0-07235/460

Company Registration No. FC034664

FC SKYFALL HOLDCO 3 LIMITED

Annual Report and Financial Statements
For the year ended 30 September 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr D Smith
Mr J Tugendhat (Appointed 14th September 2020)
Mr Z Dannaoui (Appointed 27th April 2021)
Mr M Oh (Appointed 27th April 2021)

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South East Corporate Banking Centre
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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2020, which they have elected to prepare as if the UK Company Act 2006 for such a report applied to them.

THE BUSINESS MODEL

FC Skyfall Holdco 3 Limited ("the Company") acts as a holding company, which conducts corporate activities on behalf of the Company and its subsidiaries ("the Group"). The Group owns care homes which are managed by the operating subsidiaries, HC-One Limited ("HC-One"), HC-One Oval Limited ("HC-One Oval"), Meridian Healthcare Limited ("Meridian"), HC-One Beamish Limited ("Beamish"), RV Care Homes Limited ("RV Care"), Hailsham House and Operations Limited ("Hailsham") and Kettlewell House and Operations Limited ("Kettlewell"), all providing nursing and residential care for the elderly in the UK and HC-One Beamish Homecare Limited ("Beamish Homecare") and RV Extra Care Limited ("RV Extra Care") are providing domiciliary care in the UK. The Group also owned a number of investment properties leased to a third-party operator which have been sold in March 2020.

OBJECTIVES AND STRATEGIES

The Group has continued to focus on the provision of care services to the elderly through the Company's operating companies, HC-One, HC-One Oval, Meridian, Beamish, RV Care, Hailsham and Kettlewell.

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

REVIEW OF BUSINESS

As at 30 September 2020 the Group provided nursing and residential care to more than 15,000 residents across 328 care homes in the UK (2019: 17,000 residents across 328 care homes in the UK).

At 30 September 2020 the Group's property portfolio was valued at £869.2m (2019: £835.0m) which consists of:

a) Nil owned investment properties (2019: 12);
b) 159 owned freehold operating properties (2019: 161)
c) 94 long leasehold operating properties on 175 year term (2019: 93)
d) 1 owned residential property (2019: 1)
e) 2 land sites owned (2019: 2)
f) 2 owned homes are closed (2019: 2)
g) 79 leased and managed properties, 2 of the homes are closed (2019: 82 and 6).

RESULTS

The Group's operating loss for the year ended 30 September 2020 amounted to £12.2m (2019: profit of £54.2m). Further details are shown in the consolidated profit and loss account on page 19. Also, set out in the table below is a reconciliation of operating profit to underlying EBITDA of the Group:

	For the year ended 30 September 2020 £'000	**For the year ended 30 September 2019 £'000**
Operating (loss) / profit	(12,152)	54,196
Depreciation of tangible fixed assets (note 13)	41,352	39,769
Amortisation of goodwill (note 11)	1,183	1,177
Amortisation of negative goodwill (note 11)	(4,992)	(4,801)
Amortisation of capital grant	(348)	(300)
Amortisation of other intangible fixed assets (note 11)	2,501	1,746
Exceptional costs:		
- Impairment of tangible fixed assets (note 9 and note 13)	66,057	209
- Restructuring costs (note 9)	2,375	3,851
- Onerous lease provision (note 9)	666	393
- Exceptional COVID-19 costs (note 9)	6,247	-
Underlying EBITDA*	**102,889**	**96,240**

STRATEGIC REPORT (Continued)

RESULTS (Continued)

*EBITDA is earnings before interest receivable and similar income, interest payable and similar expenses, tax, depreciation, amortisation, impairment, onerous lease provision, profit on disposal of tangible fixed assets, gain/(loss) arising from fair value of interest rate swap hedges and exceptional costs.

During the year ended 30 September 2020 the Group incurred total interest payable and similar charges of £58.2m (2019: £59.4m) which have driven the loss incurred.

The Group's operating cash flow after finance costs for the year ended 30 September 2020 was £96.8m (2019: £61.5m) (see table below). At 30 September 2020 the Group had net assets of £232.9m (2019: £158.5m).

	2020 £'000	2019 £'000
Cash flows from operating activities (see cash flow statement)	130,448	101,314
Interest received (see cash flow statement)	25	24
Financing costs, before exceptional costs (see cash flow statement)	(33,636)	(39,874)
Operating cash flow after finance costs	**96,837**	**61,464**

KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) used by the Group to measure the financial and operational performance of its operating business include average occupancy, self-pay occupancy, average weekly fees, payroll costs per resident per week, internal quality ratings and regulatory inspections. See below the performances and key achievements of the operating business for the year ended 30 September 2020:

- Number of continuing homes – leased and owned operating properties: 328 (2019: 328);
- Average occupancy 85.6% (2019: 90.0%), 4.4% lower than prior year;
- Self-pay occupancy 23.3% (2019: 24.0%), 0.7% lower than prior year;
- Average weekly fee rate £770 (2019: £745), 3.4% higher than prior year;
- Payroll costs per resident per week £510 (2019: £467), 9.2% higher than prior year representing the increase in the National Living Wage in April 2020 and extra staffing costs resulting from increased infection control measures due to COVID (which were funded in part through the governments infection control grants recognised in income);
- Home EBITDAR*23.1% (2019: 23.5%), 0.4% lower than prior year;
- Underlying Home EBITDAR per occupied bed £8,369 (2019: £8,224) 1.8% higher than prior year;
- Loss after taxation for the financial year £57,672,000 including £60,619,000 of exceptional costs (2019: £3,385,000 including £4,453,000 of exceptional costs); and
- Regulatory non-compliant homes ** 63 (2019: 69).

*Home EBITDAR is earnings before interest receivable and similar income, interest payable and similar expenses, tax, depreciation, amortisation, rent, impairment, onerous lease provision, profit on disposal of tangible fixed assets and exceptional costs.

** Less than 10% of these non-compliant homes during the year ended 30 September 2020 are rated "inadequate".

STRATEGIC REPORT (Continued)

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.

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.

STRATEGIC REPORT (Continued)

COVID-19 IMPACT (Continued)

Current trading and outlook (continued)

- *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.
- *Financing* - On 27th April 2021, FC Skyfall (UK) Financeco Limited, the new subsidiary undertaking 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 AND POLICIES

The Directors of the Company have overall responsibility for the Group and its subsidiaries in assessing risk and taking appropriate action, which the Company forms an integral part of. 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.

STRATEGIC REPORT (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 Oval, Meridian, Beamish, RV Care, Hailsham and Kettlewell. 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 external debts of £286.8m and £264.9m were respectively fixed at 5.80% and 6.77% plus LIBOR per annum.

The interest rate risk is mitigated by the use of derivative financial instruments to reduce the exposure to LIBOR rate movements in line with the Group's risk management policies as approved by the Board. With respect to the external debt of £286.8m, two interest rate swap agreements were signed with Citibank Europe Plc, UK branch and Deutsche Bank AG, London Branch respectively on 13 July 2017. On 13 November 2017 Deutsche Bank AG assigned the interest rate cap agreement by way of novation to Citibank Europe Plc, UK branch. With respect to the external debts of £264.9m, an interest rate swap agreement was entered with Citibank Europe Plc, UK branch on 12 January 2018 (see note 19 for further details). Fair valuation of the interest rate swap agreements were accounted through profit and loss account (see note 25).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group'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.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Colleague Capacity and Competency (Continued)

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.

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 PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The board of directors of FC Skyfall Holdco 3 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.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

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.

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.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

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.

EMPLOYEE CONSULTATION

The Group is committed to provide equal opportunities regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin. It is the aim of the Group to provide rewarding and progressive careers for its entire staff as well as to attract people of the highest calibre. The Group provides training initiatives via a multi award winning mandatory and specialist Learning and Development programme to all staff and promotion opportunities are offered wherever possible to motivate and retain staff. The Group always seeks to recognise the efforts that staff make and the impact they have upon the lives of Residents and their families. In addition to remuneration, all staff are eligible to be nominated for a 'Kindness in Care Award', acknowledging and celebrating individuals and teams within our care homes that always 'go the extra mile' to deliver the kindest care.

The table below provides a breakdown of the gender of Board members, senior management and employees at the end of the financial year:

	Males	Females
Directors	2	-
Executive Committee	2	1
Group employees	3,135	19,584

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 Group continues and that appropriate training is arranged. It is the policy of the Group and of the Company that the training, career development and promotion of disabled persons should, as far as possible, is identical to that of their other employees.

STRATEGIC REPORT (Continued)

CORPORATE SOCIAL RESPONSIBILITY

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

Quality and Health and safety

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

Residents and Employees

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

Human rights

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

Environment

The Group recognises the importance of good environment practice:

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

The Group is committed to improving further the environment it operates though objectives and target setting.

