REGISTERED NUMBER: 10257888 (England and Wales)

HC-One Oval Limited

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 30th September 2020

HC-One Oval Limited

Contents of the Financial Statements
for the Year Ended 30th September 2020

Company Information
for the Year Ended 30th September 2020

DIRECTORS:	Mr D A Smith Sir W H W Wells Mr J A Ransford Sir D Behan Mr J W Tugendhat
REGISTERED OFFICE:	Southgate House Archer Street Darlington DL3 6AH
REGISTERED NUMBER:	10257888 (England and Wales)
INDEPENDENT AUDITORS:	KPMG LLP Quayside House 110 Quayside Newcastle-upon-Tyne NE1 3DX
BANKERS:	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA

The directors present their strategic report for the year ended 30th September 2020.

REVIEW OF 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 5,500 residents across 89 homes in the UK (2019: over 6,000 residents across 89 homes in the UK).

The company is a subsidiary of FC Skyfall Holdco 3 Limited (the "Group").

RESULTS

The profit and loss account shows the results for the year ended 30 September 2020. The Company's loss for the year ended 30 September 2020 after exceptional costs amounted to £14.4m (2019 profit: £22.6m) and included £48.6m (2019: £6.6m) of exceptional costs. Exceptional costs included £2.1m of COVID-19 related costs, £0.4m (2019: £5.6m) of adjustments to the bad debt provision, restructuring costs of £0.5m (2019: £1.0m) and impairments to fixed assets of £45.6m following a valuation of the company's property portfolio. Before exceptional costs, profit after taxation was £34.1m (2019: £29.1m).

The Company's gross profit before exceptional costs for the year ended 30 September 2020 amounted to £37.6m (2019: £38.2m) including £8.9m (2019: £8.0m) of depreciation.

As at 30 September 2020 the Company had net assets of £408.1m (2019: £407.9m).

KEY PERFORMANCE INDICATORS

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

	30 September 2020	30 September 2019	Increase/ (decrease)
Average occupancy	82.0%	85.9%	(3.9%)
Average weekly fee rate	£799	£792	£7

Over this period, occupancy has decreased by 3.9% due to the challenges of the COVID-19 global pandemic. Further details on the impact of COVID-19 can be found later in this strategic report.

COVID-19 IMPACT

Occupancy

In the year ended 30 September 2020, COVID-19 had a significant impact on the healthcare sector as a whole. During the year, occupancy rates declined considerably, both as a result of significantly increased death rates, as well as restrictions on new admissions within homes in outbreak. The vast majority of the increased death rates occurred at the start of the pandemic, in April and May 2020, before routine testing was widely available.

Government grants and support

During the financial year, the Group received additional income through various government grants, including the Infection Control Fund and Coronavirus Job Retention Scheme. The Group was also able to apply, in England, Scotland and Wales, for support in order to cover increased costs. In addition, the Group benefited from various occupancy guarantees and COVID-19 contract bed bookings from the NHS and Local Authorities.

Funds distributed by local authorities to the Group, in relation to the Infection Control Fund, were allocated to payroll costs; ensuring colleagues who isolated in line with government guidance received their normal wages while doing so, limiting or cohorting colleagues to serve individual groups of residents or floors/wings, and limiting colleague movement between settings.

COVID-19 IMPACT (continued)

Cost impact
Throughout the pandemic, the priority of the Group has been to protect our residents and colleagues. This has been achieved through comprehensive infection control and safety measures, including investment in safety equipment, colleague training and support. In the financial year, the Group invested heavily to protect and support residents and colleagues, resulting in higher costs, particularly payroll costs and personal protective equipment ("PPE") costs.

Visiting
Since March 2020 and the start of the pandemic, the lack of visiting into our care homes has been extremely hard and upsetting for residents, relatives and colleagues alike. Our teams have been supporting and caring for our residents and have worked extremely hard to maintain their connections with families and loved ones during periods of lockdown.

Colleagues
Throughout the pandemic, the Group has supported its colleagues who have needed to self-isolate by topping up Statutory Sick Pay to average gross pay for those colleagues who have tested positive for COVID-19 or displayed symptoms and were awaiting a test. Our colleagues have worked tirelessly throughout the pandemic, to provide outstanding kind care to our residents. We thank each and every one of our colleagues for their hard work, dedication and professionalism throughout what has been the single worst health crisis in over a century.

