

HC-One Oval Limited
Annual report and financial statements
for the year ended 30 September 2018

Registered number: 10257888



HC-One Oval Limited

Annual report and financial statements for the year ended
30 September 2018

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HC-One Oval Limited

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Officers and professional advisers

Directors

Mr David Smith
Mr Justin Hutchens
Dr Chaitanya Patel (appointed 30 November 2018)
Sir William Wells (appointed 30 November 2018)
Mr John Ransford (appointed 30 November 2018)
Sir David Behan (appointed 20 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

Deloitte LLP
Statutory Auditor
1 Trinity Gardens
Newcastle upon Tyne
United Kingdom
NE1 2HF

HC-One Oval Limited

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Strategic Report

Review of the business

The principal activity of HC-One Oval Limited (“the Company”) during the year was the provision of nursing and residential care services, caring for over 7,400 residents across 110 homes in the UK.

On 14 December 2017, the Company was acquired by FC Oval Bidco Limited, a member of the Group headed by FC Oval Holdco 1 Limited.

Results

The Company prepares its annual financial statements to 30 September each year. In the prior year, the decision was made to change the accounting period in order to be in line with the fellow group companies. The comparative figures in the profit and loss account therefore show the results for the 15 months ended 30 September 2017.

The profit and loss account shows the results for the year ended 30 September 2018. The Company’s profit for the year ended 30 September 2018 after exceptional costs amounted to £6.6m (period ended 30 September 2017: loss of £72.7m) and included £19.8m (period ended 30 September 2017: £83.0m) of exceptional costs. Exceptional costs included £7.9m (period ended 30 September 2017: £83.0m) due to the impairment on fixed assets and £11.9m (period ended 30 September 2017: £nil) due to restructuring costs. Before exceptional costs, profit after tax was £26.4m (period ended 30 September 2017: £10.3m).

The Company’s gross profit before exceptional costs for the year ended 30 September 2018 amounted to £45.3m (period ended 30 September 2017: £52.0m) including £5.2m (period ended 30 September 2017: £6.8m) of depreciation.

As at 30 September 2018 the Company had net assets of £384.2m (2017: £420.1m).

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 2018</u>	<u>At 30 September 2017</u>	<u>Increase/ (Decrease)</u>
Average occupancy	87.6%	87.8%	(0.2%)
Average weekly fee rate	£748	£724	£24

The Company has seen an improvement in average weekly fee per resident of 3.3% since September 2017. Over this period, occupancy has been decreased by 0.2%.

Going Concern

The going concern position of the Company is dependent on the overall going concern position of the Group headed by FC Oval Holdco 1 Limited.

HC-One Oval Limited

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Strategic Report (continued)

Going Concern (continued)

The Director has reviewed the going concern of the Group and the Company carefully in the preparation of the consolidated financial statements. Management have prepared detailed forecasts for the Group for the period to 30 September 2020. Based upon these forecasts, taking into account, reasonably possible changes in trading performance, working capital requirements including its current net liability position and considering available funding from debt and equity which has been updated as recently as April 2019, the Group expects to have sufficient working capital and to comply with its lending covenants.

The Director believes that the Group and the Company are well placed to manage its risk appropriately. As set out above and after making enquiries, the Director has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Reputational risk

The Company is focused on the provision of care to the elderly, either long term, short term, 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.

HC-One Oval Limited

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Strategic Report (continued)

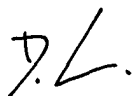
Principal risks and financial risk management objectives and policies (continued)

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.

Approved by the Board and signed on its behalf by:



Mr David Smith
Director
26 April 2019

HC-One Oval Limited

Annual report and financial statements for the year ended 30 September 2018

Directors' Report

The Directors present their annual report on the affairs of HC-One Oval Limited ("the Company"), together with the audited financial statements and auditor's report, for the year ended 30 September 2018.

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 £46,050,000 dividends have been paid during the year (2017: £nil).

