REGISTERED NUMBER: 05217764 (England and Wales)

HC-One No.2 Limited

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2023

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HC-One No.2 Limited

Contents of the Financial Statements for the Year Ended 30th September 2023

Company Information
for the Year Ended 30th September 2023

DIRECTORS:	Mr D A Smith Mr J W Tugendhat
REGISTERED OFFICE:	Southgate House Archer Street Darlington County Durham DL3 6AH
REGISTERED NUMBER:	05217764 (England and Wales)
INDEPENDENT AUDITORS :	KPMG LLP Quayside House 110 Quayside Newcastle-upon-Tyne NE1 3DX
BANKERS:	Natwest Bank PLC 115 High Street Epsom Surrey KT19 8DX
BANKERS:	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA

Strategic Report
for the Year Ended 30th September 2023

The directors present their strategic report for the year ended 30th September 2023.

BUSINESS REVIEW

The principal activity of HC-One No.2 Limited (("the Company") during the year was the provision of nursing and residential care services, caring for over 1,100 residents across 20 homes in the UK.

The company is a subsidiary of HC-One Holdco 3 Limited (the "Group").

RESULTS

The Company prepares its annual financial statements to 30 September each year.

The Company's profit for the year ended 30 September 2023 amounted to £4,016,000 (2022: £3,737,000).

The Company's gross profit for the year ended 30 September 2023 amounted to £8,198,000 (2022: £5,894,000) and included £1,238,000 (2022: £1,199,000) of depreciation.

As at 30 September 2023 the Company had net assets of £37,659,000 (2022: £33,643,000).

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

KEY PERFORMANCE INDICATORS

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

	At 30 September 2023	At 30 September 2022
Average Occupancy	89.1%	84.2%
Average weekly fee rate	£877	£803

PRINCIPAL RISKS AND UNCERTAINTIES
Financial Risk Management Objectives and Policies

Financial Risks

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

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

The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are reviewed on a regular basis to ensure they are collectable. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group based on previous experience and assessment of the current economic climate. Also, risk is spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity Risk
The Group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments. All committed facilities are monitored and maintained regularly ensuring that all future improvement programmes are met. See accounting policies note 1 for further details.

Operational Risks

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

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

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

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

To mitigate this risk, the Group has a team of internal inspectors who operate using an intelligence-based internal inspection framework to continually monitor compliance to internal quality measures and external regulations. The internal inspections are shared with home managers and their line managers, and progress against subsequent required actions is reviewed by both line management and our inspectors. Quality measures, including Key Clinical Indicators, are monitored on a weekly basis, with management interventions where appropriate. The Group also monitors complaints, incidents and safeguarding concerns, with a robust framework in place to assess, investigate, resolve and learn.

Colleague Capacity and Competency
There is a risk of not recruiting the right leadership and/or not developing the competencies needed in order to manage an organisation of the Group's scale and complexity. There is also a risk to not having the correct resources in place and establishing the level of carer, manager and clinical capacity and competency, for the different levels of care our residents need and/or for which we are commissioned.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

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

Property Risks
Property risks include the risk of major fire, legionella outbreak, other loss of buildings and major equipment failure. The impact of a major fire could endanger lives of our residents and colleagues. The effect of loss of buildings and/or major equipment failure may result in significant disruption to care service provided.

External fire risk assessments are completed every two years with an internal review carried out in between. This highlights any fire risk concerns, be that physical aspects of the building or elements of operational control. Full compliance is targeted for all statutory pre-planned maintenance activities, and this includes fire alarms and gas certification. A programme of colleague training is in place to ensure colleagues are adequately equipped to deal with fire emergencies but also they are aware of things that may result in fire. Legionella testing and compliance programme is in place in all homes.

A significant and comprehensive pre-planned maintenance schedule exists for all major pieces of equipment. Much of this is legally driven and full compliance is the target. The Group has various contingencies in place for a variety of major equipment failure.
Recent events affecting the supply of energy may now lead to the risk of planned or unplanned blackouts, and although considered to be unlikely this is now a risk. This is mitigated through various business continuity plans and also having the ability to source generators at short notice.

