



**DEATH, DECEPTION &  
DIVIDENDS:**  
DISTURBING DETAILS OF  
THE UK'S LARGEST CARE  
HOME OPERATOR

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Centre for  
International  
**Corporate Tax**  
**Accountability**  
and Research



# DEATH, DECEPTION & DIVIDENDS: DISTURBING DETAILS OF THE UK'S LARGEST CARE HOME OPERATOR

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“[IT] IS IMPORTANT TO US AS A DELIVERY  
AGENT OF THE STATE TO BE SEEN AS  
HAVING A TRANSPARENT STRUCTURE.”

– HC-ONE’S CEO, SEPTEMBER 2021

## EXECUTIVE SUMMARY

An additional £18.9m in government payments for COVID-19 costs allowed the owners of the UK's largest care home operator to continue to siphon millions in tax-free profits to the Cayman Islands. In 2020 alone, £4.8m in dividend payments were shifted to the Cayman Islands. Related party interest payments of £17.7m and £24.7m in lease payments also flowed offshore in 2020. These figures follow from years of even larger dividend payments and other forms of financial extraction. While operators cry poor, millions flow from heavily publicly subsidised UK care homes to affluent offshore investors via shady entities in the Caribbean. Meanwhile residents and workers suffered, and thousands died.

HC-One, the UK's largest care home operator, wields enormous power and influence over public policy and the lives of thousands of vulnerable people and front-line care workers. HC-One also provides the clearest possible example of the need for greater transparency and accountability across the entire UK care sector. The operator's overseas owners, appear to have prioritised extracting profit – underpinned by both public funding and private payments from residents – over the care of the elderly and vulnerable residents. Investments by the same owners in major US nursing home chains reveal a similar pattern. COVID-19 exacerbated the impacts of existing, dangerously low, levels of staffing and pay for the predominately female workforce.

At least one HC-One facility in Scotland has been taken over by NHS Highland as a result of COVID-19 deaths. Other transitions to public control may be under consideration. In March 2021, HC-One announced that it was closing 4 homes and selling 52 others, leading to calls for HC-One facilities to be taken over by local authorities.<sup>1</sup> Meanwhile, HC-One and other private for-profit care home operators continued to lobby for billions in additional public funding. In April 2021, HC-One's owners invested additional capital and re-financed existing debt with a £540m loan. Welltower, the new lender and a large owner of UK and US care homes, expects to make remarkably high annual returns from its lending to HC-One.

Like other large UK care home operators, HC-One appears to have created a pattern of artificial losses.<sup>2</sup> This allows it to dramatically reduce or eliminate tax payments, justify more public funding, and suppress wages and staffing levels. HC-One is controlled through an extremely complex global structure, involving well known tax havens such as the Cayman Islands, Jersey and the Isle of Man. Companies within the group are engaged in borrowing and renting from one another in transactions designed to shift profits offshore. As demonstrated by HC-One, private equity business models further enrich some of the world's wealthiest people at the expense of vulnerable care home residents, their families, and the exploited – predominately female – front-line workers.

Improving social care will require additional funding. However, the immediate priority must be to ensure appropriate staffing and high-quality care for residents from all existing funding and any additional future funding. Funds allocated to pay for care should be used for care and not shifted offshore. HC-One and other large care home operators must be required to be transparent on corporate structures, finances, staffing and the quality of care as a condition of receiving public funding from any

source, including local authorities. All care home operators must be held accountable for public and private payments intended to provide care for some of society's most vulnerable people.

## MILLIONS FLOW FROM HEAVILY PUBLICLY SUBSIDISED UK CARE HOMES TO AFFLUENT OFFSHORE INVESTORS

HC-One and other care home operators spin a rarely challenged narrative of losing money and poor care primarily due to a lack of funding. As the COVID-19 pandemic hit, HC-One wrote to all relevant local authorities asking for additional funding and support. However, while residents and workers suffered tragically through the pandemic, the wealthy offshore investors were well protected. The pattern of shifting profits offshore persisted, even as millions in additional government funding were made available in response to the pandemic.

The pandemic has exposed broad structural problems in the UK care sector. Reforms and regulation are urgently needed. Operators that are deemed unsuitable must be removed and replaced. Prior to any substantial increase in public funding, greater transparency and accountability across the sector are essential to ensure dignity for the elderly and to protect and support front-line care workers.

## HC-ONE: KEY FACTS FOR 2020<sup>3</sup>

### UK'S LARGEST CARE HOME OPERATOR

- 328 homes with more than 15,000 residents
- 22,300 care staff
- 86% female front-line workforce, 100% male board
- £705.3m in annual turnover
- £770 average weekly resident fee (payroll cost £510/resident)
- £8,369 in annual earnings per occupied bed
- £12.2m in reported operating loss

### FINANCIAL EXTRACTION

#### EXAMPLES

- £4.8m in dividend payments
- £17.7m in interest payments to related parties
- £24.7m in lease payments, substantially to related parties
- £162.5m owed to related parties, primarily due within a year

### PANDEMIC PERFORMANCE

- £18.9m in additional government funding for COVID-19 response
- £6.2m cost for Personal Protective Equipment (infection control)
- 4.4% decrease in occupancy to 85.6%
- 6.0% (1,416) decrease in average monthly care staff
- 2,141 reported COVID-19 deaths in HC-One facilities



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## A MAJOR PLAYER

HC-One is “the UK’s largest care home operator with 328 homes and almost 20,000 beds”.<sup>4</sup> Out of the more than 22,300 care staff of the HC-One group in 2020, at least 86% were female.<sup>5</sup> In contrast, all of HC-One’s board members are men, most of whom have held key positions in, or have had longstanding relationships with, different arms of government related to the regulation or funding of the care sector.<sup>6</sup> Created in 2011, following the collapse of its predecessor, Southern Cross Healthcare, HC-One has since grown through numerous acquisitions. The largest acquisition was over 100 homes purchased from Bupa in 2017.<sup>7</sup>

As the largest care home operator in the UK, HC-One exerts significant influence and maintains strong networks and links to power. HC-One’s current Chairperson, prior to joining the company’s board, was the Chief Executive of the Care Quality Commission from 2012 to 2018 and previously the Department of Health and Social Care’s Director General of Social Care, Local Government and Care Partnerships.<sup>8</sup> HC-One’s new CEO is a Non-Executive Director of the Royal Free London NHS Foundation Trust.<sup>9</sup> HC-One’s previous Chair and long-time front-person, Chai Patel, was a major high-profile Labour Party donor and health advisor to former Prime Minister Tony Blair.<sup>10</sup>

Ironically, HC-One’s Finance Director, in publishing the company’s April 2020 letter to local councils, pleading for additional financial support in the wake of the pandemic, stated that “Transparency is one of HC-One’s founding values”.<sup>11</sup> In reality, very little about HC-One is transparent.

