REGISTERED NUMBER: 10257888 (England and Wales)

HC-One No. 1 Limited

Previously known as HC-One Oval Limited

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2021

HC-One No. 1 Limited
previously known as HC-One Oval Limited

Contents of the Financial Statements
for the Year Ended 30th September 2021

HC-One No. 1 Limited
previously known as HC-One Oval Limited

Company Information
for the Year Ended 30th September 2021

DIRECTORS:	Mr D A Smith Mr J A Ransford Mr J W Tugendhat
REGISTERED OFFICE:	Southgate House Archer Street Darlington DL3 6AH
REGISTERED NUMBER:	10257888 (England and Wales)
INDEPENDENT AUDITORS :	KPMG LLP Quayside House 110 Quayside Newcastle-upon-Tyne NE1 3DX
BANKERS:	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA

The directors present their strategic report for the year ended 30th September 2021.

REVIEW OF BUSINESS

BUSINESS REVIEW

The principal activity of HC-One No. 1 Limited ("the Company") during the year was the provision of nursing and residential care services, caring for over 5,000 residents across 89 homes in the UK (2020: over 5,500 residents across 89 homes in the UK).

RESULTS

The profit and loss account shows the results for the year ended 30 September 2021. The Company's profit for the year ended 30 September 2021 after exceptional costs amounted to £13.2m (2020: loss of £14.4m) and includes £2.5m of exceptional costs (2020: £48.6m). Exceptional costs included £0.9m of COVID-19 related costs (2020: £2.1m), £nil adjustments to the bad debt provision (2020: £0.4m), restructuring costs of £0.1m (2020: £0.5m) and impairments to fixed assets of £1.5m reflecting the current offer prices of the properties (2020: cost of £45.6m following an external valuation). Before exceptional costs, profit after taxation was £15.8m (2020: £34.2m).

The Company's gross profit for the year ended 30 September 2021 amounted to £22.3m (2020: £37.6m) including £8.9m (2020: £8.9m) of depreciation.

As at 30 September 2021, the Company had net assets of £431.1m (2020: £408.1m).

KEY PERFORMANCE INDICATORS

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

	2021	2020	Increase/ (decrease)
Average occupancy	72.0%	82.0%	(10%)
Average weekly fee rate	£823	£799	£24

Over this period, occupancy has decreased by 10% due to the challenges of the COVID-19 global pandemic. Further details on the impact of COVID-19 can be found later in this strategic report.

COVID-19 IMPACT

Occupancy
During the financial year, occupancy dropped, mainly due to the "second peak" in January to March 2021. However, the fall in occupancy rates was attributable to homes being in outbreak and therefore restricting admissions, rather than increased deaths. Deaths were no higher than any usual year. Occupancy is now in its recovery phase.

Government grants and support
During the financial year, the Group received additional income through government grants, including the Infection Control Fund, Rapid Testing Fund and Coronavirus Job Retention Scheme. The Group was also able to apply, in Scotland, for support in order to cover increased costs, as well as occupancy guarantees.

Funds distributed by local authorities to the Group, in relation to the Infection Control Fund and Rapid Testing Fund, were predominantly allocated to payroll costs; ensuring colleagues who isolated in line with government guidance received their normal wages while doing so, limiting or cohorting colleagues to serve individual groups of residents or floors/wings, limiting colleague movement between settings and time taken testing residents, colleagues and visitors in line with appropriate guidelines.

The Group also benefitted from the Government's provision of personal protective equipment ("PPE") into our English care homes for the full financial year (and will continue until March 2022).

Cost impact
Throughout the pandemic, the priority of the Group has been to protect our residents and colleagues. This has been achieved through comprehensive infection control and safety measures, including investment in safety equipment, colleague training and support. In the financial year, the Group invested heavily to protect and support residents and colleagues, resulting in higher costs, particularly payroll costs. The Group also invested heavily in personal protective equipment ("PPE") costs in Scotland and Wales, where PPE was not provided through the Government portal as in England.

Vaccinations
During the financial year, COVID-19 vaccinations have been offered and administered to our residents and colleagues.This had a dramatic effect on the number of cases in our resident and colleague population and therefore resulted in a significant fall in the number of our homes in outbreak (and therefore unable to accept admissions). The third booster vaccination was made available to our residents and colleagues, six months after each individual's second dose.

In addition, the COVID-19 vaccination was mandated for all workers within HC-One during the financial year, which resulted in minimal impact to the business in terms of colleagues departing.

Visiting
Since March 2021, residents were gradually able to reunite with their loved ones. All our homes currently allow unlimited named visitors where homes are not in outbreak and indoor visits are only permitted following a negative lateral flow test. All residents are encouraged to have an essential visitor who can continue to visit during periods of isolation and outbreak. Outdoor and window visits continue to be available to other family members. All our homes continue to make sure all families are connected and every resident has a plan that includes involvement from family members.