Community

Community integration is a central part of the Group's care home operation. The Group achieves 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	58,659,284	kwh's	20,619,827	38.1%
Natural Gas	175,566,422	kwh's	32,332,312	59.7%
Transport	2,275,122	Miles	667,975	1.2%
Heating Oil	188,174	Ltrs	558,073	1.0%
Total			**54,178,187**	**100%**
KgCO2e per registered bed			**2,826**	

The associated CO_2 emissions amounted to 54,178,187 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 2,826kgCO2e 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.

STRATEGIC REPORT (Continued)

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in note 30 to the financial statements.

FUTURE DEVELOPMENTS

Under the trading name of "HC-One", the Group has established a reputation as a high quality provider of residential and nursing care in the UK. The Group 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. The Group 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 the Group 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.

GOING CONCERN

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 30 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 30 September 2020, the Group was financed by £102.0m of cash, £461.2m of term loans and £134.3m of loan notes with related parties. On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new subsidiary undertaking 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 draw down 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 have no financial covenants that need to be complied with until the quarter ending 30 June 2023.

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.

Mr D Smith
Director
Date: 29 April 2021

Registered office address:
c/o Trident Trust Company (Cayman) Limited
One Capital Place, Shedden Road
PO Box 847, George Town
Grand Cayman, Cayman Islands, KY1-1103

DIRECTOR'S REPORT

The Directors present their Directors' Report for the year ended 30 September 2020 which they have elected to prepare as if the UK Company Act 2006 for such a report applied to them.

CORPORATE STRUCTURE

FC Skyfall Holdco 3 Limited ("the Company") is private company limited by shares, incorporated and registered in the Cayman Islands on 4 August 2017 under company registration number 325582 (or UK company registration number FC034664). The registered office address is given on page 1.

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.

Skyfall LP (formerly FC Skyfall LP) is predominantly backed by funds from Safanad Limited, a global investment firm that invests in property, private and public markets.

The immediate parent undertaking of FC Skyfall Holdco 3 Limited is FC Skyfall Holdco 2 Limited, a company incorporated and registered in the Cayman Islands.

PRINCIPAL ACTIVITY

The principal activity of the Group is the management and running of care homes principally for the elderly. The Group owns care homes which are managed by the operating subsidiaries, HC-One, HC-One Oval, Meridian, Beamish, RV Care, Hailsham and Kettlewell. A number of homes were also leased to a third-party operator and sold in March 2020.

The principal activity of the Company is to act as a holding company, which conducts corporate activities on behalf of the Group. The Directors intends to continue these activities in the forthcoming year.

Details of disabled employees' policy and of the principal risks and uncertainties, including financial and credit risks, are provided within the Strategic Report.

EMPLOYEE CONSULTATION

Details of employee consultation can be found in the Strategic Report on pages 2-11 and part of this report by cross-reference.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 2-11 and form part of this report by cross-reference.

BOARD COMPOSITION

The board of FC Skyfall Holdco 3 Limited comprises of two directors whose biographies are shown below. The board meets on a quarterly basis at the same time when the board of FC Skyfall TopCo Limited, an intermediate parent undertaking meet, with all board members receiving a board report prior to each meeting including financial and operational information. On the basis that most of the strategic direction, financial performance and risk management of the Group are the responsibility of FC Skyfall TopCo Limited, the biographies of the current eleven directors of FC Skyfall TopCo Limited are also shown below.

DIRECTORS

The Company's Directors, who served throughout the year and to the date of signing, were as follows:

Director	
Mr D Smith	Having joined HC-One Ltd as Finance Director in 2011, Mr Smith was appointed as a statutory director in 2015. Mr Smith is a Chartered Accountant with over 15 years' experience in the social care sector. Mr Smith's experience includes several refinancing transactions, acquisitions and disposals of multiple companies, implementation of capital structures and equity raising. Previously Mr Smith spent ten years at PriceWaterhouseCoopers working in the UK, Saudi Arabia and the US.

DIRECTOR'S REPORT (Continued)

BOARD COMPOSITION (Continued)

Mr J Tugendhat	Mr Tugendhat joined HC-One and was appointed a Director in September 2020. James is also a non-executive director of Royal Free London NHS Foundation Trust, a post held since January 2018. Prior to joining the Group, James was Managing Director of Bright Horizons Family Solutions, a global market leader in early years' care, where he managed over 10,000 employees, operating across 400 sites in five countries. Before that he spent more than 10 years in healthcare, including three years based in Boston, as chief executive of Health Dialog, a pioneer of population health and chronic disease management, James has a proven track record of delivering rapid growth, integration, performance turnaround and on-going improvement across health and care, and consumer services, serving consumers, business and government customers. Over his career, in addition to holding various management positions in divisions of BUPA, he has held leadership roles at Diageo, Method, and Towergate Insurance.
Mr Z Dannaoui	Mr Dannaoui was appointed as Director in April 2021. Mr Dannaoui holds a LLM degree in Law from the James E. Rogers School of Law and LLB in law from the Holy Spirit University school of Law. After practising law as managing partner with a Middle-Eastern regional law firm, he has held several senior management positions with global investment firms.
Mr M Oh	Mr Oh was appointed as Director in April 2021. Mr Oh is a Director on the Private Equity team at Safanad, Inc. and is focused on investments across healthcare and other sectors. Mr. Oh holds a B.A. degree, *cum laude*, in Mathematics from Dartmouth College and an M.B.A. degree from Harvard Business School.

The Directors of FC Skyfall TopCo Limited, who served throughout the year and to the date of signing, except as noted, were as follows:

Chairman

Mr A Whitman	Mr Whitman was appointed as Director in November 2014 and became chairman in November 2018. He is the founder and Chairman of Formation Capital, a leading equity investor in the senior housing and care industry, and Co-Chairman of Genesis HealthCare. Most recently, he has become a partner in Aging2.0, a platform for innovation and technology for seniors. Over the past 16 years, Mr. Whitman has strategically led Formation Capital in its growth and execution of over $6 billion in transactions. Mr. Whitman serves on the board of Trident USA Health Services. He is also a current board member and Chairman Emeritus of the National Investment Center for Seniors Housing and Care Industries (NIC). His other interests in the "seniors" business include being a Principal in Primecare Properties, and a board member of Care Institute. Mr. Whitman's career has allowed him extensive speaking engagements both domestically and internationally. He has written and been featured in many publications including National Real Estate Investor, McKnight's Long Term Care News, SeniorCare Investor, Contemporary Long Term Care, Assisted Living Today, Modern Healthcare and Real Estate Forum. Mr A Whitman resigned on 27 April 2021.

Directors

Dr C Patel	Having joined HC-One Ltd as Chairman in September 2011, Dr Patel was appointed as Director in November 2014. Prior to joining the Group, Dr Patel was a CEO and architect of the modern Priory Group, the UK's largest independent specialist mental health and education services group, CEO of Westminster Health Care Ltd and CareFirst. Dr Patel has over 30 years' experience in health and social care and has led and advised some of the largest care providers in the UK. Dr Patel is also the Founder Chairman of Elysian Capital a UK mid-market Private Equity partnership managing Elysian Capital Funds 1 & 2. Dr Patel is a Fellow of the Royal College of Physicians. Dr Patel was awarded a CBE in 1999. Dr C Patel resigned on 27 April 2021.
Mr D Smith	Mr Smith was appointed as Director in November 2014. See the Company Directors' section above for further details.