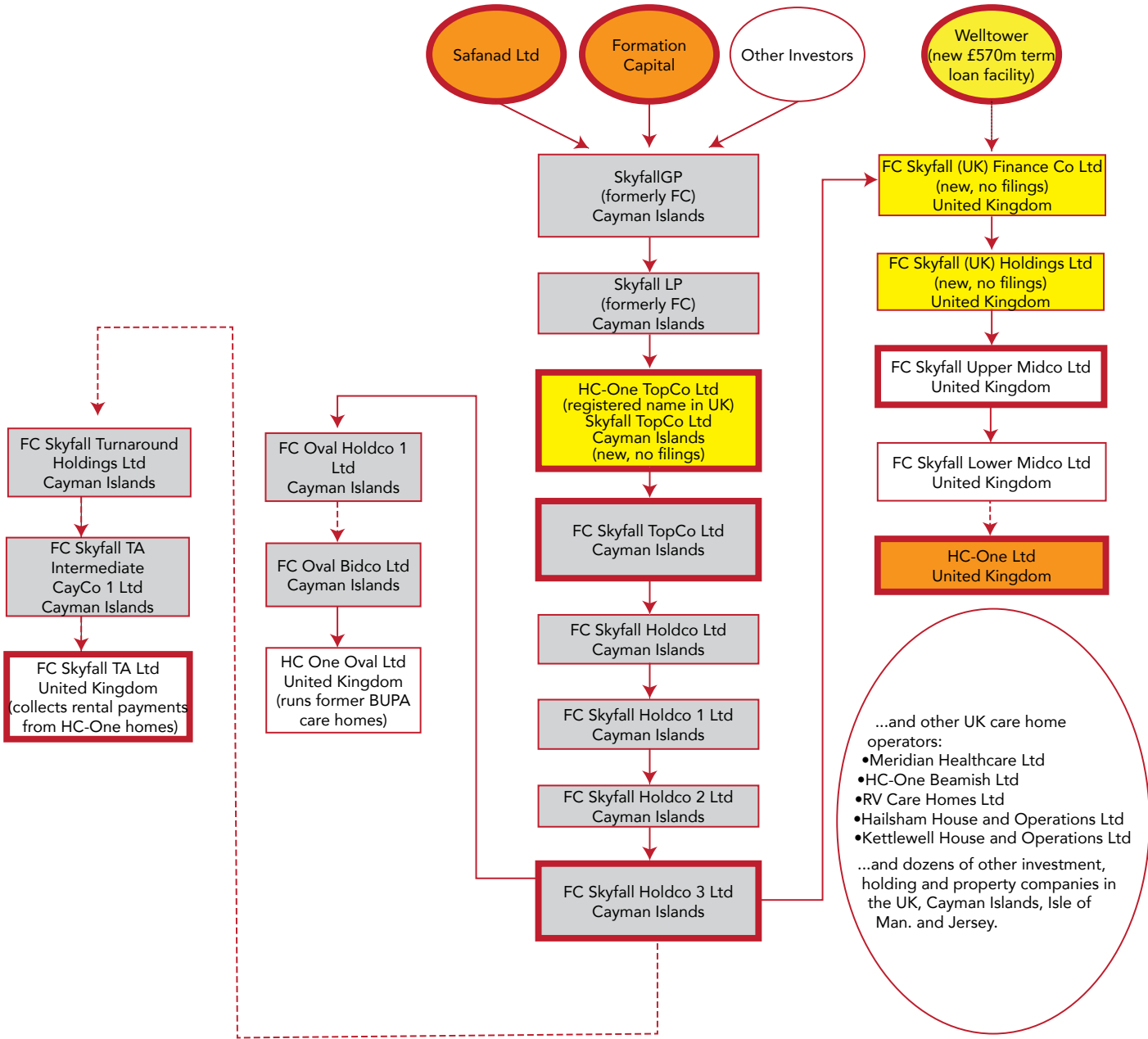
The letter requested that commissioners “guarantee income at the equivalent of 90% occupancy, HC-One’s occupancy ahead of the Covid-19 crisis”.<sup>12</sup> These would be additional supplemental payments above and beyond the funding already received from cash-strapped councils and fees paid by existing residents, or their families, for actual services provided.

More recently – since the peak of the pandemic – the current CEO of HC-One stated that it “is important to us as a delivery agent of the state to be seen as having a transparent structure”.<sup>13</sup> This was in the context of explaining that, unlike other operators who target wealthier private pay residents, HC-One was targeting lower-income residents with state-funding. In late September 2021, the CEO said, “[w]e are the only major provider seeking to make local authority care the core of our operating model”.<sup>14</sup>

This report is primarily based on a critical analysis of 2019 financial statements (year ended 30 September) of key entities in HC-One’s complex corporate structure. These financial statements were filed at the early stages of the global pandemic. The report has been updated with relevant information from 2020 filings which reveal information about how HC-One performed through the worst of the pandemic and reflect a corporate re-shuffle announced in late April 2021. The references to subsidiary names in this report were current as of mid-August 2021, but further name changes have occurred since then and further changes are expected. Many of the subsidiaries named FC Skyfall have been renamed HC-One.



# HC-ONE SIMPLIFIED CORPORATE STRUCTURE\*



\*Current as of mid-August 2021.  
Many entity names have since been changed to replace 'FC Skyfall' with 'HC-One'.

## PANDEMIC PERFORMANCE

While the overall structure and patterns of behaviour largely continued into 2020, increased government funding for the pandemic response contributed to an improved financial performance and allowed £4.8m in new dividends to be directly extracted for the benefit of the owners via the Cayman Islands.<sup>15</sup> Other forms of financial extraction from HC-One's UK care home operations, described below, also appear to have continued.

In 2020 for HC-One's top UK incorporated entity, exceptional costs in relation to COVID-19, including Personal Protective Equipment (PPE), were reported as £4.1m, but were compensated for by £12.9m in additional government grants, including job retention scheme and infection control grants and "government assistance in the form of cost recoveries, occupancy guarantees and COVID 19 contract bed bookings from the NHS".<sup>16</sup> The net increase of £8.8m in direct government funding appeared to contribute to a £26m increase in net cash from operations.<sup>17</sup> Including 89 former Bupa homes, owned through a somewhat separate structure, HC-One's total additional government funding for COVID-19 was £18.9m with PPE costs of £6.2m, leaving a net increase of £12.6m in additional government funding.<sup>18</sup> Wage costs did increase, but how much of the direct COVID funding flowed through to front-line care workers, as intended, is not clear.

Payroll costs increased in 2020 due to "the increase in the National Living Wage in April 2020 and extra staffing costs" from increased infection control due to

COVID.<sup>19</sup> However, the average monthly number of care staff decreased by 328 to 13,862 despite reporting the same number of properties.<sup>20</sup> The average annual salary of all employees, including a director and 575 administrative staff, increased by only £1,148 to £18,735.<sup>21</sup> Meanwhile, the company director's pay increased by £102,000, or 40%, to £357,000.<sup>22</sup> Under-staffing and low pay of the predominately female front-line care staff continued while the director's pay increased substantially.

Despite higher staffing needs due to the pandemic and need for increased infection control, the average monthly care staff across all HC-One operations declined by a remarkable 1,416 to 22,317.<sup>23</sup> This number includes the 89 former Bupa facilities, which appear to have faced significantly steeper declines in care staff than the other 238 facilities.

## TAX-FREE DIVIDENDS

According to the Financial Times (May 2019), HC-One "paid out more than £48.5m in dividends in the past two years despite warning that local authority funding cuts have brought the sector to the brink of a financial crisis".<sup>24</sup> The article noted that HC-One "appears to have declared a loss every year except one since its creation" and "has paid no UK corporation tax in that time, and instead received net tax credits of £6.5m" since 2014.<sup>25</sup>

Dividend income between subsidiaries of the same corporate group is generally not subject to income tax to avoid double taxation. However, rules around dividend income in the UK are particularly generous. If the dividend income from a UK holding company is sent to another company in the corporate structure in a jurisdiction with a zero-tax rate on

corporate income, such as the Cayman Islands, no tax is paid.<sup>26</sup>

The Financial Times analysis appears to have focused on the 2017 and 2018 financial statements of the top UK holding company of the HC-One group, FC Skyfall Upper Midco Ltd. The 2019 and 2020 financial statements continue to show a similar pattern.<sup>27</sup>

## UNDER-STAFFING AND LOW PAY OF THE PREDOMINATELY FEMALE FRONT-LINE CARE STAFF CONTINUED WHILE THE DIRECTOR'S PAY INCREASED SUBSTANTIALLY.