Colleagues
Throughout the pandemic, the Group has supported its colleagues who have needed to self-isolate by topping up Statutory Sick Pay to average gross pay for those colleagues who have tested positive for COVID-19 or displayed symptoms and were awaiting a test. Our colleagues have worked tirelessly throughout the pandemic, to provide outstanding kind care to our residents. We thank each and every one of our colleagues for their continued hard work, dedication and professionalism throughout what has been the single worst health crisis in over a century.

Current trading and outlook
In the period between year-end and signing of the accounts, there have been some notable developments in ways in which the COVID-19 pandemic continues to impact the Group;

- **Government funding** - Since the financial year end, the Government announced further funding into the adult social care sector - specifically the continuation of the Infection Control Fund and Rapid Testing Funds and the introduction of the Workforce Recruitment and Retention Fund (both applicable from October 2021 to March 2022).

- **Occupancy** - Occupancy is currently on an increasing trend, as the recovery from the pandemic continues and homes in outbreak remain at low levels.

The Board, our lenders and our shareholders remain focused, committed and optimistic about the future of the Group. We are all united in our unwavering commitment to be The Kind Care Company, supporting those in our care to lead their best life. The recent refinancing has given the Group a certainty of liquidity, as well as capital available for investment. With the Group's disciplined approach to capital allocation, as well as a committed and experienced management team and strong kind care culture throughout the Group, the Group is poised well for the future.

FINANCIAL RISK MANAGEMENT OBJECTIVES & 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities are exposed to a number of operational risks, which are listed below:

Reputational Risk

Any serious incident relating to the provision of care services could result in negative publicity and increased scrutiny from regulators, residents and families.

In order to mitigate this risk the Group 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.

Regulatory Risk

The Group'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 the national regulations could lead to a service being placed under special measures, being subjected to enforcement notices or possibly forced to close.

In order to mitigate this risk, the Group has a team of internal inspectors who operate using an intelligence-based internal inspection framework to continually monitor compliance with internal quality measures and external regulations. The internal inspections enable identification and action on any potential breaches. Outcomes are shared with home managers and their line managers and progress against required actions is reviewed by the internal inspectors.

Quality measures, including Key Clinical Indicators, are monitored on a weekly basis, with management interventions where appropriate. The Group also monitors complaints, incidents and safeguarding concerns, with a robust framework in place to assess, investigate, resolve and learn.

Colleague Capacity and Competency
There is a risk of not recruiting the right leadership and/or not developing the competencies needed in order to manage an organisation of the Group's scale and complexity. There is a risk of failure of having the correct resources in place and establishing the level of carer, manager and clinical capacity and competency, for the levels of care for which we are commissioned, on a sustainable basis.The impact of this could result in the failure to meet the Group's strategy and these risks may also result in unmotivated and unengaged colleagues.

Leadership and cultural changes within the business have helped us in securing further talent. Succession planning has been developed for the leadership team and personal development plans are now being established as part of the performance management process. Our overseas nursing programme is a key mitigating tool that allows us to bring in additional nursing skills to meet care needs.We also have a Workforce Plan in place that matches the right people and skills with the levels of care needed in homes. Our Nursing Assistant Programme helps the upskilling of Nursing Assistants, reducing the care burden and workload of the nurses.

Monitoring of key clinical indicators gives management the view of acuity and changing care needs, such that changes can be made to the care model as required.

Property Risks
Property risks include the risk of major fire, legionella outbreak, other loss of buildings and major equipment failure. The impact of a major fire could endanger lives of our residents and colleagues. The effect of loss of buildings and/or major equipment failure may result in significant disruption to care service provided.

External fire risk assessments are completed every two years with an internal review carried out in between. This highlights any fire risk concerns, be that physical aspects of the building or elements of operational control. Full compliance is targeted for all statutory pre-planned maintenance activities and this includes fire alarms and gas certification. An extensive programme of colleague training is in place to ensure colleagues are adequately equipped to deal with fire emergencies but also they are aware of things that may result in fire. Legionella testing and compliance programme is in place in all homes.

A significant and comprehensive pre-planned maintenance schedule exists for all major pieces of equipment. Much of this is legally driven and full compliance is the consistent target. The business has various contingencies in place for a variety of major equipment failure.

Changes to Commissioning
Changes to national Adult Social Care funding arrangements, legislation or changes to levels of council/National Health Service funding, in relation to how an individual funds their care, could have a material impact on our business model operations and Group viability.

The Group has quality processes and arrangements, which allow us to be first choice provider in each community, to ensure continued demand, regardless of system changes. The Group continues to lobby through national, regional and local Care Associations and partner with professional bodies to act in mutual interest. The Group monitors and contributes to Government research, working groups and consultation exercises.

