REGISTERED NUMBER: 10257888 (England and Wales)

HC-One No. 1 Limited

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2022

Contents of the Financial Statements
for the Year Ended 30th September 2022

Company Information
for the Year Ended 30th September 2022

DIRECTORS:	Mr D A Smith Mr J W Tugendhat
SECRETARY:	Mrs C Cutler
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 2022.

REVIEW OF BUSINESS

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 4,000 residents across 70 homes in the UK (2021: over 5,000 residents across 89 homes in the UK).

RESULTS

The profit and loss account shows the results for the year ended 30 September 2022. The Company's profit for the year ended 30 September 2022 after exceptional costs amounted to £1.7m (2021: £13.2m) and includes £6.1m of exceptional costs (2021: £2.55m). Exceptional costs included £1.7m of COVID-19 related costs (2021: £0.9m), restructuring costs of £0.2m (2021: £0.1m), Onerous lease costs £0.5m (2021: £nil), impairments to fixed assets of £0.1m reflecting the current offer prices of the properties (2021: £1.5m), exceptional agency costs £3.1m (2021: £nil), exceptional IT project costs £0.2m (2021: £nil) and exceptional Health and Safety ligitation £0.3m (2021: £nil) . Before exceptional costs, profit after taxation was £7.8m (2021 profit: £15.8m).

The Company's gross profit for the year ended 30 September 2022 amounted to £30.4m (2021: £22.3m) including £6.1m (2021: £8.9m) of depreciation.

As at 30 September 2022, the Company had net assets of £431.8m (2021: £431.1m).

KEY PERFORMANCE INDICATORS

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

	2022	**2021**	**Increase/ (decrease)**
Average occupancy	75.2%	71.8%	3.4%
Average weekly fee rate	£895	£823	£72

Over this period, occupancy has increased by 3.4% as the impact of the COVID-19 global pandemic has begun to ease. Further details on the impact of COVID-19 can be found later in this strategic report.

FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

Financial risks

The Directors of HC-One Holdco 3 Limited have the overall responsibility for the Group and its subsidiaries in assessing risk and taking appropriate action. Accordingly, the Group risks and policies also apply to the Company.

Credit risk

The Group's principal assets are bank balances and cash, trade and other receivables and tangible fixed assets.

The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are reviewed on a regular basis to ensure they are collectable. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group based on previous experience and assessment of the current economic climate. Also, risk is spread over a large number of customers. 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 Group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments. All committed facilities are monitored and maintained regularly ensuring that all future improvement programmes are met. See accounting policies note 1 for further details.

Price risk

The Group faces uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited. The average weekly fee rates are also driven by the number of residents funded by Local Authorities and by private fee payers.

Interest rate risk

The Group finances its operations through called-up share capital and external debts. The interest rate applicable to the external debt of £520.9m is fixed at 12% per annum.

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. The Group also has clear governance processes to report on risks and incidents, and then implement learnings from those events to mitigate the risk of future incidents.

Regulatory Risk

The Group's operations are subject to an increasingly high level of regulation and scrutiny by various regulators across the UK. Inspections are largely unannounced and often involve several inspectors per home visit. The failure to meet the appropriate national regulations could lead to a service being placed under special measures, being subjected to enforcement notices or possibly forced to close.

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 to internal quality measures and external regulations. The internal inspections are shared with home managers and their line managers and progress against subsequent required actions is reviewed by both line management and our 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 or developing the right calibre of leadership and/or not developing the core competencies needed to manage an organisation of the Group's scale and complexity. There is also a risk to not having the correct resources in place and establishing the level of carer, manager and clinical capacity and capability, for the unique and personalised levels of care our residents need and/or for which we are commissioned.

We have added to our leadership capability in recent years, enabling the cultural changes required to attract even more talent, from inside and outside of the sector. Our focus on personal and professional, rooted in trust-based Growth Conversations, are enabling us to invest in the skills, knowledge and experience we need for today and for the future. Our overseas nursing programme is a key channel to bringing in additional nursing skills, as we invest in our clinical capability, in areas such as our Nursing Assistant Programme. 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. Flexibility, rooted in personalised care and requiring flexible working practices, is behind our investment in FlexForce, an innovative contract which creates consistent monthly income, wrapped in the deployment of hours flexibly across days and Homes. This, combined with the push to anchor decisions on resource allocation in our Homes, will integrate more flexible practices for delivering care and working practices.