In 2019, the group had a total turnover of £435.2m, but pre-tax profit was reduced to only £1.9m and £1.4m, nearly 74% of the £1.9m in pre-tax profit was paid in corporate income tax.<sup>28</sup> Even though the total tax payment is small in relation to total revenues, no explanation is provided as to why corporate income tax equates to 74% of reported pre-tax profit. In 2020, turnover increased to £456.8m and pre-tax profit to just under £12m. However, while a tax charge of £2.5m is reported for accounting purposes, there is no indication of any actual payment of UK corporate tax.<sup>29</sup>

Pre-tax profit is dramatically reduced by various related party transactions that appear to have ultimately been transferred to the company's owners via the Cayman Islands. As in previous years, one way of extracting tax-free profits in 2019 was the issuing of £5.9m in dividends.<sup>30</sup> Despite the pandemic, as stated above, £4.8m in dividends

were issued in 2020. The 2019 dividend payments were more than 6.5 times the reported UK profits. However, this is not the only way profits are extracted to the Cayman Islands from the operation of UK care homes.

## RELATED PARTY PAYMENTS FOR LOANS AND LEASES

In addition to the dividend payments, large financing costs and lease or rental payments were also used to extract profits and reduce taxable income in the UK. In 2020, FC Skyfall Holdco 3 Ltd, at the top of the HC-One structure, reported £17.7m in interest payable to related parties, lease payments of £24.7m paid primarily to related parties in the prior year and £162.2m owed to related parties, mostly in the next year.<sup>31</sup>

According to the cash flow statements of FC Skyfall Upper Midco Ltd, finance costs excluding the dividends, were nearly £31.4m in 2019 and £41.1m in 2020 and appear to be paid mostly to or through related parties<sup>32</sup>. Interest payable and other finance charges of £22.4m were due to related parties in 2019.<sup>33</sup>

In 2017, a "term loan of £286.8m was issued to the Group at interest rate of 5.8% plus LIBOR per annum".<sup>34</sup> It is not clear to which entity in the group the loan was made, for what purpose, or by whom the loan was made. However, it is secured by an "unlimited guarantee from its group undertakings and FC Skyfall TA Limited, a related undertaking. Loan repayment is amortised at a rate of £2.8m per quarter and the final loan repayment date is on 27 January 2022".<sup>35</sup>

Also in 2017, a £14m loan was "issued to FC Skyfall TA Limited at an interest

rate of 6.5% per annum with repayment date on 27 June 2022".<sup>36</sup> This amount is disclosed as a related party transaction and with £14m in loan notes due to FC Skyfall TA Limited along with £2.1m in accrued interest and £11.9m in "Other amounts".<sup>37</sup> Other amounts of £7.2m are due to FC Skyfall TopCo Limited for a total disclosed amount due to related group undertakings of £19.2m in 2019 and climbing to £24.1m in 2020.<sup>38</sup> These other group entities – and other related party lending - are discussed further below.

Separate from the disclosed related party transactions are minimum lease payments under non-cancellable operating leases due within one year of £24.7m up from £21m in 2018.<sup>39</sup> "The operating lease of land and buildings is in relation to the care homes held with FC Skyfall TA Limited, HCP UK Investments (Jersey) Ltd and Apex Corporate Trustees (UK) Limited."<sup>40</sup> FC Skyfall TA Limited is clearly a related party. The other two entities appear unrelated. However, HCP UK Investments (Jersey) Ltd, - now ICE UK Investments (Jersey) Ltd – also siphons profits from UK Care homes offshore. (See below)

As reported in the Financial Times in 2019, the pattern of reducing taxable profits in the UK through presumably legal but artificial financial structures appears to have continued to the present. Despite previous exposure of shifting profits offshore, HC-One has continued to successfully demand more government funding and higher private pay.

## LEAKAGE ON LARGE OPERATING PROFITS TO CREATE ARTIFICIAL LOSSES?

In contrast to the profits reported for tax purposes, FC Skyfall Upper Midco Ltd reported operating profit in 2019 of £25.7m and underlying EBITDA of £59.6m, both up from the previous year.<sup>41</sup> EBITDA (earnings before interest, tax, depreciation, and amortisation) is frequently used by companies and investors as a better measure of operating performance than reported profits. EBITDA excludes non-cash expenses such as depreciation and makes it easier to compare the performance of businesses with different levels of debt. Despite the pandemic, in 2020, operating profit increased to £29.3m and the underlying EBITDA to £65.8m.<sup>42</sup>

In 2020, FC Skyfall Holdco 3 Ltd, which includes 89 additional HC-One facilities, reported an operating loss of £12.2m and underlying EBITDA of £102.9m.<sup>43</sup> The underlying operations continued to improve as operating profit from ordinary activities was £63.2m, up from 2019. However, the final results were driven down by 'exceptional costs' related to an impairment due to a valuation of properties.<sup>44</sup>

In 2019, FC Skyfall Upper Midco Ltd reported year over year increases on a range of other performance metrics, including increases in:

- self-pay occupancy to 25.1%;
- average weekly fee rate to £728 (compared to payroll/resident of £438); and
- EBITDAR (EBITDA, also excluding rent) per occupied bed of £8,905, a 10% increase.<sup>45</sup>



In 2020, despite the pandemic and pleas for additional public support, occupancy dropped by only 3.3%. Although labour costs increased in 2020, a 3.6% increase in the average weekly fee rate - to £754 - helped drive EBITDAR per occupied bed to £9,177, a further 3.1% increase.<sup>46</sup>

WHILE AGGRESSIVE CORPORATE TAX AVOIDANCE IS UNACCEPTABLE FOR ANY COMPANY, IT IS PARTICULARLY EGREGIOUS IN A SECTOR HEAVILY RELIANT ON TAXPAYER FUNDING AND WHERE AN OVERLY AGGRESSIVE PURSUIT OF PROFIT CAN HAVE DIRE CONSEQUENCES FOR RESIDENTS AND WORKERS.

Regulatory non-compliant homes decreased from 56 to 41 in 2019 and remained at 40 in 2020.<sup>47</sup> It appears that another 23 of the 89 former Bupa facilities were also classified as non-compliant in 2020.<sup>48</sup> Despite a regulatory system widely regarded as weak, a large number of HC-One facilities were officially determined to be non-compliant heading into and during the pandemic.

The 2019 FC Skyfall Upper Midco Ltd financial statements acknowledge that “at the date of signing the accounts [3 April 2020], the world is in the early stages of fighting the Covid-19 virus... [and] management are taking steps to steer

their way through this pandemic”.<sup>49</sup> The report goes on to state that “[to] date, occupancy rates have remained stable”. While it is possible that conditions changed rapidly, only 26 days later the same individual that wrote that report sent a letter to every local council asking for guarantees of additional support due to decreased occupancy.<sup>50</sup>

Nick Hood, a senior advisor at the Opus Business Advisory Group, stated in 2019 that HC-One’s claimed losses and dividend payments showed “that the issue is not just how much public and private funding goes into adult care, but where the money ends up. Like some other major care home operators, this company is ramping up its debt and paying high interest rates and huge management charges to facilitate financial gains for its owners, while leaving the risk with residents, employees and the state”.<sup>51</sup>

Mr Hood also correctly noted that dividend payouts were “completely inappropriate for a business dependent on taxpayers through its many local authority funded residents”.<sup>52</sup> However, there are no restrictions on HC-One and other care home operators shifting profits offshore via dividends and other methods, while receiving local authority funding and dangerously understaffing care homes.

## COMPLEX CORPORATE STRUCTURES AND TAX HAVEN ABUSE

The above analysis is largely from the 2019 and 2020 financial statements of FC Skyfall Upper Midco Limited, “the smallest group for which consolidated financial statements are drawn up”

within the HC-One group.<sup>53</sup> In 2019, the immediate parent of this company was “FC Skyfall Holdco 3 Limited, a company incorporated in the Cayman Islands”.<sup>54</sup> FC Skyfall Upper Midco Limited reports 100% direct or indirect ownership of over four dozen subsidiaries, mostly in the UK, but 6 in the Cayman Islands, 7 in Jersey and 2 in the Isle of Man.<sup>55</sup> The UK subsidiaries and the tax haven subsidiaries link to other tax haven entities.

