Company Registration No. 12970658 (England and Wales)

EHC HOLDINGS TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

EHC HOLDINGS TOPCO LIMITED

Contents

EHC HOLDINGS TOPCO LIMITED

Company Information

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

The directors present their Strategic report for the year ended 31 March 2023.

Review of business and future developments

The principal activity of the Company during the year was that of a holding company.

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

The Group provides nursing care to a wide spectrum of individuals through 42 care homes. All the homes cater for adults with highly complex care needs, be they due to physical, mental, or learning support needs, or any combination thereof.

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

The Group has invested £58.6m (2022: £27.1m) in capital expenditure during the year under review and opened 6 new homes in Ellesmere Port, Wallasey, Liverpool, Pontefract, Stockton, and Castleford. Plans are in place to build new homes each year and new sites are continually and actively being sought to ensure the development pipeline is in place for future years.

The Group has in place interest rate hedges to fix the variable interest rate on 80% of its existing facilities. The Group has drawn an additional £30m (2022: £35m) of funding facilities in the year, resulting in £235m of funding facilities drawn at 31 March 2023. In addition to the funding facilities, the Group had £24m (2022: £22m) of payables loan notes outstanding at 31 March 2023. The Group has available cash reserves of £21m (2022: £30m), furthermore a new £75m development funding facility was put in place during the year to support future investment plans. The Group traded within its agreed covenant levels and expects that to continue having prepared forecasts to March 2025.

The Group's revenues were £150m for the year (2022: £120m). Additional revenue growth within the business was attributable to increases in the number of residents cared for, the acuity levels (resident needs) of new residents joining the Group being greater than those leaving, plus general inflationary increases. General inflationary increases are based upon covering the business increase in underlying cost base, which includes increased costs as a result of National Living Wage increases. The Group has also incurred increased energy costs driven by the impact of global energy price increases which are in part driven by the war in Ukraine.

In line with general economic conditions, the Group has experienced higher than usual levels of inflation driven by a combination of factors affected by COVID-19, the war in Ukraine and Brexit, however these impacts did not materially affect the results for the year. There was no adverse impact during the year due to climate change.

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

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

Key performance indicators

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

Group	**2023 No.**	**2022 No.**
Average occupancy (beds)	896	799

Key performance indicators (continued)

Group	**2023 £million**	**2022 £million**
Revenue	150.5	120.0
Staff costs	98.5	80.9
Operating profit	8.0	7.9

The main non-financial KPIs used relate to quality. The directors monitor quality over a wide range of measures through DEQA (Digital Exemplar Quality Assurance).

Principal risks and uncertainties

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

Maintaining high standards of care

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

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

In 2022 the Group introduced IOSH Working Safely for maintenance colleagues and IOSH Managing Safely for Regional Director of Operations' and Home Managers. By making key leaders who manage the day-to-day health and safety undergo the right IOSH-accredited course the Group is enhancing safety in the workplace. The Institution of Occupational Safety and Health (IOSH) is the biggest and most primary chartered body for health and safety professionals worldwide, it is considered "the voice of the profession". Training programs structured by IOSH health and safety specialists are considered the most comprehensive and most aligned with current technologies and workplace set-ups today. A well-designed IOSH safety management course is very educational, up-to-date, and fun. It captures the interest of our colleagues and allows them to find practical applications, enhanced skills, knowledge, and tools for promoting health and safety which will greatly reduce the amount of risk in our workplace. Moreover, colleagues can share what they learned with their teams and fellow colleagues, boosting the health and safety management capabilities of their in-house teams.

In 2023, the Group plans to deliver IOSH Managing Safely in-house with a bespoke course covering the certification elements of the course alongside providing training covering policies and procedures, risk assessments, incident reporting and incident investigation. The course will be available to a wider audience and open to Home Managers, Maintenance, Clinical Nurse Managers and Central Service Managers.

Maintaining high standards of care (continued)

During 2022, the Group also implemented the RADAR System (electronic incident and complaint management system) across all of the Exemplar Homes which has made incident reporting easier and empowered colleagues to report all incidents which will ensure the Group has an improved safety culture. RADAR not only tracks events but also works towards improving colleague and Service User safety. Radar Healthcare's innovative analytics monitors quality management in real-time and will flag if there is an anomaly in incidents. For example, if there is an increase in falls in a location, the software will automatically notify relevant colleagues that action needs to be taken, reducing the time taken to act so that they can focus on identifying the root cause and then work to reduce these risks.

2023 is seeing digitalisation continue and the Group has currently commenced a partnership with Nourish, which is a digital care record solution, which will integrate with both eMAR and RADAR. Whilst this project will take approximately 18 months to implement across all homes, the Group has streamlined paper care records for ease of use and in preparation for the change to a digital platform.

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

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

Financial management

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

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

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

	2023 **£'000**	**2022** **£'000**
Operating profit	7,989	7,880
Depreciation and amortisation (non-cash)	24,135	17,167
Working capital movements	4,281	(2,278)
Reassessment of IFRS 16	4,708	-
Cash generated from operating activities	**41,113**	**22,769**
Interest paid	(18,697)	(14,486)
Tax paid	(15)	(127)
Net cash generated from operating activities	**22,401**	**8,156**

Financial risk management objectives and policies

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

Credit risk

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

Interest rate risk

Under the current Bank Loan Facilities interest calculations are variable and linked to SONIA, 80% of the facilities have been fixed via a hedged product. The directors of the Group have consulted with external treasury advisors as to the suitability of these arrangements and consider them to be in line with the Group's strategy in the foreseeable future. This position is under regular review by the directors, along with business performance, debt positioning and future developments as part of regular interaction with lenders.