DIRECTOR'S REPORT (Continued)

BOARD COMPOSITION (Continued)

Sir W H W Wells	Having joined HC-One Ltd as Non-Executive Director in September 2011, Sir William was appointed as Director in November 2014. Sir William has been a non-executive in the NHS since 1968 and spent 10 years in the social care sector. He was a Governor of the Royal Free Hospital in Gray Inn Road, Chairman of the NHS Appointments Commission; Chairman of the Commercial Advisory Board to the Department of Health and a current Member of the General Council of the King's Fund. He was awarded a Knighthood in March 1997. Sir W H W Wells resigned on 27 April 2021.
Mr V Pica	Mr. Pica was appointed as Director in November 2014. Mr. Pica was previously a Group President at Prudential Securities Inc. and a member of its Board of Directors, and has significant executive experience with US healthcare investments. Mr V Pica resigned on 27 April 2021.
Mr B S Beckwith	Mr Beckwith was appointed as Director in January 2015 and has been active in healthcare mergers, acquisitions, investing and lending for the past 20 years in the United States and Europe. Mr. Beckwith joined Formation Capital as CEO in 2011. Before joining Formation, Mr. Beckwith led the lending and investing efforts for healthcare real estate and senior housing for GE Capital, where he oversaw $7 billion in loans and investments. Prior to that role, he led the risk team and the entire healthcare lending and investing operations for GE Capital in Europe. Based in London, he invested in healthcare real estate, provided senior debt to private equity sponsored healthcare services companies, and provided equipment leasing throughout Europe. Mr. Beckwith serves on the boards of the American Senior Housing Association (ASHA), the National Investment Center for the Senior Housing and Care Industry (NIC), and the Alumni Board of the Terry College of Business at the University of Georgia. He is an speaker for ASHA, NIC and many other industry organisations. Mr B S Beckwith resigned on 27 April 2021.
Mr J M Benn	Mr Benn was appointed as Director in November 2014. Mr Benn qualified as a Chartered Accountant (SA) in 1985 with Deloitte & Touche and worked thereafter in their management consulting business. He has been based in Europe since 1994 active in an executive capacity in a number of financial services and investment management roles. Since 2004 he has had significant involvement in UK and US healthcare companies at Board level. Mr J M Benn resigned on 27 April 2021.
Mr Z Dannaoui	Mr. Dannaoui was appointed a non-executive director in July 2015. See the Company Directors' section above for further details.
Mr J Cleveland	Mr Cleveland was appointed as Director in December 2017. Mr Cleveland received a BA from University of South Carolina. He is a founding partner of StepStone Real Estate and heads the European business. Prior to forming Stepstone Real Estate in 2014, Mr Cleveland was a founding partner of Clairvue Capital Partners, a real estate investment manager which integrated with StepStone Real Estate. At Clairvue, Mr Cleveland focused on originating and executing investments in the US and Europe. Before Clairvue, he worked in both corporate and real estate private equity and the capital market divisions of investment banks. Mr J Cleveland resigned on 27 April 2021.
Mr D Wall	Mr. Wall was appointed a non-executive director in December 2017. Mr. Wall is a Director at Safanad, Inc. and is focused on Private Equity across healthcare and other sectors. Mr. Wall received BSBA in Finance from the Boston University School of Management. Mr D Wall resigned on 27 April 2021.
Mr S Fishman	Mr. Fishman was appointed as Director in November 2014 and he is Co-Founder, President and Co-Chairman of Formation Capital. Since Formation's inception in 1999, it has invested over $4 billion, comprising over 55,000 seniors housing beds, in senior housing and healthcare services companies. As President, Mr. Fishman leads Formation's deal origination and fundraising efforts. In April 2011, Mr. Fishman led the sale of the real estate assets of Genesis HealthCare to Health Care REIT for $2.4 billion. Mr. Fishman has been active in the healthcare and real estate industries for over 30 years. Prior to founding Formation Capital, Mr. Fishman spent 20 years as a CPA serving the health care and real estate industries. Mr S Fishman resigned on 27 April 2021.

DIRECTOR'S REPORT (Continued)

BOARD COMPOSITION (Continued)

Mr J J Hutchens — Having joined HC-One Ltd as CEO in October 2017, Mr Hutchens was appointed as Director in December 2017. Prior to joining the Group, Mr Hutchens was a Chief Investment Officer of HCP Inc in USA, CEO of National Health Investors and COO of Emeritus Senior Living and Summerville Senior Living (pre-merger with Emeritus). Mr Hutchens has over 20 years' experience in health and social care and 10 years' experience in NYSE listed company. Mr J J Hutchens resigned on 5th February 2020.

THIRD PARTY INDEMNITY PROVISIONS

The intermediate parent undertaking of the Company, FC Skyfall TopCo Limited has made qualifying third party indemnity provisions for the benefit of the Company's Directors and the directors of all its other subsidiaries, which were made during the year and remain in force to the date of this report.

POLITICAL CONTRIBUTIONS

The Group and the Company made no political donations during the year (2019: £nil).

DIVIDENDS

The Company has declared and paid dividend for a total sum of £4.8m during the year (2019: £5.9m).

AUDITOR

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

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

2) the 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 auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:

Mr D Smith
Director
Date: 29 April 2021

Registered office address:
c/o Trident Trust Company (Cayman) Limited
One Capital Place
Shedden Road
PO Box 847
George Town
Grand Cayman KY1-1103
Cayman Islands

STATEMENT OF DIRECTORS' RESPONSIBILITES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors of FC Skyfall Holdco 3 Limited ('the directors') are responsible for the preparation of consolidated financial statements for the year ended 30 September 2020 in accordance with the requirements of the Companies Act 2006 as applicable to overseas companies, which are intended by them to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In addition, they have elected to present parent company financial statements, including the associated notes as if the UK Company Act 2006, including the exemption from presenting the parent company profit and loss account under s408, applied to the company, which is intended to give a true and fair view of the state of affairs of the parent company. They have decided to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

In preparing these financial statements, the directors have:

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

The directors 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 group and to prevent and detect fraud and other irregularities.

In addition, they have elected to prepare both a Strategic Report and a Directors' Report as if the UK Company Act 2006 for such reports applied to them.

INDEPENDENT AUDITOR'S REPORT TO FC SKYFALL HOLDCO 3 LTD

Opinion

We have audited the financial statements of FC Skyfall Holdco 3 Limited for the year ended 30 September 2020 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1. The financial statements have been prepared for the reasons set out in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 September 2020 and of the Group's loss for the year then ended; and
- the financial statements 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*;
- the consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applicable to overseas companies; and
- the Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as if those requirements applied to them.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 22 November 2019. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group 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 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, which comprises the Strategic Report and the Director's Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

INDEPENDENT AUDITOR'S REPORT TO FC SKYFALL HOLDCO 3 LTD (Continued)

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements, which are intended by them to 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 group and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company in accordance with the terms of our engagement. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Ian Brokenshire

Ian Brokenshire
for and on behalf of KPMG LLP
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
29 April 2021

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2020

	Notes	Ordinary activities 2020 £'000	Exceptional costs (Note 9) 2020 £'000	Total 2020 £'000	Ordinary activities 2019 £'000	Exceptional costs (Note 9) 2019 £'000	Total 2019 £'000
Turnover	3	705,290	-	705,290	698,023	-	698,023
Cost of sales		(611,735)	(75,345)	(687,080)	(608,485)	(4,453)	(612,938)
GROSS PROFIT/(LOSS)		**93,555**	**(75,345)**	**18,210**	**89,538**	**(4,453)**	**85,085**
Administrative expenses		(30,362)	-	(30,362)	(30,889)	-	(30,889)
OPERATING PROFIT/(LOSS)		**63,193**	**(75,345)**	**(12,152)**	**58,649**	**(4,453)**	**54,196**
Profit on disposal of fixed assets		2,923	-	2,923	5,124	-	5,124
Loss on financial assets at fair value through profit and loss account	25	(207)	-	(207)	(2,723)	-	(2,723)
Interest receivable and similar income	6	18	-	18	24	-	24
Interest payable and similar charges	7	(58,153)	-	(58,153)	(59,424)	-	(59,424)
PROFIT/(LOSS) BEFORE TAXATION	8	**7,774**	**(75,345)**	**(67,571)**	**1,650**	**(4,453)**	**(2,803)**
Tax on profit/(loss)	10	(4,827)	14,726	9,899	(582)	-	(582)
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR		**2,947**	**(60,619)**	**(57,672)**	**1,068**	**(4,453)**	**(3,385)**

Results are derived wholly from continuing operations and property business as per note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
LOSS FOR THE FINANCIAL YEAR		**(57,672)**	**(3,385)**
Revaluation of tangible fixed assets		134,527	-
Deferred tax charge on revaluation of tangible fixed assets		(12,440)	-
TOTAL OTHER COMPREHENSIVE INCOME		**64,415**	**(3,385)**
Profit/(Loss) for the year and total comprehensive income attributable to equity shareholders of the Company		64,415	(3,385)