It appears that the primary purpose of these structures, and ownership through the Cayman Islands, is to shift profits out of the UK and avoid UK income tax payments. While aggressive corporate tax avoidance is unacceptable for any company, it is particularly egregious in a sector heavily reliant on taxpayer funding and where an overly aggressive pursuit of profit can have dire consequences for residents and workers.

FC Skyfall Upper Midco Ltd’s 2019 financial statements further disclose that:

“The Directors regard FC Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking. There is no controlling party beyond FC Skyfall LP. FC Skyfall LP is ultimately backed by funds from Formation Capital, a leading healthcare focused investment private equity group in the USA and Safanad Limited, a global investment firm that invests in property, private and public markets and in partnership with Court Cavendish and management. The immediate parent undertaking... is FC Skyfall Holdco 3 Limited, a company incorporated and registered in the Cayman Islands.”<sup>56</sup>

While Dr Chai Patel and his company Court Cavendish have often been

the public face of HC-One in the UK, Formation Capital and Safanad – with a long track record of co-investments in US nursing homes – are the primary owners of HC-One.<sup>57</sup> (see below)

At the end of April 2019, HC-One announced that the company had received new capital from “current owners, Safanad and Court Cavendish, in addition to a refinancing deal agreed with Welltower”.<sup>58</sup> Welltower is one of the largest listed US real estate investors (REITs) and a major owner of UK care homes with a record of alleged tax avoidance.<sup>59</sup> The £540 million deal with Welltower will refinance all of HC-One’s existing debt facilities. “Safanad’s new equity investment will increase its ownership and will result in Safanad taking majority control of HC-One going forward.”<sup>60</sup>

Safanad and Welltower would not continue to make further investments in HC-One unless future profits were clear. Welltower, in a recent presentation to its shareholders, said that the HC-One loan was expected to generate annual returns “in the mid-teens range”.<sup>61</sup> Interestingly, HC-One’s statement makes no mention of Formation, but Formation clearly remains involved and continues to benefit from the extraction of profits.

After the recapitalisation in April, Formation’s owner, co-founder and current chair told an industry publication that, “Formation maintained an equity position and will stay involved in an asset management capacity” in the HC-One investment.<sup>62</sup> According to HC-One (26 November response to CICTAR), Formation’s current ownership stake in the company is 7%.<sup>63</sup>

The repayment of previous debts and infusion of fresh capital from Safanad





resulted in a flurry of filings by FC Skyfall Upper Midco Ltd beginning in late April 2021, but no increase in transparency.<sup>64</sup> Most of these filings were created on 27 April, including notification and cessation of FC Skyfall (UK) FinanceCo Limited as person of significant control and notification of FC Skyfall (UK) Holdings Limited as a person of significant control on the same day. While there were 3 significant allotments of shares in FC Skyfall (UK) FinanceCo Limited on 27 April, the incorporation document filed on 10 March 2021 reports that the initial shares were held by FC Skyfall HoldCo 3 Ltd in the Cayman Islands.<sup>65</sup> FC Skyfall (UK) Holdings Limited filed for incorporation on 11 March 2021 and is directly owned by FC Skyfall (UK) FinanceCo Limited.<sup>66</sup> Ultimately, the minorly re-shuffled HC-One corporate structure continues to be owned through the same Cayman Islands entities.

The 2020 financial statements of FC Skyfall Upper Midco Ltd state that:

“The Directors regard Skyfall LP (formerly FC Skyfall LP), a limited partnership incorporated and registered in the Cayman Islands, as the ultimate undertaking. The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited (formerly FC Skyfall GP Limited), a company incorporated in Cayman Islands.”<sup>67</sup>

The 2020 filing also confirms that the company remains a subsidiary of FC Skyfall Holdco 3 Limited, registered in the Cayman Islands, and that “Skyfall LP is predominately backed by funds from Safanad Limited”.<sup>68</sup>

## FC SKYFALL TOPCO LIMITED – VIOLATION OF AN SEC ORDER?

In 2019, FC Skyfall Upper Midco Ltd also reported the “ultimate parent undertaking of the Company” as “FC Skyfall TopCo Limited [which] has made qualifying third party indemnity provisions for the benefit of the Company’s Directors and the directors of all its other subsidiaries....”<sup>69</sup> While FC Skyfall Topco is registered and incorporated in the Cayman Islands it is registered as a foreign company in the UK and files limited financial statements with UK Companies House.

One of the directors of the company, as listed in the 2019 financial statements is Mr Steven Fishman, a co-founder of Formation Capital.<sup>70</sup> However, according to various filings from 20 May 2021 Mr Fishman and 8 others were terminated as directors.<sup>71</sup> While all but one of the other terminated directors – another individual from Formation Capital – were terminated effective 27 April 2021, Fishman’s termination was listed as 2 November 2018.<sup>72</sup> However, Fishman has reappeared as a director of a new company, HC-One Topco Limited, that was renamed on 29 July 2021.<sup>73</sup>

Additionally, the 2020 filing of FC Skyfall Upper Midco Ltd (dated 29 April 2021) continues to list Mr Fishman as a director of FC Skyfall Topco Ltd from November 2014 until his resignation on 27 April 2021.<sup>74</sup> It further states that Mr Fishman “is Co-Founder, President and Co-Chairman of Formation Capital” and that in 2011 he “led the sale of the real estate assets of Genesis HealthCare to Health Care REIT [now Welltower] for \$2.4 billion”.<sup>75</sup> The filing further explains

that the two directors of FC Skyfall Upper Midco Ltd “meet on a quarterly basis at the same time when the board of FC Skyfall TopCo Limited, an intermediate parent undertaking, [and]...most of the strategic direction, financial performance and risk management of the Group are the responsibility of FC Skyfall TopCo Limited”.<sup>76</sup>

Steven Fishman is no longer affiliated with Formation Capital and has been barred from any association with Formation or any other investment adviser. On 27 February 2020, the US Securities and Exchange Commission (SEC) issued an order which found that in his role at Formation Capital Fishman had violated US securities law and he agreed to be barred from association with any investment adviser for at least 5 years.<sup>77</sup> Fishman’s ongoing role in HC-One appears to be a clear violation of this SEC Order by Fishman, Formation Capital and Safanad.<sup>78</sup>

The continued reporting of Fishman’s role at Formation as ongoing in various UK filings, after he ceased to be directly involved with Formation, could be a possible violation of the UK Companies Act 2006 by all directors who are responsible for internal controls to determine that financial statements “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”.<sup>79</sup>

The SEC’s “cease-and-desist” Order explicitly barred Mr Fishman “from association with any investment adviser... and prohibited [him] from serving or acting as an employee, officer, director, member of an advisory board...of such investment adviser...”<sup>80</sup> Mr Fishman paid

a penalty and agreed to the terms of the Order. However, it is not clear what the consequences of violating an explicit SEC Order may be for Fishman and Formation Capital and Safanad, both of whom are SEC registered investment advisers.

Although the 2020 financial statements of FC Skyfall Topco Limited do not report Mr Fishman as a director, they do state that the “immediate parent undertaking is Skyfall Topco Limited, a company incorporated in the Cayman Islands”.<sup>81</sup> As mentioned above Mr Fishman, among other HC-One Group directors, is now reported as a director of a company called HC-One Topco Limited. This company was registered in the UK as Skyfall Topco 2021 Limited on 8 July 2021.<sup>82</sup> The UK registration of this company shows that Skyfall Topco 2021 Limited was an alternative name for Skyfall Topco Limited, as incorporated in the Cayman Islands. The “Amended and Restated Memorandum and Articles of Association of Skyfall Topco Limited” were adopted by special resolution on 27 April 2021.