Potential future pandemics
The impact of a pandemic, just as COVID-19, could be catastrophic to the business and the ability to achieve the Group's strategy. This is not only in terms of operations and impact on residents and/or colleagues but also on the Group's finances.

We continue to work with the Department for Health and Social Care, enabling us to proactively prepare for changing requirements. The Group also has local NHS partnerships and strong relationships with colleague union representatives. Significant emphasis is placed on cost control and cash flow, due to financial impact of homes in outbreak and unable to accept admissions. Furthermore, the Group performs scenario analysis and modelling of forecasts and cash flows for next five financial years.

STATEMENT BY THE DIRECTORS IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The board of directors of HC-One No. 1 Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the Act) in the decisions taken during the year ended 30 September 2021.

The following paragraphs summarise how the Directors' fulfil their duties:

Our purpose, strategy and consideration of the consequence of decisions for the long term

Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. In setting our purpose, our mission is being the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities.

Each year, the Board undertakes an in-depth review of the Group's strategy, including its business plan for the following 5 years. Once approved by the Board, the plan and strategy form the basis for the financial budgets and investment decisions and also the future strategic direction of the Group.

Engaging with our stakeholders

The Board recognises its responsibility to act fairly between all stakeholders of the Group and its decisions are based on the best long-term interest of stakeholders, considering the balance of financial and operation risk compared with the potential financial returns.

Residents and Relatives

Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. We want to lead the sector in listening to families, learning and handling any complaints. We pride ourselves in the privilege of caring for our residents on a daily basis, 24/7 and we maintain continuous dialogue and relationships with relatives of our residents. Our residents and relatives have the right to expect the highest quality care and service at a price that is value for money.

Our People

Our people are critical in supporting the Group's strategy in being The Kind Care Company, supporting those in our care to lead their best life. Our values and our culture are integral in delivering our business model. We are committed to being the first-choice employer for colleagues looking to develop a long-term career in delivering the highest quality care to individuals, with colleagues saying we are the most fulfilling place to work in the sector. For the business to succeed, we need to manage our people's performance and develop talent. The Chief Executive Officer and the other members of the senior management team interact daily with all colleagues across the Group. Management have implemented colleague policies and procedures, which are appropriate for the size of the Group, including formal and informal meetings, weekly newsletters and staff forums where colleague representatives engage with the Chief Executive Officer. We want to encourage colleagues to bring their full and best selves to work.

Investors

The Board is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue. The Chief Executive Officer, Chief Financial Officer and other members of the Board engage with the investors on a monthly basis at Board meetings so as to provide clean and transparent information, in order that they have a good understanding of their interests and can assess their return on investment. It is important to the Board that shareholders understand and help to shape the Group's strategy and objectives. Monthly Board meetings provide the opportunity for the Board to be challenged, questioned and encouraged in terms of the execution of the Group's strategy, allocation of capital and resource and return on investment.

Lenders and landlords

Access to cash and debt is essential to for the Group to be able to execute its strategy. The Board is committed to having a positive, transparent and engaging relationship with its lenders and landlords on a perpetual basis. The Board provides monthly, quarterly and annual updates to its lenders, aligned to relevant facility documents, as well as being engaged in open dialogue and regular progress calls.

Commissioners
Our commissioners are imperative to the Group and its ability to execute its strategy. The Group strives to be the first choice for our commissioners and to be sought out as a partner of choice. The Group is committed to developing and maintaining strong relationships with our commissioners, through regular meetings, discussions and negotiations. The Group endeavours to be a trustworthy partner, where they can be confident in the placement of their residents.

Our Suppliers
Our suppliers and business partners are essential in delivering high-quality services to our residents. To do this, we need to develop and maintain strong relationships and provide regular communication through feedback and performance reviews. We value all of our suppliers and have multi-year contracts with our key suppliers. We understand the requirement for our suppliers to feel assured of the creditworthiness of its customers and we work closely with each of them to deliver a mutual desired outcome in terms of payment practices.

Our Regulators
The Group operates in a highly regulated environment and it is vital that the quality of care provided to our residents is tailored to each and every resident's needs. Our regulators perform inspections into each of our care homes and report as to whether they are deemed to be compliant. Any weaknesses in compliance are taken extremely seriously by the Board and the individual care home and operational team work together with each regulator to ensure rapid corrective action. The Group also has its own internal inspection regime, which is continually assessing our homes to the same high standards as external regulators. Our regulators need to feel assured that high quality care is being provided in every care home and that regulations and procedures are being complied within, in order to mitigate any risks to our residents.