Financial risk management objectives and policies (continued)

Liquidity risk

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

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

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

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

Capital risk management

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

Employees

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

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

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

The Group monitors Diversity, Equality and Inclusion (DE&I) outcomes through an annual staff survey to help improve the diversity, fairness and inclusiveness of its culture. The Group believes this will help foster connections, increase acceptance and tolerance, create trust and improve morale.

Environment (SECR disclosure)

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

Year ended 31 March 2023

	KWH consumed	**KWH consumed per resident**	**CO2 emissions (tonnes)**	**CO2 emissions (tonnes per resident)**
Gas	15,116,694	16,871	2,780	3.1
Electricity	4,547,058	5,075	1,060	1.2
Fuel	1,384,392	1,545	323	0.3
Total	**21,048,144**	**23,491**	**4,163**	**4.6**

Environment (SECR disclosure) (continued)

Year ended 31 March 2022

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

The increase in number of new homes increases the average emissions per resident as the Company has a higher number of homes not fully occupied utilising energy.

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

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

Energy efficiency measures

Environmental issues are an important consideration in the Group's new development program and in addition to meeting the new Part L Building Regulations standard specification includes LED lighting and sustainable drainage systems (SuD) as well as electric vehicle parking with appropriate charging points. In addition, the Group increasingly incorporates Combined Heat and Power Units (CHP) which have been installed at one site and the Group is currently investigating the installation of solar PV in an existing care home.

Section 172 statement

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

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

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

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

During the year under review, the Group put in place an additional interest rate hedge to fix the variable interest rate on 12% of its existing facilities to a fixed interest rate of 4.27%. This is in addition to an interest rate hedge covering 46% of existing facilities at a fixed interest rate of 0.93% until September 2025.

The Group also continued to invest in digitalisation of its processes, particularly around maintaining high standards of care.

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

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

Section 172 statement (continued)

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

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

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

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

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

The Group opened 6 homes in the year, which created 294 more jobs in the communities in which the homes were built, namely the North West, North East and Yorkshire. These homes created capacity for us to look after an additional 145 residents.

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

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

The Group strives to maintain its good reputation and apply similarly high standards to all areas of its business.

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

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

Approved by the board of directors on **15th August** 2023 and signed on its behalf by:

....
A J Blyth
Director

The directors present their Annual report and the audited financial statements of EHC Holdings Topco Limited ("the Company" or "the parent company") and its subsidiary undertakings ("the Group") for the year ended 31 March 2023.

Directors

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

A J Blyth
S R Etroy
N Greilsamer
S A Melton
Dr G Rich
S Marshall

Results and dividends

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

No interim dividends were paid (2022: £nil). The directors do not recommend payment of a final dividend (2022: £nil).

Going concern

The directors of the Group have considered the current trading and financing positions, including the net current liability position of £95m, the net liability position of £128m at 31 March 2023 and the loss for the year of £54m, as well as the forecasts through the going concern assessment period to 31 March 2025, and the reasonable worst case downside scenarios applied to those forecasts.

In considering the results and financial position for the period the directors note that the losses in the year of £54m include £64m of non-cash expenses (£14m depreciation, £10m amortisation of intangible assets, £42m rolled interest payable on preference shares and £2m credit movement in deferred tax charge predominately as a result of the change in corporation tax rate). The net current liability position of £95m at the year end date includes £97m of rolled interest payable that is not expected to be payable in the going concern period and therefore will not be a cash outflow. The interest on preference shares and vendor loan notes is accrued and only payable on a change in the ultimate controlling party. The Group has available cash reserves of £21m at 31 March 2023. The impact of the interest rate swap maturing in September 2025 is not expected to have a material impact on the Group.

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

Based on all the information available at the point of approving these financial statements the directors conclude that it remains appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2023.

Principal risks and uncertainties and future developments

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

Financial risks

The directors have considered financial risk management as credit, liquidity, interest and capital risk. Please see note 22 for further details.

Employee involvement

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

Qualifying third party indemnity provisions

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

Independent auditor

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

Post balance sheet events

3 new homes have opened since the Balance Sheet Date and the Group continues to develop future homes from land acquisition and site development

Matters covered in the Strategic report

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

Statement of disclosure of information to the auditor

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

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

Approved by the board of directors on 15th August 2023 and signed on its behalf by:

A J Blyth

Director

Directors' Responsibilities Statement
For the year ended 31 March 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that year.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or the Group will continue in business.

