

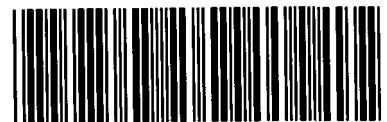
REGISTERED NUMBER: 07417290 (England and Wales)

HC-One No.3 Limited

Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2023

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HC-One No.3 Limited

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

DIRECTORS:

Mr D A Smith
Mr J W Tugendhat

REGISTERED OFFICE:

Southgate House
Archer Street
Darlington
County Durham
DL3 6AH

REGISTERED NUMBER:

07417290 (England and Wales)

INDEPENDENT AUDITORS :

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

BANKERS:

Lloyds Bank
3rd Floor
10 Gresham Street
London
EC2V 7AE

**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 operation of care homes for the elderly in the United Kingdom.

**REVIEW OF BUSINESS
RESULTS**

The Company's loss for the year ended 30 September 2023 amounted to £1,454,000 (2022: £678,000)

The Company's gross profit on ordinary activities for the year ended 30 September 2023 amounted to £843,000 (2022: £943,000) and included £198,000 (2022: £171,000) of depreciation.

As at 30 September 2023 the Company had net liabilities of £2,901,000 (2022 £1,447,000).

KEY PERFORMANCE INDICATORS

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

	2023	2022	Increase/(Decrease)
Average Occupancy	73.45%	31.54%	41.91%.
Average weekly fee rate	£1,099	£1,033	£66

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.

DIVIDENDS

The directors note that £Nil dividends were paid during the year to 30 September 2023 (2022: £Nil).

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.

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

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 2022 to the date of this report.

Mr D A Smith
Mr J W Tugendhat

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.

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.

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risks

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

Credit risk

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Reputational Risk

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

In order to mitigate this risk, the Group delivers employee training via a multi award winning mandatory and specialist Learning and Development programme, has independent quality inspectors, carries out a Disclosure and Barring Service check on all care staff and monitors compliance with an industry best electronic system. The Group also has clear governance processes to report on risks and incidents, and then implements 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.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 of 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.

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

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.

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.

DISABLED EMPLOYEES

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

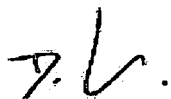
ENGAGEMENT WITH EMPLOYEES

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 the weekly newsletters.

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 February 2024

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

The directors are responsible for preparing 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of HC-One No.3 Limited ("the Company") for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, 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 2023 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 management, and inspection of policy documentation as to HC-One Holdco 3 Limited's high-level policies and procedures to prevent and detect fraud, including the 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.

- Considering remuneration incentive schemes and performance targets for senior management and directors.

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 management may be in a position to make inappropriate accounting entries, the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because:

- Revenue recognition is non-complex in nature; and

- There is sufficient segregation of duties within the revenue recognition process to mitigate the opportunity for revenue recognition to be fraudulently manipulated.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted unusual postings to revenue and unusual postings to cash and loans.

- 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.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and UK Care Standards as defined by the Care Quality Commission, Care and Social Services Inspectorate Wales and Care Inspectorate (Scotland) 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 Company 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 Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, general data protection regulation (GDPR), anti-bribery, employment law, and environmental protection legislation, recognising the nature of the Company'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 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.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
 - " the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.
- We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

**Report of the Independent Auditors to the Members of
HC-One No.3 Limited**

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

29th February 2024

HC-One No.3 Limited

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

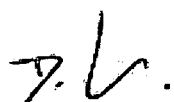
	Notes	2023 £'000	2022 £'000
TURNOVER	4	7,677	6,674
Cost of sales		(6,834)	(5,731)
GROSS PROFIT		843	943
Administrative expenses		(1,868)	(1,460)
OPERATING LOSS	7	(1,025)	(517)
Exceptional Costs	8	(379)	(137)
Loss on sale of tangible fixed assets	8	-	(8)
		(1,404)	(662)
Interest payable and similar expenses	9	(2)	(3)
LOSS BEFORE TAXATION		(1,406)	(665)
Tax on loss	10	(48)	(13)
LOSS FOR THE FINANCIAL YEAR		(1,454)	(678)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(1,454)</u>	<u>(678)</u>

The notes on pages 15 to 27 form part of these financial statements

Balance Sheet
30th September 2023

	Notes	2023 £'000	2022 £'000
FIXED ASSETS			
Intangible assets	11	(77)	(95)
Tangible assets	12	933	749
		<u>856</u>	<u>654</u>
CURRENT ASSETS			
Stocks	13	8	9
Debtors Amounts falling due within one year	14	567	1,234
Cash at bank and in hand		23	131
		<u>598</u>	<u>1,374</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>(4,457)</u>	<u>(3,204)</u>
NET CURRENT LIABILITIES		<u>(3,859)</u>	<u>(1,830)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,003)</u>	<u>(1,176)</u>
PROVISIONS FOR LIABILITIES	16	<u>102</u>	<u>(271)</u>
NET LIABILITIES		<u>(2,901)</u>	<u>(1,447)</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Retained earnings		<u>(2,901)</u>	<u>(1,447)</u>
SHAREHOLDERS' FUNDS		<u>(2,901)</u>	<u>(1,447)</u>