Directors

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

Mr David Smith

Mr Justin Hutchens

Dr Chaitanya Patel (appointed 30 November 2018)

Sir William Wells (appointed 30 November 2018)

Mr John Ransford (appointed 30 November 2018)

Sir David Behan (appointed 20 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 (2017: £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 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.

HC-One Oval Limited

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Directors' Report (continued)

Future Developments

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


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:



Mr David Smith
Director
26 April 2019

Southgate House
Archer Street
Darlington
County Durham
DL3 6AH

HC-One Oval Limited

Annual report and financial statements for the year ended
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Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 judgments and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HC-One Oval Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of HC-One Oval Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

HC-One Oval Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

HC-One Oval Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



David Johnson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
1 Trinity Gardens
Newcastle upon Tyne
United Kingdom
NE1 2HF
26 April 2019

HC-One Oval Limited

Annual report and financial statements for the year ended
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Profit and loss account for the year ended 30 September 2018

	Note	Ordinary activities	Exceptional costs (Note 8)	Total	Ordinary activities 15 months to 30 September 2017 £'000	Exceptional costs (Note 8) 15 months to 30 September 2017 £'000	Total 15 months to 30 September 2017 £'000
		2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Turnover		292,636	-	292,636	198,511	-	198,511
Cost of sales	4	(247,320)	(7,887)	(255,207)	(146,530)	(83,025)	(229,555)
Gross profit/(loss)		45,316	(7,887)	37,429	51,981	(83,025)	(31,044)
Administrative expenses		(13,335)	-	(13,335)	(40,321)	-	(40,321)
Costs of a fundamental restructuring		-	(11,904)	(11,904)	-	-	-
Operating profit/(loss)	5	31,981	(19,791)	12,190	11,660	(83,025)	(71,365)
Interest receivable and similar income	9	402	-	402	1,574	-	1,574
Interest payable and similar charges	10	(180)	-	(180)	(128)	-	(128)
Profit/(loss) before taxation		32,203	(19,791)	12,412	13,106	(83,025)	(69,919)
Taxation	11	(5,789)	-	(5,789)	(2,796)	-	(2,796)
Profit/(loss) after taxation		26,414	(19,791)	6,623	10,310	(83,025)	(72,715)

All activities relate to continuing operations.

HC-One Oval Limited

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Statement of comprehensive income for the year ended 30 September 2018

		2018	15 months to 30 September 2017
	Note	£'000	£'000
Profit/(loss) for the financial year/period		6,623	(72,715)
Unrealised gain on revaluation of properties	13	4,266	33,555
Movement on deferred tax relating to revaluation of properties	18	(726)	(5,704)
Other comprehensive income		3,540	27,851
Total comprehensive income/(loss)		10,163	(44,864)


HC-One Oval Limited

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Balance sheet as at 30 September 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	12	58	-
Tangible assets	13	392,017	328,249
Investment property	14	-	53,961
Total fixed assets		392,075	382,210
Current assets			
Stocks		20	-
Debtors:			
- amounts falling due within one year	15	28,998	150,620
Cash at bank and in hand	16	11,595	-
Total current assets		40,613	150,620
Creditors amounts falling due within one year	17	(41,906)	(108,865)
Net current (liabilities)/assets		(1,293)	41,755
Total assets less current liabilities		390,782	423,965
Provision for liabilities	18	(6,533)	(3,829)
Net assets		384,249	420,136
Capital and reserves			
Called-up share capital	19	265,000	465,000
Revaluation reserve		31,391	27,851
Profit and loss account		87,858	(72,715)
Total shareholders' funds		384,249	420,136

The financial statements were approved by the Board of directors on and authorised for issue on 26 April 2019 and were signed on its behalf by:



Mr David Smith
Director
26 April 2019
HC-One Oval Limited
Registered number 10257888

