

**REGISTERED NUMBER: 10257888 (England and Wales)**

**HC-One No. 1 Limited**  
**Strategic Report, Directors' Report and**  
**Audited Financial Statements for the Year Ended 30th September 2023**

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**HC-One No. 1 Limited**

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

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**DIRECTORS:**

Mr D A Smith  
Mr J W Tugendhat

**SECRETARY:**

Mrs C Cutler

**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

**Strategic Report  
for the Year Ended 30th September 2023**

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

**REVIEW OF BUSINESS**

The principal activity of HC-One No. 1 Limited ("the Company") during the year was the provision of nursing and residential care services, caring for over 3,000 residents across 60 homes in the UK (2022: over 4,000 residents across 70 homes in the UK).

**RESULTS**

The profit and loss account shows the results for the year ended 30 September 2023. The Company's loss for the year ended 30 September 2023 after exceptional costs amounted to £21.5m (2022 profit: £1.7m) and includes £10.5m of exceptional costs (2022: £6.1m). Exceptional costs included £nilm of COVID-19 related costs (2022: £1.7m), restructuring costs of £0.02m (2022: £0.2m), Onerous lease costs £1.7m (2022: £0.5m), impairments to fixed assets of £nilm reflecting the current offer prices of the properties (2022: £0.1m), exceptional agency costs £3.1m (2022: £3.1m), exceptional IT project costs £nilm (2022: £0.2m) and exceptional Health and Safety litigation £0.03m (2022: £0.3m). Before exceptional costs, loss after taxation was £10.9m (2022 profit: £7.8m).

The Company's gross profit for the year ended 30 September 2023 amounted to £22.9m (2022: £30.4m) including £5.9m (2022: £6.1m) of depreciation.

As at 30 September 2023, the Company had net assets of £412.1m (2022: £431.8m).

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:

	2023	2022	Increase/ (decrease)
Average occupancy	77.4%	75.2%	2.2%
Average weekly fee rate	£975	£895	£80

Over this period, occupancy has increased by 2.2% as the impact of the COVID-19 global pandemic has continued to ease. Further details on the impact of COVID-19 can be found later in this strategic report.

## **FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES**

### **Financial risks**

The Directors of HC-One Holdco 3 Limited have the overall responsibility for the Group and its subsidiaries in assessing risk and taking appropriate action. Accordingly, the Group risks and policies also apply to the Company.

### **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.

### **Price risk**

The Group faces uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited. The average weekly fee rates are also driven by the number of residents funded by Local Authorities and by private fee payers.

### **Interest rate risk**

The Group finances its operations through called-up share capital and external debts. The interest rate applicable to the external debt of £520.9m is fixed at 12% per annum.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

### **Reputational Risk**

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

In order to mitigate this risk, the Group delivers employee training via a multi award winning mandatory and specialist Learning and Development programme, has independent quality inspectors, carries out a Disclosure and Barring Service check on all care staff and monitors compliance with an industry best electronic system. The Group also has clear governance processes to report on risks and incidents, and then implement 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 or developing the right calibre of leadership and/or not developing the core competencies needed to manage an organisation of the Group's scale and complexity. There is also a risk to not having the correct resources in place and establishing the level of carer, manager and clinical capacity and capability, for the unique and personalised levels of care our residents need and/or for which we are commissioned.

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

### **Property Risks**

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

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

A significant and comprehensive pre-planned maintenance schedule exists for all major pieces of equipment. Much of this is legally driven and full compliance is the target. The Group has various contingencies in place for a variety of major equipment failure.

Recent events affecting the supply of energy may now lead to the risk of planned or unplanned blackouts, and although considered to be unlikely this is now a risk. This is mitigated through various business continuity plans and also having the ability to source generators at short notice.

### **Changes to Commissioning**

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

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

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

**Potential future pandemics**

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

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.

**Strategic Report  
for the Year Ended 30th September 2023**

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

The board of directors of HC-One No.1 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 five 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 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. We want to lead the sector in listening to families, learning and handling any complaints.

**Our People**

Our people are critical to delivering the Group's strategy and our purpose to support those in our care to lead their best life. This will happen as a direct result of our colleagues believing that we are the most fulfilling place to work in the sector. Our Kind Care model, rooted in a deep understanding of what kind care means to our residents, families and colleagues, is at the heart of our culture and integral to our business model. Core to achieving this is our focus on rewarding and recognising our colleagues, supporting colleague's personal and professional growth and creating pathways to enjoying long-term careers in the sector.