This is the same date reported that a number of the directors resigned from FC Skyfall Topco Limited and reappear as directors of Skyfall Topco Limited, including Mr Steven Fishman. The 2020 filing of FC Skyfall Topco Limited was signed on 29 April 2021, two days later. It appears, as with similar re-naming elsewhere in the complex corporate structure, that the ownership of HC-One through FC Skyfall Topco Limited has been replaced with Skyfall Topco Limited (now HC-One Topco Limited in the UK). Mr Fishman, despite a cease-and-desist order from the SEC barring him from involvement with Formation and Safanad, appears to continue to play an active role in HC-One.

Although none of the directors of FC Skyfall Topco Limited were paid by the company in 2019, "Directors' emoluments have been borne by HC-One Limited, a group undertaking".<sup>83</sup> Directors' payments "borne by the various operating companies of the group" were £1.8m in 2019.<sup>84</sup> This payment to directors of the Cayman Islands shell company with no employees is more than the reported UK corporate income tax payments of the HC-One group in 2019. The company also issued a £1.3m loan to a director at 3% interest, repayable on 13 December 2027.<sup>85</sup> A similar pattern continued in 2020.

## THE PRIMARY PURPOSE OF THE CORPORATE STRUCTURE AND THE CAYMAN ISLANDS OWNERSHIP IS TO SIPHON OFF TAX-FREE PROFITS FROM THE OPERATION OF UK CARE HOMES.

This Cayman Islands company is tax resident in the UK, but it reported a loss of £3.6m and had no UK tax liability in 2019.<sup>86</sup> The reported loss grew to £5.2m in 2020.<sup>87</sup> Given the ownership structure it, or the successor, is not likely to ever pay UK tax. Its 2019 operating profits, from dividends from group companies of £4.5m, were wiped out by "Interest payable and similar expenses" of £7.7m on "9% Cumulative preference share dividends, which created the "loss".<sup>88</sup> The dividends received from group companies were paid on as "Equity dividends on ordinary shares".<sup>89</sup> Dividends were paid "to FC Skyfall SPV Limited, an

intermediate parent undertaking" and the "immediate parent undertaking..., a company incorporated in the Cayman Islands".<sup>90</sup> Likewise, in 2020 dividends from group companies of £3.1m were passed through and interest payable on the 9% cumulative preference share dividends increased to £8.2m.<sup>91</sup>

The financial transactions reported are, by design, virtually impossible to understand within the context of the broader complex corporate structure and related party transactions. However, it appears that the primary purpose of the corporate structure and the Cayman Islands ownership is to siphon off tax-free profits from the operation of UK care homes.<sup>92</sup> In 2019, share acquisitions in subsidiary undertakings of £10m were balanced with £10m in proceeds from the issue of preference shares.<sup>93</sup> Despite the injection of additional government funding to cope with the pandemic raging through HC-One care homes in the UK, the pattern of financial extraction via shell companies in the Cayman Islands appears to have continued unabated in 2020.

There are several different types of shares, all owned by the same Cayman Islands parent entity. The preference shares which led to the £7.7m payments in 2019, have a nominal value of £1 each and "are entitled to dividends at the rate of 9% per annum at subscription price. Dividends are accrued on a daily basis".<sup>94</sup> The "9% Cumulative preference share dividends" resulted in the reporting of £22.4m in payments due within a year and a net amount due after a year of £65.1m.<sup>95</sup> The share ownership continued unchanged in 2020.

The 2019 filing states that the "principal activity of the Company is to act as a holding company of a group of companies specialised in the



management and running of care homes principally for the elderly. The Group also owns the freeholds of care homes which are leased to the operating subsidiaries (HC-One Limited, Meridian Healthcare Limited and HC-One Beamish Limited) and a third-party operator".<sup>96</sup> The principal activity remained the same in 2020, except the lease of homes to a third-party operator.

In 2019, the shares in subsidiary undertakings were valued at £185.8m.<sup>97</sup> This remained the same in 2020. The list of subsidiaries appears to be largely the same as those reported by FC Skyfall Midco Limited, which is also listed as a subsidiary.<sup>98</sup> The principal activity of many of the subsidiaries in Jersey, the Isle of Man and the Cayman Islands is "Investment in care home properties". Lease payments are made to these companies as a key means of taking profits offshore. A recent examination of Scottish care homes found that HC-One rented "23 Scottish care homes from its own sister company, FC Skyfall IOM Properties Limited, ...registered in the Isle of Man".<sup>99</sup>

These homes included the Home Farm on Skye, which has now been purchased by NHS Highland with £900,000 of additional funding from the Scottish Government, after at least 10 residents died.<sup>100</sup> Scotland did pass legislation to ban Covid-19 support to firms based in tax havens.<sup>101</sup> However, according to HC-One (26 November response to CICTAR) "the sale and transfer of the care home... was not a Covid-19 related transaction, nor ...part of NHS Highland's Covid-19 financial support to HC-One." HC-One rented another 6 Scottish care homes from a separate Jersey entity, HCP UK Investments (Jersey) Ltd, discussed below.

Many Cayman Islands subsidiaries of FC Skyfall TopCo Limited are listed as holding companies. FC Skyfall Holdco Limited, which is also listed as a Cayman Islands holding company is the only directly held subsidiary and presumably owns the other holding companies.<sup>102</sup>

## NOTES AT 18% INTEREST FLOATED FROM THE CAYMAN ISLANDS

Various Cayman Islands entities in the HC-One ownership structure are issuing notes or loans – listed on the Cayman Island Stock Exchange – at very high interest rates. Interest payments to these entities appear to be another way in which taxable profits are reduced from HC-One care homes in the UK and converted to tax free interest income in the Cayman Islands.<sup>103</sup> Listing the notes on a "recognised stock exchange" creates an exemption from UK withholding taxes on interest payments to bond holders.<sup>104</sup>

While some of these loans have now been retired, at least two listed notes are still current and are scheduled to be paid off in 2022. In November 2020, FC Skyfall SPV Ltd extended the maturity date on £50m of issued notes at 12% fixed interest.<sup>105</sup> In May 2020, FC Skyfall Holdco 1 Limited issued £15 million in notes at a 14% fixed interest rate with the potential to issue up to £25 million due in 2022.<sup>106</sup>

In July 2018 FC Skyfall Holdco 1 Ltd amended notes issued to FC Skyfall TopCo Limited for £80 million at a fixed interest rate of 15% due in 2021.<sup>107</sup> These amendments required the FC Skyfall TopCo Limited and FC Skyfall Holdco 3 Limited to provide financial statements to the Noteholders.<sup>108</sup> On 27 April 2021, FC Skyfall Holdco 1 Limited redeemed

notes for £80m at 15%, Series A up to £5m at 18% and notes up to £25m at 14% fixed rate.<sup>109</sup> FC Skyfall Holdco 1 Limited reported in 2020, under a note on creditors, that at the end of September 2020 loan notes of £80m, including capitalised interest of £37.2m, “were issued to the Company at fixed interest rates of 15% to 18%... [and] are quoted on the Cayman stock exchange”.<sup>110</sup> The lending between and among these Cayman Islands entities is difficult, if not impossible, to track.

### FC SKYFALL TA LTD WAS OWED £6.4M IN RENT FROM HC-ONE CARE HOMES, REDUCING THE AMOUNT AVAILABLE FOR FRONTLINE STAFFING AND CARE.