The financial statements 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 No.3 Limited**Statement of Changes in Equity
for the Year Ended 30th September 2023**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st October 2021	-	(769)	(769)
Total comprehensive loss	-	(678)	(678)
Balance at 30th September 2022	-	(1,447)	(1,447)
Total comprehensive loss	-	(1,454)	(1,454)
Balance at 30th September 2023	-	(2,901)	(2,901)

The notes on pages 15 to 27 form part of these financial statements

1. **STATUTORY INFORMATION**

HC-One No.3 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.

The average monthly number of employees (excluding executive directors) was 171 (2022: 203).

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 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.

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.

2. **ACCOUNTING POLICIES - continued**

Turnover

Turnover represents fee income receivable from care services provided. Turnover is recognised in the period 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 – negative goodwill arising on business combination

The acquisition of RV Care Homes Limited was completed on 29 September 2018 for total cash consideration of £1 giving rise to negative goodwill. Negative goodwill, which represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of an acquisition, is included in the balance sheet and is amortised over the years expected to benefit. The period of amortisation is 10 years.

Intangible assets- licences

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

Buildings and grounds - shorter of the term of the lease, or the useful economic life of the asset

Fixtures and fittings - over 3-10 years

Motor vehicles - over 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 income statement to reduce the carrying value to the recoverable amount.

Stocks

Stock is valued at the lower of cost and estimated net realisable value.

Finance costs

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

2. **ACCOUNTING POLICIES - continued**

Taxation

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

Deferred tax is 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. 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.

Leases

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

Pension costs and other post-retirement benefits

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

2. **ACCOUNTING POLICIES - continued**

Debtors

Debtors are recognised at cost less any provision for impairment.

Creditors

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

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

Share Capital

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

Exceptional costs

Where applicable, 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.

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.

Fixtures and fittings

Accounting for fixtures and fittings involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated, and (b) the existence and amount of any impairment. Details of fixtures and fittings are provided in note 11.

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

The carrying value of fixtures and fittings is assessed periodically to determine whether there are indications of any impairment of the value beyond the depreciation charge. If this is the case, an impairment charge is taken against the carrying value of the assets and charged to profit and loss account.

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 14 for further details of deferred tax assets recognised.

4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the Company.

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

	2023	2022
	£'000	£'000
Elderly care	7,677	6,674
	<u>7,677</u>	<u>6,674</u>

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

5. EMPLOYEES AND DIRECTORS

	2023	2022
	£'000	£'000
Wages and salaries	5,135	4,095
Social security costs	335	299
Other pension costs	79	65
	<u>5,549</u>	<u>4,459</u>

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

	2023	2022
Managers and care staff	<u>171</u>	<u>203</u>

For further details of pension costs refer to note 18.

6. DIRECTORS' EMOLUMENTS

The Directors of the Company are also the Directors of other group undertakings. Management do not believe it is possible to allocate these costs to each individual company. Further details can be found in the financial statements of HC-One Limited.

7. OPERATING LOSS

Operating (loss)/ profit is stated after charging:

	2023	2022
	£'000	£'000
Depreciation of owned assets (Note 12)	198	171
Amortisation of negative goodwill (Note 11)	(19)	(20)
Amortisation of Licences (Note 11)	8	9
Operating lease charges land and buildings	1,299	976
Fees payable in respect to the Audit of the Company's annual financial statements	27	24
Government grants Government grants (including Job Retention Scheme, Infection Control Grant and Rapid Testing Grant)	(35)	(124)

Fees payable to the Company's auditor for the audit of the Company's annual financial statements include an amount payable for the audit of HC-One No.6 Limited, a fellow group undertaking.

In the period ended 30 September 2023, £Nil recharges were made to HC-One No.6 Limited for the provision of both audit and non-audit services.

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

8. **EXCEPTIONAL ITEMS**

Exceptional Costs

	2023	2022
	£'000	£'000
Exceptional Agency costs	206	137
Exceptional Utility costs	173	-
Total exceptional costs	379	137

Agency costs

During the year the company incurred exceptional agency costs totalling £206,000 (2022: £137,000).

Utility costs

During the year the company incurred exceptional utility costs totalling £173,000 (2022: £nil).

9. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2023	2022
	£'000	£'000
Bank interest	2	3

10. **TAXATION**

Analysis of the tax charge

The tax charge on the loss for the year was as follows:

	2023	2022
	£'000	£'000
Deferred tax	48	13
Tax on loss	48	13

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

10. TAXATION - continued

Tax on loss can be reconciled as follows:

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on losses for the year	-	-
Adjustment in respect to previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	15	(11)
Adjustment in respect to previous periods	31	27
Effect of changes in tax rates	2	(3)
Total Deferred tax	48	13
Total tax per profit and loss account	48	13

The charge for the period can be reconciled to the loss per the Statement of Comprehensive Income as follows:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Profit/ (Loss) for the year	(1405)	(665)
Tax on profit/(loss) at standard UK tax rate of 22.01% (2022: 19.0%)	(309)	(126)
Effects of:		
Expenses not deductible	-	3
Income not taxable	(6)	(1)
Effects of group relief/ other reliefs	330	113
Adjustment from previous periods	31	27
Tax rate changes	2	(3)
Tax charge (credit) for year	48	13

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.

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

10. TAXATION - continued

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.

11. INTANGIBLE FIXED ASSETS

	Negative Goodwill £'000	Licences £'000	Totals £'000
COST			
At 1st October 2022	(198)	89	(109)
Additions	-	7	7
At 30th September 2023	(198)	96	(102)
AMORTISATION			
At 1st October 2022	(100)	86	(14)
Amortisation for year	(19)	8	(11)
At 30th September 2023	(119)	94	(25)
NET BOOK VALUE			
At 30th September 2023	(79)	2	(77)
At 30th September 2022	(98)	3	(95)

12. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
COST			
At 1st October 2022	438	890	1,328
Additions	129	253	382
At 30th September 2023	567	1,143	1,710
DEPRECIATION			
At 1st October 2022	135	444	579
Charge for year	22	176	198
At 30th September 2023	157	620	777
NET BOOK VALUE			
At 30th September 2023	410	523	933
At 30th September 2022	303	446	749

13. STOCKS

	2023 £'000	2022 £'000
Stocks	8	9

The replacement cost of the above stock would not be significantly different from the values stated.

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

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade debtors	87	240
Amounts owed by group undertakings	90	144
Other debtors	5	145
Deferred tax asset	233	281
Prepayments and accrued income	152	424
	<u>567</u>	<u>1,234</u>

As at 30 September 2023, amounts owed by Group undertakings totalled £90,000 (2022: £144,000). These amounts are due on demand with no fixed repayment date and bear no interest.

Deferred tax asset

Deferred tax asset:	2023 £'000	2022 £'000
Asset at start of year	281	294
Adjustment in respect of prior years	(31)	(27)
Deferred tax charge to Statement of Comprehensive Income for the year	(17)	14
Asset at the end of the year	<u>233</u>	<u>281</u>

	2023 £'000	2022 £'000
Fixed asset timing differences	229	278
Short term timing differences (trading)	4	3
	<u>233</u>	<u>281</u>

Deferred tax assets	2023 £'000	2022 £'000
Recoverable within 12 months	233	281
	<u>233</u>	<u>281</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade creditors	251	757
Amounts owed to group undertakings	3,310	1,578
Social security and other taxes	86	73
Other creditors	39	34
Accruals and deferred income	771	762
	<u>4,457</u>	<u>3,204</u>

As at 30 September 2023, amounts owed to Group undertakings totalled £3,310,000 (2022: £1,578,000). These amounts are due on demand with no fixed repayment date and bear no interest

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

16. PROVISIONS FOR LIABILITIES

	2023	2022
	£'000	£'000
Other provisions	102	221
Onerous Lease	-	50
	<u>102</u>	<u>271</u>

Other provisions

During the previous financial year, the Group created provisions totalling £102,000 (2021: £221,000) for various items including for insurances and for the potential repayment of Covid-19 related Government Grants.

Onerous lease provision

In the previous financial year following a review of the property lease portfolio £50,000 was charged to the Statement of Comprehensive Income for closed homes where there is an ongoing rent liability. This provision has not been provided for again in the current financial year

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
		£	£	£
100	Ordinary	1	<u>100</u>	<u>100</u>

The profit and loss reserve represents cumulative profits and losses.

18. 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 ended 30 September 2023 was £79,000 (2022: £65,000).

19. CONTINGENT LIABILITIES AND GUARANTEES

There are no noted contingent liabilities and guarantees.

20. FINANCIAL COMMITMENTS

Capital commitments relate to amounts contracted for in relation to the purchase of property, plant and equipment. The total capital commitment as at 30 September 2023 was £nil (2022: £nil).

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

	At 30 September 2023	At 30 September 2022
	£'000	£'000
- within one year	1,352	881
- between one and five years	5,408	3,523
- in more than five years	18,928	13,211

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.

21. RELATED PARTY DISCLOSURES

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other group undertakings within the HC-One Holdco 3 group

22. POST BALANCE SHEET EVENTS

No significant events are noted between the year ended 30 September 2023 and to date of signing of this report.

23. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

The Company's immediate parent undertaking is HC-One Limited, a company incorporated in England.

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 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."

Copies of HC-One Holdco 3 Limited financial statements to 30 September 2023 are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