A deep connection with every colleague, each feeling a meaningful sense of belonging to our organisation, trust in our leadership and believing they can bring their full and best selves to work, are core to the culture we are nurturing.

**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.



**Strategic Report  
for the Year Ended 30th September 2023**

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**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, the Executive team 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.

**Strategic Report  
for the Year Ended 30th September 2023**

**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	KgCO <sub>2</sub> e	%
Electricity	11,509,374	kwh's	4,045,759	30.7%
Natural Gas	48,055,506	kwh's	8,649,991	65.6%
Transport	141,899	Ltrs	221,362	1.7%
Heating Oil	105,768	Ltrs	266,536	2.0%
<b>Total</b>			<b>13,183,648</b>	<b>100%</b>
<b>KgCO<sub>2</sub>e per registered bed</b>			2,662	
<b>Power Generated</b>				
Power from Solar	1,142,220	kwh's	319,822	100%
<b>Total</b>			<b>319,822</b>	<b>100%</b>

The associated CO<sub>2</sub> emissions amounted to 13,183,648 Kilograms. The intensity measure used by the Company is Kilograms of CO<sub>2</sub>e per registered bed. On this measure, the intensity value for the year ended 30th September 2023 is 2,662 CO<sub>2</sub>e 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.

A strategy towards aimed towards achieving Net Zero Carbon is now incredibly important. Energy efficiency measures taken during the year include the installation of many new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls and optimised controls of lighting and plant rooms. Plans are currently underway to look at ensuring all homes have the right levels of loft and wall insulation and that windows are adequately glaze. The business has now made the decision to begin the long process of phasing out gas within kitchens and replacing with electric. Dependant upon the cost of energy and the subsequent impact upon payback periods solar PV installations on care home roofs are currently being explored alongside other newer innovations such as air source heat pump dryers to replace gas.

**EVENTS AFTER THE BALANCE SHEET DATE**

Details of significant events since the balance sheet date are contained in note 24 of 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.

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

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.

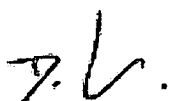
The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of our existing operations, potential new operations and administrative functions. As part of the planning process,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

## ON BEHALF OF THE BOARD:



Mr D A Smith - Director

29th February 2024

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

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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**

Dividends declared and paid in the year amounted to £nil (2022: £13,000).

The dividend amount declared in 2022 was a non-cash item which resulted from the corporate restructuring steps undertaken by the group as part of the refinancing arrangement 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

**POLITICAL CONTRIBUTIONS**

The Company made no political donations during the year (2022: £Nil).

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

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**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.

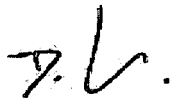
**DISABLED EMPLOYEES**

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 equitable to that of all 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 February 2024

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

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

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

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

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

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

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

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

### **Opinion**

We have audited the financial statements of HC-One No.1 Limited ("the Company") for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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

### **Fraud and breaches of laws and regulations - ability to detect**

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, and management, and inspection of policy documentation as to HC-One Holdco 3 Limited's high-level policies and procedures to prevent and detect fraud, including the HC-One Holdco 3 Limited's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and board performance committee minutes.
- Considering remuneration incentive schemes and performance targets for senior management and directors.

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

## **Report of the Independent Auditors to the Members of HC-One No. 1 Limited**

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.



**Report of the Independent Auditors to the Members of  
HC-One No. 1 Limited**

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

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

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

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

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

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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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. 1 Limited

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

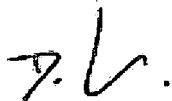
	Notes	2023 £'000	2022 £'000
<b>TURNOVER</b>	4	197,686	212,852
Cost of sales		(174,922)	(182,477)
<b>GROSS PROFIT</b>		22,764	30,375
Administrative expenses		(34,447)	(37,070)
		(11,683)	(6,695)
Other operating income		-	(29)
<b>OPERATING LOSS</b>	7	(11,683)	(6,724)
Exceptional Costs	8	(10,477)	(6,119)
Profit on disposal of fixed assets	8	653	-
Loss on sale of tangible fixed assets	8	-	(735)
		(21,507)	(13,578)
Interest receivable and similar income		48	27
		(21,459)	(13,551)
Gain on revaluation of tangible assets		-	481
		(21,459)	(13,070)
Interest payable and similar expenses	9	(37)	(43)
<b>LOSS BEFORE TAXATION</b>		(21,496)	(13,113)
Tax on loss	10	1,672	14,791
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(19,824)	1,678
<b>OTHER COMPREHENSIVE INCOME</b>			
Property revaluation		70	-
Tax on prior year property revaluation		-	(75)
Income tax relating to components of other comprehensive income		(18)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		52	(75)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(19,772)	1,603

