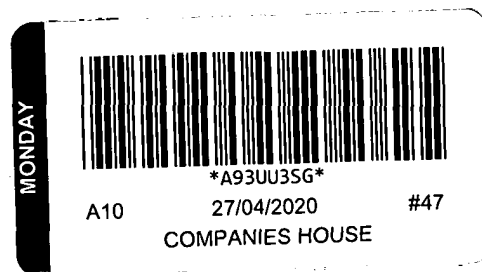


HC-One Oval Limited
Annual report and financial statements
for the year ended 30 September 2019

Registered number: 10257888



HC-One Oval Limited

Annual report and financial statements for the year ended 30 September 2019

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**Annual report and financial statements for the year ended
30 September 2019**

Officers and professional advisers

Directors

Mr David Smith

Mr Justin Hutchens (resigned 5 February 2020)

Dr Chaitanya Patel (appointed 30 November 2018 and resigned 31 October 2019)

Sir William Wells (appointed 30 November 2018)

Mr John Ransford (appointed 30 November 2018)

Sir David Behan (appointed 20 November 2018)

Registered Office

Southgate House

Archer Street

Darlington

County Durham

DL3 6AH

Bankers

The Royal Bank of Scotland plc

250 Bishopsgate

London

EC2M 4AA

Auditor

KPMG LLP

Quayside House

110 Quayside

Newcastle-upon-Tyne

NE1 3DX

Strategic Report

Review of the business

The principal activity of HC-One Oval Limited (“the Company”) during the year was the provision of nursing and residential care services, caring for over 6,000 residents across 89 homes in the UK (2018: over 7,400 residents across 110 homes in the UK).

Results

The profit and loss account shows the results for the year ended 30 September 2019. The Company’s profit for the year ended 30 September 2019 after exceptional costs amounted to £22.6m (2018: £6.6m) and included £6.6m (2018: £19.8m) of exceptional costs. Exceptional costs included £5.6m fair value adjustment in order to bring the bad debt provision into line with the Group’s bad debt provisioning policy (see notes 3 and 9) and restructuring costs of £1.0m (2018: £11.9m). Before exceptional costs, profit after tax was £29.1m (2018: £26.4m).

The Company’s gross profit before exceptional costs for the year ended 30 September 2019 amounted to £38.2m (2018: £45.3m) including £8.0m (2018: £5.2m) of depreciation.

As at 30 September 2019 the Company had net assets of £407.9m (2018: £384.2m).

Key performance indicators

The principal Key Performance Indicators (KPIs) used by the Company to measure its own performance are shown below:

	At 30 September 2019	At 30 September 2018	Increase/ (Decrease)
Average occupancy	85.9%	87.6%	(1.7%)
Average weekly fee rate	£792	£748	£44

The Company has seen an improvement in average weekly fee per resident of 5.9% since September 2018 (2018: increase of 3.3%). Over this period, occupancy has been decreased by 1.7% (2018: decrease of 0.2%).

Going Concern and COVID-19

As at the date of signing the accounts, the world is in the early stages of fighting the COVID-19 virus. Although it is not possible to predict the full impact that COVID-19 will have on the Group, management are taking steps to steer their way through this pandemic. These are unprecedented times and the healthcare sector is at the forefront. The Group has a working party, including appropriate management from our Directors, Operational, Clinical, Procurement, Human Resources, Commissioning and Finance departments, which keep the Board fully informed on a daily basis. The Group is working closely with our suppliers, in particular of agency workers, food and medicines, in order to mitigate any shortage in supply. Occupancy is being monitored constantly. We are working tirelessly with our local authorities, CCGs, NHS, relatives and residents to reassure and care for our residents with the kindest possible care. To date, occupancy rates have remained stable, death rates are not materially different to historic rates and the Group has received a number of requests from the NHS and Local Authorities to block book beds.

The Directors cannot predict the longer term impact of the crisis upon the Group, including:

- (i) what the NHS / Local Authority demand for vacant beds will be;
- (ii) what the impact of the crisis will be on the death rate and occupancy levels within the Group’s care homes; and
- (iii) what the impact of self-isolation, care home isolation and other social distancing measures will have on payroll costs.