Changes to Commissioning
Changes to national Adult Social Care funding arrangements, legislation or changes to levels of council/National Health Service funding, in relation to how an individual funds their care, could have a material impact on our business model operations and Group profitability.

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

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

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

We continue to work with the Department for Health and Social Care, enabling us to proactively prepare for such events. The Group also has local NHS partnerships and strong relationships with colleague union representatives. Significant emphasis is placed on cost control and cash flow, due to the financial impact of any home going into outbreak and unable to accept admissions. Furthermore, the Group performs scenario analysis and modelling of forecasts and cash flows for next five financial years.

STATEMENT BY THE DIRECTORS IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The board of directors of HC-One No.2 Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the Act) in the decisions taken during the year ended 30 September 2023.

The following paragraphs summarise how the Directors' fulfil their duties:

Our purpose, strategy and consideration of the consequence of decisions for the long term

Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. In setting our purpose, our mission is being the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities.

Each year, the Board undertakes an in-depth review of the Group's strategy, including its business plan for the forthcoming 5 years. Once approved by the Board, the plan and strategy form the basis for the financial budgets and investment decisions and also the future strategic direction of the Group.

Engaging with our stakeholders

The Board recognises its responsibility to act fairly between all stakeholders of the Group and its decisions are based on the best long-term interest of stakeholders, considering the balance of financial and operation risk compared with the potential financial returns.

Residents and Relatives

Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. We want to lead the sector in listening to families, learning and handling any complaints. We pride ourselves in the privilege of caring for our residents on a daily basis, 24/7 and we maintain continuous dialogue and relationships with relatives of our residents. Our residents and relatives have the right to expect the highest quality care and service at a price that represents value for money.

Our People

Our people are critical to delivering the Group's strategy and our mission to be The Kind Care Company, supporting those in our care to lead their best life. Our values and our culture are integral to our business model. We are committed to being the first-choice employer for colleagues, with aim being that colleagues will advocate for us as being the most fulfilling place to work in the sector. For the business to succeed, we need to reward and recognise our colleagues, support our people's performance and develop our talent, always looking to build long-term careers in the sector. The Chief Executive Officer and the other members of the senior management team interact regularly with colleagues across the Group, at every level. Management have implemented colleague policies and procedures, which are appropriate for the size of the Group, including formal and informal meetings, weekly newsletters, and staff forums where colleague representatives engage with senior management and the Chief Executive Officer. We are always intent on ensuring an inclusive workplace, where colleagues can bring their full and best selves to work.

Investors

The Board is committed to openly engaging with its shareholders, as it recognises the importance of a continuing and effective dialogue. The Chief Executive Officer, Chief Financial Officer and other members of the Executive team engage with the investors on a monthly basis at Board meetings, so as to provide regular guidance and transparent information, in order for investors to have a good understanding of the business and visibility of their return on investment. It is important to the Board that shareholders understand and help to shape the Group's strategy and objectives. Monthly Board meetings provide for effective governance of the Group and the opportunity for management to be challenged, questioned, and encouraged, to ensure the effective execution of the Group's strategy, allocation of capital and resource, and return on investment.

Lenders and landlords

Access to cash and debt is essential to for the Group to be able to execute its strategy. The Board is committed to having a positive, transparent and engaging relationship with its lenders and landlords on an ongoing basis. The Board provides monthly, quarterly and annual updates to its lenders, aligned to relevant facility documents, as well as being engaged in open dialogue and regular progress updates.

STATEMENT BY THE DIRECTORS IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006 (CONTINUED)

Commissioners
Our commissioners are imperative to the Group and its ability to execute its strategy. The Group strives to be the first choice for our commissioners and to be sought out as a partner of choice. The Group is committed to developing and maintaining strong relationships with our commissioners, through regular meetings, discussions and negotiations. The Group endeavours to be a trustworthy partner and key component of the local health and social care landscape.

Our Suppliers
Our suppliers and business partners are essential in delivering high-quality services to our residents. To do this, we need to develop and maintain strong relationships and provide regular communication through feedback and performance reviews. We value all our suppliers and have multi-year contracts with key suppliers. We understand the requirement for our suppliers to feel assured of the creditworthiness of their customers and we work closely with each of them to deliver a mutual desired outcome in terms of payment practices.