Current trading and outlook
In the period between the year end and the signing of the accounts, there have been many notable developments in the COVID-19 pandemic which have impacted the Group;

- ***Vaccinations*** – COVID-19 vaccinations have been offered and administered to our residents and colleagues. This has had a dramatic effect on the number of cases in our resident and colleague population and has therefore resulted in a significant fall in the number of our homes in outbreak (and therefore unable to accept admissions).

- ***Visiting*** – As at the date of signing the accounts, restrictions on face-to-face visiting in our care homes have been lifted, allowing residents to be reunited with their loved ones. Although visiting comes with various infection control protocols for visitors, such as COVID-19 testing and the donning of personal protective equipment, this has been welcomed wholeheartedly by everyone involved.

- ***Government Funding*** – Since the financial year end, the Government announced further funding into the adult social care sector – specifically the continuation of the Infection Control Fund (applicable from October 2020 to March 2021) and the introduction of the Rapid Testing Fund (applicable from December 2020 to March 2021), as well as the provision of personal protective equipment ("PPE") to our English care homes until March 2022. This funding has been welcomed by the sector, and has enabled the Group to maintain levels of staffing in line with the extra work generated by enhanced infection control protocols, as well as being able to ensure that our colleagues are not adversely financially affected if they have to self-isolate at the onset of COVID-19 symptoms and/or as a result of a positive COVID-19 test. Furthermore, on the 18th March 2021, the Government announced an additional £341m funding into adult social care, to continue the Infection Control Fund and Rapid Testing Fund through to 30th June 2021.

- ***Occupancy*** – Occupancy is currently on an increasing trend, following the drastic reduction in the number of our homes in outbreak and unable to accept admissions.

COVID-19 IMPACT (continued)

- ***Financing*** - on 27th April 2021, FC Skyfall (UK) Financeco Limited, the new intermediate parent company of the Company, entered into a five year £570.0m term loan facility agreement. The total facility is split between a £540.0m loan, which was utilised to repay existing debts and a further facility of £30.0m which is available for working capital and capital expenditure within the next two years. No financial covenants are tested on this facility for the first two years of the agreement and no there is amortisation during the term of the loan.

- ***Refinement of portfolio*** - On 1st March 2021, the Group announced plans to better meet the current and future care needs of the communities it serves, recognising evolving care needs, including the growing demand for more complex care and dementia care. As the Group plans how best to use resources to continuously improve its care homes, it is determined to invest where it can have the greatest impact and more effectively ready itself for the evolving needs of those who it cares for. As a result, the Group has put 52 of its homes up for sale in areas where it feels the communities would better be served by a local operator. The Group has also proposed to close 4 homes. In both cases, the Group will work closely with local partners and commissioners. The sales and closures will only happen when the right alternative operator is found and when residents are able to safely move to their new care placement, ensuring continuity of care.

The Board, our lenders and our shareholders remain focused, committed and optimistic about the future of the Group. We are all united in our unwavering commitment to be The Kind Care Company, supporting those in our care to lead their best life. The recent refinancing has given the Group a certainty of liquidity, as well as capital available for investment. With the Group's disciplined approach to capital allocation, as well as a committed and experienced management team and strong kind care culture throughout the Group, the Group is poised well for the future.

FINANCIAL RISK MANAGEMENT OBJECTIVES & 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.

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

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

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

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 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.

Leadership and cultural changes within the business have supported us in securing further talent. Succession planning has been developed for the leadership team and personal development plans are now being established as part of the performance management process. Our overseas nursing programme is a key mitigating tool to bringing in additional nursing skills. We also have a Workforce Plan in place that matches the right people and skills with the levels of care needed in homes. Our Nursing Assistant Programme helps the upskilling of Nursing Assistants, reducing the care burden and workload of the nurses. 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.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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. An extensive 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 business has various contingencies in place for a variety of major equipment failure.

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.

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 Oval 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 2020.

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 RESPONSIBILTY
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.

