

## **HC-One Limited**

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

Registered number: 07712656





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

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

**Officers and professional advisers**

**Directors**

Mr David Smith  
Sir William Wells  
Mr John Ransford  
Mr Chaitanya Patel (resigned 31<sup>st</sup> October 2019)  
Mr Justin Hutchens (resigned 5<sup>th</sup> February 2020)  
Sir David Behan (appointed 20<sup>th</sup> November 2018)

**Registered Office**

Southgate House  
Archer Street  
Darlington  
County Durham  
DL3 6AH

**Bankers**

The Royal Bank of Scotland plc  
250 Bishopsgate  
London  
EC2M 4AA

**Auditor**

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle Upon Tyne  
NE1 3DX



## Strategic Report

### Review of the business

HC-One Limited is a leading care home operator in the UK providing dementia, nursing, residential and specialist care to more than 8,400 residents in over 170 care homes.

HC-One Limited aims to be the first choice care home in every community for individuals looking for the very best care and support, and for employees looking to develop a long term career delivering the highest quality care to individuals. In its seven year history, HC-One Limited has established a leading reputation and developed a recognisable brand for the provision of high quality care in the UK. HC-One Limited is implementing its vision to operate the kindest care homes in the UK through its core principles of Accountability, Involvement and Partnership.

### Results

The profit and loss account shows the results for the year ended 30 September 2019. The Company's profit for the year ended 30 September 2019 amounted to £0.4m (2018: loss of £6.5m) and included £2.8m (2018: £0.4m) of exceptional costs. Exceptional costs included £2.8m (2018: £0.5m) due to restructuring costs and £Nil (2018: £0.1m) due to the impairment on fixed assets. In the prior year, a credit of £0.2m was also recognised in respect to closure and onerous lease costs. Profit before exceptional costs was £3.2m (2018: loss of £6.1m).

The Company's operating profit before exceptional costs for the year ended 30 September 2019 amounted to £1.7m (2018: loss of £0.5m) including £16.2m (2018: £16.8m) of depreciation.

As at 30 September 2019 the Company had net assets of £14.6m (2018: £14.2m).

### Key performance indicators

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

	<u>At 30 September 2019</u>	<u>At 30 September 2018</u>	<u>Increase/ (Decrease)</u>
Average occupancy	91.6%	90.9%	0.7%
Average weekly fee rate	£746	£714	£32

The Company has seen an improvement in average weekly fee per resident of 4.5% since September 2018. Over this period, occupancy has increased by 0.7%.

### Principal risks and financial risk management objectives and policies

#### Financial risks

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

#### *Credit risk*

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

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

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

#### *Liquidity risk*

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

#### Operational risks

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



## Strategic Report (continued)

### Principal risks and financial risk management objectives and policies (continued)

#### *Reputational risk*

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

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

#### *Regulatory risk*

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

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

#### **Going Concern and COVID-19**

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

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

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

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

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

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

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



## Directors' Report

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

### Principal activities

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

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

### Dividends

The directors note that £nil dividends have been paid during the year (2018: £nil).

### Directors

The directors, who served throughout the year and to the date of signing, were as follows:

Mr David Smith

Sir William Wells

Mr John Ransford

Sir David Behan (appointed 20<sup>th</sup> November 2018)

### Directors' indemnities

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

### Political contributions

The Company made £nil political donations during the year (2018: £nil).

### Disabled employees

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

### Employment consultation

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

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

### Future Developments

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



**Directors' Report (continued)**

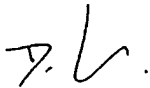
**Auditor**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



David Smith  
Director  
3<sup>rd</sup> April 2020

*Registered office address:*  
Southgate House  
Archer Street  
Darlington  
County Durham  
DL3 6AH



## **Directors' Responsibilities Statement**

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

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

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

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

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

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.



## **Independent auditor's report to the members of HC-One Limited**

### **Opinion**

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

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

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

Our opinion is not modified in respect of this matter.