Our Regulators
The Group operates in a highly regulated environment and it is vital that the quality of care provided to our residents is tailored to each and every resident's needs. Our regulators inspect each of our homes and report as to whether they are deemed to be compliant. Any weaknesses in compliance are taken extremely seriously by the Board and the individual care home. The operations and quality teams work together with each regulator to ensure rapid corrective action. The Group also has its own internal inspection regime, which is continually assessing our homes to the same high standards as external regulators. Our regulators need to feel assured that high quality care is being provided in every care home and that regulations and procedures are being complied with, in order to mitigate any risks to our residents.

Community and Environment
The Group's mission is to be the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities. The Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner. The Group strives to meet the care needs of our communities and ensure that each and every one of our homes provide a safe, homely, friendly and fun place to be, along with ensuring a positive impact to the community in which they sit. Each of our care homes hold open days, family days and engage with various local Groups, for example, schools and churches, when it is safe to do so. This helps the communities not only to engage with the residents in our care but also to give a sense of purpose, fun and coming together, though it is important to note that such activities have been restricted during the pandemic.

CORPORATE SOCIAL RESPONSIBILITY
The Group maintained its responsibility and sustainability approach towards residents, employees, the environment and the community. The Group is committed to the long-term sustainability of the business operations, through the delivery of policy and programme.

Quality and Health and safety
The Group is committed to delivering a healthy and safe workforce and minimising impact to the environment. This includes formal training programmes and risk assessments. The Quality Governance Group provides leadership and direction to the Group and covers the three vital components needed to support the provision of kindest care: Safety, Quality and Compliance with statutory duties and regulatory standards. The Quality Governance Group meets quarterly to review health and safety, safeguarding and clinical quality issues and risks across the business.

Residents and Employees
The Group is committed to challenging discrimination and harassment and promoting equality for all. The Group is also committed to ensuring that the environment for the workforce and residents is free from harassment and bullying and every individual involved is treated with respect and dignity.

Human rights
The Group believes in individual human rights. The Group is committed to supporting human rights through the compliance with law and regulations in all aspects of policies and business operations.

Environment
The Group recognises the importance of good environment practice:
- The Group has maintained its effort to purchase goods and services with the least environmental impact. The Group continues to improve waste conversion and recycling collections.
- Refurbishment works undertaken by the Group where possible, have considered the use of low energy lighting, use of new hot water and heating systems at higher efficiency and other energy savings scheme.

The Group is committed to improving further the environment in which it operates through objectives and targets setting.

Community
Community integration is a central part of the Group's care home operation. The Group achieve positive community integration through developing strong links with local groups, churches, sheltered housing and assisted living developments, schools and charities.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

The energy used by the Company in the year ended 30th September 2023 is as follows:

Energy Type	Number	Type	kgCO2e	%
Electricity	5,245,642	kwh's	1,843,941	65.8
Natural Gas	5,260,870	kwh's	,962,152	34.2
Total			**2,806,093**	**100**
KgCO2e per registered bed			**2,098**	

The associated CO2 emissions amounted to 2,866,000 Kilograms. The intensity measure used by the Company is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2023 is 2,,098 kgCO2e per registered bed. The data has been collected and provided by an external energy management company who manage the Group's energy billing, reporting, data and cost validation on a day to day basis.

The Group takes its impact on the global climate seriously, recognising the importance of good environmental practice. Where possible, the Group is committed to adopting energy efficiency measures to help reduce its impact on climate change and also recognises the need to increase the focus on sustainability within a 24 hour 365 day operation. Energy efficiency measures taken during the year include the installation of new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls, optimised controls of lighting and plant rooms.

HC-One is very much aware of the requirement to achieve an EPC rating of B or above for every care home before 2030 and work has now commenced to investigate options to improve some of the more inefficient homes within the portfolio and Air Source Heat Pumps wll be considered within this work.

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.

GOING CONCERN

In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

As at 30 September 2023, our principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

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

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

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

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

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

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF::

Mr D A Smith - Director

29th February 2024

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

PRINCIPAL ACTIVITY
The principal activity of the Company in the year under review was that of the operation of care homes for the elderly in the United Kingdom.