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

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

The directors confirm, to the best of their knowledge:

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

Opinion

We have audited the financial statements of EHC Holdings Topco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company statements of financial position, Consolidated cash flow statement and the Consolidated and Company statements of changes in equity, the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, FRS 101 "Reduced Disclosures Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 March 2025.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DS

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

Date: 15 August 2023

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Revenue	4	150,493	119,984
Other operating income	5	249	2,835
Operating costs			
Staff costs	7	(98,499)	(80,935)
Consumables		(7,598)	(5,579)
Amortisation of intangible assets	11	(9,963)	(9,963)
Depreciation written off property, plant and equipment	12	(14,172)	(7,204)
Other operating charges		(12,521)	(11,258)
Total operating costs		(142,753)	(114,939)
Operating profit		7,989	7,880
Finance costs	8	(69,268)	(57,384)
Loss before taxation		(61,279)	(49,504)
Taxation	9	1,810	(12,831)
Loss for the year		(59,469)	(62,335)
Other comprehensive income			
Cash flow hedge gains	19	6,866	6,385
Hedge interest reclassified to profit or loss	19	(1,615)	343
Other comprehensive income for the year		5,251	6,728
Total comprehensive loss for the year		(54,218)	(55,607)

All amounts relate to continuing activities.

The notes on pages 19 to 47 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED
Registered number: 12970658

Consolidated Statement of Financial Position
As at 31 March 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Goodwill	10	206,361	206,361
Other intangible assets	11	185,631	195,594
Property, plant and equipment	12	231,108	186,768
Non-current financial assets	22	6,251	5,224
		629,351	593,947
Current assets			
Trade and other receivables			
- due within one year	14	14,340	11,227
Cash and cash equivalents		24,472	33,864
Other current financial assets	22	5,390	1,504
		44,202	46,595
Total assets		673,553	640,542
Equity and liabilities			
Equity			
Share capital	19	10	10
Share premium	19	1,144	1,137
Cash flow hedge reserve	19	11,979	6,728
Retained earnings	19	(141,557)	(82,088)
Total equity		(128,424)	(74,213)
Non-current liabilities			
Non-current loans and borrowings	17	600,853	575,278
Deferred tax	18	61,554	63,364
		662,407	638,642
Current liabilities			
Trade and other payables	15	139,570	76,113
Total liabilities		801,977	714,755
Total equity and liabilities		673,553	640,542

The financial statements on pages 14 to 47 were approved and authorised for issue by the board of directors and were signed on its behalf on 15th August 2023 by:

....

A J Blyth
Director

The notes on pages 19 to 47 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED
Registered number: 12970658

Company Statement of Financial Position
As at 31 March 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investments	13	297,304	297,304
Current assets			
Trade and other receivables			
- due within one year	14	27,345	26,138
Cash at bank and in hand		71	148
		27,416	26,286
Total assets		324,720	323,590
Equity and liabilities			
Equity			
Share capital	19	10	10
Share premium	19	1,144	1,137
Retained earnings	19	(98,307)	(53,838)
Total equity		(97,153)	(52,691)
Non-current liabilities			
Non-current loans and borrowings	17	326,319	324,540
Current liabilities			
Trade and other payables	15	95,554	51,741
Total liabilities		421,873	376,281
Total equity and liabilities		324,720	323,590

As permitted by Section 408 of the Companies Act 2006, EHC Holdings Topco Limited has not presented its own Statement of comprehensive income. The loss for the financial year dealt with in the financial statements of the holding company was £44,469,000.

The financial statements on pages 14 to 47 were approved and authorised for issue by the board of directors and were signed on its behalf on 15th August 2023 by:

....

A J Blyth

Director

The notes on pages 19 to 47 form an integral part of these financial statements.

EHC HOLDINGS TOPCO LIMITED

Consolidated and Company Statement of Changes in Equity
For the year ended 31 March 2023

Consolidated	**Share capital**	**Share premium**	**Cash flow hedge *reserve***	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2021	10	1,087	-	(19,753)	(18,656)
Loss for the year	-	-	-	(62,335)	(62,335)
Cash flow hedge gains for the year	-	-	6,385	-	6,385
Hedge interest reclassified to profit or loss	-	-	343	-	343
Total comprehensive loss for the year	-	-	**6,728**	**(62,335)**	**(55,607)**
Issue of share capital (note 19)	-	50	-	-	50
As at 31 March 2022 and 1 April 2022	**10**	**1,137**	**6,728**	**(82,088)**	**(74,213)**
Loss for the year	-	-	-	(59,469)	(59,469)
Cash flow hedge gains for the year	-	-	6,866	-	6,866
Hedge interest reclassified to profit or loss	-	-	(1,615)	-	(1,615)
Total comprehensive income/(loss) for the year	-	-	**5,251**	**(59,469)**	**(54,218)**
Issue of share capital (note 19)	-	7	-	-	7
As at 31 March 2023	**10**	**1,144**	**11,979**	**(141,557)**	**(128,424)**

Company	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**
As at 1 April 2021	10	1,087	(13,910)	(12,813)
Loss for the year	-	-	(39,928)	(39,928)
Total comprehensive loss for the year	-	-	**(39,928)**	**(39,928)**
Issue of share capital (note 19)	-	50	-	50
As at 31 March 2022 and 1 April 2022	**10**	**1,137**	**(53,838)**	**(52,691)**
Loss for the year	-	-	(44,469)	(44,469)
Total comprehensive loss for the year	-	-	**(44,469)**	**(44,469)**
Issue of share capital (note 19)	-	7	-	7
As at 31 March 2023	**10**	**1,144**	**(98,307)**	**(97,153)**

Details regarding the purpose of each reserve within equity are given in note 19.