CONSOLIDATED AND COMPANY BALANCE SHEETS
as at 30 September 2020

	Notes	Group 2020 £'000	Group (restated) 2019 £'000	Company 2020 £'000	Company 2019 £'000
FIXED ASSETS					
INTANGIBLE FIXED ASSETS					
- Goodwill	11	7,479	8,649	-	-
- Negative goodwill	11	(50,797)	(56,219)	-	-
Net balance - negative goodwill		(43,318)	(47,570)	-	-
Other intangible fixed assets	11	1,089	1,110	-	-
		(42,229)	**(46,460)**	-	-
TANGIBLE FIXED ASSETS					
Investment properties	13	-	8,615	-	-
Operating properties	13	794,561	750,322	-	-
Other fixed assets	13	76,416	77,900	-	-
		870,977	**836,837**	-	-
INVESTMENTS	14	-	-	200,626	185,815
TOTAL FIXED ASSETS		**828,748**	**790,377**	**200,626**	**185,815**
CURRENT ASSETS					
Stocks	15	665	224	-	-
Debtors - due within one year	16	53,745	58,120	-	-
Cash at bank and in hand	17	101,955	38,627	-	-
		156,365	96,971	-	-
TOTAL ASSETS		**985,113**	**887,348**	**200,626**	**185,815**
CREDITORS: amounts falling due within one year	18	(166,419)	(134,000)	-	-
NET CURRENT LIABILITIES		**(10,054)**	**(37,029)**	-	-
TOTAL ASSETS LESS CURRENT LIABILITIES		**818,694**	**753,348**	**200,626**	**185,815**
CREDITORS: amounts falling due after more than one year	19	(563,848)	(574,922)	-	-
PROVISION FOR LIABILITIES	20	(21,985)	(19,964)	-	-
NET ASSETS		**232,861**	**158,462**	**200,626**	**185,815**
CAPITAL AND RESERVES					
Called-up share capital	22	10	10	10	10
Share premium account	22	200,616	185,805	200,616	185,805
Revaluation reserve	22	248,121	127,537	-	-
Merger reserve	22	(117,125)	(117,125)	-	-
Profit and loss account	22	(98,761)	(37,765)	-	-
SHAREHOLDERS' FUNDS		**232,861**	**158,462**	**200,626**	**185,815**

The Company has taken the advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company only has not been presented. The Company had profit of £4.8m during the year (2019: £5.9m).

These financial statements were approved and authorised for issue by the Board on 29 April 2021.

Signed on behalf of the Board

Mr D Smith
Director
29 April 2021
Registration number FC034664

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2020

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
As at 1 October 2018	-	-	131,077	58,690	(32,034)	157,733
Prior year adjustment (see note 1)	-	175,815	-	(175,815)	-	-
As at 1 October 2018 (as restated)	-	**175,815**	**131,077**	**(117,125)**	**(32,034)**	**157,733**
Issue of share capital (see note 22)	10	9,990	-	-	-	10,000
Dividend payable on equity share (see note 27)	-	-	-	-	(5,886)	(5,886)
Total comprehensive income/(expense) for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(3,385)	(3,385)
Realised revaluation reserve *	-	-	(3,540)	-	3,540	-
As at 30 September 2019 (as restated)	**10**	**185,805**	**127,537**	**(117,125)**	**(37,765)**	**158,462**
Issue of share capital (see note 22)	-	14,811	-	-	-	**14,811**
Dividend payable on equity share (see note 27)	-	-	-	-	(4,827)	**(4,827)**
Total comprehensive income/(expense) for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(57,672)	**(57,672)**
Revaluation of tangible fixed assets	-	-	134,527	-	-	**134,527**
Deferred tax charge on revaluation of tangible fixed assets	-	-	(12,440)	-	-	**(12,440)**
Realised revaluation reserve*	-	-	(1,503)	-	1,503	-
As at 30 September 2020	**10**	**200,616**	**248,121**	**(117,125)**	**(98,761)**	**232,861**

*The transfer relates to realisation of revaluation reserve on disposal of properties during the year ended 30 September 2019 and the year ended 30 September 2020.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2020

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
As at 1 October 2018	-	175,815	-	**175,815**
Issue of share capital (see note 22)	10	9,990	-	**10,000**
Profit and total comprehensive income for the year	-	-	5,886	**5,886**
Dividend payable on equity shares (see note 27)	-	-	(5,886)	**(5,886)**
As at 30 September 2019	**10**	**185,805**	**-**	**185,815**
Issue of share capital (see note 22)	-	14,811	-	**14,811**
Profit and total comprehensive income for the year	-	-	4,827	**4,827**
Dividend payable on equity shares (see note 27)	-	-	(4,827)	**(4,827)**
As at 30 September 2020	**10**	**200,616**	**-**	**200,626**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Net cash inflows from operating activities	23	130,448	101,314
Cash flows from investing activities			
Purchase of tangible fixed assets		(24,506)	(25,290)
Purchase of intangible fixed assets		(1,846)	(2,619)
Proceeds from sale of tangible fixed assets		20,555	26,582
Interest received		25	24
Net cash flows used in investing activities		**(5,772)**	**(1,303)**
Cash flows from financing activities			
Repayment of term and bridging loans		(33,046)	(46,576)
Proceeds on issue of shares		14,211	10,000
Dividends paid		(3,067)	(5,886)
Loan issue costs		(5,810)	(5,710)
Finance costs paid		(33,636)	(39,874)
Net cash flows used in financing activities		**(61,348)**	**(88,046)**
Net increase in cash and cash equivalent in the year		**63,328**	**11,965**
Cash and cash equivalent at beginning of year		38,627	26,662
Cash and cash equivalent at end of year	17	**101,955**	**38,627**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		101,955	38,627

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year.

General information and basis of accounting

FC Skyfall Holdco 3 Ltd ("the Company") is a company incorporated and registered in the Cayman Islands. The address of the Company's registered office is given on page 1. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Directors' report on page 12.

The consolidated financial statements have been prepared to meet the requirements of the UK Companies Act 2006 applicable to overseas companies as set out in SI 2009/1801 The Overseas Companies Regulations 2009 as being overseas companies group accounts under those Regulations.

Financial statements of the Company have been voluntarily prepared alongside the consolidated financial statements. No company profit and loss account (or related note disclosure) has been presented, as if the exemptions under the UK Company Act 2006 s408 were applicable to them.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with UK accounting standards, including Financial Reporting Standard 102 (FRS102) as issued by the UK Financial Reporting Council.

The functional currency of FC Skyfall Holdco 3 Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Consolidated financial statements are also presented in pounds sterling. The Group do not have any foreign operations.

Restatement

During the year, following a review, the Directors identified that the share premium account of the Group and Company differed from each other. On investigation, it was identified that the difference arose from the accounting entries made in the consolidated accounts as part of the Group reconstruction in the period ended 30 September 2018.

Following this review, in the consolidated accounts the share premium account has been increased by £175,815,000 with a corresponding reduction in the Merger reserve. This aligns the share premium account between the parent company and the Group and corrects the Merger reserve that arose on the Group reconstruction referred to above.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year. The financial statements of the Company have been presented alongside the consolidated financial statements. Exemptions have been taken in these separate Company financial statements in relation to a cash flow statement, the remuneration of key management personnel, and the disclosure of intercompany transactions with other group undertakings within Group.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with FRS102, the results of the group have been prepared using merger accounting principles applicable for group reconstructions. Under merger accounting, the results and the cash flows of the group are combined from the beginning of the financial period in which the merger occurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Going Concern

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 30 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 30 September 2020, the Group was financed by £102.0m of cash, £461.2m of term loans and £134.3m of loan notes with related parties. On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new subsidiary undertaking 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 draw down to fund working capital and capital expenditure within the next two years. No financial covenants are tested within the first two years and 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 have no financial covenants that need to be complied with until the quarter ending 30 June 2023.

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.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognised goodwill as:

(a) the fair value of the consideration transferred; plus

(b) the fair value of the equity instrument issued; plus

(c) directly attributable transaction costs; less

(d) the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years which is consistent with Group policy. Provision is made for any impairment.

Negative goodwill arising on business combination in respect of acquisitions is included as intangible fixed assets on the balance sheet and released to the profit and loss account over a period of 10 to 25 years, in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss in the period expected to benefit.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

Intangible assets – software licences

Separately acquired software licences are included at cost and amortised on a straight line basis over their estimated useful economic life of between 1 to 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

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.

Revaluation of properties

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

Investment properties

Investment properties are properties which are held to earn rental income.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties for which fair value can be measured reliably without undue cots or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. **ACCOUNTING POLICIES (Continued)**

Depreciation

Operating properties

Operating properties comprise of land and building used in the Group's principal activity, the management and running of care homes principally for the elderly. Buildings are depreciated in equal instalments over the estimated economic useful lives of each category of asset. The estimated useful economic life of the land is indefinite and hence no depreciation is charged. The estimated useful economic lives of the buildings are as follows:

Freehold and leasehold buildings	- 30 to 50 years

The useful economic lives of the freehold and leasehold buildings of the Group, which are operated by HC-One, Meridian, Beamish and HC-One Oval, the operating businesses, have been estimated at between 30 to 50 years from the date these properties have become owner occupied.

Other fixed assets

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

Buildings and grounds	- shorter of the term of the lease or useful economic useful life
Fixtures, fitting and equipment	- 3 to 5 years
Motor vehicles	- 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Investments

Investments are stated at cost less provision for any impairment in value.

Stock

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

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.

When the amounts that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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, 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 year, 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 Group has a legally enforceable right to set off current tax assets against current tax liabilities; (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.

Turnover

Turnover of property business represents rental income accounted for on an accrual basis under the terms of operating lease agreements.