FC Skyfall Holdco 1 Limited reported in 2020, under a note on debtors, that in December 2017 an £80m loan note “was issued by FC Oval Bidco Limited, a subsidiary undertaking”.<sup>111</sup> At the end of September 2020, the total loan amount of £120.4m, including capitalised interest of £40.4m, remained outstanding. Loan repayment was due in December 2021 “and bears fixed interest rates of 15% to 18% per annum”.<sup>112</sup> FC Skyfall Holdco 3 Limited reported in 2020, under a note on creditors, that at the end of September 2020 a loan note of £120.3m, including capitalised interest of £40.3m, was due to FC Skyfall Holdco 1 Limited in December 2021 at fixed interest rates of 15 to 18%.<sup>113</sup> This appears to be two sides of the same notes. However, there is no indication that these notes are listed in on the Cayman Islands Stock Exchange.

Notes from FC Skyfall TA and FC Skyfall Holdco 1 Ltd with fixed interest rates ranging from 9 to 18% that were listed on the Cayman Islands Stock Exchange were also redeemed, or paid off, on 27 April 2021.<sup>114</sup> There may be a significant number of current and former listed and un-listed notes used within the HC-One structure via shell companies in the Cayman Islands. It appears that the ultimate owners of HC-One, including Safanad and Formation, hold the notes and use the unusually high interest rates as another means to extract tax-free profits from the largely publicly-funded UK care home operations. This is a common practise used in other private equity ownership structures.

### FC SKYFALL TA LIMITED – THE RELATED RENTAL COMPANY

FC Skyfall TA Limited, registered and incorporated in the UK, was mentioned repeatedly in the filings of FC Skyfall Upper Midco Limited and has also issued notes on the Cayman Islands Stock Exchange. It was paid lease payments and involved in related party lending. FC Skyfall TA Limited’s 2019 filing states that its principal activity “is the holding of freehold and long leasehold interests in predominately modern, purpose-built care homes. The care homes are operated by HC-One Limited, a related group undertaking, and the Company collects monthly operating rental income from the group undertaking”.<sup>115</sup> More explicitly, FC Skyfall TA Limited acts “as a rental company to the group headed by FC Skyfall Holdco 3 Limited (‘the trading group’)”.<sup>116</sup>

As with all of the companies in the HC-



One group, FC Skyfall TA Limited is ultimately controlled by FC Skyfall LP in the Cayman Islands.<sup>117</sup> While the pattern of related party company transactions continued in 2020, as elsewhere in the structure, Skyfall LP replaced FC Skyfall LP as the ultimate parent company.<sup>118</sup>

The intermediate ownership structure of this rental company is separate and changed slightly in 2020. In 2019, the immediate parent undertaking was reported as “FC Skyfall TA Intermediate CayCo 2 Limited, a company incorporated in the Cayman Islands”.<sup>119</sup> In 2020, the immediate parent undertaking was reported as “FC Skyfall (UK) Properties Limited” incorporated in the UK.<sup>120</sup> However, in 2020, it remained that FC Skyfall TA Limited’s results are consolidated in the group “headed by FC Skyfall Turnaround Holdings Limited, a company incorporated in the Cayman Islands”.<sup>121</sup>

This Cayman Islands entity, referred to elsewhere as the parent undertaking, was issued a loan note of £11.4m in September 2015 “to finance part of the purchase consideration of 35 freehold and leasehold properties”.<sup>122</sup> In a normal business transaction, it would seem unusual and contrived for a £11.4m loan note from the UK entity to a Cayman Islands entity to purchase UK care homes. “The loan note is quoted on the Cayman stock exchange”, was due for repayment in September 2020 and had annual interest rate of 9%.<sup>123</sup> In the 2020 filing the full loan remained outstanding, however (as indicated above) according to a Cayman Islands Stock Exchange announcement the loan was paid off on 27 April 2021.<sup>124</sup>

FC Skyfall TA Ltd reported a turnover of £6.4m in 2019, which was entirely

due from rent receivable from group companies.<sup>125</sup> In other words, it was owed £6.4m in rent from HC-One care homes, reducing the amount available for frontline staffing and care. After administrative expenses and interest receivable and payable from various related parties, profit before tax was £5.5m.<sup>126</sup> It appears that this entity paid corporation taxes of under £0.5m in 2019, representing an effective tax rate of under 9% but a larger payment than most other HC-One entities that have been analysed.<sup>127</sup> The same patterns continued in 2020.

## ICE UK INVESTMENTS (JERSEY) LIMITED – DOUBLE DIGIT RETURNS

HCP UK Investments (Jersey) Ltd, which is incorporated in Jersey and has since changed names to ICE UK Investments (Jersey) Limited, was mentioned above as one of the companies to which HC-One made significant lease payments in 2019.<sup>128</sup> This entity is now 51% owned by Cindat Capital Management Limited which completed the acquisition of 67 UK care homes, mostly leased to HC-One in December 2019.<sup>129</sup> Cindat is a major global private equity real estate investor that is ultimately controlled by the Chinese government.<sup>130</sup>

Cindat has been expanding its investment in care homes in the US and the UK. According to the managing director, Cindat targets annual returns of at least 10% from care homes as “investment returns are much higher compared with commercial properties [i.e. hotels, office, etc], whose returns are usually capped at single-digit”.<sup>131</sup> The UK care home



investment is a joint venture with Omega Healthcare Investors, Inc., a US listed real estate investment trust which owns 49% of the investment.

Omega reports that its share of the joint venture, valued at US\$105.7m, generated over US\$1.8m in income in 2020.<sup>132</sup> The total real estate investment in the 67 UK care homes would have generated an estimated income of US\$3.7m in 2020 for both investors. While HC-One reports lease payments directly to this Jersey entity, the larger real estate investment appears to be structured through various Cayman Island entities.<sup>133</sup>

## WELLTOWER TOLD ITS SHAREHOLDERS THE HC-ONE LOAN WAS EXPECTED TO GENERATE ANNUAL RETURNS IN THE MID-TEENS

There are other investors, like Cindat, in properties managed by HC-One, directly in HC-One's corporate structures, or profiting from loans to the largest UK care home company. However, the two largest investors, Formation Capital and Safanad, recently reported gross asset values of the HC-One investment of over US\$1.9 billion via the Cayman Islands. As indicated above, Welltower, HC-One's newest and largest lender, has reported that it will generate double digit returns from its lending to HC-One as well.

## FORMATION CAPITAL'S US NURSING HOME TRACK RECORD

Formation Capital, one of the biggest investors in US nursing homes, has had significant ownership and control over HC-One until April 2021 and remains a minority investor. As in the UK, private equity firms play a major role in US nursing homes and the broader category of senior housing. Formation and its founders have been at the heart of this industry and have made a killing.

"The script, written by Arnold Whitman, is familiar: facilities saddled with debt, short-staffed and underpaid workers, residents left to rot, a lack of preparedness that looms large in a pandemic. Much of the tumult seen today is a by-product of the slash-and-burn strategy practiced by Formation and its imitators."<sup>134</sup>

While operators cry poor and residents and staff suffer, Formation and other investors have extracted significant profits from US nursing homes and are rarely, if ever, held accountable. Consulate Health Care provides one recent example that may be particularly relevant to HC-One. This company, controlled by Formation Capital for many years, is the 6th largest nursing home chain in the US and the largest in Florida. In 2020, Consulate Health Care faced a quarter-billion-dollar judgement after being found to have "systematically defrauded the government".<sup>135</sup>

Due to the complicated corporate ownership structures this record judgement against the nursing home chain is unlikely to have any direct financial impact on Formation or its investors. Consulate was alleged to "use

a network of related businesses to shift assets and make a profit for their owners and investors”, while nursing homes “are designed to appear cash-strapped”.<sup>136</sup>