Strategic Report (continued)

Going Concern and COVID-19 (continued)

The current predictions of the impact of the virus on UK death rates vary widely but should the more pessimistic estimates prove correct, assuming the current high demand for beds from the NHS reduces and payroll costs are significantly increased, there would be a significant impact on the Group's profitability and cashflows and the Group would be at risk of breaching its financial covenants on the loans. Therefore the Group would require support from the banks by way of a covenant waiver or deferral.

Whilst the Directors believe that the Group would continue to have the support of its shareholders and the banks in these circumstances, there is no certainty that this would be the case.

Based on the above indications the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. Nevertheless the Directors consider the specific downside scenario impact of COVID-19 on the group's occupancy levels and cashflows to be so significant that it represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

For further information, please see note 1 in the Accounting Policies section of these financial statements.

Principal risks and financial risk management objectives and policies

Financial risks

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic climate.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments.

Operational risks

The Company's activities expose it to a number of operational risks including reputational risk and regulatory risk.

Reputational risk

The Company is focused on the provision of care to the elderly, either long-term, short-term, respite nursing or residential care. Any serious incident relating to the provision of care services could result in negative publicity and may result in an increase in scrutiny from regulators, residents and families.

In order to mitigate this risk the Company delivers employee training via a multi-award winning mandatory and specialist Learning and Development programme, has independent quality inspectors, carries out a Disclosure and Barring Service check on all care staff and monitors compliance with an industry-best electronic system.

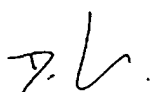
Strategic Report (continued)

Regulatory risk

The Company's operations are subject to an increasingly high level of regulation and scrutiny by various regulators in the UK. Inspections are largely unannounced and often involve several inspectors per home. The failure to meet national regulations could lead to a service being placed under special measures, being subject to enforcement notices or possibly forced to close. The CQC also have the power to issue fines and prosecute.

In order to mitigate this risk the Company has a dedicated compliance department that manages regulatory matters. In addition, quality measures are monitored on a weekly basis, with management interventions where appropriate.

Approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D. Smith'.

Mr David Smith
Director
3rd April 2020

Directors' Report

The Directors present their annual report on the affairs of HC-One Oval Limited ("the Company"), together with the audited financial statements and auditor's report, for the year ended 30 September 2019.

Principal activities

The principal activity of the Company is the operation of care homes for the elderly in the United Kingdom.

Details of the significant events since the balance sheet date and of principal risks and uncertainties, including financial risk, are provided within the strategic report and form part of this report by cross reference.

Dividends

The Directors note that no dividends have been paid during the year (2018: £46,050,000).

Directors

The Directors, who served throughout the year and to the date of signing, unless otherwise shown, were as follows:

Mr David Smith
Sir William Wells (appointed 30 November 2018)
Mr John Ransford (appointed 30 November 2018)
Sir David Behan (appointed 20 November 2018)

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force to the date of this report.

Political contributions

The Company made no political donations during the year (2018: £nil).

Disabled employees

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

Employment consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and weekly newsletters.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

Directors' Report (continued)

Future Developments

HC-One has established a reputation as a high quality provider of residential and nursing care in the UK. HC-One has invested heavily in the portfolio and workforce in order to ensure it offers the best possible environments in which to deliver high quality and kind care. HC-One is striving to become the provider of the kindest care in the UK and the first choice care home provider in each community. To do this HC-One will continue to develop relationships with local authority and NHS commissioners with the aim of becoming a genuine and a trusted partner within increasingly integrated and area specific health and social care systems.