The notes on pages 19 to 33 form part of these financial statements

**Balance Sheet**  
**30th September 2023**

	Notes	2023 £'000	2022 £'000
<b>FIXED ASSETS</b>			
Intangible assets	12	64	49
Tangible assets	13	29,069	32,092
		<u>29,133</u>	<u>32,141</u>
<b>CURRENT ASSETS</b>			
Stocks	14	202	218
Debtors	15	429,773	443,313
Cash at bank and in hand		685	20,123
		<u>430,660</u>	<u>463,654</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(40,698)	(57,669)
<b>NET CURRENT ASSETS</b>		<u>389,962</u>	<u>405,985</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		419,095	438,126
<b>PROVISIONS FOR LIABILITIES</b>	18	(7,035)	(6,294)
<b>NET ASSETS</b>		<u>412,060</u>	<u>431,832</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	-	-
Revaluation reserve		52	225
Retained earnings		412,008	431,607
<b>SHAREHOLDERS' FUNDS</b>		<u>412,060</u>	<u>431,832</u>

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



Mr D A Smith - Director

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

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1st October 2021</b>	-	420,437	10,647	431,084
<b>Changes in equity</b>				
Realised gains on disposal of properties	-	9,505	(9,505)	-
Impairment of prior year tangible fixed asset revaluation	-	-	(842)	(842)
Dividends	-	(13)	-	(13)
Total comprehensive income	-	1,678	(75)	1,603
<b>Balance at 30th September 2022</b>	-	431,607	225	431,832
<b>Changes in equity</b>				
Realised gains on disposal of properties	-	225	(225)	-
Total comprehensive income	-	(19,824)	52	(19,772)
<b>Balance at 30th September 2023</b>	-	412,008	52	412,060

1. **STATUTORY INFORMATION**

HC-One No. 1 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 No. 1 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, HC-One Holdco 3 Limited, which can be obtained from companies house at Crown way, Cardiff, Wales, CF14 3UZ.

**Related party exemption**

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

2. **ACCOUNTING POLICIES - continued**

**Going concern**

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

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

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

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

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

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

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

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

2. **ACCOUNTING POLICIES - continued**

**Turnover**

Turnover represents fee income receivable from care services provided. Turnover is recognised in the 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.

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.

**Pension costs and other post-retirement benefits**

The Group operate auto enrolment into company Default Pension Schemes. The Default Pension Schemes are managed by external third parties. All pension schemes are accounted for as defined contribution pension schemes and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**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.



2. **ACCOUNTING POLICIES - continued**

**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.

**Onerous lease and contracts**

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

**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 Infection Control Fund and Rapid Testing Funds, and has been included within Revenue. Other forms of government support have been treated as government assistance.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

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

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 2023 the Directors obtained a full external valuation of its properties, taking into consideration market conditions and performance of the properties. Further details can be found in note 13.

Fixtures and fittings

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

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

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

Deferred tax assets and liabilities

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

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

**4. TURNOVER**

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

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Elderly care	197,686	212,852
	<u>197,686</u>	<u>212,852</u>

**5. EMPLOYEES AND DIRECTORS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	130,051	139,728
Social security costs	9,425	9,638
Other pension costs	2,185	2,183
	<u>141,661</u>	<u>151,549</u>

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

	<b>2023</b>	<b>2022</b>
Care Staff	<u>5,489</u>	<u>6,366</u>

Please see note 20 for further details of other pension costs.

**6. DIRECTORS' EMOLUMENTS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments inclusive of benefits in kind	<u>-</u>	<u>-</u>

None of the Directors received emoluments in relation to their services to the Company during the current year. Directors' emoluments have been borne by HC-One Management Limited, a group undertaking during the current year and are not repayable.

**7. OPERATING LOSS**

Operating loss (2022: Loss) is stated after charging:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Other operating leases	19,018	19,481
Government grants (including Job Retention Scheme, Infection Control Grant and Rapid Testing Grant) *	(1,345)	(4,278)
Depreciation - owned assets (Note 13)	5,908	6,104
Licences amortisation (Note 12)	290	585
Management fees	7,466	8,193
Fees payable to Company's auditors for the audit of the Company's annual financial statements	42	164
	<u>42</u>	<u>164</u>

\* In addition to government grants, the Group received government assistance in the form of cost recoveries and occupancy guarantees in Scotland.

