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REGISTERED NUMBER: FC030452 (Jersey)

HC-One Intermediate Holdco 4 Limited

Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2023

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HC-One Intermediate Holdco 4 Limited

**Company Information
for the Year Ended 30th September 2023**

DIRECTORS:

Mr D A Smith
Mr J W Tugendhat

SECRETARY:

ICECAP Limited

REGISTERED OFFICE:

First Floor
Osprey House
St Helier
JE2 3RG

INDEPENDENT AUDITORS:

KPMG LLP
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX

**Directors' Report
for the Year Ended 30th September 2023**

The directors present their report with the financial statements of the Company for the year ended 30th September 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of the holding company of HC-One Limited, a care home operator specialising in the provision of elderly care in the UK.

The Directors intend to continue these activities in the forthcoming year.

For further detail of the group's performance for the year ended 30 September 2023, please refer to the consolidated financial statements for the holding company, HC-One TopCo Limited; these accounts can be found at Companies House.

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 2022 to the date of this report.

Mr D A Smith
Mr J W Tugendhat

THIRD-PARTY INDEMNITY PROVISIONS

HC-One TopCo No 1 Limited, a related parent company, has made qualifying third-party indemnity provisions for the benefit of the Company's Directors and the directors of its subsidiaries, which were made during the year and remain in force to the date of this report.

**Directors' Report
for the Year Ended 30th September 2023**

GOING CONCERN

In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our 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.

As at 30 September 2023, our 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. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

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 our future performance. In making this assessment the Directors have considered our existing debt levels, the committed funding and liquidity positions under our debt covenants, our ability to generate cash from trading activities and our 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.

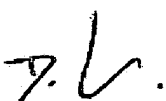
The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of our existing operations, potential new operations and administrative functions. As part of the planning process,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

The Directors believe that appropriate sensitivities in assessing our 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 our debt covenants and available liquidity provides meaningful analysis of our 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 our 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, we can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with our financial covenants.

Consequently, the Directors are confident that we will have sufficient funds to continue to meet our 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 February 2024

**Directors' Responsibilities Statement
for the Year Ended 30th September 2023**

The Directors are responsible for preparing 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 (Jersey) Law 1991. 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 Intermediate Holdco 4 Limited ("the company") for the year ended 30 September 2023 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the company's affairs as at 30 September 2023 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. 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 management, and inspection of policy documentation as to the HC-One Holdco 3 Limited's high-level policies and procedures to prevent and detect fraud, including HC-One Holdco 3 Limited's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and board performance committee minutes.

**Report of the Independent Auditors to the Members of
HC-One Intermediate Holdco 4 Limited**

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there were no revenue transactions during the year.

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 with unusual postings to investments in subsidiaries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to 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.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including Companies (Jersey) Law 1991), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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 fraud 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.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or
- the company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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

Date: 29th February 2024

HC-One Intermediate Holdco 4 Limited

**Statement of Comprehensive Income
for the Year Ended 30th September 2023**

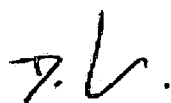
	Notes	2023 £'000	2022 £'000
TURNOVER		-	-
Administrative expenses		<u>(76)</u>	<u>(66)</u>
OPERATING LOSS	5	(76)	(66)
Interest receivable and similar income	6	2,202	2,163
Interest payable and similar expenses	7	<u>(9,365)</u>	<u>(5,594)</u>
LOSS BEFORE TAXATION		(7,239)	(3,497)
Tax on loss	8	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		(7,239)	(3,497)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(7,239)</u>	<u>(3,497)</u>

The notes on pages 11 to 21 form part of these financial statements

Balance Sheet
30th September 2023

	Notes	2023 £'000	2022 £'000
FIXED ASSETS			
Investments	9	108,552	108,552
CURRENT ASSETS			
Debtors: amounts falling due within one year	10	23,367	21,164
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(129,478)</u>	<u>(120,036)</u>
NET CURRENT LIABILITIES		<u>(106,111)</u>	<u>(98,872)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,441</u>	<u>9,680</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Share premium		7,174	7,174
Capital contribution reserve		29,045	29,045
Retained earnings		<u>(33,778)</u>	<u>(26,539)</u>
SHAREHOLDERS' FUNDS		<u>2,441</u>	<u>9,680</u>

The financial statements of HC-One Intermediate Holdco 4 Ltd were approved by the Board of Directors and authorised for issue on 29th February 2024 and were signed on its behalf by:



Mr D A Smith - Director

HC-One Intermediate Holdco 4 Limited

Statement of Changes in Equity
for the Year Ended 30th September 2023

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Capital contribution reserve £'000	Total equity £'000
Balance at 1st October 2021	-	(23,042)	7,174	-	(15,868)
Changes in equity					
Capital Contribution arising from group reorganisation	-	-	-	29,045	29,045
Total comprehensive loss	-	(3,497)	-	-	(3,497)
Balance at 30th September 2022	-	(26,539)	7,174	29,045	9,680
Changes in equity					
Total comprehensive loss	-	(7,239)	-	-	(7,239)
Balance at 30th September 2023	-	(33,778)	7,174	29,045	2,441

The notes on pages 11 to 21 form part of these financial statements

1. **STATUTORY INFORMATION**

HC-One Intermediate Holdco 4 Limited is a private company, limited by shares, registered in Jersey. The company's 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 (Jersey) Law 1991. The financial statements have been prepared under the historical cost convention.

The average monthly number of employees (excluding executive directors) was nil (2022: nil).

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.

Related party exemption

The Company has taken advantage of the 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.

2. ACCOUNTING POLICIES - continued

Going concern

In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our 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.

As at 30 September 2023, our 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. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

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 our future performance. In making this assessment the Directors have considered our existing debt levels, the committed funding and liquidity positions under our debt covenants, our ability to generate cash from trading activities and our 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 our existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to occupancy growth, fee pricing, labour usage and labour pricing.

The Directors believe that appropriate sensitivities in assessing our 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 our debt covenants and available liquidity provides meaningful analysis of our 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 our 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, we can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with our financial covenants.

Consequently, the Directors are confident that we will have sufficient funds to continue to meet our 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.

Investments in subsidiaries

Fixed asset investments are stated at cost less provision for impairment.

2. **ACCOUNTING POLICIES - continued**

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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.

Interest

Interest payable and interest receivable are recognised in the financial statements on an accruals basis.

2. **ACCOUNTING POLICIES - continued**

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group'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. There are no critical accounting judgements in the preparation of the financial statements.

Key sources of estimation uncertainty

Investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The Company assesses at each balance sheet date whether there is any indication. If there is any indication, the Directors then perform a full impairment review and recognise any resulting impairment.

Management have assessed and considered there to be no indicators of impairment during the year and have subsequently not performed a full impairment review and recognised any impairment in the year.

4. **DIRECTORS' EMOLUMENTS**

	2023	2022
	£	£
Directors' emoluments	<u>-</u>	<u>-</u>

5. **OPERATING LOSS**

The operating loss is stated after charging:

	2023 £'000	2022 £'000
The auditing of accounts of any associate of the company	6	-
Management Fees	<u>70</u>	<u>66</u>

The Company had no employees during the current year or the preceding year.

The Directors' emoluments have been borne by HC-One Limited, a group undertaking during the current and the preceding year and are not repayable.

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2023 £'000	2022 £'000
Interest receivable on loan notes from group undertakings	<u>2,202</u>	<u>2,163</u>

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2023 £'000	2022 £'000
Interest payable on loan notes to group undertakings	<u>9,365</u>	<u>5,594</u>

8. **TAXATION**

Analysis of the tax charge

No liability to corporation tax arose for the year ended 30th September 2023 nor for the year ended 30th September 2022.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in Jersey. The difference is explained below:

	2023 £'000	2022 £'000
Loss before tax	<u>(7,239)</u>	<u>(3,497)</u>
Loss multiplied by the standard rate of corporation tax in Jersey of 22.010% (2022 - 19%)	(1,593)	(664)
Effects of:		
Effects of group relief/ other reliefs	<u>1,593</u>	<u>664</u>
Total tax charge	<u>-</u>	<u>-</u>

8. **TAXATION - continued**

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.

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

Pillar Two legislation was substantively enacted in the UK on 20 June 2023, the jurisdiction in which the company is incorporated, and will come into effect for accounting periods commencing from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to accounting standards issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The group is currently engaged with tax specialists to assist it with the assessment of the potential impact of the legislation.

9. **FIXED ASSET INVESTMENTS**

**Shares in
group
undertakings
£'000**

COST

At 1st October 2022
and 30th September 2023

108,552

NET BOOK VALUE

At 30th September 2023

108,552

At 30th September 2022

108,552

Investments in subsidiary undertakings

On 27th April 2021 a loan owing to HC-One Topco Limited by the HC-One Limited, was reduced to £Nil by way of a share issue in HC-One Limited and each of the intermediate holding companies, including the Company. 1 Ordinary £1 share was purchased for total consideration of £7,174,000.

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

HC-One Limited*

Registered office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH.

Nature of business: Care home operator

Class of shares:	%
ordinary	holding 100.00

*Shares held directly by HC-One Intermediate Holdco 4 Limited. All others are indirect.