Turnover of operating business represents fee income receivable from care services provided. Turnover is recognised in the period in which the Group obtain the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. When 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.

Cost of sales

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

Exceptional costs

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 9.

Finance costs

Costs which are incurred directly in connection with the raising of term, bridging and CAPEX loans are amortised at a constant rate over the lives of the loan facility. The cost is written off fully when the existing facility is cancelled or repaid.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange for sterling ruling at the dates of the transactions. All monetary assets and liabilities in foreign currencies are expressed in sterling at the balance sheet date at the rates of exchange prevailing at that date. Exchange differences are recognised in profit and loss account in the period in which they arise.

Leases

The Group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at inception of the lease) 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 periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. No asset is recognised on the Group or the Company's balance sheet.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

Operating leases and contracts

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

Pension Schemes

HC-One Limited ("HC-One") and HC-One Oval Limited ("HC-One Oval"), the Company's subsidiary undertakings respectively operate both a company Default Pension Scheme and a Stakeholder Pension Scheme. HC-One and HC-One Oval's Default Pension Schemes are managed by an external third party. The stakeholder pension schemes are managed by the HC-One and HC-One Oval respectively and funds are invested on the employees' behalf. This pension scheme is accounted for as a defined contribution pension 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 period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the 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.

Dividend income

Dividend receivable is recognised in the profit and loss account when amounts have been declared and paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired. There are no significant restrictions placed on the Group in fulfilling its financial liability obligations.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. See notes 25 and 26 to the financial statements for further details.

Debtors

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

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in financial statements at no or short notice.

Creditors

Trade creditors are recorded initially at fair value, net of transaction costs incurred.

Loans

Interest-bearing term and bridging loans are recorded at the proceeds received, net of direct issue costs. Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the year of the borrowing using the effective interest rate method.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

1. ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Non-financial assets (Continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group'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 on-going 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 Group's accounting policies and key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the directors has 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.

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 Group estimates useful lives various factors are considered including expected technology obsolescence and the expected usage of the asset. The Group regularly reviews these assets useful lives and future economic utilisation and the physical condition of the assets concerned.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (Continued)

Key sources of estimation uncertainty

(a) Goodwill and Negative goodwill

Goodwill and negative goodwill requires an estimation of the period expected to benefit at the date of business combination.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

(b) Provision for impairment of trade receivables

The Group makes an estimate of trade receivables recoverability and a provision for impairment which was based on past experience on collection history. The actual receivable collections may differ from the estimated recoverable, which could impact operating profit or loss. As at 30 September 2020 provision of bad and doubtful debts held on the balance sheet (within trade debtors) was £9,772,000 (2019: £7,999,000).

Given the uncertainties in the estimates used to determine the provisions, the actual outflow of resources may differ from the estimated amounts, which could impact operating profit or loss.

(c) Provisions

Provisions are recognised when an event in the past give rise to a current obligation for the Company, settlement of which requires an outlay that is considered probable and can be estimated reliably. The obligation may be legal or constructive; deriving from regulations, contracts or normal practices that lead third parties to reasonably expect that the Group will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all the available information. No provision is recognised if the amount of liability cannot be estimated reliably. See note 20 to the financial statements.

(d) 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 and gains or losses arising from revaluation of properties. Refer to note 21 for further details of deferred tax assets and liabilities recognised.

(e) Fair values of properties

Determining the fair value of freehold and long-leasehold properties requires estimation based upon the market and cash flows of assets. As at 30th September 2020 the property portfolio was formally reviewed by Chartered Surveyors, Knight Frank LLP, against the carrying value of the properties, taking into consideration market conditions and performance of the properties. See note 13.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

3. SEGMENTAL INFORMATION

The Group is organised into the following business segments:

a) Property business specialising in the investment and holding of freehold and long leasehold interests in predominantly modern, purpose-built care homes which are leased to third party operators.

b) Operating business led by HC-One, HC-One Oval, Meridian, Beamish, Beamish Homecare, RV Care, RV Extra Care, Hailsham House and Kettlewell House, the care home operators in the UK providing nursing, residential and domiciliary care to the elderly.

The Group has a central function which conducts corporate and administrative activities.

Turnover	**2020**	**2019**
Sales to third parties:	**£'000**	**£'000**
Property business	380	654
Operating business	704,910	697,369
	705,290	**698,023**

	2020	**2019**
Profit before taxation	**£'000**	**£'000**
Property business	380	654
Operating business	(12,532)	53,542
Group operating profit/(loss)	**(12,152)**	**54,196**
Profit on disposal of tangible fixed assets	2,923	5,124
Loss arising from fair value of interest rate swap hedges	(207)	(2,723)
Interest receivable and similar income	18	24
Interest payable and similar expenses	(58,153)	(59,424)
Loss before taxation	**(67,571)**	**(2,803)**

Net assets	**2020**	**2019**
	£'000	**£'000**
Property business	-	8,615
Operating business	817,742	745,159
	817,742	**753,774**
Term loan (net of issue costs) (note 19)	(450,533)	(477,611)
Loan notes (note 19 and 29)	(134,348)	(117,701)
Net assets	**232,861**	**158,462**

4. STAFF COSTS

The aggregate staff costs (including Directors) were as follows:

Group	**2020**	**2019**
	£'000	**£'000**
Wages and salaries	433,138	430,806
Social security costs	27,052	26,034
Other pension costs*	6,447	5,414
	466,637	**462,254**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

4. STAFF COSTS (Continued)

Average monthly number of employees (including Directors):	2020	2019
Group	**No.**	**No.**
Administrative	575	541
Care staff	22,317	23,733
	22,892	**24,274**

* The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2020 was £6,447,000 (2019: £5,414,000).

Company

There are no staff costs incurred by the Company during the current or the preceding year. All employees are employed by HC-One Limited, HC-One Oval Limited, Meridian Healthcare Limited, HC-One Beamish Limited, HC-One Beamish Homecare Limited, RV Care Homes Limited, RV Extra Care Limited, Hailsham House and Operations Limited or Kettlewell House and Operations Limited, the Company's group undertakings.

5. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were as follows:

	2020	2019
Group	**£'000**	**£'000**
Emoluments	320	221
Company contributions to money purchase pension schemes	37	34
	357	**255**
No. of directors accruing benefits under defined contribution scheme	1	1

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
Group	**£'000**	**£'000**
Interest receivable on bank deposits	**18**	**24**

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
Group	**£'000**	**£'000**
Interest payable on term and bridging loans	32,934	36,568
Interest payable on loans from related group undertakings	17,712	15,245
Finance lease charges	-	31
Amortisation of loan issue costs	6,876	6,469
Other bank finance costs	631	1,111
	58,153	**59,424**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

8. PROFIT/ (LOSS) BEFORE TAXATION

	2020 £'000	2019 £'000
Profit/ (Loss) before taxation is arrived after charging/(crediting):		
Depreciation of tangible fixed assets (note 13):		
- owned assets	34,479	33,287
- leased assets	6,873	6,482
Negative goodwill credited to profit and loss (note 11)	(4,992)	(4,801)
Amortisation of goodwill (note 11)	1,183	1,177
Amortisation of capital grant	(348)	(300)
Amortisation – other intangible assets (note 11)	2,501	1,746
Impairment of fixed assets (see note 9 and 13)	70,998	209
Reversal of impairment from prior periods (note 9)	(4,941)	-
Restructuring costs (note 9)	2,375	3,851
Onerous lease provision (see note 9 and 20)	666	393
Exceptional COVID-19 costs (see note 9)	6,247	-
Government grants (including Job Retention Scheme and Infection Control grant) *	(18,868)	-
Operating lease rentals – land and buildings	27,929	28,331

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

Auditor's remuneration	**2020**	**2019**
The analysis of auditor's remuneration (including VAT) is as follows:	**£'000**	**£'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements pursuant to legislation	50	50
Fees payable to the Company's auditor for the audit of the Company's Subsidiaries' annual financial statements	450	490
Total auditor's remuneration	**500**	**540**

9. EXCEPTIONAL COSTS

Group	**2020 £'000**	**2019 £'000**
Included within cost of sales:		
Impairment of fixed assets (note 13)	70,998	209
Reversal of impairment from prior periods (note 13)	(4,941)	-
Restructuring costs	2,375	3,851
Exceptional COVID-19 Costs	6,247	-
Onerous lease provision (note 20)	666	393
Total exceptional costs	**75,345**	**4,453**

Impairment of fixed assets

As at 30 September 2020 a full external valuation of the operating properties took place taking into consideration market conditions and performance of the properties. This resulted in an impairment of £67,897,000 through the profit and loss account, less a net reversal of impairment from previous years of £4,941,000. As at 30 September 2020 a Freehold operating property was under offer and was impaired to its offer price resulting in an impairment of £2,768,000.