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

**8. EXCEPTIONAL ITEMS**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Exceptional Costs	(10,477)	(6,119)
Profit on disposal of fixed assets	653	-
Loss on sale of tangible fixed assets	-	(735)
	<u>(9,824)</u>	<u>(6,854)</u>

**Exceptional Costs**

**COVID-19 costs**

Exceptional costs totalling £nil (2022: £1,744,000) have been incurred in relation to COVID-19, which includes PPE related costs in the year to 30 September 2023.

**Restructuring costs**

Exceptional costs totalling £15,000 (2022: £175,000) have been incurred relating to restructuring costs in the year.

**Onerous Lease Costs**

Exceptional costs totalling £1,669,000 (2022: £477,000) have been incurred relating to an adjustment in the onerous lease provision in the year.

**Impairment of fixed assets**

The Company carried out an impairment review which resulted in fixed assets being written down by £nil (2022:£141,000) in the year.

**Agency Costs**

During the year the company incurred exceptional agency costs totalling £3,146,000 (2022: £3,143,000).

**Utility Costs**

During the year the company incurred exceptional utility costs totalling £5,622,000 (2022: £nil).

**IT Project Costs**

Exceptional costs totalling £nil (2022: £189,000) have been incurred relating to exceptional IT projects.

**Health and Safety Litigation**

Exceptional costs totalling £25,000 (2022: £250,000) have been incurred relating to Health and Safety Litigation.

**9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	12	21
Hire purchase	25	22
	<u>37</u>	<u>43</u>

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

10. TAXATION

**Analysis of the tax credit**

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

	2023 £'000	2022 £'000
Deferred tax	(1,672)	(14,791)
Tax on loss	<u>(1,672)</u>	<u>(14,791)</u>

UK corporation tax has been charged at 22.01%.

**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £'000	2022 £'000
Loss before tax	<u>(21,496)</u>	<u>(13,113)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 22.010% (2022 - 19%)	(4,731)	(2,492)
Effects of:		
Expenses not deductible for tax purposes	67	(2,865)
Income not taxable for tax purposes	(70)	(226)
Adjustments to tax charge in respect of previous periods	(148)	(9,827)
Tax rate changes	(182)	(1,191)
Effects of group relief	4,065	1,451
Gains/rollover relief	(673)	363
Uplift on capital expenditure treated as qualifying and remediation expenditure	-	(4)
Total tax credit	<u>(1,672)</u>	<u>(14,791)</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £'000	Tax £'000	2023 Net £'000
Property revaluation	70	(18)	52
Tax on prior year property revaluation	<u>70</u>	<u>(18)</u>	<u>52</u>
	Gross £'000	Tax £'000	2022 Net £'000
Tax on prior year property revaluation	(75)	-	(75)
	<u>(75)</u>	<u>-</u>	<u>(75)</u>

10. **TAXATION - continued**

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.

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**

Dividends declared and paid in the year amounted to £nil (2022: £13,000).

The dividend amount declared was a non-cash item which resulted from the corporate restructuring steps undertaken by the group as part of the refinancing arrangement completed in December 2021.

12. **INTANGIBLE FIXED ASSETS**

	<b>Licences £'000</b>
<b>COST</b>	
At 1st October 2022	2,884
Additions	305
	<hr/>
At 30th September 2023	3,189
	<hr/>
<b>AMORTISATION</b>	
At 1st October 2022	2,835
Amortisation for year	290
	<hr/>
At 30th September 2023	3,125
	<hr/>
<b>NET BOOK VALUE</b>	
At 30th September 2023	64
	<hr/>
At 30th September 2022	49
	<hr/>

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

13. TANGIBLE FIXED ASSETS

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
<b>COST OR VALUATION</b>			
At 1st October 2022	120,167	30,167	150,334
Additions	3,463	5,560	9,023
Disposals	(4,422)	(3,023)	(7,445)
Revaluations	70	-	70
Acc'd depreciation eliminated on revaluation	(247)	-	(247)
At 30th September 2023	119,031	32,704	151,735
<b>DEPRECIATION</b>			
At 1st October 2022	105,036	13,206	118,242
Charge for year	555	5,509	6,064
Eliminated on disposal	(117)	(1,276)	(1,393)
Acc'd depreciation eliminated on revaluation	(247)	-	(247)
At 30th September 2023	105,227	17,439	122,666
<b>NET BOOK VALUE</b>			
At 30th September 2023	13,804	15,265	29,069
At 30th September 2022	15,131	16,961	32,092

As at 30 September 2023, the Freehold and Long leasehold operating property underwent an external valuation. This resulted in an upwards revaluation of £70,000, recognised in Other Comprehensive Income.