Community and Environment
The Group's mission is to be the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities. The Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner. The Group strives to meet the care needs of our communities and ensure that each and every one of our homes are a safe, homely, friendly and fun place to be, along with making sure that they make a positive impact in the community in which they are located. Each of our care homes hold open days, family days and engage with various local Groups, for example, schools and churches, when it is safe to do so, although this has clearly been to a much lesser degree during the COVID-19 pandemic. This helps the communities not only to engage with the residents in our care but also to give a sense of purpose, fun and coming together.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)
The energy used by the Group in the year ended 30th September 2021 is as follows:

Energy Type	Number	Type	kgCO2e	%
Electricity	14,953,357	kwh's	5,256,382.	27.5%
Natural Gas	74,700,177	kwh's	13,756,785	71.9%
Transport	72,714	Miles	31,349	0.1%
Heating Oil	37,212	Ltrs	110,026	0.6%
Total	**89,763,440**		**19,144,542**	**100%**
KgCO2e per registered bed			**2,804**	
Power Generated				
Power from Solar	1,220,510	kwh's	429,032	70.2%
Power from CHP	517,731	kwh's	181,992	29.8%
Total	**1,738,241**		**611,024**	**100%**

The associated CO2 emissions amounted to 19,144,542 Kilograms. The intensity measure used by the Group is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2021 is 2,804 CO2e per registered bed. The data has been collected and provided by an external energy management company who manage the Group's energy billing, reporting, data and cost validation on a day to day basis.

The Group takes its impact on the global climate seriously, recognising the importance of good environmental practice. Where possible, the Group is committed to adopting energy efficiency measures to help reduce its impact on climate change and also recognises the need to increase the focus on sustainability within a 24 hour 365 day operation.

Energy efficiency measures taken during the year include the installation of new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls, optimised controls of lighting and plant rooms.

HC-One is very much aware of the requirement to achieve an EPC rating of B or above for every care home before 2030 and work has now commenced to investigate options to improve some of the more inefficient homes within the portfolio and Air Source Heat Pumps wll be considered within this work.

EVENTS AFTER THE BALANCE SHEET DATE
Details of significant events since the balance sheet date are contained in note 24 of the financial statements.

GOING CONCERN

The Directors have reviewed the going concern of the Group and the Company carefully in the preparation of these financial statements. In order to prepare the financial statements on a going concern basis, the Directors have considered detailed financial projections for a period through 12 months from the date of signing the financial statements. These projections are based on the Group's detailed forecasts. By their very nature, forecasts and projections are inherently uncertain, however, the prepared forecasts show that the Group will operate well within its committed facilities for that period.

The Directors have prepared detailed cash flow forecasts for the Group for the period to 30 September 2025. Net debt levels, servicing costs and working capital 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.

The Group has reviewed its working capital requirements including its current shareholders' funds position and maintains sufficient cash resources to meet its day to day working capital requirements. At 30 September 2021, the Group was financed by £93.0m of cash and £547.5m of term loans. On 27 April 2021, HC-One Finco Limited (formerly FC Skyfall (UK) Financeco Limited), the new subsidiary undertaking of the Company, entered into a new facility agreement for a total loan of £570.0m, which consisted of £540.0m to fully repay the existing debts of HC-One Finco Limited (formerly FC Skyfall (UK) Financeco Limited), group and a further facility of £30.0m is available for draw down to fund working capital and capital expenditure within the next two years. No financial covenants are tested within the first two years and there is no amortisation during the term of the loan.

Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further fall in occupancy due to increased death rates and delay in recovery of admissions due to an increase of homes in outbreak (homes in outbreak are unable to accept admissions). When these downside sensitivities are applied to the financial projections, there are no indications of liquidity concerns, for a period through 12 months from the date of signing the financial statements, noting that the Group have no financial covenants that need to be complied with until the quarter ending 30 June 2023.

The going concern of the Company is dependent upon the overall going concern of the HC-One Holdco 3 Limited Group (formerly FC Skyfall Holdco 3 Limited Group). The Company and its Group undertakings are obligors to a £555.4m term loan facility agreement entered into by HC-One FinCo Limited (formerly FC Skyfall (UK) Financeco Limited), the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the Group's assets and unlimited guarantee from its Group undertakings. HC-One Holdco 3 Limited has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for a period of at least 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 indefinitely although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the Group's forecasts and projections and taking into account reasonable possible changes in trading performance as mentioned above, the Directors have a reasonable expectation that the Group and the Company 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. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ON BEHALF OF THE BOARD:

....
Mr D A Smith - Director

Date: 10 February 2022

The directors present their report with the financial statements of the Company for the year ended 30th September 2021.

CHANGE OF NAME
The Company passed a special resolution on 24th August 2021 changing its name from HC-One Oval Limited to HC-One No. 1 Limited.

PRINCIPAL ACTIVITY
The principal activity of the Company in the year under review was that of the operation of care homes for the elderly in the United Kingdom.

Details of the principal risks and uncertainties, including financial risk, are provided within the strategic report and form part of this report by cross reference.