HC-One Oval Limited

Annual report and financial statements for the year ended
30 September 2018

Statement of changes in equity for the year ended 30 September 2018

	Note	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 30 June 2016		-	-	-	-
Loss for the financial period		-	-	(72,715)	(72,715)
Unrealised gains on revaluation of properties		-	33,555	-	33,555
Movement on deferred tax relating to revaluation reserve		-	(5,704)	-	(5,704)
Other comprehensive income for the financial period		-	27,851	-	27,851
Issued share capital	19	465,000	-	-	465,000
At 30 September 2017		465,000	27,851	(72,715)	420,136
Profit for the financial year		-	-	6,623	6,623
Reduction in share capital	19	(200,000)	-	200,000	-
Equity dividend paid	20	-	-	(46,050)	(46,050)
Unrealised gains on revaluation of properties		-	4,266	-	4,266
Movement on deferred tax relating to revaluation reserve		-	(726)	-	(726)
Other comprehensive income for the financial year		-	3,540	-	3,540
At 30 September 2018		265,000	31,391	87,858	384,249

HC-One Oval Limited

Annual report and financial statements for the year ended
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Notes to the financial statements for the year ended 30 September 2018

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 year and prior period. In the prior period, the decision was made to change the accounting period in order to be in line with the fellow group companies. The comparative figures in the profit and loss account therefore show the results for the 15 months ended 30 September 2017.

Basis of preparation

HC-One Oval 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 modified to include certain items at fair value 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 Oval Holdco 1 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 Oval Holdco 1 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.

Going concern

The Company's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and position are set out in the Strategic Report.

The Strategic Report also describes the financial position of the Company and the Company's objectives, policies and its financial risk management objectives.

The going concern position of the Company is dependent on the overall going concern position of the Group headed by FC Oval Holdco 1 Limited.

The Director has reviewed the going concern of the Group and the Company carefully in the preparation of the consolidated financial statements. Management have prepared detailed forecasts for the Group for the period to 30 September 2020. Based upon these forecasts, taking into account, reasonably possible changes in trading performance, working capital requirements including its current net liability position and considering available funding from debt and equity which has been updated as recently as April 2019, the Group expects to have sufficient working capital and to comply with its lending covenants.

HC-One Oval Limited

Annual report and financial statements for the year ended
30 September 2018

Notes to the financial statements for the year ended 30 September 2018 (continued)

1. Accounting policies (continued)

Going concern (continued)

The Director believes that the Group and the Company are well placed to manage its risk appropriately. As set out above and after making enquiries, the Director has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Finance income

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.

HC-One Oval Limited

Annual report and financial statements for the year ended
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Notes to the financial statements for the year ended 30 September 2018 (continued)

1. Accounting policies (continued)

Intangible fixed assets – Licenses

Separately acquired licenses 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:

- Freehold Buildings – 50 years
- Fixtures and fittings - 3 to 5 years

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

Revaluation of properties

The Company has revalued its individual freehold properties at fair value. Any surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of or when there is a change in the use of the property. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value.

Debtors

Debtors are recognised initially 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.

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.

HC-One Oval Limited

Annual report and financial statements for the year ended
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Notes to the financial statements for the year ended 30 September 2018 (continued)

1. Accounting policies (continued)

Provisions (continued)

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.

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.

Revaluation of properties

Determining the fair value of freehold properties requires estimation based upon the market and cash flows of assets. The Group acquired the freehold properties at market value on 14 December 2017. As at 30 September 2018 the Directors have performed a review of the carrying value of the properties, taking into consideration market conditions and performance of the properties. Other than those properties held for sale where an accepted offer price was in place at the yearend, no revaluation of these assets has been undertaken in the current period.

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

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

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

Fixtures and fittings

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

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

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

Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised; in particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Refer to note 18 for further details of deferred tax assets recognised.

3. Segmental analysis

HC-One Oval 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.