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. A 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 target. The Group has various contingencies in place for a variety of major equipment failure.

Recent events affecting the supply of energy may now lead to the risk of planned or unplanned blackouts, and although considered to be unlikely this is now a risk. This is mitigated through various business continuity plans and also having the ability to source generators at short notice.

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 profitability.

The Group has quality processes and arrangements, which support us to be first choice provider in the communities we serve, to ensure continued demand, regardless of funding and system changes. The Group continues to lobby through national, regional and local Care Associations and partner with professional bodies. The Group monitors and contributes to Government research, working groups and consultation exercises.

Following an announcement in the government's Autumn Statement 2022, the planned adult social care charging reforms are now delayed until October 2025.

Potential future pandemics
The impact of a pandemic, like COVID-19, is demonstrably a major risk for those we care for and for the Group's finances and ability to deliver its long term goals.

We continue to work with the Department for Health and Social Care, enabling us to proactively prepare for such events. 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 the financial impact of any home going into 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 Holdco 3 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 2022.

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 forthcoming five 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 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 represents value for money. We want to lead the sector in listening to families, learning and handling any complaints.

Our People

Our people are critical to delivering the Group's strategy and our purpose to support those in our care to lead their best life. This will happen as a direct result of our colleagues believing that we are the most fulfilling place to work in the sector. Our Kind Care model, rooted in a deep understanding of what kind care means to our residents, families and colleagues, is at the heart of our culture and integral to our business model. Core to achieving this is our focus on rewarding and recognising our colleagues, supporting colleague's personal and professional growth and creating pathways to enjoying long-term careers in the sector.

A deep connection with every colleague, each feeling a meaningful sense of belonging to our organisation, trust in our leadership and believing they can bring their full and best selves to work, are core to the culture we are nurturing.

Investors

The Board is committed to openly engaging with its shareholders, as it recognises the importance of a continuing and effective dialogue. The Chief Executive Officer, Chief Financial Officer and other members of the Executive team engage with the investors on a monthly basis at Board meetings, so as to provide regular guidance and transparent information, in order for investors to have a good understanding of the business and visibility of 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 for effective governance of the Group and the opportunity for management to be challenged, questioned, and encouraged, to ensure the effective 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 an ongoing 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 updates.

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 and key component of the local health and social care landscape.

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 our suppliers and have multi-year contracts with key suppliers. We understand the requirement for our suppliers to feel assured of the creditworthiness of their 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 inspect each of our homes and report as to whether they are deemed to be compliant. Any weaknesses in compliance are taken extremely seriously by the Board, the Executive team and the individual care home. The operations and quality teams 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 with, 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 provide a safe, homely, friendly and fun place to be, along with ensuring a positive impact to the community in which they sit. 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. 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, though it is important to note that such activities have been restricted during the pandemic.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)
The energy used by the Company in the year ended 30th September 2022 is as follows:

Energy Type	Number	Type	kgCO2e	%
Electricity	13,991,445	kwh's	4,918,253	29.2%
Natural Gas	64,127,482	kwh's	11,809,717	70.1%
Transport	117,176	Miles	34,403	0.2%
Heating Oil	29,948	Ltrs	88,548	0.5%
Total			**16,850,921**	**100%**
KgCO2e per registered bed			**2,448**	
Power Generated				
Power from Solar	260,454	kwh's	91,554	100%
Total			**91,554**	**100%**

The associated CO2 emissions amounted to 16,850,921 Kilograms. The intensity measure used by the Company is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2022 is 2,448 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.

A strategy towards aimed towards achieving Net Zero Carbon is now incredibly important. Energy efficiency measures taken during the year include the installation of many new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls and optimised controls of lighting and plant rooms. Plans are currently underway to look at ensuring all homes have the right levels of loft and wall insulation and that windows are adequately glaze. The business has now made the decision to begin the long process of phasing out gas within kitchens and replacing with electric. Dependant upon the cost of energy and the subsequent impact upon payback periods solar PV installations on care home roofs are currently being explored alongside other newer innovations such as air source heap pump dryers to replace gas.

EVENTS AFTER THE BALANCE SHEET DATE
Details of significant events since the balance sheet date are contained in note 25 of the financial statements.