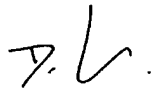
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any 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 s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:



Mr David Smith
Director
3rd April 2020

Southgate House
Archer Street
Darlington
County Durham
DL3 6AH

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report To The Members Of HC-One Oval Limited

Opinion

We have audited the financial statements of HC-One Oval Limited ("the company") for the year ended 30 September 2019 which comprise the Profit and Loss Account, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates the uncertainties related to the ability of FC Oval Holdco 1 Limited to provide financial support. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent Auditor's Report To The Members Of HC-One Oval Limited (Continued)

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

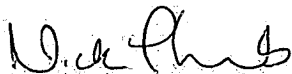
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX
3rd April 2020

HC-One Oval Limited

Profit and loss account for the year ended 30 September 2019

		Ordinary activities	Exceptional costs (Note 9)	Total	Ordinary activities	Exceptional costs (Note 9)	Total
	Note	2019 £'000	2019 £'000	2019 £'000	2018 £'000	2018 £'000	2018 £'000
Turnover	4	262,836	-	262,836	292,636	-	292,636
Cost of sales	5	(224,672)	(6,578)	(231,250)	(247,320)	(7,887)	(255,207)
Gross profit/(loss)		38,164	(6,578)	31,586	45,316	(7,887)	37,429
Administrative expenses		(10,045)	-	(10,045)	(13,335)	-	(13,335)
Costs of a fundamental restructuring		-	-	-	-	(11,904)	(11,904)
Operating profit/(loss)	6	28,119	(6,578)	21,541	31,981	(19,791)	12,190
Profit on disposal of fixed assets		1,018	-	1,018	-	-	-
Interest receivable and similar income	10	12	-	12	402	-	402
Interest payable and similar charges	11	(154)	-	(154)	(180)	-	(180)
Profit/(loss) before taxation		28,995	(6,578)	22,417	32,203	(19,791)	12,412
Tax on profit/(loss)	12	147	-	147	(5,789)	-	(5,789)
Profit/(loss) after taxation		29,142	(6,578)	22,564	26,414	(19,791)	6,623

All activities relate to continuing operations.

HC-One Oval Limited

Statement of comprehensive income for the year ended 30 September 2019

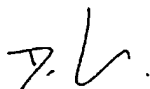
	Note	2019 £'000	2018 £'000
Profit for the financial year		22,564	6,623
Unrealised gain on revaluation of properties	14	-	4,266
Movement on deferred tax relating to revaluation of properties	19	1,066	(726)
Other comprehensive income		1,066	3,540
Total comprehensive income		23,630	10,163

HC-One Oval Limited

Balance sheet as at 30 September 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	13	591	58
Tangible assets	14	367,990	392,017
Total fixed assets		368,581	392,075
Current assets			
Stocks		-	20
Debtors: amounts falling due within one year	15	68,777	28,998
Cash at bank and in hand	16	16,417	11,595
Total current assets		85,194	40,613
Creditors: amounts falling due within one year	17	(40,417)	(41,906)
Net current assets (liabilities)		44,777	(1,293)
Total assets less current liabilities		413,358	390,782
Creditors: amounts falling due after more than one year	18	(155)	-
Provision for liabilities	19	(5,324)	(6,533)
Net assets		407,879	384,249
Capital and reserves			
Called-up share capital	20	265,000	265,000
Revaluation reserve	20	26,186	31,391
Profit and loss account	20	116,693	87,858
Total shareholders' funds		407,879	384,249

The financial statements were approved by the Board of Directors on and authorised for issue on 3rd April 2020 and were signed on its behalf by:



Mr David Smith
Director
HC-One Oval Limited
Registered number 10257888

Statement of changes in equity for the year ended 30 September 2019

	Note	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2017		465,000	27,851	(72,715)	420,136
Profit for the financial year		-	-	6,623	6,623
Unrealised gains on revaluation of properties		-	4,266	-	4,266
Movement on deferred tax relating to revaluation reserve		-	(726)	-	(726)
Total comprehensive income for the financial year		-	3,540	6,623	10,163
Reduction in share capital		(200,000)	-	200,000	-
Equity dividend paid	21	-	-	(46,050)	(46,050)
At 30 September 2018		265,000	31,391	87,858	384,249
Profit for the financial year		-	-	22,564	22,564
Movement on deferred tax relating to realised gain		-	1,066	-	1,066
Total comprehensive income for the financial year		-	1,066	22,564	23,630
Realised gains on disposal of properties		-	(6,271)	6,271	-
At 30 September 2019		265,000	26,186	116,693	407,879

Notes to the financial statements for the year ended 30 September 2019

1. Accounting policies

The Company prepares its annual financial statements to 30 September each year. The principal accounting policies are set out below and have been applied consistently throughout the year and prior year.