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

5. Operating profit/(loss)

	2018 £'000	15 months to 30 September 2017 £'000
Operating profit/(loss) is stated after charging:		
Wages and salaries	193,762	102,761
Social security costs	13,329	7,243
Other pension costs	1,701	231
Staff costs	208,792	110,235
Depreciation of tangible fixed assets (note 13):	5,195	6,796
Operating lease charges land and buildings	-	644
Amortisation of other intangible assets (note 12)	172	-
Exceptional costs (note 8)	19,791	83,025
Services provided by the Company's auditor:		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	57	150

6. Directors' emoluments

	2018 £'000	15 months to 30 September 2017 £'000
Aggregate emoluments inclusive of benefits in kind	200	-
Pension contributions	-	-
	200	-

No. of directors accruing benefits under defined contribution scheme	1	-
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Highest paid director

	2018 £'000	15 months to 30 September 2017 £'000
Aggregate emoluments inclusive of benefits in kind	200	-
Pension contributions	-	-
	200	-

7. Employee information

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

By activity	2018 No.	2017 No.
Care staff	10,867	3,499
Administrative	-	978
Total average monthly number of employees	10,867	4,477

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

8. Exceptional costs

	2018 £'000	15 months to 30 September 2017 £'000
Restructuring costs	11,904	-
Impairment of fixed assets	7,887	83,025
Total exceptional costs	19,791	83,025

Restructuring costs

Exceptional costs totalling £11,904,000 (2017: £nil) have been incurred relating to the restructuring costs in the year ended 30 September 2018.

Impairment of fixed assets

The Company carried out an impairment review which resulted in fixed assets being written down by £7,887,000 (2017: £83,025,000) in the year ended 30 September 2018.

9. Interest receivable and similar income

	2018 £'000	15 months to 30 September 2017 £'000
Interest receivable and similar income	402	1,574

10. Interest payable and similar charges

	2018 £'000	15 months to 30 September 2017 £'000
Interest payable and similar charges	180	128

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

11. Tax on profit/(loss)

	2018 £'000	15 months to 30 September 2017 £'000
Current tax:		
Origination and reversal of timing differences	1,185	4,671
Adjustment in respect of previous periods	2,626	-
Total current tax	3,811	4,671
Deferred tax:		
Origination and reversal of timing differences	199	(1,875)
Adjustment in respect of previous periods	1,799	-
Effects of changes in tax rates	(20)	-
Total deferred tax (see note 18)	1,978	(1,875)
Total tax per profit and loss account	5,789	2,796

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2018 £'000	2017 £'000
Profit/(loss) for the year	12,412	(69,919)
Tax on profit/(loss) at standard UK tax rate of 19.0% (2017: 19.6%)	2,358	(13,704)
Effects of:		
Expenses not deductible for tax purposes	1,542	16,213
Effects of Group relief	(2,516)	-
Adjustment from previous periods	4,425	-
Tax rate changes	(20)	287
Tax charge for the year	5,789	2,796

12. Intangible fixed assets

	Licenses £'000
Cost	-
At 1 October 2017	-
Additions	230
At 30 September 2018	230
Amortisation	
At 1 October 2017	-
Charge for the year	(172)
At 30 September 2018	(172)
Net Book Value	
At 30 September 2017	-
At 30 September 2018	58

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Notes to the financial statements for the year ended 30 September 2018 (continued)

13. Tangible fixed assets

	Buildings & Grounds £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At 1 October 2017	241,559	92,398	333,957
Additions	5,475	8,752	14,227
Transfer from investment property*	53,961	-	53,961
Transfer in from Group related entities*	17,634	-	17,634
Disposal	(13,238)	-	(13,238)
Reclassification	92,398	(92,398)	-
Revaluations	4,266	-	4,266
At 30 September 2018	402,055	8,752	410,807
Depreciation			
At 1 October 2017	(959)	(4,749)	(5,708)
Charge for the year	(4,693)	(502)	(5,195)
Reclassification	(4,749)	4,749	-
Impairment*	(7,887)	-	(7,887)
At 30 September 2018	(18,288)	(502)	(18,790)
Net Book Value			
At 30 September 2017	240,600	87,649	328,249
At 30 September 2018	383,767	8,250	392,017

*At the point CQC registration was confirmed for each of the investment properties (all confirmed prior to acquisition), the property was transferred from investment property to fixed assets and the fixtures and fittings were transferred into fixed assets from the relevant Bupa legal entity. Any such fixtures and fittings transferred prior to acquisition, which increased the total property value to above market value, were immediately impaired.