The Group carried out an impairment review of its other fixed assets resulting in Buildings and Grounds being written down by £333,000 within in the year ended 30 September 2020 (2019: £209,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

9. EXCEPTIONAL COSTS (Continued)

Restructuring costs

Exceptional costs totalling £2,375,000 have been incurred relating to the restructuring costs in the year ended 30 September 2020 (2019: £3,851,000).

Exceptional COVID-19 Costs

During the year, the Group incurred exceptional costs in relation to COVID-19 totalling £6,247,000 (2019: £Nil), which includes Personal Protective Equipment ("PPE") related costs.

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in an increase in the onerous lease provision of £666,000 in the year ended 30 September 2020 (2019: £393,000).

10. TAX ON PROFIT/ (LOSS)

Group	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the year	690	1,078
Adjustment in respect of previous periods	123	7
Total current tax	**813**	**1,085**
Deferred tax		
Origination and reversal of timing differences	(9,913)	3,079
Adjustment in respect of previous periods	(1,349)	(1,290)
Effect of tax rate changes	550	(2,292)
Total deferred tax	**(10,712)**	**(503)**
Tax (credit)/charge per income statement	**(9,899)**	**582**

Reconciliation of current tax charge

	2020 £'000	2019 £'000
Loss before taxation	**(67,571)**	**(2,803)**
Tax on loss at standard rate of 19.0% (2019: 19.0%)	**(12,838)**	**(533)**
Factors affecting the change:		
Non-deductible expenses	5,298	1,936
Income not taxable for tax purposes	(1,975)	(377)
Effect of group relief	869	898
Adjustments from previous periods	(1,226)	(1,283)
Movement in deferred tax not recognised	(376)	2,233
Tax rate changes	349	(2,292)
Total tax (credit)/charge for the year	**(9,899)**	**582**

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

11. INTANGIBLE ASSETS

Goodwill

	Purchased goodwill
Group	**£'000**
At Cost:	
At 1 October 2019	11,770
Addition	13
At 30 September 2020	**11,783**
Accumulated amortisation	
At 1 October 2019	3,121
Charge for the year	1,183
At 30 September 2020	**4,304**
Net book value	
At 30 September 2020	**7,479**
At 30 September 2019	8,649

Negative goodwill

	Negative goodwill
Group	**£'000**
At Cost:	
At 1 October 2019	(123,415)
Reclassification from accumulated amortisation	45,113
Adjustment in respect of HC-One Oval Limited (see note 12)	430
At 30 September 2020	**(77,872)**
Accumulated amortisation	
At 1 October 2019	(67,196)
Credit for the year	(4,992)
Reclassification to cost	45,113
At 30 September 2020	**(27,075)**
Net book value	
At 30 September 2020	**(50,797)**
At 30 September 2019	(56,219)

Negative goodwill is being amortised on a straight-line basis over a period of 10 to 25 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

11. INTANGIBLE ASSETS (Continued)

Other intangible fixed assets – Software licences

	Software Licences
Group	**£'000**
At Cost:	
At 1 October 2019	3,406
Additions	2,480
At 30 September 2020	**5,886**
Accumulated amortisation	
At 1 October 2019	2,296
Charge for the year	2,501
At 30 September 2020	**4,797**
Net book value	
At 30 September 2020	**1,089**
At 30 September 2019	1,110

12. ACQUISITIONS

Following a review, the Group has adjusted the fair value of assets acquired from the acquisition of HC-One Oval Limited by £430,000, relating to a fair value adjustment in relation to debtors acquired.

13. TANGIBLE FIXED ASSETS

Investment properties

	Freehold investment properties
Group	**£'000**
At Cost or Valuation	
At 1 October 2019	8,615
Disposals	(8,615)
At 30 September 2020	-
Net book value	
At 30 September 2020	-
At 30 September 2019	8,615

During the year ended 30 September 2020, all of the 12 freehold investment properties were sold. As set out in note 3, rental income received by the Group during the year ended 30 September 2020 was £380,000 (2019: £654,000). No contingent rents have been recognised as income in the current or preceding year.

As at 30 September 2020 the historical costs of investment properties were £nil (2019: £7,050,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

13. TANGIBLE FIXED ASSETS (Continued)

Operating properties Group	Freehold operating properties £'000	Long leasehold operating properties £'000	Total £'000
At Cost or Valuation			
At 1 October 2019	641,576	160,717	802,293
Additions	2,139	-	2,139
Disposals	(10,627)	-	(10,627)
Revaluation	107,002	52,542	159,544
At 30 September 2020	**740,090**	**213,259**	**953,349**
Accumulated depreciation			
At 1 October 2019	37,562	14,409	51,971
Charge for the year	11,363	6,369	17,732
Disposals	(1,656)	-	(1,656)
Impairment	90,521	220	90,741
At 30 September 2020	**137,790**	**20,998**	**158,788**
Net book value			
At 30 September 2020	**602,300**	**192,261**	**794,561**
At 30 September 2019	604,014	146,308	750,322

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 £159,544,000 and a downwards impairment of £90,741,000. Of the £159,544,000 upwards revaluation, £154,603,000 was recognised in Other Comprehensive Income and £4,941,000 was credited to exceptional costs relating to a net reversal of impairment from previous years. Of the £90,741,000 impairment, £20,076,000 was recognised in Other Comprehensive Income reversing previous increases and £70,665,000 went through exceptional costs (including an impairment of £2,768,000 for a Freehold operating property which was under offer and impaired to its offer price), see note 9.

All the freehold and long leasehold operating properties of the Group have been pledged to secure borrowings of the Group. See further details in note 19 to the financial statements.

As at 30 September 2020 the historical costs of freehold and long leasehold operating properties were £698,543,000 (2019: £709,136,000).

Total capital commitment as at 30 September 2020 was £nil (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

13. TANGIBLE FIXED ASSETS (Continued)

Other fixed assets

	Buildings and grounds £'000	Fixtures, fittings & equipment £'000	Motor Vehicles £'000	Total £'000
Group				
Cost				
At 1 October 2019	44,086	108,260	5,127	157,473
Additions	3,662	18,348	505	22,515
Disposals	(1,354)	(2,012)	(95)	(3,461)
At 30 September 2020	**46,394**	**124,596**	**5,537**	**176,527**
Accumulated depreciation				
At 1 October 2019	15,185	61,053	3,335	79,573
Charge for the year	5,469	17,633	518	23,620
Disposals	(1,354)	(1,966)	(95)	(3,415)
Impairment	333	-	-	333
At 30 September 2020	**19,633**	**76,720**	**3,758**	**100,111**
Net book value:				
At 30 September 2020	**26,761**	**47,876**	**1,779**	**76,416**
At 30 September 2019	28,901	47,207	1,792	77,900
Leased assets included above:				
Net book value:				
At 30 September 2020	-	-	**1,747**	**1,747**
At 30 September 2019	-	-	1,747	1,747

Buildings and grounds figures do not include the value of freehold land and buildings.

The Group carried out an impairment review which resulted in the fixed assets being written down by £333,000 (2019: £209,000). This amount was included in the cost of sales. The impairment review took into consideration current and expected operating performance.

When considering future operating performance, cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Future cash flows have been discounted at a discount rate of 8.0%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

14. INVESTMENTS

Company

Shares in subsidiary undertakings:

	£'000
Cost or valuation	
At 1 October 2019	185,815
Additions	14,811
At 30 September 2020	**200,626**

On 12 March 2020, the Company acquired a further 1,000 ordinary shares of FC Oval Holdco 1 Limited, a company incorporated in Cayman Islands, for a total consideration of £14,811,000. At 30 September 2020, the Company owned 100% issued shares.

As at 30 September 2020 the Company owns a 100% holding of the issued share capital of FC Skyfall Upper Midco Limited, a company incorporated in Great Britain and a 100% the issued share capital of FC Oval Holdco 1 Limited, a company incorporated in Cayman Islands.