In September 2021, the \$256 million civil fraud judgement against Consulate was settled for a mere \$4.5 million after entities in the corporate structure filed for bankruptcy. According to HC-One (26 November response to CICTAR), “Formation Capital formally ended their involvement with Consulate Health Care in 2020” and “had no control over [the company] at the time that it filed for bankruptcy in 2021.”<sup>137</sup> Charlene Harrington, Professor Emerita at the University of California in San Francisco and a leading expert and critic of the nursing home industry, commented that the “strategy has proven successful in protecting a billion-dollar company from taking even minimal financial and legal responsibility for poor care in its facilities”.<sup>138</sup>

The SEC’s recent cease and desist order to Formation Capital’s co-founder – who remains a director of Skyfall Topco Limited (now registered as HC-One TopCo Ltd in the UK) – stated that the registered investment adviser, founded in 1999, was a Georgia limited liability company focused on investing in senior housing and health care services. “As of December 31, 2017, Formation Capital managed 18 funds with approximately \$6.1 billion in assets under management.”<sup>139</sup> While other members of Formation are board members of various HC-One entities, the FC Skyfall Upper Midco Ltd filing listed Arnold Whitman, the founder, Chairperson and now 100% owner of Formation Capital, as the Chairperson of FC Skyfall TopCo Limited.<sup>140</sup>

Mr Whitman has led Formation

Capital’s “growth and execution of over \$8.5 billion in transactions” in senior housing and health care over the last two decades.<sup>141</sup> He “is a former board member and Chairman emeritus of the National Investment Center for Seniors Housing and Care (NIC)” and a current board member of Genesis Healthcare” and other companies and industry bodies.

THE STRATEGY  
PROTECTED “A  
BILLION-DOLLAR  
COMPANY FROM  
TAKING EVEN MINIMAL  
FINANCIAL AND LEGAL  
RESPONSIBILITY FOR  
POOR CARE IN ITS  
FACILITIES.”

– CHARLENE HARRINGTON,  
PROFESSOR, UCSF

Genesis Healthcare became the largest nursing home operator in the US. In 2007, Formation Capital purchased Genesis for US\$2 billion and took the company private.<sup>142</sup> In 2011, Formation sold the real estate to Welltower’s predecessor for US\$2.4 billion and re-listed the company in 2015.<sup>143</sup> In March 2021, “Genesis, whose share price has plummeted in recent years, announced it is delisting from the New York Stock Exchange”.<sup>144</sup> Welltower – the largest owner of nursing homes in the US, a large owner of UK care homes, and now major lender to HC-One – announced that in order to “de-risk” its portfolio was “terminating \$880 million in leases for 51 Genesis properties”.<sup>145</sup>

Formation Capital “is 99% owned by HCCF Management Group, Inc. and

1% owned by Arnold Whitman. HCCF Management Group, Inc. is 100% owned by Arnold Whitman".<sup>146</sup> The private equity firm, specialised in senior housing and care, "provides investment advisory and asset management services to pooled investment vehicles (the "Funds")", some of which are co-advised by Safanad Inc.<sup>147</sup>

According to a recent SEC filing by Formation, the current gross asset value of FC Skyfall, LP – previously referred to as the ultimate owner of all HC-One related entities in UK filings (now Skyfall LP) – is nearly US\$1.301 billion.<sup>148</sup> FC Skyfall GP Limited, one of 6 Formation Capital Affiliates, is the general partner of FC Skyfall, LP, which is classified as a Private Fund. "Formation Capital is deemed to have custody of all Fund's assets as a result of an Affiliate acting as a general partner or management member of the Funds".<sup>149</sup> The private fund has 56 undisclosed beneficial owners; half of the value of the fund is held by "non-United States persons". Seven percent of the fund, approximately US\$91m, is beneficially owned by Formation or related persons. Safanad Inc is an investment adviser to the fund, but its interests in HC-One appear to be reported separately.

## SAFANAD INC.'S GOLDENEYE

Safanad Inc., the SEC registered investment adviser, has a long history of joint investments with Formation in the senior housing and care sector in the US and invests in several other sectors. The company, incorporated in Delaware but based in New York City, is wholly owned by Safanad Corporate Holdings Limited, which is wholly owned by Safanad Limited, both in the Cayman Islands.<sup>150</sup> Safanad Limited is controlled

by Bahamdan Investment Group and KB Group Holdings Ltd. Safanad's majority beneficial owner is Kamal Bahamdan.<sup>151</sup>

## SAFANAD'S INVESTMENT IN HC-ONE HAS FURTHER ENRICHED MEMBERS OF SOME OF SAUDI ARABIA'S WEALTHIEST FAMILIES AT THE EXPENSE OF SOME OF THE UK'S MOST VULNERABLE PEOPLE

In 2018, Mr Bahamdam, with an estimated net worth of US\$35m, was ranked as the number one richest athlete of Saudi Arabia.<sup>152</sup> Mr Bahamdan, "a five-time equestrian Olympian" for the Saudi Arabia national team, is the founder and CEO of Safanad. "Since 2002, Mr. Bahamdan has also been the CEO of the Bahamdan Group, a global investment holding group, where he is responsible for expanding its activities from a largely industrial base into telecommunications, education, infrastructure and retail across the MENA region...."<sup>153</sup>

Mr Abdullah Bahamdan, Kamal's father is the Chairperson of the Safanad Limited board of directors and the Chairperson of the Bahamdan Group which he inherited from his father. Abdullah Bahamdan, "while growing the Group into a sizable global investor, ...simultaneously built a distinguished career as one of the region's most prominent bankers", serving 57 years at the National Commercial Bank (NCB) of Saudi Arabia.<sup>154</sup>

Mr Abdul Kareem Abu Al Nasr, also a director of Safanad Limited, was the CEO



of NCB, one of the Arab world's largest lenders by assets, from 2006 to 2013.<sup>155</sup> Ms Lubna Olayan is another board member of Safanad Limited and listed as a "control person" of Safanad Inc. Ms Olayan, is a "member of the wealthiest family in the Middle East" and was "CEO of Olayan Financing, a diversified conglomerate founded by her father in 1947".<sup>156</sup> She retired as CEO in 2019, but remained on the board of "the Group's Riyadh-based investment arm and holding company for the Middle East".<sup>157</sup>

In early 2021, Safanad Inc. reported US\$1.266 billion in assets under management in pooled investment vehicles.<sup>158</sup> Safanad also lists FC Skyfall, LP as a Private Fund with FC Skyfall GP Limited as the general partner. Safanad Goldeneye Management Limited, regulated by the Cayman Islands Monetary Authority, is the filing adviser of the private fund, Safanad Goldeneye Limited with US\$630m in gross asset value.<sup>159</sup> While it is not clear, it appears that this fund is in addition to the US\$1.301 billion in gross assets reported by Formation. This would bring the total value of the HC-One investment from these two firms to over US\$1.9 billion.

Safanad Goldeneye Limited has 56 beneficial owners and is 100% owned by "non-United States persons". Safanad and related persons own 15% or US\$94.5m of the fund.<sup>160</sup> These amounts are prior to Safanad's additional investments in HC-One announced in April 2021

While HC-One appears to have shifted profits offshore and reported artificial losses to avoid tax on its UK care home business, residents and workers have genuinely suffered. Safanad's investment in HC-One has helped to further enrich members of some of Saudi Arabia's wealthiest families and biggest bankers

at the expense of some of the UK's most vulnerable people.

There are few winners in a financialised model of care driven by the motivation to extract profits. Safanad has now doubled down on HC-One's existing business model by expanding investment and control over the UK's largest care home operator.