GOING CONCERN

In assessing the basis of preparation of the financial statements for the year ended 30 September 2022, the Directors use the Group's anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on the Group's ability to continue as a going concern. In challenging the Director's assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of the Group's planning process, the Directors focused on the Group's headroom within its financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements

At 30 September 2022, the Group's principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. No financial covenants are tested within the period to 30 September 2022 and there is no amortisation during the term of the loan. Financial covenant testing commences on 30 June 2023 with a leverage ratio of 8.50; a debt service cover ratio of 1.10 and a minimum cash balance of £16m.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of the Group's existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to the ongoing impact of Covid-19, occupancy growth, fee pricing, labour usage and labour pricing.

Due to the limited adverse impacts of Covid-19 on the Group's trading, the Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, the Group can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

ON BEHALF OF THE BOARD:

Mr D A Smith - Director

29th March 2023

The directors present their report with the financial statements of the Company for the year ended 30th September 2022.

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
Dividends declared and paid in the year amounted to £13,000 (2021: £nil).

The dividend amount declared was a non-cash item which resulted from the corporate restructuring steps undertook by the group as part of the refinancing arrangement completed in December 2021.

FUTURE DEVELOPMENTS
The Group continues to invest heavily in its portfolio and workforce to ensure it offers the best possible environments through which it can deliver high quality and kind care. The Group aims to be the first-choice care home provider in each community that it serves. To do this, the Group will continue to develop relationships with Local Authority and NHS Commissioners to be a trusted partner within increasingly integrated and area specific health and social care systems.

The successful refinancing in 2021 enabled the Group to further improve the environments we provide through individual home refurbishments, and this work will continue over the coming two to three years. The Group also continues to review the portfolio to identify those homes that are best served by more local operators. The sale of such homes will continue to enable partial repayments of the Group's debt. Property valuations have remained resilient during the pandemic, and we expect this to remain the case in the year ahead. In addition, the Group remains focussed on identifying the careful addition of modern new homes that will appeal to both private and publicly funded residents and further enhance the attractiveness of the assets to residents, families and commissioners.

Both the pandemic and the subsequent macro-economic environment have impacted significantly on occupancy levels across the social care sector, alongside the staff shortages which have been widely reported across the sector, including the Group. We will continue to invest in the training and welfare of our colleagues, and reward colleagues at increasing average pay levels as we seek to improve retention and recruitment alongside reducing the reliance on agency. This approach will also support our objective of providing externally recognised high quality care to all of those in our care.

The increase in payroll costs, allied with the widely reported high inflation levels being seen in energy, food and other key costs, as well as the emerging costs of carbon reduction, will inevitably lead to an increase in the fee rates we charge to residents. We will continue to play a leading role in this debate and work with Local Authorities, the NHS and other key stakeholders to drive a more integrated approach for providing health and social care to an increasingly older population with higher acuity.

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 2021 to the date of this report.

Mr D A Smith
Mr J W Tugendhat

Other changes in directors holding office are as follows:

Mr J A Ransford - resigned 29th March 2022
Sir D Behan - resigned 6th December 2021

POLITICAL CONTRIBUTIONS
The Company made no political donations during the year (2021 £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 equitable to that of all 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

29th March 2023

Directors' Responsibilities Statement
for the Year Ended 30th September 2022

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 2022 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 2022 and of its loss 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.

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;
- the risk of bias in accounting estimates and judgements such as the valuation of properties within the group; and
- the risk that fee income is misstated through recording revenues in the wrong period.

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;
- Evaluating the business purpose of significant unusual transactions;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Identifying revenue transactions posted prior to and after the year end and tracing these transactions to appropriate supporting documentation to verify the service was recognised in the correct period.

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 license 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 11, 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.

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.

Clare Partridge (Senior Statutory Auditor)
for.and on behalf of KPMG LLP
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX

30th March 2023

HC-One No. 1 Limited

Statement of Comprehensive Income
for the Year Ended 30th September 2022

	Notes	2022 £'000	2021 £'000
TURNOVER	4	212,852	227,768
Cost of sales		(182,477)	(205,430)
GROSS PROFIT		30,375	22,338
Administrative expenses		(37,070)	(11,330)
		(6,695)	11,008
Other operating income		(29)	-
OPERATING (LOSS)/PROFIT	7	(6,724)	11,008
Exceptional Costs	8	(6,119)	(2,547)
Loss on sale of tangible fixed assets	8	(735)	(620)
		(13,578)	7,841
Interest receivable and similar income		27	3
		(13,551)	7,844
Gain on revaluation of tangible assets		481	-
		(13,070)	7,844
Interest payable and similar expenses	9	(43)	(115)
(LOSS)/PROFIT BEFORE TAXATION		(13,113)	7,729
Tax on (loss)/profit	10	14,791	5,421
PROFIT FOR THE FINANCIAL YEAR		1,678	13,150
OTHER COMPREHENSIVE INCOME			
Property revaluation		-	12,832
Tax on prior year property revaluation		(75)	-
Income tax relating to components of other comprehensive income		-	(3,029)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(75)	9,803
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,603	22,953