Basis of preparation

HC-One Oval Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is Southgate House, Archer Street, Darlington, County Durham, DL3 6AH. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is exempt, by virtue of Section 400 of the Companies Act 2006, from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of FC Oval Holdco 1 Limited, a company registered in England and Wales. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of FC Oval Holdco 1 Limited, which can be obtained from Companies House at Crown Way, Cardiff, Wales, CF14 3UZ. Exemptions have been taken in these separate company financial statements in relation to financial instruments, related party transactions, presentation of a cash flow statement and remuneration of key management personnel.

Going concern and COVID-19

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its parent, FC Oval Holdco 1 Limited. The company is part of the FC Oval Holdco 1 Limited group of companies (the "Group"). The company meets its day to day working capital requirements from cash resources and intercompany balances with other Group companies. Therefore the going concern assessment of the company is dependent on that of the Group as a whole.

FC Oval Holdco 1 Limited has indicated its intention to continue to make available such funds as are needed by the company at the balance sheet date for 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, subject to the uncertainty described below, they have no reason to believe that it will not do so. A material uncertainty exists in the Group in respect of going concern as there is a risk of breach of financial covenants on its term loans in a COVID-19 downside scenario.

The Group's directors have prepared detailed cash flow and covenant compliance forecasts for the Group for the period to 30 September 2024. Net debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance to the Group's objectives, policies and processes, and these have each been considered as part of these forecasts. At 30 September 2019 the Group was financed by £26.5m of cash, £229.4m of term loans and £103.7m of loan notes with related parties. There are financial covenants on the term loans.

Excluding the potential impact of COVID-19 which is considered below, these cash flow forecasts and projections indicate that, taking into account reasonably possible downsides in trading performance, the Group will have adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1. Accounting policies (continued)

Going concern and COVID-19 (continued)

The Group's directors have separately considered the uncertainty as to the future impact of COVID-19 on the going concern assessment.

To date across the Group the impact has been that occupancy rates have remained stable, death rates within the Group's care homes have not materially differed to historical rates and the Group has received a number of requests from NHS and LA to block book beds. However the Group's directors cannot predict the longer term impact of the crisis including:

- (i) what the NHS demand for vacant beds will be;
- (ii) what the impact of the crisis will be on the death rate and occupancy levels within the Group's care homes; and
- (iii) what the impact of self isolation, care home isolation and other social distancing measures will have on payroll costs.

The current predictions of the impact of the virus on UK death rates vary widely but should the more pessimistic estimates prove correct, assuming the current high demand for beds from the NHS reduces and payroll costs are significantly increased, there would be a significant impact on the Group's profitability and cashflows and the Group would be at risk of breaching its financial covenants on the loans. Therefore the Group would require support from the banks by way of a covenant waiver or deferral.

Whilst the Group's directors believe that the Group would continue to have the support of its shareholders and the banks in these circumstances, there is no certainty that this would be the case. The Group's directors consider the specific downside scenario impact of COVID-19 on the Group's occupancy levels and cashflows to be so significant that it represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The directors of the Company have assessed the conclusions reached by the Group's directors and agree with their conclusion.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover represents fee income receivable from care services provided. Turnover is recognised in the year in which the Company obtains the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year.

Exceptional costs

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 9.

Finance income

Finance income includes interest receivable on deposits calculated using the effective interest method. Interest income is recognised in the profit and loss account as it accrues.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1. Accounting policies (continued)

HC-One Oval Limited

Finance costs

Finance costs include interest payable on borrowings calculated using the effective interest method. Interest expenses are recognised in the profit and loss account as they accrue.