At 30 September 2020, the Company held investments either directly or indirectly in the following subsidiary undertakings:

Name	Country of incorporation	% Holdings	Principal activity
FC Skyfall Upper Midco Limited*[b]	United Kingdom	100%	Holding company
FC Skyfall Lower Midco Limited[b]	United Kingdom	100%	Holding company
FC Skyfall Intermediate Holdco 1 Ltd [a]	United Kingdom	100%	Holding company
FC Skyfall Intermediate Holdco 2 Ltd [a]	United Kingdom	100%	Holding company
FC Skyfall Intermediate Holdco 3 Ltd [a]	United Kingdom	100%	Holding company
FC Skyfall Bidco Limited [b]	United Kingdom	100%	Holding company
NHP Holdco 1 Limited [e]	Cayman Islands	100%	Holding company
NHP Holdco 2 Limited [e]	Cayman Islands	100%	Holding company
NHP Holdco 3 Limited [e]	Cayman Islands	100%	Holding company
Libra CareCo CH2 PropCo Holdco Limited [c]	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Limited [c]	United Kingdom	100%	Investment in care home properties
Libra CareCo CH3 PropCo Holdco Limited [c]	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH3 PropCo Limited [c]	United Kingdom	100%	Investment in care home properties
Libra CareCo Holdings Limited [c]	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited [c]	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited [c]	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra GuaranteeCo Limited [c]	United Kingdom	100%	Dormant company
Libra CareCo Limited [c]	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Limited [c]	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No.1 Limited [c]	United Kingdom	100%	Investment in care home properties
NHP Securities No.2 Limited [c]	United Kingdom	100%	Investment in care home properties
NHP Securities No.3 Limited [c]	United Kingdom	100%	Investment in care home properties
NHP Securities No.4 Limited [c]	United Kingdom	100%	Partner in LLNHP Partnership

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

14. INVESTMENTS (Continued)

Name	Country of incorporation	% Holdings	Principal activity
NHP Securities No.5 Limited [d]	Jersey	100%	Investment in care home properties
NHP Securities No.8 Limited [d]	Jersey	100%	Investment in care home properties
NHP Securities No.10 Limited [d]	Jersey	100%	Investment in care home properties
NHP Securities No.11 Limited [d]	Jersey	100%	Parent company of NHP Securities No.9 Ltd
NHP Securities No.12 Limited [d]	Jersey	100%	Investment in care home properties
NHP Management Limited [c]	United Kingdom	100%	Management of care home property portfolios
NHP Operations (York) Limited [c]	United Kingdom	100%	Care home property development
Care Homes No.1 Limited [e]	Cayman Islands	100%	Investment in care home properties
Care Homes No.2 (Cayman) Limited [e]	Cayman Islands	100%	Investment in care home properties
Care Homes No.3 Limited [e]	Cayman Islands	100%	Investment in care home properties
HC-One Alium Holdco Limited *[c]	United Kingdom	100%	Holding company
HC-One Alium Parentco Limited [c]	United Kingdom	100%	Holding company
Hailsham House and Operations Ltd [c]	United Kingdom	100%	Care home operator
Kettlewell House and Operations Ltd [c]	United Kingdom	100%	Care home operator
FC Oval Holdco 1 Limited *[h]	Cayman Islands	100%	Holding company
FC Oval Holdco 2 Limited [h]	Cayman Islands	100%	Holding company
FC Oval Holdco 3 Limited [h]	Cayman Islands	100%	Holding company
FC Oval Bidco Limited [h]	Cayman Islands	100%	Holding company
HC-One Oval Limited [c]	United Kingdom	100%	Care home operator
LLNH Limited [c]	United Kingdom	100%	Partner in LLHNP Partnership
Libra Intermediate Holdco Limited [d]	Jersey	100%	Investment in care home operating Company
HC-One Limited [c]	United Kingdom	100%	Care home operator
Meridian Healthcare (Holdings) Ltd [c]	United Kingdom	100%	Care home operator
Meridian Healthcare Limited [c]	United Kingdom	100%	Care home operator
Boxultra Limited [c]	United Kingdom	100%	Dormant company
Sweetgrove Limited [c]	United Kingdom	100%	Dormant company
Meridian Care Developments Limited [c]	United Kingdom	100%	Dormant company
Meridian Care Limited [c]	United Kingdom	100%	Dormant company
Meridian Care Group Limited [c]	United Kingdom	100%	Dormant company
Sanlor Care Homes (Scunthorpe) Ltd [c]	United Kingdom	100%	Dormant company
FC Beamish Bidco Limited [c]	United Kingdom	100%	Holding company
HC-One Beamish Properties Ltd [g]	Isle of Man	100%	Investment in care home properties
HC-One Beamish Ltd [c]	United Kingdom	100%	Care home operator
HC-One Beamish Homecare Ltd [c]	United Kingdom	100%	Domiciliary care provider
FC Skyfall IOM Properties Ltd [g]	Isle of Man	100%	Investment in care home properties
RV Care Homes Limited [c]	United Kingdom	100%	Care home operator
RV Extra Care Limited [c]	United Kingdom	100%	Domiciliary care provider
NH JV Limited	United Kingdom	100%	Holding company
HC Grand N JV Limited	United Kingdom	50%	JV company
HC Grand N JV Sub Limited	United Kingdom	50%	JV company

* shares directly held by FC Skyfall Holdco 3 Ltd. All shares held are ordinary shares.

[a] The registered address is c/o Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 40 Bank Street, Canary Wharf, London, E14 5DS.
[b] The registered address is 25 Canada Square, Level 37, London, England, E14 5LQ.
[c] The registered address is Southgate House, Archer Street, Darlington, County Durham, DL3 6AH.
[d] The registered address is 47 Esplanade, St Helier, Jersey, Channel Islands, JE1 0BD.
[e] The registered address is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.
[f] The registered address is Drakes Court, 302 Alcester Road, Wythall, Birmingham, B47 6JR
[g] The registered address is c/o Integrated-Capabilities Limited, PO Box 665 Bridge Chambers, West Quay, Ramsey, Isle of Man, IM99 4PD
[h] The registered address is c/o Trident Trust Company (Cayman) Limited, One Capital Place, Shedden Road, PO Box 847, George Town, Grand Cayman, KY1-1103, Cayman Islands.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

15. STOCKS

	2020	2019
	£'000	£'000
Consumables	665	224

16. DEBTORS

	2020	2019
Group	£'000	£'000
Trade debtors	29,068	33,540
Other debtors	6,585	5,248
Derivative financial assets (see note 26)	6	213
Prepayments and accrued income	16,280	17,366
Amounts due from related Parent undertakings (see note 29)	1,753	1,753
Amounts due from related group undertakings	53	-
	53,745	**58,120**

All financial assets instruments are measured at amortised cost, except interest rate swap which was fair valued at 30 September 2020 and 30 September 2019 (see note 26).

Amounts due from related group undertakings

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

17. CASH AT BANK AND IN HAND

	2020	2019
Group	£'000	£'000
Cash at bank and in hand	**101,955**	**38,627**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
Group	£'000	£'000
Term loan – due within one year (see note 19)	22,299	21,956
Other loan (see below)	344	-
Trade creditors	36,458	25,374
Finance leases (see below)	645	666
Other creditors	6,309	6,343
Taxation and social security	16,192	5,932
Corporation tax creditor	861	565
Accruals and deferred income	55,503	51,270
Loan note interest due to related group undertakings (see note 29)	3,755	2,739
Amounts due to related group undertakings (see note 29)	24,053	19,155
	166,419	**134,000**

Other loan

On 1st May 2020, a loan of £442,000 was issued at an interest rate of 3.1% per annum with repayment date of 1 April 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Amounts due to related group undertakings

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

Finance leases	**2020 £'000**	**2019 £'000**
Future minimum payments under finance leases are as follows:		
Between two and five years	1,266	1,566
Total due after more than one year	**1,266**	**1,566**
Within one year	645	666
Total future minimum payments under finance leases	**1,911**	**2,232**

Finance leases related to assets acquired under hire purchase contracts for motor vehicles.

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

Group	**2020 £'000**	**2019 £'000**
Term loan - payable between two and five years	428,234	455,655
Finance leases (see note 18)	1,266	1,566
Loan notes due to related group undertakings (see note 29)	134,348	117,701
	563,848	**574,922**

Term Loan	**2020 £'000**	**2019 £'000**
Term loan - payable between two and five years	438,927	472,158
Less: Issue costs	(10,693)	(16,503)
	428,234	**455,655**

Term loan

On 30 June 2017, a term loan of £286.8m was issued to FC Skyfall Bidco Limited, a subsidiary undertaking at interest rate of 5.8% plus LIBOR per annum. The loans are secured on fixed and floating charge of the FC Skyfall Intermediate Holdco 1 Limited group assets and unlimited guarantee from FC Skyfall Intermediate Holdco 1 Limited and its subsidiary undertakings and FC Skyfall TA Limited, a related undertaking. Loan repayment is amortised at a rate of £2.7m per quarter and the final loan repayment date is on 27 January 2022. Term loans are shown net of unamortised issue costs of £4.7m (2019: £8.0m).