CORPORATE SOCIAL RESPONSIBILTY (continued)

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 Group in the year ended 30th September 2020 is as follows:

Energy Type	Number	Type	kgCO2e	%
Electricity	15,666,170	kwh's	5,506,950	27.3
Natural Gas	78,327,258	kwh's	14,424,748	71.5
Transport	111,731	Miles	32,804	0.2
Heating Oil	66,887	Ltrs	197,767	1.0
Total			**20,162,268**	**100**
KgCO2e per registered bed			**2,824**	
Power Generated				
Power from Solar	1,220,510	kwh's	429,032	
Power from CHP	1,425,000	kwh's	500,914	
Total			**929,946**	

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (continued)
The associated CO2 emissions amounted to 20,162,000 Kilograms. The intensity measure used by the Group is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2020 is 2,824kgCO2e 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. Energy efficiency measures taken during the year include the installation of LED lighting, modern heating controls, optimised controls of lighting and plant rooms, and the awareness of managers and maintenance staff. Following a large number of Energy Savings Opportunity Scheme audits carried out across the Group, solar power was highlighted as the key area of scope for energy reduction. During the next year we plan to explore its viability across the Group.

EVENTS AFTER THE BALANCE SHEET DATE
Details of significant events since the balance sheet date are contained in note 23 of the financial statements.

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

The company is a subsidiary of FC Skyfall Holdco 3 Limited (the "Group"). The directors of FC Skyfall Holdco 3 Limited, the parent undertaking, manage the Group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Group level. For these reasons, the directors do not prepare cash flow forecasts at an individual entity level.

The Directors have reviewed the going concern of the Group and the Company carefully in the preparation of these financial statements. In order to prepare the financial statements on a going concern basis, the Directors have considered detailed financial projections for a period through 12 months from the date of signing the financial statements. These projections are based on the Group's detailed forecasts. By their very nature, forecasts and projections are inherently uncertain, however, the prepared forecasts show that the Group will operate well within its committed facilities for that period.

The Directors have prepared detailed cash flow forecasts for the Group for the period to 30th September 2025. Net debt levels, servicing costs and working capital requirements are closely monitored and managed in accordance to the Group's objectives, policies and processes, and these have each been considered as part of these forecasts.

The Group has reviewed its working capital requirements including its current shareholders' funds position and maintains sufficient cash resources to meet its day to day working capital requirements. At 30th September 2020, the FC Skyfall Holdco 3 Limited Group was financed by £102.0m of cash, £461.2m of term loans and £134.3m of loan notes with related parties. On 27th April 2021, FC Skyfall (UK) Financeco Limited, the new intermediate parent company of the Company, entered into a new facility agreement for a total loan of £570.0m, which consisted of £540.0m to fully repay the existing debts of FC Skyfall Holdco 3 Limited Group and a further facility of £30.0m is available for drawdown to fund working capital and capital expenditure within the next two years. No financial covenants are tested within the first two years and there is no amortisation during the term of the loan.

Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further fall in occupancy due to increased death rates and delay in recovery of admissions due to an increase of homes in outbreak (homes in outbreak are unable to accept admissions). When these downside sensitivities are applied to the financial projections, there are no indications of liquidity concerns, for a period through 12 months from the date of signing the financial statements, noting that the Group has no financial covenants that need to be complied with until the quarter ending 30th June 2023.

GOING CONCERN (continued)

The going concern of the Company is dependent upon the overall going concern of the FC Skyfall Holdco 3 Limited Group. The Company and its Group undertakings are obligors to a £570m term loan facility agreement entered into by FC Skyfall (UK) Financeco Limited, the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the Group's assets and unlimited guarantee from its Group undertakings. FC Skyfall Holdco 3 Limited has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue indefinitely although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the Group's forecasts and projections and taking into account reasonable possible changes in trading performance as mentioned above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ON BEHALF OF THE BOARD:

Mr D A Smith - Director

29th April 2021

The directors present their report with the financial statements of the Company for the year ended 30th September 2020.

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
No dividends will be distributed for the year ended 30th September 2020.

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.

DIRECTORS
The directors shown below have held office during the whole of the period from 1st October 2019 to the date of this report.

Mr D A Smith
Sir W H W Wells
Mr J A Ransford
Sir D Behan

Other changes in directors holding office are as follows:

Mr J J Hutchens - resigned 5th February 2020
Mr J W Tugendhat - appointed 14th September 2020

POLITICAL CONTRIBUTIONS
The Company made no political donations during the year (2019 £Nil).

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.

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 weekly newsletters.

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 disable persons should, as far as possible, be identical to that of their employees.