Pension costs

The Company operates both a Company Default Pension Scheme and a Stakeholder Pension Scheme. The Company Default Pension Scheme is managed by an external third party. The Stakeholder Pension Scheme is managed by the Company and funds are invested on the employee's behalf. This pension scheme is a defined contribution scheme and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the year in which timing differences reverse, based on current tax rates and laws.

Intangible fixed assets – Licenses

Separately acquired licenses are included at cost and amortised on a straight-line basis over their estimated useful economic life equal to the length of the licence.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, with the exception of land, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Freehold Buildings – 50 years
- Fixtures and fittings – 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount. The recoverable amount is calculated based upon consideration of discounted projected future cashflows.

Revaluation of properties

The Company has revalued its individual freehold properties at fair value. Any surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value.

Debtors

Debtors are recognised initially at cost less any provision for impairment.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1. Accounting policies (continued)

Creditors

HC-One Oval Limited

Trade creditors are recorded initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the year of the borrowing using the effective interest rate method.

Other creditors and accruals are measured at the best estimate of the expenditure required to settle the obligation.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Share capital

Ordinary shares are classified as equity and recorded at the par value of proceeds received, net of direct issue costs.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the lower of fair value at acquisition or at the present value of the minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant rate of interest on the outstanding obligation.

All other leases are operating leases and are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. No asset is recognised on the Company's balance sheet.

Notes to the financial statements for the year ended 30 September 2019 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies and key source of estimation uncertainty

The following are the key sources of estimation uncertainty that the Directors have assessed as being applicable to the entity and that have the most significant effect on the amounts recognised in the financial statements. It is deemed that there are no critical accounting judgements.

Revaluation of properties

Determining the fair value of freehold properties requires estimation based upon the market and cash flows of assets. The Group acquired the freehold properties at market value on 14 December 2017. As at 30 September 2019 the Directors performed a review of the carrying value of the properties, taking into consideration market conditions and performance of the properties. Other than those properties held for sale where an accepted offer price was in place at the year-end, no revaluation of these assets has been undertaken in the current period.

Fixtures and fittings

Accounting for fixtures and fittings involves the use of estimates for determining: (a) the useful lives of the assets, over which they are to be depreciated; and (b) the existence and amount of any impairment. Details of fixtures and fittings are provided in note 14.

Fixtures and fittings are depreciated on a straight line basis over their estimated useful lives. When the Company estimates useful lives, various factors are considered including expected technology obsolescence and the expected usage of the asset. The Company regularly reviews these assets useful lives and future economic utilisation and the physical condition of the assets concerned. A significant change in these circumstances may have a material impact on the carrying value of these assets.

The carrying value of fixtures and fittings is assessed periodically to determine whether there are indications of any impairment of the value beyond the depreciation charge. If this is the case, an impairment charge is taken against the carrying value of the assets and charged to profit and loss account. The impairment of fixed assets requires management judgement in determining the amounts to be impaired. In particular, judgement is used when assessing the future cash flows.

Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Refer to note 19 for further details of deferred tax assets recognised.

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

3. Fair value assessment of acquired assets

On 14 December 2017, the Company was acquired by FC Oval Bidco Limited, a member of the Group headed by FC Oval Holdco 1 Limited.

The fair value adjustments recorded in the 2018 financial statements of FC Oval Holdco 1 Limited were disclosed as being provisional. The finalisation of the fair value exercise in respect of the acquisition resulted in a reduction in the fair value of the assets acquired of £5,596,000. This adjustment represents an addition to the bad debt provision acquired, in order to be in alignment with the Group's bad debt provisioning policy. This adjustment has been made within the twelve-month measuring period as allowed under FRS 102. This adjustment has also been made in these financial statements (see note 9).

4. Segmental analysis

HC-One Oval Limited operates under one segment, Elderly Care. The origin and destination of all turnover is the United Kingdom.

5. Cost of sales

Cost of sales includes home payroll costs, home running costs, rent, depreciation and amortisation.