On 13 July 2017 FC Skyfall Bidco Limited has entered two interest rate cap agreements with Citibank Europe Plc, UK branch and Deutsche Bank AG, London branch respectively each for a notional amount of £143.4m for the period from 30 June 2017 to 22 January 2022. Each agreement capped the LIBOR rate at 1.5% per annum for the period from 30 June 2017 to and including 27 January 2021 and thereafter at 1.75% per annum. On 13 November 2017 Deutsche Bank AG assigned the interest rate cap agreement by way of novation to Citibank Europe Plc, UK branch. Mark to market valuation on the interest rate cap agreement at 30 September 2020 was of £1,000 (2019: £71,000) in-the-money which was debited to "profit and loss" and credited within note 16 "Debtors".

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Term loan (Continued)

On 14 December 2017, a further term loan of £264.9m was issued to FC Oval Bidco Limited, a subsidiary undertaking at interest rate of 6.77% plus LIBOR per annum. The loan is secured on fixed and floating charge of the FC Oval Holdco 1 Limited group assets and unlimited guarantee from FC Oval Holdco 1 Limited and its subsidiary undertaking. Loan repayment is amortised at a rate of £2.9m per quarter and the final repayment date is on 27 October 2022. Term loans are shown net of unamortised issue costs of £6.0m (2019: £8.5m).

On 12 January 2018 FC Oval Bidco Limited has entered into an interest rate cap agreement with Citibank Europe Plc, UK branch for a notional amount of £238.4m for the period from 14 December 2017 to 27 October 2022. Each agreement capped the LIBOR rate at 1.5% per annum for the period from 14 December 2017 to and including 27 January 2021 and thereafter at 1.75% per annum. Mark to market valuation on the interest rate cap agreement at 30 September 2020 was £5,000 (2019: £142,000) in-the-money which was debited to "profit and loss" and credited within note 16 "Debtors".

	2020 £'000	2019 £'000
Term Loan		
Payable within one year (see note 18)	22,299	21,956
Payable between one and five years	438,927	472,158
Total term loan	**461,226**	**494,114**

Loan note due to group undertaking

As at 30 September 2020 loan note of £14,000,000 (2019: £14,000,000) was due to FC Skyfall TA Limited, a related group undertaking at interest rate of 6.5% per annum with repayment date on 27 June 2022.

As at 30 September 2020 loan note of £120,348,000 (2019: £103,701,000) including capitalised interest of £40,348,000 (2019: £23,701,000) was due to FC Skyfall Holdco 1 Limited. The loan repayment date is on 14 December 2021 and at fixed interest rates of 15% to 18% per annum.

20. PROVISIONS FOR LIABILITIES

	2020	2019
Group	**£'000**	**£'000**
Deferred taxation (see note 21)	21,318	19,590
Onerous leases (see below)	667	374
	21,985	**19,964**

	Onerous leases £'000
At 1 October 2019	374
Charge to profit and loss account	666
Utilisation of provision	(373)
At 30 September 2020	**667**

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in the onerous lease provision of £666,000 at 30 September 2020 (2019: £374,000). The provision is expected to be utilised within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

21. DEFERRED TAXATION

Group	Provided 2020	Unprovided 2020	Provided 2019	Unprovided 2019
Deferred tax (asset) / liability	**£'000**	**£'000**	**£'000**	**£'000**
Fixed asset timing differences	30,659	-	27,357	(3,247)
Short term timing differences	(208)	-	(180)	-
Non-trading timing differences	(1,290)	-	24	-
Losses	(7,843)	-	(7,611)	(5,427)
	21,318	**-**	**19,590**	**(8,674)**

	2020 £'000	2019 £'000
Deferred tax (assets)/liabilities:		
Provision at 1 October	19,590	20,093
Adjustment in respect of prior years (see note 10)	(1,349)	(1,290)
Deferred tax charge to the profit and loss account (see note 10)	(9,363)	787
Deferred tax charge / (credit) in equity	12,440	-
Provision at 30 September	**21,318**	**19,590**

Deferred tax

Company	Provided 2020	Unprovided 2020	Provided 2019	Unprovided 2019
	£'000	**£'000**	**£'000**	**£'000**
Deferred tax (asset) / liability				
Losses	-	-	-	-

22. CAPITAL AND RESERVES

	2020 £'000	2019 £'000
Company		
Called up, allotted and fully paid:		
1,002,000 (30 September 2019: 1,001,000) ordinary shares at £0.01 per share	10	10

The Company has one class of ordinary shares which carry no right to fixed income.

On 12 March 2020, the company issued 1,000 ordinary shares to FC Skyfall Holdco 2 Limited, a company incorporated in the Cayman Islands, for a total consideration of £14.8m.

The Group and Company's other reserves are as follows:

- The share premium reserve contains the premium arising on the issue of equity shares.
- The revaluation reserve represents the cumulative effect of revaluations of freehold and long leasehold operating properties which are revalued to fair value at each reporting date.
- The merger reserve represents the effects from adopting merger accounting principles.
- The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the re-measurement of investment properties, net of dividends paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2020 £'000	2019 £'000
Operating (loss) / profit (after exceptional costs)	(12,152)	54,196
Impairment of tangible fixed assets	66,057	209
Profit on disposal of fixed assets	(2,923)	(5,124)
Depreciation of tangible fixed assets	41,352	39,769
Amortisation of negative goodwill	(4,992)	(4,801)
Amortisation of goodwill	1,183	1,177
Amortisation of intangible fixed assets	2,501	1,746
Amortisation of capital grants	(348)	(300)
Increase (decrease) in creditors	35,072	(595)
Decrease in debtors	4,375	15,202
Increase in stocks	(441)	-
Increase in provisions	2,021	1,223
Tax paid	(1,257)	(1,388)
Net cash inflow from operating activities	**130,448**	**101,314**

24. FINANCIAL COMMITMENTS

Capital commitments relate to amounts contracted for in relation to the purchase of property, plant and equipment. The total capital commitment as at 30 September 2020 was £nil (2019: £nil).

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

	Land & buildings		Motor Vehicles	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Future minimum lease payments due in:				
- within one year	22,606	24,719	377	310
- between two and five years	90,426	88,582	454	565
- after five years	1,074,686	1,080,468	-	-
	1,187,718	**1,193,769**	**831**	**875**

The operating lease of land and buildings is in relation to the care homes held with FC Skyfall TA Limited, a related group undertaking, HCP UK Investments (Jersey) Ltd and Link Corporate Trustees (UK) Limited (formerly 'Capita Trust Company Ltd') as trustee of the Index Linked Income Fund, which are subject to rent reviews at specified intervals.

Other operating leases relate to the lease of company cars.

25. FINANCIAL INSTRUMENTS

The Group's gains and losses in respect of financial instruments are summarised below:

	2020 £'000	2019 £'000
Fair value loss on derivative financial assets designated in an effective hedging relationship measured through profit and loss (see note 26)	207	2,723

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
Group		
Derivative that are designated and effective as hedging instruments carried at fair value		
Assets		
Interest rate swap	6	213

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Otherwise, all other financial assets and liabilities instruments are measured at amortised cost as at 30 September 2020 and 30 September 2019.

27. DIVIDENDS ON EQUITY

	2020 £'000	2019 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares	4,827	5,886

28. CONTINGENT LIABILITIES AND GUARANTEES

On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new subsidiary undertaking 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.

29. RELATED PARTY TRANSACTIONS

Amounts due to and from related group undertakings not included in the consolidation group were detailed in the table below:

At 30 September 2020	Loan notes £'000	Accrued interest £'000	Other amounts £'000
Amounts due from related group undertakings (see note 16):			
FC Skyfall SPV Limited	-	-	1,753
	-	-	**1,753**
Amounts due to related group undertakings (see notes 18 and 19):			
FC Skyfall TopCo Limited	-	-	7,180
FC Skyfall TA Limited	14,000	2,967	16,873
FC Skyfall Holdco 1 Limited	120,348	788	-
	134,348	**3,755**	**24,053**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2020

29. RELATED PARTY TRANSACTIONS (Continued)

At 30 September 2019	Loan notes	Accrued interest	Other amounts
	£'000	£'000	£'000
Amounts due from related group undertakings (see note 16):			
FC Skyfall SPV Limited	-	-	1,753
	-	**-**	**1,753**
Amounts due to related group undertakings (see notes 18 and 19 for further details):			
FC Skyfall TopCo Limited	-	-	7,220
FC Skyfall TA Limited	14,000	2,057	11,935
FC Skyfall Holdco 1 Limited	103,701	682	-
	117,701	**2,739**	**19,155**

30. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Refinancing

On 27 April 2021, FC Skyfall (UK) Financeco Limited, the new subsidiary undertaking 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 no there is 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.

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is FC Skyfall Holdco 2 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 largest group into which these financial statements are consolidated is FC Skyfall Holdco 3 Limited with registered office at c/o Trident Trust Company (Cayman) Limited, One Capital Place, Shedden Road, PO Box 847, George Town, Grand Cayman KY-1103.