### **Strategic report and Directors' report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.



## **Independent auditor's report to the members of HC-One Limited (continued)**

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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



## HC-One Limited

### Profit and loss account for the year ended 30 September 2019

		Ordinary activities	Exceptional costs (Note 8)	Total	Ordinary activities	Exceptional costs (Note 8)	Total
	Note	2019 £'000	2019 £'000	2019 £'000	2018 £'000	2018 £'000	2018 £'000
Turnover	3	321,864	-	321,864	309,003	-	309,003
Cost of sales	4	(301,034)	(2,795)	(303,829)	(292,968)	(595)	(293,563)
<b>Gross profit / (loss)</b>		<b>20,830</b>	<b>(2,795)</b>	<b>18,035</b>	<b>16,035</b>	<b>(595)</b>	<b>15,440</b>
Administrative expenses		(19,098)	-	(19,098)	(16,485)	-	(16,485)
Costs of a fundamental restructuring		-	-	-	-	181	181
<b>Operating profit / (loss)</b>	5	<b>1,732</b>	<b>(2,795)</b>	<b>(1,063)</b>	<b>(450)</b>	<b>(414)</b>	<b>(864)</b>
Profit on the disposal of fixed assets		22	-	22	13	-	13
Interest receivable and similar income	9	7,975	-	7,975	22	-	22
Interest payable and similar expenses	10	(6,572)	-	(6,572)	(5,894)	-	(5,894)
<b>Profit / (loss) before taxation</b>		<b>3,157</b>	<b>(2,795)</b>	<b>362</b>	<b>(6,309)</b>	<b>(414)</b>	<b>(6,723)</b>
Tax on profit / (loss)	11	77	-	77	255	-	255
<b>Profit / (loss) after taxation</b>		<b>3,234</b>	<b>(2,795)</b>	<b>439</b>	<b>(6,054)</b>	<b>(414)</b>	<b>(6,468)</b>

All activities relate to continuing operations.

There is no other comprehensive income in the financial year other than the profit/(loss) for the year. Accordingly no separate statement of comprehensive income is disclosed.

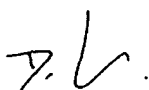


## HC-One Limited

### Balance sheet as at 30 September 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	12	515	12
Tangible assets	13	54,297	58,028
Investments	14	1,537	1,537
<b>Total fixed assets</b>		<b>56,349</b>	<b>59,577</b>
<b>Current assets</b>			
Stocks		135	49
Debtors - amounts falling due within one year	15	182,985	131,750
Cash at bank and in hand	16	3,292	3,209
<b>Total current assets</b>		<b>186,412</b>	<b>135,008</b>
Creditors - amounts falling due within one year	17	(150,938)	(111,666)
<b>Net current assets</b>		<b>35,474</b>	<b>23,342</b>
<b>Total assets less current liabilities</b>		<b>91,823</b>	<b>82,919</b>
<b>Creditors amounts falling due after more than one year</b>	18	(77,183)	(68,593)
<b>Provisions for liabilities</b>	19	-	(125)
<b>Net assets</b>		<b>14,640</b>	<b>14,201</b>
<b>Capital and reserves</b>			
Called-up share capital	20	5,000	5,000
Profit and loss account		9,640	9,201
<b>Total shareholders' funds</b>		<b>14,640</b>	<b>14,201</b>

The financial statements were approved by the Board of directors on and authorised for issue on 3<sup>rd</sup> April 2020 and were signed on its behalf by:



David Smith  
Director  
3<sup>rd</sup> April 2020  
HC-One Limited  
Registered number 07712656



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

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 October 2017</b>	5,000	15,669	<b>20,669</b>
Loss for the financial year and total comprehensive income	-	(6,468)	<b>(6,468)</b>
<b>At 30 September 2018</b>	<b>5,000</b>	<b>9,201</b>	<b>14,201</b>
Profit for the financial year and total comprehensive income		439	<b>439</b>
<b>At 30 September 2019</b>	<b>5,000</b>	<b>9,640</b>	<b>14,640</b>



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

### **1. Accounting policies**

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

#### **Basis of preparation**

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

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

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

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

The comparative figures for cost of sales and admin costs have been adjusted by £6.6m for the re-classification of admin expenses into cost of sales due to consistency with current year disclosure. This adjustment does not have an impact on the profit for the financial year, net assets or net cash generated from operating activities previously reported.