DIVIDENDS
No dividends will be distributed for the year ended 30th September 2021.

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.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1st October 2020 to the date of this report.

Mr D A Smith
Mr J A Ransford
Sir D Behan
Mr J W Tugendhat

Other changes in directors holding office are as follows:

Sir W H W Wells - resigned 27th April 2021

Sir D Behan ceased to be a director after 30th September 2021 but prior to the date of this report.

POLITICAL CONTRIBUTIONS
The Company made no political donations during the year (2020 £Nil).

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.

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.

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 disable persons should, as far as possible, be identical to that of their employees.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

....
Mr D A Smith - Director

Date: 10 February 2022

Directors' Responsibilities Statement
for the Year Ended 30th September 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

Opinion
We have audited the financial statements of HC-One No. 1 Limited ("the company") for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 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.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:
- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Key audit matters
Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and the audit committee, as to the group's high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for senior management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and the audit committee, as to the group's high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for senior management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of properties within the group. On this audit we do not believe there is a fraud risk related to revenue recognition because:

- Revenue recognition is non-complex in nature; and
- There is sufficient segregation of duties within the revenue recognition process to mitigate the opportunity for revenue recognition to be fraudulently manipulated.

We did not identify any additional fraud risks.

We performed procedures including:
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash accounts, finance expenses and rental expenses, with a corresponding entry in unusual accounts.
- Evaluated the business purpose of significant unusual transactions

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and UK Care Standards as defined by the Care Quality Commission, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, general data protection regulation (GDPR), employment law, and environmental protection legislation, recognising the nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of directors
As explained more fully in their statement set out on page 13, 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.

Auditors' 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 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.

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 a Report of the Auditors 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
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX

Date: ..10....February 2022

HC-One No. 1 Limited
previously known as HC-One Oval Limited

Statement of Comprehensive Income
for the Year Ended 30th September 2021

	Notes	2021 £'000	2020 £'000
TURNOVER	4	227,768	248,540
Cost of sales		(205,430)	(210,896)
GROSS PROFIT		22,338	37,644
Administrative expenses		(11,330)	(9,008)
OPERATING PROFIT	6	11,008	28,636
Exceptional Costs	7	(2,547)	(48,594)
Loss on sale of tangible fixed assets	7	(620)	(1,420)
		7,841	(21,378)
Interest receivable and similar income		3	16
		7,844	(21,362)
Interest payable and similar expenses	8	(115)	(58)
PROFIT/(LOSS) BEFORE TAXATION		7,729	(21,420)
Tax on profit/(loss)	9	5,421	6,972
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		13,150	(14,448)
OTHER COMPREHENSIVE INCOME			
Property revaluation		12,832	18,927
Income tax relating to other comprehensive income		(3,029)	(4,227)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		9,803	14,700
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22,953	252

The notes on pages 21 to 36 form part of these financial statements

HC-One No. 1 Limited (Registered number: 10257888)
previously known as HC-One Oval Limited

Balance Sheet
30th September 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	10	322	473
Tangible assets	11	91,997	335,195
Investments	12	-	-
		92,319	335,668
CURRENT ASSETS			
Stocks	13	202	206
Debtors	14	347,096	96,901
Cash at bank and in hand		28,327	29,497
		375,625	126,604
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(32,490)	(51,455)
NET CURRENT ASSETS		343,135	75,149
TOTAL ASSETS LESS CURRENT LIABILITIES		435,454	410,817
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(53)	(106)
PROVISIONS FOR LIABILITIES	18	(4,317)	(2,580)
NET ASSETS		431,084	408,131
CAPITAL AND RESERVES			
Called up share capital	19	-	265,000
Revaluation reserve		10,647	40,886
Retained earnings		420,437	102,245
SHAREHOLDERS' FUNDS		431,084	408,131

The financial statements were approved by the Board of Directors and authorised for issue on 16 February 2022 and were signed on its behalf by:

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Mr D A Smith - Director

The notes on pages 21 to 36 form part of these financial statements

HC-One No. 1 Limited
previously known as HC-One Oval Limited

Statement of Changes in Equity
for the Year Ended 30th September 2021

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1st October 2019	265,000	116,693	26,186	407,879
Changes in equity				
Total comprehensive income	-	(14,448)	14,700	252
Balance at 30th September 2020	265,000	102,245	40,886	408,131
Changes in equity				
Realised gains on disposal of properties	-	40,042	(40,042)	-
Reduction in share capital	(265,000)	265,000	-	-
Total comprehensive income	-	13,150	9,803	22,953
Balance at 30th September 2021	-	420,437	10,647	431,084

The notes on pages 21 to 36 form part of these financial statements

1. **STATUTORY INFORMATION**

HC-One No. 1 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The functional currency of 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 has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

Preparation of consolidated financial statements
The financial statements contain information about HC-One No. 1 Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, FC Oval Holdco Limited 1, Trident Trust Company (Cayman) Limited, One Capital Place Shedden Road, PO BOX 847, George Town, Grand Cayman, Cayman Islands, KY1-1103.