The notes on pages 19 to 47 form an integral part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 March 2023

Group	Notes	2023 £'000	2022 £'000
Cash inflow generated from operations	20	41,113	22,769
Interest paid		(18,697)	(14,486)
Tax paid		(15)	(127)
Net cash generated from operating activities		22,401	8,156
Investing activities			
Purchase of property, plant and equipment	12	(58,631)	(27,032)
Proceeds of disposals of property, plant and equipment	12	119	-
Net cash used in investing activities		(58,512)	(27,032)
Financing activities			
Proceeds from issue of shares	19	7	50
Proceeds from derivatives	22	338	-
New borrowings	15, 17	30,798	36,608
Payment of lease liability obligations	16	(4,424)	(4,012)
Net cash generated from financing activities		26,719	32,646
Net (decrease)/ increase in cash and cash equivalents		(9,392)	13,770
Cash and cash equivalents at start of year		33,864	20,094
Cash and cash equivalents at end of year		24,472	33,864

*Included in the cash and cash equivalents is £3.7m of restricted cash (2022: £3.7m).

The notes on pages 19 to 47 form an integral part of these financial statements.

1. Company information

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

2. Significant accounting policies

Basis of preparation

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

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

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

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

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

Reduced disclosure exemptions

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

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

2. Significant accounting policies (continued)

Amendments to IFRSs effective for the current year

***Property, Plant and Equipment:* Proceeds before Intended Use – Amendment to IAS 16**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

***Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

First-Time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter – Amendment to IFRS 1

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

***Financial Instruments:* Fees in the '10 per cent' test for derecognition of financial liabilities – Amendment to IFRS 9**

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

***Leases* – Amendment to IFRS 16**

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

***Reference to Conceptual framework* – Amendment to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Group and the Company.

New and revised IFRSs in issue but not yet effective

Please see note 24 for new and revised IFRSs that have been issued but are not yet effective.

Basis of consolidation

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

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

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

Business Combination

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

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

Going concern

The Directors of the Group have considered the current trading and financing positions, including the net current liability position of £95m, the net liability position of £128m at 31 March 2023 and the loss for the year of £54m, as well as the forecasts through the going concern assessment period to 31 March 2025, and the reasonable worst case downside scenarios applied to those forecasts.

In considering the results and financial position for the period the directors note that the losses in the year of £54m include £64m of non-cash expenses (£14m depreciation, £10m amortisation of intangible assets, £42m rolled interest payable on preference shares and £2m credit movement in deferred tax charge predominately as a result of the change in corporation tax rate). The net current liability position of £95m at the year-end date includes £97m of rolled interest payable that is not expected to be payable in the going concern period and therefore will not be a cash outflow. The interest on preference shares and vendor loan notes is accrued and only payable on a change in the ultimate controlling party. The Group has available cash reserves of £21m at 31 March 2023. The impact of the interest rate swap maturing in September 2025 is not expected to have a material impact on the Group.

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

Based on all the information available at the point of approving these financial statements the directors conclude that it remains appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2023.

Goodwill

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

2. Significant accounting policies (continued)

Goodwill

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

Intangible assets other than goodwill

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

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

Brand	21 years
Customer relationships	21 years

Investment in subsidiaries

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

Revenue recognition

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

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

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

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

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

Contract assets

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

Contract liabilities

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

2. Significant accounting policies (continued)

Right-of-use assets

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

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

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

Lease liabilities

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

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

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

Financial instruments

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

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

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

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

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

2. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Derivatives financial instruments

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

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

2. Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Retirement benefit cost

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

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

Government grants

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

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

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

2. Significant accounting policies (continued)

Borrowing costs

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

Capital management

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Impairment of goodwill and other intangible assets

Determining whether goodwill or associated intangible assets are impaired requires judgement based on an estimation of the value in use of the cash generating units to which these assets have been allocated. The value in use calculation requires that the entity estimate the future cashflows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date is £206,361k (2022: £206,361k) (note 10). The carrying amount of other intangible assets at the balance sheet date is £185,631k (2022: £195,594k) (note 11). No impairment was recorded for the year ended 31 March 2023 (31 March 2022: £nil). Identification of intangible assets requires judgement, their valuation requires estimation.

Recognition of deferred taxes

The carrying values of deferred tax assets on the balance sheet are dependent on the estimates of future cashflows arising from the Group's operations. The realisation of the deferred tax asset recognised at 31 March 2023 of £4,187k (2022: £9,254k) as disclosed in note 18 is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets where it is more likely than not that benefit will be realised.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (continued)

Measurement of lease liabilities

The directors have made several accounting judgements over the measurement of the land and buildings right-of-use assets. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on a rate the lessee would have to pay to borrow an asset of a similar value over a similar term, and with a similar security. The Group has applied a rate of 8.46% to all new leases in the year (2022: 6.25%), as it represents the Group's current interest rate on its Senior long-term debt plus a margin equivalent to Bank of England long-term yield rates.