#### **Going concern and COVID-19**

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

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

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

The Group's directors have prepared detailed cash flow and covenant compliance forecasts for the Group for the period to 30 September 2024. Net debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance to the Group's objectives, policies and processes, and these have each been

### **1. Accounting policies (continued)**

#### **Going concern and COVID-19 (continued)**



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

considered as part of these forecasts. At 30 September 2019 the Group was financed by £12.2m of cash, £264.7m of terms loans and £14.0m of loan notes with related parties. There are financial covenants on the term loans.

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

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

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

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

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

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

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

**Turnover**

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

**Exceptional costs**

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 8.

**1. Accounting policies (continued)**

**Finance income**



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

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

### Finance costs

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

### Pension costs

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

### Taxation

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

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

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

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

- Buildings and grounds and leasehold improvements – shorter of the term of the lease, or useful economic life of the asset
- Fixtures and fittings - 3 to 10 years
- Motor Vehicles - 3 to 5 years

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

### Investments

Investments in subsidiaries are shown at cost less any provision for impairment.

### Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost is calculated using the FIFO (first-in, first-out) method.

### Debtors

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

#### 1. Accounting policies (continued)



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

### 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.

### Provisions

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

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

### Share capital

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

### Leases

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

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

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

### Onerous leases and contracts

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

## 2. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

## 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

### *Fixtures and fittings*



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

Accounting for fixtures and fittings involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated, and (b) the existence and amount of any impairment. Details of fixtures and fittings are provided in note 13.

Fixtures and fittings are depreciated on a straight line basis over their estimated useful lives. When the Company estimates useful lives various factors are considered including expected technology obsolescence and the expected usage of the asset. The Company regularly reviews these assets useful lives and future economic utilisation and the physical condition of the assets concerned.

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

*Deferred tax assets and liabilities*

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised; in particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Refer to note 15 for further details of deferred tax assets recognised.

**3. Segmental analysis**

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

**4. Cost of sales**

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

**5. Operating profit / (loss)**

	2019 £'000	2018 £'000
<b>Operating profit / (loss) is stated after charging:</b>		
Wages and salaries	199,727	190,467
Social security costs	11,731	12,907
Other pension costs (note 21)	2,521	1,522
<b>Staff costs</b>	<b>213,979</b>	<b>204,896</b>
Depreciation of tangible fixed assets (note 13):		
-Owned assets	16,134	16,603
-Leased assets	92	198
Operating lease charges land and buildings	36,513	34,565
Amortisation of other intangible assets (note 12)	1,165	327
Exceptional costs (note 8)	2,795	414
Services provided by the Company's auditor:		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	85	68



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

**6. Directors' emoluments**

	2019 £'000	2018 £'000
Aggregate emoluments inclusive of benefits in kind	1,621	988
Pension contributions	34	33
	<b>1,655</b>	<b>1,021</b>
No. of directors accruing benefits under defined contribution scheme	2	2

<b>Highest paid director</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Aggregate emoluments inclusive of benefits in kind	808	436
Pension contributions	1	33
	<b>809</b>	<b>469</b>

**7. Employee information**

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

By activity	2019 No.	2018 No.
Care staff	10,761	10,467
Administrative	541	482
<b>Total average monthly number of employees</b>	<b>11,302</b>	<b>10,949</b>

**8. Exceptional costs**

	2019 £'000	2018 £'000
Restructuring costs	2,780	498
Impairment of fixed assets	15	97
Closure costs and onerous leases	-	(181)
<b>Total exceptional costs</b>	<b>2,795</b>	<b>414</b>

**Restructuring costs**

Exceptional costs totalling £2,780,000 (2018: £498,000) have been incurred relating to the restructuring costs in the year ended 30 September 2019.