Related party exemption
The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

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2. **ACCOUNTING POLICIES - continued**

Going concern
The Directors have reviewed the going concern of the Group and the Company carefully in the preparation of these financial statements. In order to prepare the financial statements on a going concern basis, the Directors have considered detailed financial projections for a period through 12 months from the date of signing the financial statements. These projections are based on the Group's detailed forecasts. By their very nature, forecasts and projections are inherently uncertain, however, the prepared forecasts show that the Group will operate well within its committed facilities for that period.

The Directors have prepared detailed cash flow forecasts for the Group for the period to 30 September 2025. Net debt levels, servicing costs and working capital 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.

The Group has reviewed its working capital requirements including its current shareholders' funds position and maintains sufficient cash resources to meet its day to day working capital requirements. At 30 September 2021, the Group was financed by £93.0m of cash and £547.5m of term loans. On 27 April 2021, HC-One Finco Limited (formerly FC Skyfall (UK) Financeco Limited), the new subsidiary undertaking of the Company, entered into a new facility agreement for a total loan of £570.0m, which consisted of £540.0m to fully repay the existing debts of HC-One Finco Limited (formerly FC Skyfall (UK) Financeco Limited), group and a further facility of £30.0m is available for draw down to fund working capital and capital expenditure within the next two years. No financial covenants are tested within the first two years and there is no amortisation during the term of the loan.

Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further fall in occupancy due to increased death rates and delay in recovery of admissions due to an increase of homes in outbreak (homes in outbreak are unable to accept admissions). When these downside sensitivities are applied to the financial projections, there are no indications of liquidity concerns, for a period through 12 months from the date of signing the financial statements, noting that the Group have no financial covenants that need to be complied with until the quarter ending 30 June 2023.

The going concern of the Company is dependent upon the overall going concern of the HC-One Holdco 3 Limited Group (formerly FC Skyfall Holdco 3 Limited Group). The Company and its Group undertakings are obligors to a £555.4m term loan facility agreement entered into by HC-One FinCo Limited (formerly FC Skyfall (UK) Financeco Limited), the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the Group's assets and unlimited guarantee from its Group undertakings. HC-One Holdco 3 Limited has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for a period of at least 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 indefinitely although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the Group's forecasts and projections and taking into account reasonable possible changes in trading performance as mentioned above, the Directors have a reasonable expectation that the Group and the Company 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. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

continued...

2. ACCOUNTING POLICIES - continued

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.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Separately acquired licences 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.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Finance income and finance costs
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.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

Current 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 provided in full on 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. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, 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.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense and income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.
Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise that assets and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis; or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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.

continued...

2. ACCOUNTING POLICIES - continued

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.

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.

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).

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.

Government Grants
Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the assets. Where part of a grant relating to an asset is deferred, it is recognised as deferred income. Government grants received are for use in capital improvement projects of qualifying care homes. Government support received during the pandemic has been treated as a government grant where it is dependent on compliance with specified conditions, for example the Infection Control Fund and Rapid Testing Funds, and has been included within Revenue. Other forms of government support have been treated as government assistance.

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3. 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 2020 the Directors obtained a full external valuation of its properties, taking into consideration market conditions and performance of the properties. A further revaluation took place as at 30 September 2021 to recognise the sales offer for a number of properties on the market as at the year-end date. Further details can be found in note 11.

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 11.

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 18 for further details of deferred tax assets recognised.

continued...

4. TURNOVER

The turnover and profit (2020 - loss) before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by class of business is given below:

	2021	2020
	£'000	£'000
Elderly care	227,768	248,540
	227,768	248,540

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£'000	£'000
Wages and salaries	152,245	161,891
Social security costs	10,743	10,387
Other pension costs	2,735	2,498
	165,723	174,776

The average number of employees during the year was as follows:

	2021	2020
Care Staff	7,737	8,455

	2021	2020
	£	£
Directors' remuneration	-	-

Please see note 20 for further details of other pension costs.

6. OPERATING PROFIT

Operating profit is stated after charging:

	2021	2020
	£'000	£'000
Other operating leases	1,534	8
Government grants (including Job Retention Scheme, Infection Control Grant and Rapid Testing Grant) *	(10,445)	(5,968)
Depreciation - owned assets (Note 11)	8,871	8,856
Licences amortisation (Note 10)	634	877
Fees payable to Company's auditors for the audit of the Company's annual financial statements	90	90

* In addition to government grants, the Group received government assistance in the form of cost recoveries and occupancy guarantees in Scotland.

continued...