Details of the principal risks and uncertainties, including financial risk, are provided within the strategic report and form part of this report by cross-reference.

DIVIDENDS
The directors note that no dividends were paid during the year (2022: £13k) This was a non-cash item which resulted from the corporate restructuring steps undertook by the group as part of the corporate restructure completed in December 2021.

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

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

Both the pandemic and the subsequent macro-economic environment have impacted significantly on occupancy levels across the social care sector, alongside the staff shortages which have been widely reported across the sector, including the Group. We will continue to invest in the training and welfare of our colleagues, and reward colleagues at increasing average pay levels as we seek to improve retention and recruitment alongside reducing the reliance on agency. This approach will also support our objective of providing externally recognised high quality care to all of those in our care.
The increase in payroll costs, allied with the widely reported high inflation levels being seen in energy, food and other key costs, as well as the emerging costs of carbon reduction, will inevitably lead to an increase in the fee rates we charge to residents. We will continue to play a leading role in this debate and work with Local Authorities, the NHS and other key stakeholders to drive a more integrated approach for providing health and social care to an increasingly older population with higher acuity.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1st October 2022 to the date of this report.

Mr D A Smith
Mr J W Tugendhat

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.

ENGAGEMENT WITH EMPLOYEES

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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::

Mr D A Smith - Director

29th February 2024

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Opinion

We have audited the financial statements of HC-One No.2 Limited ("the Company") for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period")

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and management, and inspection of policy documentation as to HC-One Holdco 3 Limited's high-level policies and procedures to prevent and detect fraud, including the HC-One Holdco 3 Limited's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board and board performance committee minutes.

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because:

- Revenue recognition is non-complex in nature; and

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

We did not identify any additional fraud risks.

We performed procedures including:

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

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and UK Care Standards as defined by the Care Quality Commission, Care and Social Services Inspectorate Wales and Care Inspectorate (Scotland) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, general data protection regulation (GDPR), anti-bribery, employment law, and environmental protection legislation, recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

- iin our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, 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.

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

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

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

29th February 2024

HC-One No.2 Limited

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

	Notes	2023 £'000	2022 £'000
TURNOVER	4	55,155	48,759
Cost of sales		(46,957)	(42,865)
GROSS PROFIT		8,198	5,894
Administrative expenses		(1,983)	(1,553)
OPERATING PROFIT		6,215	4,341
Exceptional Costs	7	(1,955)	(646)
		4,260	3,695
Interest payable and similar expenses	8	(14)	(24)
PROFIT BEFORE TAXATION	9	4,246	3,671
Tax on profit	10	(230)	66
PROFIT FOR THE FINANCIAL YEAR		4,016	3,737
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,016	3,737

The notes on pages 20 to 32 form part of these financial statements

HC-One No.2 Limited (Registered number: 05217764)

Balance Sheet
30th September 2023

	Notes	2023 £'000	2022 £'000
FIXED ASSETS			
Intangible assets	12	4	-
Tangible assets	13	5,416	4,994
		5,420	4,994
CURRENT ASSETS			
Stocks	14	61	50
Debtors	15	91,050	80,777
Cash at bank and in hand		2,875	2,291
		93,986	83,118
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(62,015)	(53,353)
NET CURRENT ASSETS		31,971	29,765
TOTAL ASSETS LESS CURRENT LIABILITIES		37,391	34,759
PROVISIONS FOR LIABILITIES	18	268	(1,116)
NET ASSETS		37,659	33,643
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Retained earnings		37,659	33,643
SHAREHOLDERS' FUNDS		37,659	33,643

The financial statements were approved by the Board of Directors and authorised for issue on 29th February 2024 and were signed on its behalf by:

Mr D A Smith - Director

The notes on pages 20 to 32 form part of these financial statements

HC-One No.2 Limited

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st October 2021	-	29,919	29,919
Dividends	-	(13)	(13)
Total comprehensive income	-	3,737	3,737
Balance at 30th September 2022	-	33,643	33,643
Total comprehensive income	-	4,016	4,016
Balance at 30th September 2023	-	37,659	37,659

The notes on pages 20 to 32 form part of these financial statements

1. STATUTORY INFORMATION

HC-One No.2 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The average monthly number of employees (excluding executive directors) was 1,257 (2022: 1,239).