Acquisitions and business combinations

When an acquisition arises, the Group is required to report the fair value of assets and liabilities acquired and establish useful economic lives for identified assets. The identification and valuation of the assets and liabilities acquired involves estimation and judgement when determining whether the recognition criteria is met. Subjectivity is also involved with the estimation of the future value of goodwill and other intangible assets. The fair value of separately identifiable intangible assets acquired during the year was nil (2022: £nil) (note 11), with the key assumptions used to calculate these fair values being those around the estimated useful economic lives of the acquired customer relationships, the estimated future cashflows expected to arise from these relationships and the appropriate discount rate to be used to discount these cash flows to their present value.

Amortisation of intangibles

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

4. Revenue

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

Set out below is the amount of revenue recognised from:

	2023 £'000	2022 £'000
Amounts included in contract liabilities	4,231	3,982

The Group had no income in the year relating to performance obligations satisfied in previous years (2022: £nil).

5. Other operating income

	2023 £'000	2022 £'000
Government grants	249	2,835
	249	2,835

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

6. Loss before taxation

	2023 £'000	2022 £'000
Loss before taxation is stated after charging:		
Depreciation property, plant and equipment (note 12)	14,172	7,204
Amortisation of intangible assets (note 11)	9,963	9,963
Operating lease costs: land and buildings	48	50
Auditor's remuneration;		
Fees payable to the Company's auditor and their associates for the audit of the Company's financial statements	45	45
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	303	225
Total audit fees	348	270
Accountancy services	270	225
Total non-audit fees	270	225

The operating lease costs of £48k (2022: £50k) disclosed above relate to 'short-term' leases where the Group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

During the year, start-up staffing costs were incurred of £1,546k (2022: £1,395k).

7. Information regarding directors and employees

Directors' remuneration	2023 £'000	2022 £'000
Emoluments	820	1,051
Company contributions to money purchase pension schemes	24	26
	844	1,077

	2023 No.	2022 No.
Are members of a money purchase pension scheme	1	2

Remuneration of the highest paid director:	2023 £'000	2022 £'000
Emoluments	360	328

Directors' transactions

Please refer note 21 for directors' transactions during the year.

7. Information regarding directors and employees (continued)

Employees

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

	2023 No.	2022 No.
Nursing and other care home staff	3,712	3,235
Administration	313	266
	4,025	3,501

The aggregate payroll costs of the Group were as follows:

	2023 £'000	2022 £'000
Wages and salaries	75,855	64,362
Social security costs	6,478	5,200
Pension costs – money purchase pension schemes	1,369	1,071
	83,702	70,633

Staff costs in the Consolidated statement of comprehensive income include agency costs of £14,797k (2022: £10,302k).

The Company did not have any employees during this year (2022: £nil). No directors' remuneration was paid by the Company (2022: £nil).

Money purchase pension scheme

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

The total cost charged to income of £1,369k (2022: £1,071k) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. As at 31 March 2023, contributions of £354k due in respect of the current reporting year had not been paid over to the scheme (2022: £233k). Pension payments are taken by the pension provider after the payroll dates and on a slightly different basis to the payroll deductions, so the creditor represents this timing difference.

8. Finance costs

	2023 £'000	2022 £'000
Interest payable on lease liabilities	4,613	3,785
Interest payable on borrowings	22,236	15,725
Interest payable on preference shares	42,419	37,874
Total finance costs	69,268	57,384

9. Taxation

	2023 £'000	2022 £'000
Current tax:		
Adjustment in respect of prior years:	-	(98)
Total current tax	-	(98)
Deferred tax:		
Current year	(2,958)	(1,440)
Adjustment in respect of previous years	2,082	85
Effect of changes in tax rates	(934)	14,284
Total deferred tax (credit)/charge	(1,810)	12,929
Tax (credit)/ charge per Consolidated statement of comprehensive income	(1,810)	12,831

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

Reconciliation of the total tax charge/(credit):

The tax charge assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

	2023 £'000	2022 £'000
Loss before tax	(61,279)	(49,504)
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2022: 19%)	(11,643)	(9,406)
Expenses not deductible for tax purposes	8,617	7,763
Adjustment in respect of previous years	2,082	(13)
Income not taxable	-	(110)
Tax rate changes	(934)	14,284
Amounts not recognised	324	313
Impact of super deduction	(256)	
Tax (credit)/charge for the year	(1,810)	12,831

Factors affecting tax charge for the year

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Companies with profits of £50,000 or less will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay at the main rate reduced by a marginal relief providing a gradual increase in effective Corporate Tax rate. The deferred tax at 31 March 2023 has been calculated based on the rate of 25% substantively enacted at the balance sheet date. There is no expiry date on the timing differences, unused tax losses or tax credits.

10. Goodwill

	£'000
Cost	
At 31 March 2022 and 31 March 2023	206,361
Net book value	
At 31 March 2023	206,361
At 31 March 2022	206,361

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

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

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

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

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

- *A perpetuity period has been used;*
- For the first year a 4.0% growth rate has been applied with subsequent years a 2.0% growth rate has been applied to forecasted income. Sensitivity analysis indicates that a scenario of nil growth rate in perpetuity would not lead to impairment;
- Management have calculated the Group's discount rate as 9.30% (2022: 6.65%). Sensitivity analysis indicates that a change of 4.00% in the weighted average cost of capital, based on an increase in interest rates, would not lead to impairment;

The base model indicates that the expected aggregate recoverable amount of the Group's CGUs exceeds the aggregate carrying amount. Sensitivity analysis indicates no impairment will occur if any of the assumptions were to vary significantly. Management have considered the position and are of the opinion that future forecasts and assumptions used are reasonable and therefore an impairment is not deemed necessary as at 31 March 2023.