7. EXCEPTIONAL ITEMS

	2021 £'000	2020 £'000
Exceptional Costs	(2,547)	(48,594)
Loss on sale of tangible fixed assets	(620)	(1,420)
	(3,167)	(50,014)

Exceptional Costs

COVID-19 costs
Exceptional costs totalling £949,000 (2020: £2,124,000) have been incurred in relation to COVID-19, which includes PPE related costs in the year to 30 September 2021.

Restructuring costs
Exceptional costs totalling £124,000 (2020: £505,000) have been incurred relating to restructuring costs in the year.

Adjustment to bad debt provision
A fair value adjustment of £nil (2020: £431,000) 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 £1,475,000 (2020:£45,534,000) in the year.

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Bank interest	99	50
Hire purchase	16	8
	115	58

9. TAXATION

Analysis of the tax credit
The tax credit on the profit for the year was as follows:

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	-	(1)
Deferred tax	(5,421)	(6,971)
Tax on profit/(loss)	(5,421)	(6,972)

UK corporation tax was charged at 19% in 2020.

continued...

9. **TAXATION - continued**

Reconciliation of total tax credit included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit/(loss) before tax	7,729	(21,420)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,469	(4,070)
Effects of:		
Expenses not deductible for tax purposes	(1,034)	1,393
Adjustments to tax charge in respect of previous periods	75	474
Tax rate changes	(2,984)	51
Effects of group relief	(2,947)	(4,820)
Total tax credit	(5,421)	(6,972)

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2021 Net £'000
Property revaluation	12,832	(3,029)	9,803

	Gross £'000	Tax £'000	2020 Net £'000
Property revaluation	18,927	(4,227)	14,700

Finance Act 2020 enacted provision to increase the UK Corporation tax rate to 19% from 1 April 2020 and accordingly the deferred tax at 30 September 2021 was calculated at this rate.

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

continued...

10. INTANGIBLE FIXED ASSETS

	Licences £'000
COST	
At 1st October 2020	2,089
Additions	483
At 30th September 2021	2,572
AMORTISATION	
At 1st October 2020	1,616
Amortisation for year	634
At 30th September 2021	2,250
NET BOOK VALUE	
At 30th September 2021	322
At 30th September 2020	473

11. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
COST OR VALUATION			
At 1st October 2020	417,367	18,610	435,977
Additions	4,226	8,885	13,111
Disposals	(16,690)	(582)	(17,272)
Revaluations	18,387	-	18,387
Reclassification/transfer	(242,015)	-	(242,015)
At 30th September 2021	181,275	26,913	208,188
DEPRECIATION			
At 1st October 2020	95,087	5,695	100,782
Charge for year	4,434	4,437	8,871
Eliminated on disposal	(285)	(207)	(492)
Impairments	7,030	-	7,030
At 30th September 2021	106,266	9,925	116,191
NET BOOK VALUE			
At 30th September 2021	75,009	16,988	91,997
At 30th September 2020	322,280	12,915	335,195

continued...

11. **TANGIBLE FIXED ASSETS - continued**

As at 30 September 2021, the Freehold and Long leasehold operating property which were under offer were revalued to their offer price. This resulted in a net upwards revaluation of £18,387,000 recognised in Other Comprehensive Income and a downwards impairment of £7,030,000. Of the £7,030,000 impairment, £5,555,000 was recognised in Other Comprehensive Income reversing previous increases and £1,475,000 through exceptional costs, see note 7.

On 31 July 2021, the freehold properties of 66 care homes were recognised as a disposal totalling £242,015,000 in HC-One No.1 Limited. These properties were then transferred to HC-One Properties 1 Limited by way of intra-group transfer

The net book value of fixtures and fittings includes £175,000 (2020: £197,000) in respect of assets held under finance leases.

Cost or valuation at 30th September 2021 is represented by:

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
Valuation in 2021	181,275	26,913	208,188

If buildings and grounds had not been revalued they would have been included at the following historical cost:

	2021 £'000	2020 £'000
Cost	162,887	376,077
Aggregate depreciation	99,236	27,190

Buildings and grounds were valued on an open market basis on 30th September 2021 by comparison to offered sales prices.

12. **FIXED ASSET INVESTMENTS**

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

NH JV Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Holding company

Class of shares:	% holding
Ordinary	100.00

Joint ventures

HC Grand N JV Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Joint venture

Class of shares:	% holding
Ordinary	50.00

continued...

12. **FIXED ASSET INVESTMENTS - continued**

HC Grand N JV Sub Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Joint venture

	%
Class of shares:	holding
Ordinary	50.00

All of the investments listed as above have been struck off as at the date of signing of accounts.