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

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

Related party exemption
The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

continued...

2. **ACCOUNTING POLICIES - continued**

Going concern
In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

As at 30 September 2023, our principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

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

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

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

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

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

continued...

2. ACCOUNTING POLICIES - continued

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

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.

Intangible assets - licences
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 license.

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, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings and Grounds - shorter of the term of the lease, or the useful economic life of the asset
Fixtures and fittings - over 3-10 years
Motor vehicles - over 5 years

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

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

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

Deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense and income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise that assets and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis; or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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

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

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

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

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

continued...

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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.

Leasehold improvements and fixtures and fittings

Accounting for leasehold improvements and 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 leasehold improvements and fixtures and fittings are provided in note 13.

Leasehold improvements and 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 leasehold improvements and 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 recoverable amount is calculated based upon consideration of discounted projected future cashflows.

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.

4. TURNOVER

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

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

	2023 £'000	2022 £'000
Elderly care	55,155	48,759
	55,155	48,759

5. EMPLOYEES AND DIRECTORS

	2023	2022
	£'000	£'000
Wages and salaries	25,803	23,580
Social security costs	1,920	1,656
Other pension costs	454	394
	28,177	25,630

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

	2023	2022
Managers and Care staff	1,257	1,239

For further details of pension costs refer to note 20.

6. DIRECTORS' EMOLUMENTS

	2023	2022
	£	£
Directors' remuneration	-	-

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

7. EXCEPTIONAL ITEMS

	2023	2022
	£'000	£'000
Exceptional Covid-19 costs	-	147
Exceptional Agency costs	405	194
Exceptional Utility costs	1,550	-
Restructuring	-	305
Total exceptional costs	**1,955**	**646**

Exceptional Covid-19 costs
During the year, the Company incurred no exceptional costs in relation to Covid-19 (2022: £147,000) which related to above normal personal protective equipment costs.

Restructuring costs
During the year no exceptional costs have been incurred relating to restructuring costs (2022: £305,000) in the year

Agency costs

During the year the company incurred exceptional agency costs totalling £405,000 (2022: £194,000).

Utility costs

During the year the company incurred exceptional utility costs totalling £1,550,000 (2022: £nil).

continued...

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023 £'000	2022 £'000
Bank interest	14	24

9. PROFIT BEFORE TAXATION

Operating Profit is stated after charging:

	2023 £'000	2022 £'000
Depreciation of owned assets (Note 13)	1,238	1,199
Amortisation of Licences (Note 12)	54	38
Government grants (including job retention scheme, infection control grant and rapid testing grant)	(330)	(1,317)
Exceptional costs (Note 7)	1,955	646
Operating lease charges land and buildings	9,782	9,334
Management Charges	1,914	1387
Fees payable in respect to the Audit of the Company's annual financial statements	47	22

Fees payable to the Company's auditor for the audit of the Company's annual financial statements include an amount payable for the audit of HC-One Beamish Homecare Limited, a fellow group undertaking.

In the year ended 30 September 2023, £Nil recharges have been made to HC-One No 4 Limited (formerly Beamish Homecare Limited) for both the provision of audit and non-audit services.

continued...

10. TAXATION

Tax on profit can be reconciled as follows:

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on profits for the year	-	-
Adjustment in respect to previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	28	(91)
Adjustment in respect to previous periods	198	53
Effect of changes in tax rates	4	(28)
Total Deferred tax	**230**	**(66)**
Total tax per profit and loss account	**230**	**(66)**

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

	Year ended 30September 2023 £'000	Year ended 30 September 2022 £'000
Profit/ (Loss) for the year	4,246	3,671
Tax on profit/(loss) at standard UK tax rate of 22.01% (2022: 19.0%)	934	697
Effects of:		
Expenses not deductible	36	28
Income not taxable	(26)	(26)
Effects of group relief/ other reliefs	198	53
Adjustment from previous periods	(916)	(789)
Tax rate changes	4	(29)
Tax charge (credit) for year	**230**	**(66)**

Finance Act 2021 which was Substantively Enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023 and the rate has been applied when calculating the deferred tax at the year end.