The notes on pages 20 to 34 form part of these financial statements

Balance Sheet
30th September 2022

	Notes	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	12	49	322
Tangible assets	13	32,092	91,997
		32,141	92,319
CURRENT ASSETS			
Stocks	14	218	202
Debtors	15	443,313	347,096
Cash at bank and in hand		20,123	28,327
		463,654	375,625
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(57,669)	(32,490)
NET CURRENT ASSETS		405,985	343,135
TOTAL ASSETS LESS CURRENT LIABILITIES		438,126	435,454
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	-	(53)
PROVISIONS FOR LIABILITIES	19	(6,294)	(4,317)
NET ASSETS		431,832	431,084
CAPITAL AND RESERVES			
Called up share capital	20	-	-
Revaluation reserve		225	10,647
Retained earnings		431,607	420,437
SHAREHOLDERS' FUNDS		431,832	431,084

The financial statements were approved by the Board of Directors and authorised for issue on 29th March 2023 and were signed on its behalf by:

Mr D A Smith - Director

HC-One No. 1 Limited

Statement of Changes in Equity
for the Year Ended 30th September 2022

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1st October 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
Changes in equity				
Realised gains on disposal of properties	-	9,505	(9,505)	-
Impairment of prior year tangible fixed asset revaluation	-	-	(842)	(842)
Dividends	-	(13)	-	(13)
Total comprehensive income	-	1,678	(75)	1,603
Balance at 30th September 2022	-	431,607	225	431,832

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, HC-One Holdco 3 Limited, which can be obtained from companies house at Crown way, Cardiff, Wales, CF14 3UZ..

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

In assessing the basis of preparation of the financial statements for the year ended 30 September 2022, the Directors use the Group's anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on the Group's ability to continue as a going concern. In challenging the Director's assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of the Group's planning process, the Directors focused on the Group's headroom within its financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements

At 30 September 2022, the Group's principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. No financial covenants are tested within the period to 30 September 2022 and there is no amortisation during the term of the loan. Financial covenant testing commences on 30 June 2023 with a leverage ratio of 8.50; a debt service cover ratio of 1.10 and a minimum cash balance of £16m.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of the Group's existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to the ongoing impact of Covid-19, occupancy growth, fee pricing, labour usage and labour pricing.

Due to the limited adverse impacts of Covid-19 on the Group's trading, the Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, the Group can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Pension costs and other post-retirement benefits

The Group operate auto enrolment into company Default Pension Schemes. The Default Pension Schemes are managed by external third parties. All pension schemes are accounted for as defined contribution pension schemes 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 period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

Onerous lease and contracts
Provisions are made for future operating lease payments on those homes which are not forecast to be profitable.

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.

continued...

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, 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 10.

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 13.

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.

continued...

4. TURNOVER

The turnover and loss (2021 - profit) before taxation are attributable to the one principal activity of the Company.

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

	2022 £'000	2021 £'000
Elderly care	212,852	227,768
	212,852	227,768

5. EMPLOYEES AND DIRECTORS

	2022 £'000	2021 £'000
Wages and salaries	139,728	152,245
Social security costs	9,638	10,743
Other pension costs	2,183	2,735
	151,549	165,723

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

	2022	2021
Care Staff	6,366	7,737

Please see note 21 for further details of other pension costs.

6. DIRECTORS' EMOLUMENTS

	2022 £'000	2021 £'000
Aggregate emoluments inclusive of benefits in kind	-	-

None of the Directors received emoluments in relation to their services to the Company during the current year. Directors' emoluments have been borne by HC-One Management Limited, a group undertaking during the current year and are not repayable.