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

ON BEHALF OF THE BOARD:

Mr D A Smith - Director

29th April 2021

Directors' Responsibilities Statement
for the Year Ended 30th September 2020

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.

Report of the Independent Auditors to the Members of
HC-One Oval Limited

Opinion
We have audited the financial statements of HC-One Oval Limited (the 'Company') for the year ended 30th September 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 30th September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the 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.

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Directors' Report and the Directors' Responsibilities Statement, but does not include the financial statements and our Report of the Auditors 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 this regard.

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.

Matters on which we are required to report by exception
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 material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page fourteen, 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 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.

Auditors' 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 a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

29th April 2021

Statement of Comprehensive Income
for the Year Ended 30th September 2020

	Notes	2020 £'000	2019 £'000
TURNOVER	4	248,540	262,836
Cost of sales		(210,896)	(224,672)
GROSS PROFIT		37,644	38,164
Administrative expenses		(9,008)	(10,045)
OPERATING PROFIT	7	28,636	28,119
Exceptional Costs	8	(48,594)	(6,578)
Loss / profit on sale of tangible fixed assets	8	(1,420)	1,018
		(21,378)	22,559
Interest receivable and similar income		16	12
		(21,362)	22,571
Interest payable and similar expenses	9	(58)	(154)
(LOSS)/PROFIT BEFORE TAXATION		(21,420)	22,417
Tax on (loss)/profit	10	6,972	147
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(14,448)	22,564
OTHER COMPREHENSIVE INCOME			
Property revaluation		18,927	1,066
Income tax relating to other comprehensive income		(4,227)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		14,700	1,066
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		252	23,630

The notes on pages 21 to 35 form part of these financial statements

HC-One Oval Limited (Registered number: 10257888)

Balance Sheet
30th September 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	11	473	591
Tangible assets	12	335,195	367,990
Investments	13	-	-
		335,668	368,581
CURRENT ASSETS			
Stocks	14	206	-
Debtors	15	96,901	68,777
Cash at bank and in hand		29,497	16,417
		126,604	85,194
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(51,455)	(40,417)
NET CURRENT ASSETS		75,149	44,777
TOTAL ASSETS LESS CURRENT LIABILITIES		410,817	413,358
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(106)	(155)
PROVISIONS FOR LIABILITIES	19	(2,580)	(5,324)
NET ASSETS		408,131	407,879
CAPITAL AND RESERVES			
Called up share capital	20	265,000	265,000
Revaluation reserve		40,886	26,186
Retained earnings		102,245	116,693
SHAREHOLDERS' FUNDS		408,131	407,879

The financial statements were approved by the Board of Directors and authorised for issue on 29th April 2021 and were signed on its behalf by:

Mr D A Smith - Director

Statement of Changes in Equity
for the Year Ended 30th September 2020

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1st October 2018	265,000	87,858	31,391	384,249
Changes in equity				
Total comprehensive income	-	22,564	1,066	23,630
Realised gain on disposal of properties	-	6,271	(6,271)	-
Balance at 30th September 2019	265,000	116,693	26,186	407,879
Changes in equity				
Total comprehensive income	-	(14,448)	14,700	252
Balance at 30th September 2020	265,000	102,245	40,886	408,131

The notes on pages 21 to 35 form part of these financial statements

1. **STATUTORY INFORMATION**

HC-One Oval 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 as modified by the revaluation of certain assets.

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.

Preparation of consolidated financial statements
The financial statements contain information about HC-One Oval Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, FC Oval Holdco 1 Limited, Trident Trust Company (Cayman) Limited, One Capital Place Shedden Road, PO BOX 847, George Town, Grand Cayman, Cayman Islands, KY1-1103.

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

The company is a subsidiary of FC Skyfall Holdco 3 Limited (the "Group"). The directors of FC Skyfall Holdco 3 Limited, the parent undertaking, manage the Group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Group level. For these reasons, the directors do not prepare cash flow forecasts at an individual entity level.

The Directors have reviewed the going concern of the Group and the Company carefully in the preparation of these financial statements. In order to prepare the financial statements on a going concern basis, the Directors have considered detailed financial projections for a period through 12 months from the date of signing the financial statements. These projections are based on the Group's detailed forecasts. By their very nature, forecasts and projections are inherently uncertain, however, the prepared forecasts show that the Group will operate well within its committed facilities for that period.

