactions
During the year the company invoiced Kisimul Group Limited £120,192 (period ended 30 June 2021 - £930,687) in respect of the costs and expenses of the company's senior management team. The company's senior management team provided management services and advice to Kisimul Group Limited during the year. Arrangements for the services were terminated in September 2021. Both entities share the same ultimate parent company, Cedar Luxco S.a.r.l., a company registered in Luxembourg. At the reporting date £388,330 (2021 - £268,138) was outstanding in relation to these costs. The amounts outstanding are unsecured, non-interest bearing and will be settled in cash.

31 Directors' transactions

At 30 June 2022, £33 (2021 - £33) was owed by the Group to each of C McSharry and D Maynard, directors of the Company, and J Lloyd, a former company director of Hesley Holdings Limited, a subsidiary company. No interest is charged on the balances and they are repayable on demand.

At 30 June 2022, £1,058 (2021- £1,058) was owed to the Group by C McSharry, a director of the Company. No interest is charged on the balance and it is repayable on demand.

32 Controlling party

Honour Project Midco 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 Bidco Limited are prepared. The consolidated accounts of Cedar Luxco S.a.r.l. can be obtained from the company's registered office: Boulevard F.W Raiffeisen 17, 2411 Luxembourg, Luxembourg.

Honour Project Holdco Limited is the parent of the smallest group for which consolidated accounts including Honour Project Bidco 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.