6. Operating profit/(loss)

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Wages and salaries	174,674	193,762
Social security costs	11,032	13,329
Other pension costs	2,205	1,701
Staff costs	187,911	208,792
Depreciation of tangible fixed assets (note 14):	7,968	5,195
Amortisation of other intangible assets (note 13)	567	172
Exceptional costs (note 9)	6,578	19,791
Services provided by the Company's auditor:		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	85	57

7. Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments inclusive of benefits in kind	231	200
No. of directors accruing benefits under defined contribution scheme	1	1
Highest paid director	2019 £'000	2018 £'000
Aggregate emoluments inclusive of benefits in kind	231	200

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

8. Employee information

The average monthly number of persons employed by the Company during the year was:

By activity	2019 No.	2018 No.
Care staff	9,543	10,867
Total average monthly number of employees	9,543	10,867

9. Exceptional costs

	2019 £'000	2018 £'00
Restructuring costs	954	11,904
Fair value adjustment to bad debt provision	5,596	-
Impairment of fixed assets	28	7,887
Total exceptional costs	6,578	19,791

Restructuring costs

Exceptional costs totalling £954,000 (2018: £11,904,000) have been incurred relating to restructuring costs in the year.

Adjustment to bad debt provision

A fair value adjustment of £5,596,000 was required to the acquired bad debt provision of the Company, in order to bring the Company's bad debt provision into alignment with the acquiring Group's debt provisioning policy.

Impairment of fixed assets

The Company carried out an impairment review which resulted in fixed assets being written down by £28,000 (2018: £7,887,000) in the year.

10. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable and similar income	12	402

11. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable and similar charges	154	180

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

12. Tax on profit/(loss)

	2019 £'000	2018 £'000
Current tax:		
Origination and reversal of timing differences	-	1,185
Adjustment in respect of previous periods	(4)	2,626
Total current tax	(4)	3,811
Deferred tax:		
Origination and reversal of timing differences	(145)	199
Adjustment in respect of previous periods	(13)	1,799
Effects of changes in tax rates	15	(20)
Total deferred tax (see note 19)	(143)	1,978
Total tax per profit and loss account	(147)	5,789

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2019 £'000	2018 £'000
Profit before tax	22,417	12,412
Tax on profit at standard UK tax rate of 19.0% (2018: 19.0%)	4,259	2,358
Effects of:		
Expenses not deductible for tax purposes	1,831	1,542
Effects of group relief	(6,235)	(2,516)
Adjustment from previous periods	(17)	4,425
Tax rate changes	15	(20)
Tax (credit) charge for the year	(147)	5,789

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 30 September 2019.

The 11 March 2020 Budget announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £626,000.

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

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

13. Intangible fixed assets

	Licenses £'000
Cost	
At 1 October 2018	230
Additions	1,100
At 30 September 2019	1,330
Amortisation	
At 1 October 2018	172
Charge for the year	567
At 30 September 2019	739
Net Book Value	
At 30 September 2018	58
At 30 September 2019	591

14. Tangible fixed assets

	Buildings & Grounds £'000	Fixtures & Fittings £'000	Total £'000
Cost or Valuation			
At 1 October 2018	402,055	8,752	410,807
Additions	2,904	6,689	9,593
Disposal	(25,617)	(1,427)	(27,044)
At 30 September 2019	379,342	14,014	393,356
Depreciation			
At 1 October 2018	18,288	502	18,790
Charge for the year	5,802	2,166	7,968
Disposal	(1,268)	(152)	(1,420)
Impairment	-	28	28
At 30 September 2019	22,822	2,544	25,366
Net Book Value			
At 30 September 2018	383,767	8,250	392,017
At 30 September 2019	356,520	11,470	367,990

The Company carried out an impairment review which resulted in the fixed assets being written down by £28,000 (2018: £7,887,000) in the year. The impairment review took into consideration current and expected operating performance.

When considering future operating performance, cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Future cash flows have been discounted at a discount rate of 8.0%. Cash flow projections beyond the three year period have assumed no growth.

The net book value of fixtures and fittings includes £295,000 (2018: £nil) in respect of assets held under finance leases.