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

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

continued...

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

11. DIVIDENDS

	2023 £'000	2022 £'000
Ordinary Shares share of £1		
Interim	-	13

12. INTANGIBLE FIXED ASSETS

	Licences £'000
COST	
At 1st October 2022	107
Additions	58
At 30th September 2023	165
AMORTISATION	
At 1st October 2022	107
Amortisation for year	54
At 30th September 2023	161
NET BOOK VALUE	
At 30th September 2023	4
At 30th September 2022	-

13. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
COST				
At 1st October 2022	3,202	7,839	285	11,326
Additions	436	1,224	-	1,660
At 30th September 2023	3,638	9,063	285	12,986
DEPRECIATION				
At 1st October 2022	966	5,081	285	6,332
Charge for year	162	1,076	-	1,238
At 30th September 2023	1,128	6,157	285	7,570
NET BOOK VALUE				
At 30th September 2023	2,510	2,906	-	5,416
At 30th September 2022	2,236	2,758	-	4,994

continued...

14. STOCKS

	2023 £'000	2022 £'000
Stocks	61	50

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade debtors	1,971	2,030
Amounts owed by group undertakings	87,838	77,378
Deferred tax asset	250	479
Prepayments and accrued income	991	890
	91,050	80,777

As at 30 September 2023, amounts owed by Group undertakings totalled £87,838,000 (2022: £77,378,000). These amounts are due on demand with no fixed repayment date and bear no interest.

Deferred tax asset

Deferred tax liabilities/(assets):	2023 £'000	2022 £'000
Provision at start of year	(479)	(413)
Adjustment in respect of prior periods	198	53
Deferred tax charge to profit and loss account for the year	31	(119)
Asset at the end of the year	**(250)**	**(479)**

	2023 £'000	2022 £'000
Fixed asset timing differences	(250)	(478)
Short term timing differences (trading)	-	(1)
	(250)	**(479)**

	2023 £'000	2022 £'000
Deferred tax (assets)		
Recoverable within 12 months	(250)	(479)
	(250)	**(479)**

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade creditors	1,104	794
Amounts owed to group undertakings	56,055	49,297
Social security and other taxes	358	274
Other creditors	493	351
Accruals and deferred income	4,005	2,637
	62,015	53,353

continued...

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

As at 30 September 2023, amounts owed to Group undertakings totalled £56,055,000 (2022: £49,297,000). These amounts are due on demand with no fixed repayment date and bear no interest.

17. **LEASING AGREEMENTS**

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

	2023 £'000	2022 £'000
Within one year	9,317	9,544
Between one and five years	37,266	38,175
In more than five years	117,102	129,574
	163,685	177,293

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

The operating lease of land and buildings relates to care homes which are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

18. **PROVISIONS FOR LIABILITIES**

	2023 £'000	2022 £'000
Other provisions	268	1,116

Other provisions

During the financial year, the Group created provisions totalling £268,000 (2022 £1,116,000) for various items including insurances and litigation amongst others. The provisions are expected to unwind as and when the outcomes of the specific provisions become more certain.

19. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £	2022 £
1	Ordinary Shares	£1	1	1

The profit and loss reserve represents cumulative profits and losses.

20. **PENSION COMMITMENTS**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2023 was £454,000 (2022: £394,000).

21. **CONTINGENT LIABILITIES AND GUARANTEES**

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement originally dated 20 April 2021, with a maturity date on 10 October 2028. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Holdco 3 Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £619.9m remains outstanding.

continued...

22. RELATED PARTY DISCLOSURES

Identity of related parties

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

23. POST BALANCE SHEET EVENTS

No events are noted between the year end date and the date of signing this report.

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is HC-One Intermediate Holdco 2 Limited (formerly FC Beamish BidCo Ltd), a company incorporated in England.

The Directors regard Skyfall LP (formerly FC Skyfall LP), a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking.

The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited (formerly FC Skyfall GP Limited), a company incorporated in Cayman Islands.

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

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