The Directors have prepared detailed cash flow forecasts for the Group for the period to 30th September 2025. Net debt levels, servicing costs and working capital requirements are closely monitored and managed in accordance to the Group's objectives, policies and processes, and these have each been considered as part of these forecasts.

The Group has reviewed its working capital requirements including its current shareholders' funds position and maintains sufficient cash resources to meet its day to day working capital requirements. At 30th September 2020, the FC Skyfall Holdco 3 Limited Group was financed by £102.0m of cash, £461.2m of term loans and £134.3m of loan notes with related parties. On 27th April 2021, FC Skyfall (UK) Financeco Limited, the new intermediate parent company of the Company, entered into a new facility agreement for a total loan of £570.0m, which consisted of £540.0m to fully repay the existing debts of FC Skyfall Holdco 3 Limited Group and a further facility of £30.0m is available for drawdown to fund working capital and capital expenditure within the next two years. No financial covenants are tested within the first two years and there is no amortisation during the term of the loan.

Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further fall in occupancy due to increased death rates and delay in recovery of admissions due to an increase of homes in outbreak (homes in outbreak are unable to accept admissions). When these downside sensitivities are applied to the financial projections, there are no indications of liquidity concerns, for a period through 12 months from the date of signing the financial statements, noting that the Group has no financial covenants that need to be complied with until the quarter ending 30th June 2023.

The going concern of the Company is dependent upon the overall going concern of the FC Skyfall Holdco 3 Limited Group. The Company and its Group undertakings are obligors to a £570m term loan facility agreement entered into by FC Skyfall (UK) Financeco Limited, the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the Group's assets and unlimited guarantee from its Group undertakings. FC Skyfall Holdco 3 Limited has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue indefinitely although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the Group's forecasts and projections and taking into account reasonable possible changes in trading performance as mentioned above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Separately acquired licences are included at cost and amortised on a straight-line basis over their estimated useful economic life equal to the length of the licence.

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, with the exception of 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:

- 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.

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

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

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.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The Company operates both a Company Default Pension Scheme and a Stakeholder Pension Scheme. The Company Default Pension Scheme is managed by an external third party. The Stakeholder Pension Scheme is managed by the Company and funds are invested on the employee's behalf. 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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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.

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

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

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.

Government Grants
Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the assets. Where part of a grant relating to an asset is deferred, it is recognised as deferred income. Government grants received are for use in capital improvement projects of qualifying care homes. Government support received during the pandemic has been treated as a government grant where it is dependent on compliance with specified conditions, for example the Job Retention Scheme and Infection Control Fund, and has been included within Revenue. Other forms of government support have been treated as government assistance.

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3. 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 2020 the Directors obtained a full external valuation of its properties, taking into consideration market conditions and performance of the properties. The properties have been revalued in accordance with the valuation report. Further details can be found in note 12.

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 12.

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 19 for further details of deferred tax assets recognised.

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4. TURNOVER

The turnover and loss (2019 - profit) before taxation are attributable to the one principal activity of the Company.

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

	2020	2019
	£'000	£'000
Elderly care	248,540	262,836
	248,540	262,836

An analysis of turnover by geographical market is given below:

	2020	2019
	£'000	£'000
United Kingdom	248,540	262,836
	248,540	262,836

5. EMPLOYEES AND DIRECTORS

	2020	2019
	£'000	£'000
Wages and salaries	161,891	174,674
Social security costs	10,387	11,032
Other pension costs	2,498	2,205
	174,776	187,911

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

	2020	2019
Care Staff	8,455	9,543

Please see note 25 for further details of other pension costs.

6. DIRECTORS' EMOLUMENTS

	2020	2019
	£'000	£'000
Aggregate emoluments inclusive of benefits in kind	-	231
No. of directors accruing benefits under defined contribution scheme	-	1

Highest paid director

	2020	2019
Aggregate emoluments inclusive of benefits in kind	-	231

continued...

7. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Other operating leases	8	206
Government grants (including job retention scheme and infection control grants) *	(5,968)	-
Depreciation - owned assets (Note 12)	8,856	7,968
Licences amortisation (Note 11)	877	567
Fees payable to Company's auditors for the audit of the Company's annual financial statements	90	85

* In addition to government grants, the Company received government assistance in the form of cost recoveries, occupancy guarantees and COVID-19 contract bed bookings from the NHS.