7. OPERATING (LOSS)/PROFIT

Operating loss (2021: Profit) is stated after charging:

	2022 £'000	2021 £'000
Other operating leases	19,481	1,534
Government grants (including Job Retention Scheme, Infection Control Grant and Rapid Testing Grant) *	(4,278)	(10,445)
Depreciation - owned assets (Note 13)	6,104	8,871
Licences amortisation (Note 12)	585	634
Management fees	8,193	-
Fees payable to Company's auditors for the audit of the Company's annual financial statements	164	90

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

8. EXCEPTIONAL ITEMS

	2022 £'000	2021 £'000
Exceptional Costs	(6,119)	(2,547)
Loss on sale of tangible fixed assets	(735)	(620)
	(6,854)	(3,167)

Exceptional Costs

COVID-19 costs
Exceptional costs totalling £1,744,000 (2021: £949,000) have been incurred in relation to COVID-19, which includes PPE related costs in the year to 30 September 2022.

Restructuring costs
Exceptional costs totalling £175,000 (2021: £124,000) have been incurred relating to restructuring costs in the year.

Onerous Lease Costs
Exceptional costs totalling £477,000 (2021: £nil) have been incurred relating to an adjustment in the onerous lease provision in the year.

Impairment of fixed assets
The Company carried out an impairment review which resulted in fixed assets being written down by £141,000 (2021:£1,475,000) in the year.

Agency Costs
During the year the company incurred exceptional agency costs totalling £3,143,000 (2021: £nil).

IT Project Costs
Exceptional costs totalling £189,000 (2021: £nil) have been incurred relating to exceptional IT projects.

Health and Safety Litigation
Exceptional costs totalling £250,000 (2021: £nil) have been incurred relating to Health and Safety Litigation.

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £'000	2021 £'000
Bank interest	21	99
Hire purchase	22	16
	43	115

10. TAXATION

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

	2022 £'000	2021 £'000
Deferred tax	(14,791)	(5,421)
Tax on (loss)/profit	(14,791)	(5,421)

continued...

10. 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:

	2022 £'000	2021 £'000
(Loss)/profit before tax	(13,113)	7,729
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(2,492)	1,469
Effects of:		
Expenses not deductible for tax purposes	(2,865)	(1,034)
Income not taxable for tax purposes	(226)	-
Adjustments to tax charge in respect of previous periods	(9,827)	75
Tax rate changes	(1,191)	(2,984)
Effects of group relief	1,451	(2,947)
Gains/rollover relief	363	-
Uplift on capital expenditure treated as qualifying .and remediation expenditure	(4)	-
Total tax credit	(14,791)	(5,421)

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2022 Net £'000
Property revaluation			
Tax on prior year property revaluation	(75)	-	(75)
	(75)	-	(75)

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

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.

11. DIVIDENDS

Dividends declared and paid in the year amounted to £13,000 (2021: £nil).

The dividend amount declared was a non-cash item which resulted from the corporate restructuring steps undertook by the group as part of the refinancing arrangement completed in December 2021.

continued...

12. INTANGIBLE FIXED ASSETS

	Licences £'000
COST	
At 1st October 2021	2,572
Additions	312
At 30th September 2022	2,884
AMORTISATION	
At 1st October 2021	2,250
Amortisation for year	585
At 30th September 2022	2,835
NET BOOK VALUE	
At 30th September 2022	49
At 30th September 2021	322

13. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
COST OR VALUATION			
At 1st October 2021	181,275	26,913	208,188
Additions	8,960	7,888	16,848
Disposals	(52,985)	(4,634)	(57,619)
Revaluations	481	-	481
Intra group transfer	(17,564)	-	(17,564)
At 30th September 2022	120,167	30,167	150,334
DEPRECIATION			
At 1st October 2021	106,266	9,925	116,191
Charge for year	772	5,332	6,104
Eliminated on disposal	(1,966)	(2,051)	(4,017)
Impairments	985	-	985
Intra group transfer	(1,021)	-	(1,021)
At 30th September 2022	105,036	13,206	118,242
NET BOOK VALUE			
At 30th September 2022	15,131	16,961	32,092
At 30th September 2021	75,009	16,988	91,997

As at 30 September 2022, the Freehold and Long leasehold operating property which were under offer were revalued to their offer price. This resulted in an upwards revaluation of £481,000, recognised at fair value through the profit and loss account and a downwards impairment of £985,000. Of the £985,000 impairment, £844,000 was recognised in Other Comprehensive Income, reversing previous increases, and £141,000 through exceptional costs, see note 8.

The net book value of fixtures and fittings includes £115,000 (2021: £175,000) in respect of assets held under finance leases.

continued...