As at 30 September 2018 the Directors have performed a review of the carrying value of the properties, taking into consideration market conditions and performance of the properties. Other than those properties held for sale where an accepted offer price was in place at the year-end which require an adjustment to the carrying value, management has assumed that the market value is stable against that in 2017 and that properties will meet future forecast trading figures, hence no revaluation of these assets has been undertaken in the current year.

14. Investment Property

	£'000
Cost	
At 1 October 2017	53,961
Transfer to tangible fixed assets	(53,961)
At 30 September 2018	-
Net book value	
At 1 October 2017	53,961
At 30 September 2018	-

Investment properties have been transferred to tangible fixed assets at the point CQC registration has been confirmed.

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

15. Debtors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	26,770	-
Amounts owed from other Group entities	-	150,230
Other debtors	1,333	390
Prepayments and accrued income	895	-
Total debtors – amounts falling due within one year	28,998	150,620

Amounts owed from other Group entities

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

16. Cash at bank and in hand

	2018 £'000	2017 £'000
Cash at bank and in hand	11,595	-

17. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	10,446	-
Amounts owed to Parent entities	5,168	108,520
Other taxation and social security	2,478	-
Amounts owed to associated Group undertakings	6,313	-
Other creditors	978	345
Corporation tax	19	-
Accruals and deferred income	16,504	-
Total creditors – amounts falling due within one year	41,906	108,865

Amounts owed to Parent entities and owed to associated Group undertakings

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

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Notes to the financial statements for the year ended 30 September 2018 (continued)

18. Provisions for liabilities

	2018 £'000	2017 £'000
Deferred tax liability	6,533	3,829

Deferred tax (assets)/ liabilities:

	2018 £'000	2017 £'000
Provision at start of year	3,829	-
Adjustment in respect of prior years	1,799	-
Deferred tax charge to profit and loss account for the year	179	(1,875)
Recognised in other comprehensive income	726	5,704
Deferred tax provision at end of year	6,533	3,829

	2018 £'000	2017 £'000
Fixed asset timing differences	6,581	-
Short term timing differences - trading	(48)	-
	6,533	-
Deferred tax (assets)		
Recoverable within 12 months	(48)	-
	(48)	-
Deferred tax liabilities		
Payable within 12 months	6,581	3,829
	6,581	3,829

19. Called-up share capital

	2018 £'000	2017 £'000
Allotted, called-up and fully-paid		
265,000,001 ordinary shares of £1 each	265,000	465,000

On 9 October 2017, the share capital of the Company was reduced by issue of a solvency statement, resulting in the cancellation and extinguishment of 200,000,000 issued ordinary shares of £1 each.

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

The profit and loss reserve represents cumulative profits and losses net of dividends paid.

HC-One Oval Limited

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Notes to the financial statements for the year ended 30 September 2018 (continued)

20. Dividends declared and paid

	2018 £'000	2017 £'000
Declared and paid during the year:		
Equity dividend of £0.17377 per ordinary share	46,050	-

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 2018 was £1,701,000 (2017: £231,000).

22. Financial commitments

There are no annual commitments under non-cancellable operating leases.

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 Oval Holdco 1 Limited group.

24. Ultimate parent undertaking

The Company's immediate parent undertaking is FC Oval Bidco Limited, a company incorporated in the Cayman Islands.

The ultimate parent undertaking and controlling party is FC Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands. The Company is part of the Group headed by FC Oval Holdco 1 Limited. FC Oval Holdco 1 Limited is both the smallest and largest group the consolidated financial statements are drawn up. The registered address of FC Oval Holdco 1 Limited is One Capital Place Shedden Road, PO BOX 847, George Town, Grand Cayman, Cayman Islands, KY1-1103

Copies of FC Oval Holdco 1 Limited financial statements to 30 September 2018 are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ.

25. Contingent Liabilities and Guarantees

The Company and its group undertakings are guarantors to a facility agreement entered into by FC Oval Bidco Limited, the Company's immediate 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 26 April 2019 the outstanding loan amount is £244.9m.

26. Subsequent events

No subsequent events are noted between the year ended 30 September 2018 and the date of signing this report.