8. EXCEPTIONAL ITEMS

	2020 £'000	2019 £'000
Exceptional Costs	(48,594)	(6,578)
Loss / profit on sale of tangible fixed assets	(1,420)	1,018
	(50,014)	(5,560)

Exceptional Costs

COVID-19 costs
Exceptional costs totalling £2,124,000 (2019: £Nil) have been incurred in relation to COVID-19, which includes PPE related costs in the year to 30 September 2020.

Restructuring costs
Exceptional costs totalling £505,000 (2019: £954,000) have been incurred relating to restructuring costs in the year.

Adjustment to bad debt provision
A fair value adjustment of £431,000 (2019: £5,596,000) was required to the acquired bad debt provision of the Company, in order to bring the Company's bad debt provision into alignment with the acquiring Group's debt provisioning policy.

Impairment of fixed assets
The Company carried out an impairment review which resulted in fixed assets being written down by £45,534,000 (2019: £28,000) in the year.

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Bank interest	50	154
Hire purchase	8	-
	58	154

continued...

10. TAXATION

Analysis of the tax credit
The tax credit on the loss for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	(1)	(4)
Deferred tax	(6,971)	(143)
Tax on (loss)/profit	(6,972)	(147)

UK corporation tax has been charged at 19% (2019 - 19%).

Reconciliation of total tax credit included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(21,420)	22,417
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(4,070)	4,259
Effects of:		
Expenses not deductible for tax purposes	1,393	1,831
Adjustments to tax charge in respect of previous periods	474	(17)
Tax rate changes	51	15
Effects of group relief	(4,820)	(6,235)
Total tax credit	(6,972)	(147)

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2020 Net £'000
Property revaluation	18,927	(4,227)	14,700

	Gross £'000	Tax £'000	2019 Net £'000
Movement on deferred tax relating to realised gain	1,066	-	1,066
	1,066	-	1,066

continued...

10. TAXATION - continued

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

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 30 September 2020 has been calculated at 19% (2019: 17%).

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

11. INTANGIBLE FIXED ASSETS

	Licences £'000
COST	
At 1st October 2019	1,330
Additions	759
At 30th September 2020	2,089
AMORTISATION	
At 1st October 2019	739
Amortisation for year	877
At 30th September 2020	1,616
NET BOOK VALUE	
At 30th September 2020	473
At 30th September 2019	591

continued...

12. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
COST OR VALUATION			
At 1st October 2019	379,342	14,014	393,356
Additions	2,059	4,638	6,697
Disposals	(5,324)	(42)	(5,366)
Revaluations	41,290	-	41,290
At 30th September 2020	417,367	18,610	435,977
DEPRECIATION			
At 1st October 2019	22,822	2,544	25,366
Charge for year	5,692	3,164	8,856
Eliminated on disposal	(1,324)	(13)	(1,337)
Impairments	67,897	-	67,897
At 30th September 2020	95,087	5,695	100,782
NET BOOK VALUE			
At 30th September 2020	322,280	12,915	335,195
At 30th September 2019	356,520	11,470	367,990

As at 30 September 2020, the property portfolio was formally reviewed by Chartered Surveyors, Knight Frank LLP, taking into consideration market conditions and performance of the properties. The properties were valued on an open market basis. This resulted in a net upwards revaluation of £41,290,000 and a downwards impairment of £67,897,000. All of the £41,290,000 upwards revaluation was recognised in Other Comprehensive Income. Of the £67,897,000 impairment, £22,363,000 was recognised in Other Comprehensive Income reversing previous increases and £45,534,000 went through exceptional costs in the profit and loss.

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

The net book value of fixtures and fittings includes £197,000 (2019: £295,000) in respect of assets held under finance leases.

Cost or valuation at 30th September 2020 is represented by:

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
Valuation in 2020	349,470	18,610	368,080

continued...

12. **TANGIBLE FIXED ASSETS - continued**

If buildings and grounds had not been revalued they would have been included at the following historical cost:

	2020 £'000	2019 £'000
Cost	376,077	379,342
Aggregate depreciation	27,190	22,822

Buildings and grounds were valued on an open market basis on 30th September 2020 by Knight Frank LLP.