HC-One Intermediate Holdco 4 Limited

Notes to the Financial Statements - continued for the Year Ended 30th September 2023

9. FIXED ASSET INVESTMENTS - continued

HC-One No.3 limited

Registered office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH.
Nature of business: Care home operator

	%
Class of shares:	holding
ordinary	100.00

HC-One No.6 Limited

Registered office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH
Nature of business: Domiciliary care provider

	%
Class of shares:	holding
ordinary	100.00

HC-One Intermediate Holdco 5 Limited (UK)

Registered office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH
Nature of business: Holding Company

	%
Class of shares:	holding
ordinary	100.00

HC-One No5 Limited (UK)

Registered office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH
Nature of business: Care Home Operator

	%
Class of shares:	holding
ordinary	100.00

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£'000	£'000
Amounts owed by group undertakings	22,333	20,131
Deferred tax asset	1,033	1,033
Prepayments and accrued income	<u>1</u>	<u>-</u>
	<u>23,367</u>	<u>21,164</u>

10. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Amounts owed by group undertakings

As at 30th September 2023, loan notes totalling £18,350,817 (2022: £18,350,817) were owed to the Company by HC-One Holdings Limited, as part of a refinancing transaction. The loan notes are due on demand and have no fixed repayment date and bear fixed interest rate of 12% per annum.

All other amounts owed from group undertakings are due on demand with no fixed repayment date and bears no interest.

Deferred tax asset

	£'000
Balance at 1st October 2022	1,033
Credit to Statement of Comprehensive Income during year	<u>0,000</u>
Balance at 30th September 2023	<u><u>1,033</u></u>

	2023	2022
	£'000	£'000
Losses	<u>1,033</u>	<u>1,033</u>

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

	2023	2022
	£'000	£'000
Trade creditors	-	1
Amounts owed to group undertakings	129,471	120,033
Accruals and deferred income	<u>7</u>	<u>2</u>
	<u><u>129,478</u></u>	<u><u>120,036</u></u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts owed to group undertakings	2022 £'000	2021 £'000
Loan notes payable to group undertakings	114,092	108,626
Loan notes interest payable to group undertakings	3,342	4,908
Other amounts owed to group undertakings	12,037	6,499
	<u>129,471</u>	<u>120,033</u>

Loan notes payable to group undertakings

As at 30th September 2023 loan notes totalling £57,792,000 (2022: £55,023,000) were owed to HC-One (NHP4) Limited, a group undertaking to enable the Company to make a capital contribution to HC-One Limited, it's subsidiary undertaking. The loan notes have no fixed repayment date and bear interest at LIBOR plus 4% per annum. Interest capitalised during the year ended 30th September 2023 was £2,769,000 (2022: £2,148,000).

As at 30th September 2023 loan notes totalling £56,300,000 (2022: £53,603,000) were owed to HC-One (NHP2) Limited, a group undertaking to enable the Company to make a capital contribution to HC-One Limited, it's subsidiary undertaking. The loan notes have no fixed repayment date and bear interest at LIBOR plus 4% per annum. Interest capitalised during the year ended 30th September 2023 was £2,697,000 (2022: £2,092,000).

Loan notes interest payable to group undertakings

As at 30th September 2023 the Company owed £1,693,000 (2022: £2,504,000) loan note interest to HC-One (NHP4) Limited.

As at 30th September 2023 the Company owed £1,649,000 (2022: £2,404,000) loan note interest to HC-One (NHP2) Limited.

Other amounts owed to group undertakings

All other amounts owed to group undertakings are due on demand with no fixed repayment date and bear no interest

12. CALLED UP SHARE CAPITAL

Alotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £	2022 £
11	Ordinary	1	<u>11</u>	<u>11</u>

On 30 November 2021 a number of group entities waived the debt due to them from HC-One Intermediate Holdco 4 Limited. This has been treated as a distribution in the common parent and is therefore recognised as a capital contribution in the accounts of HC-One Intermediate Holdco 4 Limited.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

HC-One Holdco 3 Limited (incorporated in Cayman Islands) is regarded by the directors as being the Company's ultimate parent company.

The ultimate controlling party, HC-One Holdco 3 Limited a company incorporated in the 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.

14. CONTINGENT LIABILITIES AND GUARANTEES

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement originally dated 20 April 2021, with a maturity date on 10 October 2028. 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 £619.9m remains outstanding.

15. 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.

There are no transactions between the Company and the Directors during the current year or the preceding year.

16. POST BALANCE SHEET EVENTS

As at the date of signing the accounts there were no post balance sheet events.