11. Other intangible assets – Group

	Brand £'000	Customer Relationships £'000	Total £'000
Cost			
At 1 April 2022 and 31 March 2023	14,795	194,420	209,215
Amortisation			
At 1 April 2022	(964)	(12,657)	(13,621)
Charge for the year	(705)	(9,258)	(9,963)
At 31 March 2023	(1,669)	(21,915)	(23,584)
Net book value			
At 31 March 2023	13,126	172,505	185,631

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

The remaining amortisation period of the brand and customer relationship intangible assets is 18.6 years at the Statement of financial position date.

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

12. Property, plant and equipment – Group

	Freehold land and buildings £'000	Assets under construction £'000	Leasehold land and buildings £'000	Right-of-use assets £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2022	99,856	22,197	2,367	57,723	14,041	228	**196,412**
Additions	22,552	25,566	-	4,857	5,432	224	**58,631**
Transfers	10,804	(8,556)	(2,248)	-	-	-	-
Disposals	-	-	(119)	-	-	-	**(119)**
At 31 March 2023	133,212	39,207	-	62,580	19,473	452	**254,924**
Depreciation							
At 1 April 2022	(2,200)	-	(152)	(3,498)	(3,778)	(16)	**(9,644)**
Charge for the year	(2,215)	-	-	(7,977)	(3,893)	(87)	**(14,172)**
Transfers	(152)	-	152	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 March 2023	(4,567)	-	-	(11,475)	(7,671)	(103)	**(23,816)**
Net book value							
At 31 March 2023	128,645	39,207	-	51,105	11,802	349	**231,108**

Historic balances relating to the leasehold land and buildings category that relate to leases no longer in place were transferred to the freehold land and building category.

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

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

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

13. Investments – Company only

	Shares in Subsidiary Undertaking £'000
Cost	
1 April 2022 and 31 March 2023	297,304
Net book value	
1 April 2022 and 31 March 2023	297,304

The Company owns 100.00% (2022: 100.00%) of the issued ordinary £2 share capital of EHC Holdings Midco Limited. The Company is the ultimate holding company of the companies listed below. All of the companies in the list are 100.00% (2022: 100.00%) owned by group companies. They are incorporated in England and Wales, have a registered office of Ferham House, Kimberworth Road, Rotherham, South Yorkshire, S61 1AJ, United Kingdom and have an accounting reference date of 31 March.

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

13. Investments – Company only (continued)

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

*We report that these companies prepare accounts that will be subject to an audit. All other companies referenced above are excluded from the obligation to carry out the audit required under Section 479A of the Companies Act 2006 with the liabilities of these companies at 31 March 2023 being guaranteed by EHC Holdings Topco Limited under section 479C of the Companies Act 2006.

14. Trade and other receivables

	Group		Company	
Current	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
Amounts owed by group companies	-	-	27,345	26,138
Trade receivables	10,800	9,397	-	-
Prepayments and other receivables	3,391	1,696	-	-
Corporation tax	149	134	-	-
	14,340	11,227	27,345	26,138

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

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

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

The average age of these receivables is 28 days (2022: 29 days).

Ageing of trade receivables past due but not impaired:

	Group	
Current	**2023 £'000**	**2022 £'000**
31-60 days	1,945	1,743
61-90 days	747	1,128
Over 91 days	309	60
Total	3,001	2,931

No trade receivables were impaired at the year end date. There was no provision for doubtful debts required at the date of acquisition or at 31 March 2023.

15. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current				
Amounts owed to group companies	-	-	2,392	621
Trade payables	7,509	2,495	-	52
Other taxation and social security	2,391	1,994	-	-
Other payables	7,499	7,133	-	-
Interest accrued	95,449	51,270	93,162	51,068
Accruals	6,146	3,432	-	-
Lease liabilities	678	558	-	-
Contract liabilities	4,898	4,231	-	-
Loans and borrowings	15,000	5,000	-	-
	139,570	76,113	95,554	51,741

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

Loans and borrowings comprise a £15m Original Revolving Facility Loan (RCF).

The RCF Loan bears interest at a standard rate of 3.25% plus SONIA (2022: 3.25% plus SONIA). This standard rate can be discounted to a minimum of 2.50% plus SONIA (2022: 2.50% plus SONIA) based on the senior net leverage ratio which is reviewed quarterly. This facility is unsecured and out of the total borrowing, £10m is repayable in April 2023, and balance £5m in September 2023. At 31 March 2023, The RCF Loan was drawn down by £15m (2022: £5m).

Other payables include £1,480k (2022: £1,426k) in relation to amounts held on behalf of customers, with a corresponding balance held within cash balances.