13. **FIXED ASSET INVESTMENTS**

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

Subsidiary

NH JV Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Holding company

Class of shares:	% holding
Ordinary	100.00

Joint ventures

HC Grand N JV Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Joint venture

Class of shares:	% holding
Ordinary	50.00

HC Grand N JV Sub Limited
Registered office: Southgate House, Archer Street, Darlington, United Kingdom, DL3 6AH
Nature of business: Joint venture

Class of shares:	% holding
Ordinary	50.00

14. **STOCKS**

	2020 £'000	2019 £'000
Stocks	206	-

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15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade debtors	11,862	12,884
Amounts owed by group undertakings	79,170	47,774
Other debtors	383	67
Corporation tax recoverable	-	2
Prepayments and accrued income	5,486	8,050
	96,901	68,777

Amounts owed by group undertakings are due on demand and bear no interest.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Finance leases (see note 18)	58	75
Trade creditors	13,674	9,113
Amounts owed to group undertakings	14,274	13,702
Social security and other taxes	5,421	1,924
Other creditors	733	958
Accruals and deferred income	17,295	14,645
	51,455	40,417

Amounts owed to group undertakings are due on demand and bear no interest.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Finance leases (see note 18)	106	155

18. LEASING AGREEMENTS

Minimum lease payments under finance leases fall due as follows:

	Finance leases	
	2020 £'000	2019 £'000
Net obligations repayable:		
Within one year	58	75
Between one and five years	106	155
	164	230

19. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Deferred tax	2,580	5,324

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19. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £'000
Balance at 1st October 2019	5,324
Credit to Statement of Comprehensive Income during year	(6,971)
Recognised in Other Comprehensive Income	4,227
Balance at 30th September 2020	2,580

Deferred tax:	**2020 £'000**	**2019 £'000**
Provision at start of year	5,324	6,533
Adjustment in respect of prior periods	475	(13)
Deferred tax charge to profit and loss account for the year	(7,446)	(130)
Deferred tax charge to Other Comprehensive Income for the year	4,227	(1,066)
Liability at the end of the year	**2,580**	**5,324**

	2020 £'000	**2019 £'000**
Fixed asset timing differences	2,506	5,392
Short term timing differences (trading)	74	(68)
	2,580	**5,324**

	2020 £'000	**2019 £'000**
Deferred tax		
Payable within 12 months	2,580	(68)
Payable after 12 months	-	5,392

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	**Class:**	**Nominal value:**	**2020 £'000**	**2019 £'000**
265,000,001	Ordinary	£1	265,000	265,000

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

The retained earnings reserve represents cumulative profits and losses net of dividends paid.

21. CONTINGENT LIABILITIES AND GUARANTEES

On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new intermediate parent company of the Company entered into a five year £570.0m term loan facility agreement, with a maturity date on 26 April 2026. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of FC Skyfall Holdco 3 Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £540.0m remains outstanding.

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22. **RELATED PARTY DISCLOSURES**

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other wholly-owned group undertakings within the FC Oval Holdco 1 Limited group.

23. **POST BALANCE SHEET EVENTS**

Refinancing
On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new intermediate parent company of the Company entered into a five year £570.0m term loan facility agreement, with a maturity date on 26 April 2026. The total facility includes a £540.0m tranche 1 loan, which was utilised to repay the existing debts of FC Skyfall Holdco 3 Limited group and a tranche 2 loan facility of £30.0m is available for working capital and capital expenditure investment within the next two years. No financial covenants are tested during the first two years and there is no amortisation during the term of the loan.

Plans to better meet current and future care needs
On 1 March 2021, the Group announced plans to better meet the current and future care needs of the communities it serves, recognising evolving care needs, including growing demand for more complex care and dementia care. As the Group plans how best to use resources to continuously improve its care homes, it is determined to invest where it can have the greatest impact and more effectively ready itself for the evolving needs of those who it cares for. As a result, the Group is putting 52 of its homes up for sale in areas where it feels the communities would better be served by a local operator in conjunction with other local services. The Group is also proposing to close 4 homes. In both cases, the Group will work closely with local partners and commissioners. The sales and closures will only happen when the right alternative operator is found and when residents are able to safely move to their new care placement, ensuring continuity of care.

24. **ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY**

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

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 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 2020 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.

25. **DEFINED CONTRIBUTION PENSION SCHEME**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year to 30 September 2020 was £2,498,000 (2019: £2,205,000).