13. **STOCKS**

	2021	2020
	£'000	£'000
Stocks	202	206

14. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£'000	£'000
Trade debtors	12,781	11,862
Amounts owed by group undertakings	329,059	79,170
Other debtors	108	383
Deferred tax asset	1,049	-
Prepayments and accrued income	4,099	5,486
	347,096	96,901

Trade debtors are recognised net of a bad debt provision. As at 30 September 2021, this totalled £3,869,000 (2020: £5,552,000)

As at 30 September 2021, amounts owed by Group undertakings totalled £329,059,000 (2020: £79,170,000). These amounts are due on demand with no fixed repayment date and bear no interest.

For further details surrounding the deferred tax asset refer to notes 9 and 18.

15. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£'000	£'000
Finance leases (see note 17)	54	58
Trade creditors	13,266	13,674
Amounts owed to group undertakings	5	14,274
Social security and other taxes	1,966	5,421
Other creditors	644	733
Accruals and deferred income	16,528	17,295
Deferred government grants	27	-
	32,490	51,455

As at 30 September 2021, amounts owed by Group undertakings totalled £22,888,000 (2020: £14,274,000). These amounts are due on demand with no fixed repayment date and bear no interest.

16. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2021	2020
	£'000	£'000
Finance leases (see note 17)	53	106

continued...

17. LEASING AGREEMENTS

Minimum lease payments under finance leases fall due as follows:

	Finance leases	
	2021	2020
	£'000	£'000
Net obligations repayable:		
Within one year	54	58
Between one and five years	53	106
	107	164

continued...

18. PROVISIONS FOR LIABILITIES

Other provisions

	2021 £'000
Provision at start of the year	-
Charge to Statement of Comprehensive Income for the year	4,317
Liability at the end of the year	**4,317**

During the year, the Group created provisions totalling £4,317,000 for various items including insurances and litigation amongst others. The provisions are expected to unwind as and when the outcomes of the specific provisions become more certain.

Deferred tax

The deferred tax asset recognised as at 30 September 2021 has been included within Debtors: amounts falling due within one year.

Deferred tax:	2021 £'000	2020 £'000
Provision at start of year	2,580	5,324
Adjustment in respect of prior periods	-	475
Charge to Statement of Comprehensive Income for the year	(5,421)	(7,446)
Charge to Other Comprehensive Income for the year	3,029	4,227
Transfer of properties to HC1 Properties No. 1 Limited	(1,237)	
(Asset)/Liability at the end of the year	**(1,049)**	**2,580**

	2021 £'000	2020 £'000
Fixed asset timing differences	(957)	2,506
Short term timing differences (trading)	(92)	74
	(1,049)	**2,580**

	2021 £'000	2020 £'000
Deferred tax		
Payable within 12 months	-	2,580
Payable after 12 months	-	-
Recoverable within 12 months	(1,049)	-
Recoverable after 12 months	-	-

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

continued...

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
1	Ordinary	£1	1	265,000,001

A share capital reduction was recognised as at 31 August 2021 by way of special resolution leaving £1 of ordinary shares.

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

The retained earnings reserve represents cumulative profits and losses net of dividends paid.

20. PENSION COMMITMENTS

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year to 30 September 2021 was £2,735,000 (2020: £2,498,000).

21. CONTINGENT LIABILITIES AND GUARANTEES

On 27 April 2021, HC-One Finco Limited (formerly FC Skyfall (UK) Financeco Limited), the new intermediate parent company of the Company entered into a five year £570.0m term loan facility agreement, with a maturity date on 26 April 2026. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Topco Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £555.4m remains outstanding.

22. FINANCIAL COMMITMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

Land and Buildings	2021 £'000	2020 £'000
Expiry date:		
- within one year	18,409	-
- between one and five years	73,636	-
- after five years	385,114	-

The operating lease of land and buildings relates to care homes which are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Note, that the rental charges commenced on the 1st September 2021 after the transfer of 66 freehold properties to HC-One Properties 1 Limited and therefore represents intra-group rent. The lease term on these properties is 25 years.

23. RELATED PARTY DISCLOSURES

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other wholly-owned group undertakings within the HC-One Holdco 3 Limited (Formerly FC Skyfall Holdco 3 Limited) Group.

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24. **POST BALANCE SHEET EVENTS**

No significant events are noted after the year ended 30 September 2021 to the date of signing this report.

25. **ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY**

The Company's immediate parent undertaking is HC-One Intermediate Holdco 3 Ltd (formerly FC Oval Bidco Limited), a company incorporated in the Cayman Islands.

The Directors regard Skyfall LP (formerly FC Skyfall LP), a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking. The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited (formerly FC Skyfall GP Limited), a company incorporated in Cayman Islands.

The smallest and largest group into which these financial statements are consolidated is HC-One Holdco 3 Limited (Formerly FC Skyfall Holdco 3 Limited) with registered office at C/O Maples Corporate Services Limited PO BOX 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Copies of FC Oval Holdco Limited 1 (formerly FC Oval Holdco 1 Limited) financial statements to 30 September 2021 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.