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

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

16. Leases – Group

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

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

	2023 £'000	2022 £'000
Land & buildings (note 12)	51,105	54,225

16. Leases – Group (continued)

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

	2023 £'000	2022 £'000
Current (note 15)	678	558
Non-current (note 17)	61,364	56,587
Total finance costs	62,042	57,145

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

	2023 £'000	2022 £'000
Depreciation charge for Right-of-use assets (note 12)	7,977	2,548
Interest on lease liabilities (note 8)	4,613	3,785
Expense relating to short term leases	48	50
	12,638	6,383

At the Statement of financial position date, the Group had £nil (2022: £nil) lease commitments relating to short term leases.

The total cash outflow for leases during the year was £4,424k (2022: £4,012k).

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

	2023 £'000	2022 £'000
Right-of-use assets – Land and buildings		
Within one year	5,298	4,842
Between one and five years	21,191	19,368
Over five years	82,128	79,856
	108,617	104,066

17. Non-current loans and borrowings

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Non-current				
Other borrowings	237,188	216,390	24,018	22,239
Preference shares (note 19)	302,301	302,301	302,301	302,301
Lease liabilities (note 16)	61,364	56,587	-	-
	600,853	575,278	326,319	324,540

Other borrowings consist of the following:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Non-current				
Other loans	213,170	194,151	-	-
Loan notes	24,018	22,239	24,018	22,239
	237,188	216,390	24,018	22,239

Interest rate benchmark transition from LIBOR to SONIA

During the previous year, due to the Interest Rate Benchmark Reform and resulting phase out of LIBOR from 1 January 2022, the Group transitioned to SONIA to be used as an alternative benchmark rate (ABR) for all the funding facilities comprising £160m Facility B Loan, £60m Additional Capital Funding Loan (ACF) and £15m Original Revolving Facility Loan (RCF).

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

Other loans comprise a £160m Facility B Loan, a £60m Additional Capital Funding Loan (ACF). At year end, there was an undrawn loan facility of £50m with interest rate of 4.75% plus SONIA. The maturity date for this facility is 31 March 2029. In addition to this, there was an undrawn £10m relating to the ACF facility referred to below.

The Facility B Loan and ACF Loan bear interest at a standard rate of 7.25% plus SONIA (2022: 6.5% plus SONIA). This standard rate can be discounted to a minimum of 6.75% plus SONIA (2022: 6.0% plus SONIA) based on the senior net leverage ratio which is reviewed quarterly. Both these facilities are unsecured, and repayable in November 2027. At 31 March 2023, the ACF Loan was drawn down by £60m (2022: £40m).

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

Analysis of debt maturity	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
In more than one year but less than five years	213,170	-	-	-
In more than five years	24,018	216,390	24,018	22,239
	237,188	216,390	24,018	22,239

18. Deferred taxation - Group

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

	Fixed assets £'000	Capital gains rolled over £'000	Temporary trading differences £'000	Other timing differences £'000	Tax losses £'000	Total £'000
At 1 April 2021	7,624	8,081	39,144	(4,258)	(156)	50,435
Charge/(credit) to profit or loss	5,989	2,552	9,228	(3,472)	(1,368)	12,929
At 1 April 2022	13,613	10,633	48,372	(7,730)	(1,524)	63,364
Charge/(credit) to profit or loss	(8,961)	-	(2,468)	12,282	(2,663)	(1,810)
At 31 March 2023	4,652	10,633	45,904	4,552	(4,187)	61,554

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

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

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

Finance Act 2021, which was Substantively Enacted on 24 May 2021, included provisions to increase the UK Corporation tax rate to 25% effective from 1 April 2023. This rate has been applied when calculating the deferred tax at the year end.

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

	2023 £'000	2022 £'000
Deferred tax liabilities	65,741	72,618
Deferred tax assets	(4,187)	(9,254)
At 31 March	61,554	63,364

19. Capital and reserves

Group	2023 £'000	2022 £'000
Authorised, allotted, called up and fully paid		
Called-up share capital		
100,000 (2022: 96,415) A Ordinary shares of £0.01 each	1	1
900,000 (2022: 900,000) B Ordinary shares of £0.01 each	9	9
Share capital	10	10
Share premium	1,144	1,137
Retained earnings	(141,557)	(82,088)
Cash flow hedge reserve	11,979	6,728
Preference shares classified as debt	302,301	302,301

Company	2023 £'000	2022 £'000
Authorised, allotted, called up and fully paid		
Called-up share capital		
100,000 (2022: 96,415) A Ordinary shares of £0.01 each	1	1
900,000 (2022: 900,000) B Ordinary shares of £0.01 each	9	9
Share capital	10	10
Share premium	1,144	1,137
Retained earnings	(98,307)	(53,838)
Preference shares classified as debt	302,301	302,301

During the year, 3,585 ordinary 'A' shares with a nominal value of £0.01 were issued for cash consideration of £6,575.

During the previous year, 18,815 ordinary 'A' shares with a nominal value of £0.01 were issued for cash consideration of £50,330.

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

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

	Ordinary A Number	Ordinary B Number
At 1 April 2022	96,415	900,000
At 31 March 2023	100,000	900,000

19. Capital and reserves (continued)

Share premium

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

Retained earnings

Cumulative profit and loss net of distributions to owners.