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

15. Debtors – amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	12,884	26,770
Amounts owed from Parent undertaking	47,662	-
Amounts owed from other Group undertakings	112	-
Other debtors	67	1,333
Corporation tax recoverable	2	-
Prepayments and accrued income	8,050	895
Total debtors – amounts falling due within one year	68,777	28,998

Amounts owed from Parent and other Group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured debt.

16. Cash at bank and in hand

	2019 £'000	2018 £'000
Cash at bank and in hand	16,417	11,595

17. Creditors – amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	9,113	10,446
Amounts owed to Parent undertakings	-	5,168
Amounts owed to other Group undertakings	13,702	6,313
Other taxation and social security	1,924	2,478
Obligations under finance lease contracts	75	-
Other creditors	958	978
Corporation tax	-	19
Accruals and deferred income	14,645	16,504
Total creditors – amounts falling due within one year	40,417	41,906

Amounts owed to Parent and other Group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured liabilities.

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

18. Creditors – amounts falling due after more than one year

	2019 £'000	2018 £'000
Obligations under finance lease contracts	155	-

Obligations under finance lease contracts	2019 £'000	2018 £'000
Future minimum payments under finance leases are as follows:		
Within one year	87	-
Between two and five years	214	-
Total Gross Payments	301	-
Less: Finance costs	(71)	-
Total future minimum payments under finance leases	230	-
Total due within one year (see note 17)	75	-
Total due after one year	155	-
	230	-

19. Provisions for liabilities

Deferred tax (assets)/ liabilities:

	2019 £'000	2018 £'000
Provision at start of year	6,533	3,829
Adjustment in respect of prior years	(13)	1,799
Deferred tax charge to profit and loss account for the year	(130)	179
Recognised in other comprehensive income	(1,066)	726
Net deferred tax provision at end of year	5,324	6,533

Deferred tax (assets)/ liabilities:

	2019 £'000	2018 £'000
Fixed asset timing differences	5,392	6,581
Short term timing differences - trading	(68)	(48)
	5,324	6,533
Deferred tax (assets)		
Recoverable within 12 months	(68)	(48)
	(68)	(48)
Deferred tax liabilities		
Payable within 12 months	5,392	6,581
	5,392	6,581

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

20. Called-up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully-paid		
265,000,001 ordinary shares of £1 each	265,000	265,000

The revaluation reserve represents the surplus or deficit arising between the fair value and book value of freehold properties.

The profit and loss reserve represents cumulative profits and losses net of dividends paid.

21. Dividends declared and paid

	2019 £'000	2018 £'000
Declared and paid during the year:		
Equity dividend of £nil per ordinary share (2018: £0.17377)	-	46,050

22. Defined Contribution Pension schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2019 was £2,205,000 (2018: £1,701,000).

23. Financial commitments

There are no annual commitments under non-cancellable operating leases.

24. Related party transactions

Identity of related parties

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other wholly-owned group undertakings within the FC Oval Holdco 1 Limited group.

25. Ultimate parent undertaking

The Company's immediate parent undertaking is FC Oval Bidco Limited, a company incorporated in the Cayman Islands.

The ultimate parent undertaking and controlling party is FC Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands. The Company is part of the Group headed by FC Oval Holdco 1 Limited. FC Oval Holdco 1 Limited is both the smallest and largest group the consolidated financial statements are drawn up. The registered address of FC Oval Holdco 1 Limited is One Capital Place Shedden Road, PO BOX 847, George Town, Grand Cayman, Cayman Islands, KY1-1103

Copies of FC Oval Holdco 1 Limited financial statements to 30 September 2019 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.

**Notes to the financial statements for the year ended 30 September 2019
(continued)**

26. Contingent Liabilities and Guarantees

The Company and its Group undertakings are guarantors to a facility agreement entered into by FC Oval Bidco Limited, the Company's immediate parent undertaking. The facility is secured by a fixed and floating charge over the assets of the Oval Group and unlimited guarantee from its group undertakings. As at 3rd April 2020 the outstanding loan amount is £223.9m.

27. Subsequent events

No subsequent events are noted between the year ended 30 September 2019 and the date of signing this report.