**Impairment of fixed assets**

The Company carried out an impairment review which resulted in fixed assets being written down by £15,000 (2018: £97,000) in the year ended 30 September 2019.

**Closure costs and onerous leases**

During the year the Company conducted a review of the closed home provision and the property lease portfolio. The review resulted in the year end provision being £nil in both cases (2018; a reduction of £249,000 in closure costs and an increase of £68,000 in onerous lease provision was made).



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

**9. Interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on intercompany loan	7,965	-
Bank deposits interest receivable	10	22
<b>Total interest receivable and similar income</b>	<b>7,975</b>	<b>22</b>

**10. Interest payable and similar charges**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on intercompany loan	6,441	5,885
Other bank finance charges	105	-
Finance lease interest	26	9
<b>Total interest payable and similar charges</b>	<b>6,572</b>	<b>5,894</b>

**11. Tax on profit / (loss)**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
Adjustments in respect of previous periods	-	(255)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	1,161	-
Adjustment in respect of previous periods	(1,116)	-
Effect of changes in tax rates	(122)	-
<b>Total deferred tax (see note 15)</b>	<b>(77)</b>	<b>-</b>
<b>Total tax credit per profit and loss account</b>	<b>(77)</b>	<b>(255)</b>

Tax for the year can be reconciled to the profit and loss account as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit / (loss) for the year</b>	<b>362</b>	<b>(6,723)</b>
Tax on profit / (loss) at standard UK tax rate of 19.0% (2018: 19.0%)	69	(1,277)
Effects of:		
Expenses not deductible	478	485
Income not taxable	(52)	-
Effects of group relief	19	425
Adjustment from previous periods	(1,116)	(255)
Tax rate changes	(122)	367
Deferred tax not provided	647	-
<b>Tax credit for the year</b>	<b>(77)</b>	<b>(255)</b>



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

**12. Intangible fixed assets**

	<b>Licenses £'000</b>
<b>Cost</b>	
At 1 October 2018	339
Additions	1,668
<b>At 30 September 2019</b>	<b>2,007</b>
<b>Amortisation</b>	
At 1 October 2018	327
Charge for the year	1,165
<b>At 30 September 2019</b>	<b>1,492</b>
<b>Net Book Value</b>	
At 30 September 2018	12
<b>At 30 September 2019</b>	<b>515</b>

**13. Tangible fixed assets**

	<b>Buildings &amp; Grounds £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Fixtures &amp; Fittings £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 October 2018	44,153	1,995	112,081	6,214	164,443
Additions	2,296	-	8,471	1,743	12,510
Disposals	(69)	(4)	(337)	(32)	(442)
<b>At 30 September 2019</b>	<b>46,380</b>	<b>1,991</b>	<b>120,215</b>	<b>7,925</b>	<b>176,511</b>
<b>Depreciation</b>					
At 1 October 2018	17,532	1,257	81,549	6,077	106,415
Charge for the year	4,362	103	11,668	93	16,226
Disposals	(69)	(4)	(337)	(32)	(442)
Impairment	-	-	15	-	15
<b>At 30 September 2019</b>	<b>21,825</b>	<b>1,356</b>	<b>92,895</b>	<b>6,138</b>	<b>122,214</b>
<b>Net Book Value</b>					
At 30 September 2018	26,621	738	30,532	137	58,028
<b>At 30 September 2019</b>	<b>24,555</b>	<b>635</b>	<b>27,320</b>	<b>1,787</b>	<b>54,297</b>

Included in the amounts for motor vehicles above are the following amounts related to assets acquired under hire purchase contracts:

<b>Net Book Value</b>					
At 30 September 2018	-	-	-	134	134
<b>At 30 September 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,747</b>	<b>1,747</b>



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

**13. Tangible fixed assets (continued)**

The Buildings and Grounds figure includes no freehold buildings. Leasehold improvements all relate to short leaseholds less than 50 years.