Cash flow hedge reserve

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

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

Group	2023 £'000	2022 £'000
Loss for the year	(59,469)	(62,335)
Taxation	(1,810)	12,831
Finance costs	69,268	57,384
Depreciation charges	14,172	7,204
Amortisation charges	9,963	9,963
Increase in receivables	(3,098)	(3,708)
Increase in payables	7,379	1,430
Reassessment of IFRS 16	4,708	-
Cash generated from operating activities	41,113	22,769

21. Related parties

Ultimate controlling party

The ultimate controlling party was ACOF VI Holdings LP (a fund of Ares Management Corporation), based on the disposition of shareholdings in the Company. The registered office of the ultimate parent entity is 2000 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067, United States of America.

Directors' transactions

No directors' transactions took place in the financial year (2022: £nil) except as stated below.

Related party transactions

The total remuneration for key management personnel for the year totalled £3,804k (2022: £4,109k).

During the year, loans made in the prior year remained outstanding to one director and one key management personnel of EHC Holdings Topco Limited as follows:

	Loaned Amount £'000	Amount outstanding at 31 March 2023 £'000
Director		
S A Melton	200	205
Manager		
R Smith	50	51

These loans incur an interest rate of 2%

22. Financial risk management

Categories of financial instruments

	2023 £'000	2022 £'000
Financial assets		
Financial assets measured at fair value		
Current derivative assets		
Interest rate swap – Cash flow hedges	5,390	1,504
Non-current derivative assets		
Interest rate swap – Cash flow hedges	6,251	5,224
Financial assets measured at amortised cost	35,272	43,262
Financial liabilities		
Financial liabilities measured at amortised cost		
Current	118,636	58,963
Non-current	600,853	575,278
	719,489	634,241

Derivatives and hedging

On 30 September 2022, Exemplar entered into an additional 3 year, £37.5m floating fixed rate interest swap with Natwest Markets Plc at an all-in cost of 4.275% on top of the existing 7.25% SONIA plus variable margin under the Facility B and ACF loans. During the previous year, on 19 October 2021, Exemplar entered into a 4 year, £150m floating to fixed rate interest swap with Natwest Markets Plc at an all-in cost of 0.9283% on top of the existing 7.25% SONIA plus variable margin under the Facility B loan. The Group applies hedge accounting in respect of the interest rate swap with any unrealised movements in the fair value of the interest rate swap going through other comprehensive income and accumulated in the cash flow hedge reserve.

The fair value of the interest rate swap at 31 March 2023 was an asset of £11.6m. The fair value of the interest rate swap is based on the present value of the estimated future cashflows based on observable yield curves.

During the year a gain of £5.3m was recognised in the other comprehensive income in relation to the change in fair value of the interest rate swap.

The weighted average cost of variable loan interest paid on the hedged loan during the year ended 31 March 2023 was 2.4%. This WACC was 1.2% in the first half and 3.6% in the second half of the year when the new hedge was effected. For the £37.5m hedge this gives a negative differential of 0.68% equating to £182k which was settled to Natwest Markets Plc on 30 December 2022 (£141K) and 31 March 2023 (£41k). For the £150m hedge this gives a positive differential of 1.42 % equating to £2,039.6k which was received from Natwest Markets on 30 June 2022 (£13k) 30 September 2022 (£250k), 30 December 2022 (£687k) and 31 March 2023 (£1,089k)

The interest swap in place covers 80% of the total variable bank loan principle outstanding at 31 March 2023 (£235m).

Hedge effectiveness

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

1. Economic relationship

The hedged item creates an exposure to pay quarterly interest on £150m notional, settled every three months from 19 October 2021 thorough to 30 September 2025 and £37.5m notional settled every three months from December 2022 to September 2025.

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

22. Financial risk management (continued)

Derivatives and hedging (continued)

1. Economic relationship (continued)

The interest rate swap on the same notional creates an equal and opposite floating interest receipt and a fixed interest payment.

2. Effect of credit risk

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

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

To comply with the risk management policy, the hedge ratio is based on debt with a notional of £187.5m with a three month interest settlement date and maturity date of 30 September 2025, offset by an interest rate swap with the same critical terms. This results in a hedge ratio of 1:1 or 100%.

3. Source of ineffectiveness

Potential sources of ineffectiveness are:

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

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

Sensitivity

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

	Interest rate decrease – 100bps	Interest rate increase – 100bps
	£m	£m
Fair value of interest rate swap	7.6	15.7
Equity (decrease)/increase	(4.1)	4.0

Credit risk management

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

Liquidity risk management

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

22. Financial risk management (continued)

Derivatives and hedging (continued)

Credit risk

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

Liquidity risk

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

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

Capital risk management

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

Under the current Bank Loan facilities interest calculations are variable and linked to SONIA, 80% of the facilities have been fixed via a hedged product. The directors of the Group have consulted with external treasury advisors as to the suitability of these arrangements and consider them to be in line with the Group's strategy in the foreseeable future. This position is under regular review by the directors, along with business performance, debt positioning and future developments as part of regular interaction with lenders.

23. Contingent liabilities and capital commitments

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

There are capital commitments and development contract commitments of £8,755k (2022: £26,136k) at the year end.

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

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

Standard	**Effective date**
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current with Covenants.	1 January 2024
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024

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