13. **TANGIBLE FIXED ASSETS - continued**

Cost or valuation at 30th September 2022 is represented by:

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
Valuation in 2022	120,167	30,167	150,334

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

	2022 £'000	2021 £'000
Cost	101,298	162,887
Aggregate depreciation	97,021	99,236

Buildings and grounds were valued on an open market basis on 30th September 2022 by comparison to offered sales prices.

14. **STOCKS**

	2022 £'000	2021 £'000
Stocks	218	202

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

	2022 £'000	2021 £'000
Trade debtors	11,362	12,781
Amounts owed by group undertakings	412,530	329,059
Other debtors	102	108
Deferred tax asset	15,765	1,049
Prepayments and accrued income	3,554	4,099
	443,313	347,096

Trade debtors are recognised net of a bad debt provision. As at 30 September 2022, this totalled £4,366,000 (2021: £3,869,000)

As at 30 September 2022, amounts owed by Group undertakings totalled £412,530,000 (2021: £329,059,000). 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 10 and 19.

continued...

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Finance leases (see note 18)	52	54
Trade creditors	12,457	13,266
Amounts owed to group undertakings	26,844	5
Social security and other taxes	2,394	1,966
Other creditors	1,143	644
Accruals and deferred income	14,702	16,528
Deferred government grants	77	27
	57,669	32,490

As at 30 September 2022, amounts owed to Group undertakings totalled £23,682,000 (2021: £5,000). These amounts are due on demand with no fixed repayment date and bear no interest.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £'000	2021 £'000
Finance leases (see note 18)	-	53

18. LEASING AGREEMENTS

Minimum lease payments under finance leases fall due as follows:

	Finance leases	
	2022 £'000	2021 £'000
Net obligations repayable:		
Within one year	52	54
Between one and five years	-	53
	52	107

continued...

19. PROVISIONS FOR LIABILITIES

Other provisions

	2022	2021
	£'000	£'000
Provision at start of the year	4,317	-
Charge to Statement of Comprehensive Income for the year	1,977	4,317
	6,294	**4,317**

During the year the provision increased by £1,977,000 for a total of £6,294,000 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 2022 has been included within Debtors: amounts falling due within one year.

Deferred tax:	2022	2021
	£'000	£'000
Provision at start of year	(1,049)	2,580
Adjustment in respect of prior periods	-	-
Charge to Statement of Comprehensive Income for the year	(14,791)	(5,421)
Charge to Other Comprehensive Income for the year	75	3,029
Transfer of properties to HC-One Properties No. 1 Limited	-	(1,237)
Asset at the end of the year	**(15,765)**	**(1,049)**

	2022	2021
	£'000	£'000
Fixed asset timing differences	(12,989)	(957)
Short term timing differences (trading)	(189)	(92)
	(13,178)	**(1,049)**

	2022	2021
	£'000	£'000
Deferred tax		
Payable within 12 months	-	-
Payable after 12 months	-	-
Recoverable within 12 months	(13,178)	(1,049)
Recoverable after 12 months	-	-

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

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
1	Ordinary	£1	1	1

continued...

20. **CALLED UP SHARE CAPITAL - continued**

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.

21. **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 2022 was £2,183,000 (2021: £2,735,000).

22. **CONTINGENT LIABILITIES AND GUARANTEES**

On 27 April 2021, HC-One FinCo Limited entered into a five year £570.0m term loan facility agreement, with a maturity date on 20 April 2026. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Holdco 3 limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £520.9m remains outstanding.

23. **FINANCIAL COMMITMENTS**

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

Land and Buildings	**2022**	**2021**
	£'000	**£'000**
Expiry date:		
- within one year	19,145	18,409
- between one and five years	76,581	75,636
- after five years	362,228	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. A further 2 freehold* properties were transferred to HC-One Properties 1 Limited in the year to 30th September 2022. The lease term on these properties is 25 years.

24. **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.

25. **POST BALANCE SHEET EVENTS**

No significant events are noted after the year ended 30 September 2022 to the date of signing this report.

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26. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

The Company's immediate parent undertaking is HC-One Intermediate Holdco 3 Ltd , a company incorporated in the Cayman Islands.

The Directors regard 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, a company incorporated in Cayman Islands.

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

The largest group into which these financial statements are consolidated is HC-One TopCo Limited with registered office at C/O Maples Corporate Services Limited PO BOX 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.