The net book value of fixtures and fittings includes £65,000 (2022: £115,000) in respect of assets held under finance leases.

Cost or valuation at 30th September 2023 is represented by:

	Buildings and Grounds £'000	Fixtures and fittings £'000	Totals £'000
Valuation in 2023	5,715	-	5,715
Cost	113,316	32,704	146,020
	119,031	32,704	151,735

Buildings and grounds were valued on an open market basis on 30th September 2023 by Knight Frank LLP.

14. STOCKS

	2023 £'000	2022 £'000
Stocks	202	218

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

**15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	10,222	11,362
Amounts owed by group undertakings	397,573	412,530
Other debtors	34	102
Deferred tax asset	17,419	15,765
Prepayments and accrued income	4,525	3,554
	<u>429,773</u>	<u>443,313</u>

Trade debtors are recognised net of a bad debt provision. As at 30 September 2023, this totalled £4,551,000 (2022: £4,366,000)

As at 30 September 2023, amounts owed by Group undertakings totalled £397,573,000 (2022: £412,530,000). These amounts are due on demand with no fixed repayment date and bear no interest.

For further details surrounding the deferred tax asset refer to notes 10 and 19.

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Finance leases (see note 17)	2	52
Trade creditors	11,687	12,457
Amounts owed to group undertakings	10,792	26,844
Social security and other taxes	4,894	2,394
Other creditors	1,108	1,143
Accruals and deferred income	12,140	14,702
Deferred government grants	75	77
	<u>40,698</u>	<u>57,669</u>

As at 30 September 2023, amounts owed to Group undertakings totalled £10,792,000 (2022: £26,844,000). These amounts are due on demand with no fixed repayment date and bear no interest.

**17. LEASING AGREEMENTS**

Minimum lease payments under finance leases fall due as follows:

	<b>Finance leases</b>	
	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Net obligations repayable:		
Within one year	<u>2</u>	<u>52</u>



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

18. PROVISIONS FOR LIABILITIES

Other provisions

	2023 £'000	2022 £'000
Provision at start of the year	6,294	4,317
Charge to Statement of Comprehensive Income for the year	741	1,977
	<b>7,035</b>	<b>6,294</b>

During the year the provision increased by £741,000 for a total of £7,035,000 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.

Deferred tax

The deferred tax asset recognised as at 30 September 2023 has been included within Debtors: amounts falling due within one year.

Deferred tax:	2023 £'000	2022 £'000
Provision at start of year	(15,765)	(1,049)
Adjustment in respect of prior periods	(148)	-
Charge to Statement of Comprehensive Income for the year	(1,524)	(14,791)
Charge to Other Comprehensive Income for the year	18	75
Transfer of properties to HC-One Properties No. 1 Limited	-	-
<b>Asset at the end of the year</b>	<b>(17,419)</b>	<b>(15,765)</b>

	2023 £'000	2022 £'000
Fixed asset timing differences	(16,351)	(15,576)
Short term timing differences (trading)	(117)	(189)
Losses	(951)	-
	<b>(17,419)</b>	<b>(15,765)</b>

Deferred tax	2023 £'000	2022 £'000
Recoverable within 12 months	(17,419)	(15,765)

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

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

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

19. **CALLED UP SHARE CAPITAL - continued**

A share capital reduction was recognised as at 31 August 2021 by way of special resolution leaving £1 of ordinary shares.

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.

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 to 30 September 2023 was £2,185,000 (2022: £2,183,000).

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.

22. **FINANCIAL COMMITMENTS**

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

<b>Land and Buildings</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<u>Expiry date:</u>		
- within one year	18,479	19,145
- between one and five years	73,915	76,581
- after five years	331,140	362,228

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.

Note, that the rental charges commenced on the 1st September 2021 after the transfer of 66 freehold properties to HC-One Properties 1 Limited and therefore represents intra-group rent. A further 2 freehold properties were transferred to HC-One Properties 1 Limited in the year to 30th September 2022. The lease term on these properties is 25 years.

23. **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 HC-One Holdco 3 Limited (Formerly FC Skyfall Holdco 3 Limited) Group.

24. **POST BALANCE SHEET EVENTS**

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

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

The Company's immediate parent undertaking is HC-One Intermediate Holdco 3 Ltd , a company incorporated in the Cayman Islands.

The Directors regard Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking. The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited, a company incorporated in Cayman Islands.

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

The largest group into which these financial statements are consolidated is HC-One TopCo Limited with registered office at C/O Maples Corporate Services Limited PO BOX 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.