The Company carried out an impairment review which resulted in the fixed assets being written down by £15,000 (2018: £97,000) in the year. The impairment review took into consideration current and expected operating performance.

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

**14. Investments**

	£'000
<b>Cost</b>	
At 1 October 2018	1,537
<b>At 30 September 2019</b>	<b>1,537</b>
<b>Provisions for impairment</b>	
At 1 October 2018	-
<b>At 30 September 2019</b>	<b>-</b>
<b>Net book value</b>	
At 1 October 2018	1,537
<b>At 30 September 2019</b>	<b>1,537</b>

**Shares in subsidiary undertakings**

At 30 September 2019, the Company held investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	% Holdings	Class of shares held	Company registration number
RV Care Homes Limited	United Kingdom <sup>1</sup>	Care Home Operator	100%	Ordinary £1	07417290
RV Extra Care Limited	United Kingdom <sup>1</sup>	Domiciliary Care Provider	100%	Ordinary £1	05747558

<sup>1</sup> Registered office: Southgate House, Archer Street, Darlington, DL3 6AH



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

**15. Debtors – amounts falling due within one year**

	2019 £'000	2018 £'000
Trade debtors	15,074	18,663
Amounts owed from Parent entities	133,659	91,421
Amounts owed from Subsidiary entities	14	742
Amounts owed from other Group entities	18,445	2,974
Other debtors	1,270	8,743
Corporation Tax	-	255
Prepayments and accrued income	7,114	1,620
Deferred tax asset	7,409	7,332
<b>Total debtors – amounts falling due within one year</b>	<b>182,985</b>	<b>131,750</b>

**Amounts owed from Parent, Subsidiary and other Group entities**

As at 30 September 2019, the amount owed to HC-One Limited from Parent entities totalled £133,598,000 inclusive of accrued interest of £7,965,000 (2018: £91,412,000). This amount is unsecured and due on demand with no repayment date, bearing interest at 7.25% per annum.

In addition, as at 30 September 2019, the Company was owed other amounts from Parent entities of £61,000 (2018: £Nil) and this amount is unsecured and due on demand with no repayment date, bearing no interest.

As at 30 September 2019, the Company was owed amounts from Subsidiary entities of £14,000 (2018: £742,000) and this amount is unsecured and due on demand with no repayment date, bearing no interest.

As at 30 September 2019, the Company was owed amounts from Other Group entities £18,445,000 (2018: £2,974,000) and this amount is unsecured and due on demand with no repayment date, bearing no interest.

**Deferred tax assets:**

	2019 £'000	2018 £'000
Provision at start of year	(7,332)	(7,332)
Adjustment in respect to prior years	(1,116)	-
Deferred tax charge to profit and loss account for the year	1,039	-
<b>Provision at end of year</b>	<b>(7,409)</b>	<b>(7,332)</b>
	2019 £'000	2018 £'000
Fixed asset timing differences	(7,316)	(7,332)
Short term timing differences - trading	(93)	-
	<b>(7,409)</b>	<b>(7,332)</b>
<b>Deferred tax (assets)</b>		
Recoverable within 12 months	-	(7,332)
Recoverable after 12 months	(7,409)	-



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

**15. Debtors – amounts falling due within one year (Continued)**

**Deferred tax assets (continued)**

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

In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have decreased by £872,000.

During the year commencing 1 October 2019, the net reversal of deferred tax assets/liabilities is expected to decrease the corporation tax credit for the year by £178,000. This is primarily due to fixed asset timing differences.

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

**16. Cash at bank and in hand**

	2019 £'000	2018 £'000
Cash at bank and in hand	3,292	3,209

**17. Creditors – amounts falling due within one year**

	2019 £'000	2018 £'000
Trade creditors	14,330	15,481
Amounts owed to Parent entities	10,906	10,905
Amounts owed to Subsidiary entities	3,871	-
Amounts owed to other Group entities	91,814	56,473
Finance leases (note 18)	591	129
Other taxation and social security	3,350	3,172
Other creditors	4,798	8,090
Accruals and deferred income	21,278	17,416
<b>Total creditors – amounts falling due within one year</b>	<b>150,938</b>	<b>111,666</b>

**Amounts owed to Parent, Subsidiaries and other Group undertakings**

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

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

	2019 £'000	2018 £'000
Amounts owed to other Group entities	75,772	68,593
Finance leases (see below)	1,411	-
<b>Total creditors – amounts falling due after more than one year</b>	<b>77,183</b>	<b>68,593</b>

**Amounts owed to other Group Entities**

The balances owed to Other Group entities relate to intercompany loans. The loans are due for repayment on 12 November 2022 and bear a fixed interest rate of 9% per annum.



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

**18. Creditors – amounts falling due after more than one year (continued)**

**Finance leases**

Future minimum payments under finance leases are as follows:

	2019 £'000	2018 £'000
Within one year	655	140
Between two and five years	1,851	-
<b>Total Gross Payments</b>	<b>2,506</b>	<b>140</b>
Less: Finance Costs	(504)	(11)
<b>Total future minimum payments under finance leases</b>	<b>2,002</b>	<b>129</b>
Total due within one year	591	129
Total due after one year	1,411	-
<b>Total future minimum payments under finance leases</b>	<b>2,002</b>	<b>129</b>

**19. Provisions for liabilities**

	Onerous leases £'000
At 1 October 2018	125
Charged to profit and loss account	-
Utilisation of provision	(125)
<b>At 30 September 2019</b>	<b>-</b>

**Onerous leases**

During the year the Company conducted a review of the property lease portfolio. Of the £125,000 onerous lease provision remaining at 30 September 2018, £125,000 has been utilised in the year with £nil remaining.

**20. Called-up share capital**

	2019 £'000	2018 £'000
<b>Allotted, called-up and fully-paid</b>		
5,000,002 ordinary shares of £1 each	5,000	5,000

**21. Defined Contribution schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2019 was £2,521,000 (2018: £1,522,000).



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

### 22. Financial commitments

Capital commitments relate to amounts contracted for in relation to the purchase of property, plant and equipment. The total capital commitment in the year ended 30 September 2019 was £nil (2018:£nil).

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

	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
- within one year	32,705	310	32,455	224
- between one and five years	120,524	565	122,097	519
- in more than five years	657,375	-	682,113	-

The operating lease of land and buildings in relation to the care homes is held with FC Skyfall TA Limited, FC Skyfall IOM Properties Ltd, and HCP which are subject to rent reviews at specified intervals.

Other operating leases relate to the lease of company cars.

### 23. Related party transactions

#### *Identity of related parties*

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

#### *Other related party transactions*

#### **FC Skyfall TA Limited and FC Skyfall TopCo Limited**

Amounts due to and from related group undertakings not part of the consolidation group headed by FC Skyfall Upper Midco Limited are detailed in the table below:

	2019 £'000	2018 £'000
Amounts due to related group undertakings:		
FC Skyfall TopCo Limited	7,341	7,479
FC Skyfall TA Limited	12,621	7,487
<b>Total</b>	<b>19,962</b>	<b>14,966</b>

### 24. Ultimate parent undertaking

The Company's immediate parent undertaking is Libra Intermediate Holdco Limited, a company incorporated in Jersey.

The ultimate parent undertaking and controlling party is FC Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands. FC Skyfall Upper Midco Limited is both the smallest and largest group the consolidated financial statements are drawn up. The registered address of FC Skyfall Upper Midco Limited is 25 Canada Square, Level 37, London, England, E14 5LQ.

Copies of FC Skyfall Upper Midco Limited financial statements to 30 September 2019 are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ.



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

**25. Contingent Liabilities and Guarantees**

The Company and its group undertakings are guarantors to a facility agreement entered into by FC Skyfall Bidco Limited, the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the group assets and unlimited guarantee from its group undertakings. As at 3<sup>rd</sup> April 2020 the outstanding loan amount is £254.2m.

**26. Subsequent events**

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