Private equity ownership of nursing homes in the US, where Formation and Safanad have been among the largest players, has had disastrous consequences. A recent detailed analysis examining data from 2005 to 2017, found that private equity ownership:

- Increased short term mortality by 10%;
- Increased taxpayer funding per patient by 11%;
- Increased the probability of antipsychotic drugs by 50%; and that
- Private equity buyouts increased management fees by 7.7%, lease payments by 75% and interest payments by 325%.<sup>161</sup>

Another recent study, highlighting the role of Formation and Safanad as private equity investors in US nursing homes commented that the "complex business structures used by many nursing home companies can obfuscate ownership ...[and] allow owners to reap excessive profits while limiting financial transparency, primarily through use of related party services".<sup>162</sup> This examination of private equity ownership concludes that in "an industry that provides care to some of the most vulnerable communities and receives hundreds of billions of dollars of government money each year, it is critical that private equity cannot be allowed to continue to siphon money out of nursing homes at the expense of patients and health care workers".<sup>163</sup>

The same is true in the UK and the COVID-19 pandemic has provided a stark example and exposed the underlying structural issues in UK care homes.

## COVID-19 DEATHS IN THE UK AND SCOTLAND

In May 2021, the Care Quality Commission released data on deaths in care homes in England due to COVID-19 from 10 April 2020 through the end of March 2021.<sup>164</sup> This data shows a total 37,932 COVID-19 deaths in UK care homes during that period. HC-One, with 265 facilities and bed capacity of 16,116 in England, is the largest operator. There were 1,618 deaths at HC-One facilities, more than any other operator. There were at least 2,141 COVID-19 deaths at HC-One facilities in England and Scotland combined.

The rate of COVID-19 deaths at HC-One facilities in England per bed capacity was 10.0%. This was not the highest, but significantly higher than the average of 8.3%. Put in other terms HC-One facilities in England made up 3.5% of total beds and accounted for 4.3% of total COVID-19 deaths. The rate of COVID-19 deaths at HC-One – and other large operators – is higher than it might have been if there were a greater focus on high quality care rather than continuing to siphon profits offshore.<sup>165</sup>

There were at least 523 COVID-19 deaths at HC-One care homes in Scotland, nearly 3 times more than any other provider.<sup>166</sup> HC-One is the largest care home operator in Scotland, but its 56 homes make up less than 7% of the total of 817 care homes in Scotland.<sup>167</sup> More than 15% of the 3,400 coronavirus deaths in Scottish care homes came from HC-One. The care

sector accounted for more than a third of the 10,000 coronavirus deaths throughout Scotland from the year beginning March 2020.<sup>168</sup>

## CONCLUSION AND RECOMMENDATIONS

Although predominately legal, aggressive tax avoidance is unethical and demonstrates that rules are frequently bent by corporate and investor interests to exploit loopholes and take advantage of grey areas. Aggressive corporate tax avoidance undermines public confidence in business, government and democracy itself. Governments are deprived of the revenue needed to protect and enhance public health, education and social protection, forcing others – with less resources, power, and influence – to pay more, further increasing economic inequality. Existing intersecting social barriers, including structural discrimination based on gender and race, are further exacerbated, particularly in the context of the care sector. Tax dodging predates the COVID-19 pandemic but will slow and weaken the recovery until it is effectively tackled.

The activities and structures outlined in this report indicate that investor-owned UK care companies have consciously chosen to extract profits rather than increase spending on higher staffing levels and better-quality care. The UK care sector is already under-resourced and given demographic trends will require higher levels of public funding to establish necessary capacity to effectively cope with current and future risks. Greater public accountability and transparency is an essential first step to rebuild public trust and support.

The UK care sector needs additional funding to improve the quality of care,

meet growing demand and avoid a repeat of the disastrous impact of the pandemic. However, care home operators must be held fully accountable for public funding and private payments intended to provide care. Providing high-quality care must be the priority and any profits should be fully taxed.

Greater transparency must be mandated as a condition of receiving public funding. In addition to transparency on corporate structures and financial transactions, there must be greater transparency on direct spending on care, including staffing, at the facility level. Certain types of transactions, including dividend payments and a wide range of related party transactions, should be explicitly prohibited, or closely regulated and monitored. While national level reforms are required, local authorities can also require higher standards for transparency and accountability. Fiscal responsibility should be integrated into responsible commissioning guidelines for local authorities, including requirements for full transparency on ownership structures and related party transactions.

The failures of the UK care sector have been known for many years prior to the

current pandemic, but little action has been taken to address the underlying and structural problems. The UK Government has talked up the intention to tackle the problems in social care, following the reality check provided by the pandemic. Yet so far no plans have been presented for much needed regulation and reform.

Elderly care home residents deserve dignity and respect, not a violation of their human rights. The current system diverts resources away from the welfare of both residents and workers and cannot be allowed to continue in its current form.<sup>169</sup> HC-One provides a clear example of the problems in the sector and why there is an urgent need for transparency and accountability.

Additional, broader reforms, must also be considered, including:

- national funding options,
- stronger and more independent regulation and oversight,
- mandated increases to staffing levels, training and worker pay,
- union rights and whistle-blower protection for front-line workers, and
- greater integration with the NHS.





## ENDNOTES

- 1 Robert Booth, 1 March 2021, The Guardian, "UK's largest care homes provider to sell off 52 facilities". <https://www.theguardian.com/society/2021/mar/01/hc-one-uk-largest-care-home-provider-sell-off-52-covid-crisis-threatens-viability>
- 2 HC-One deny creating a pattern of artificial losses. The company responds that its owners have made net investment of £113m in the homes over 5 years, all group companies pay tax in the UK and debts are crucial to allow ownership of UK care homes. It points out that loans have been consolidated, it is making the company structure easier to understand by renaming all companies HC-One and reducing the number of overseas companies.
- 3 Primarily as reported in the Annual Report of FC Skyfall Holdco 3 Limited, year ended 30 September 2020.
- 4 See here: <https://www.hc-one.co.uk/CM-SPages/GetAzureFile.aspx?path=~%5C%5Cmedia%5Cpage-header-images%5C%5Cone-letter-to-las-and-ccgs-290420.pdf&hash=c08ff87535ac618fbf8f37ecbed-06f79e66a9886500acf3eb72465293014863c>
- 5 FC Skyfall Holdco 3 Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.35 Note 4, 2020 average monthly number of care staff employees reported as 22,317; p.9 Strategic Report states that 19,584 Group employees were Female and 3,135 were Male.
- 6 See here: <https://www.hc-one.co.uk/About-Us/Our-Kind-Care-Board.aspx>
- 7 There are currently 89 homes in operation by HC-One in 2020, these homes are operated through HC-One Oval Limited and do not fall under reports for FC Skyfall Midco Ltd, the top level UK company in the HC-One structure. HC-One Oval Ltd and FC Skyfall Midco Ltd are included in the reporting of FC Skyfall Holdco Ltd, incorporated in the Cayman Islands, but registered in the UK and filing annual financial statements.
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- 13 Gill Plimmer, 27 September 2021, Financial Times, "Care homes struggle as pandemic prompts changes to business model". <https://www.ft.com/content/722646fd-e139-41a1-b86b-be0da8d18117>
- 14 Ibid.
- 15 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2020, p.16 Directors' Report.
- 16 Ibid, p.39 Note 9 & p.38 Note 8.
- 17 Ibid, p.26 Cash Flow Statement.
- 18 FC Skyfall Holdco 3 Limited, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.36 Notes 8 & 9.
- 19 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.3 Strategic Report.
- 20 Ibid, p.37 Note 4.
- 21 Ibid.
- 22 Ibid, p.37 Note 5.
- 23 FC Skyfall Holdco 3 Limited, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.35 Note 4.
- 24 Gill Plimmer, 10 May 2019, Financial Times, "Care home group paid £48.5m in dividends while warning of cuts". <https://www.ft.com/content/c0e37072-7243-11e9-bf5c-6eeb837566c5>
- 25 Ibid.
- 26 For an explanation of the tax advantages of

- UK holding companies and exemption of dividend income from taxation in the UK see: <https://www.withersworldwide.com/en-gb/insight/article/pdf/4371> or <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-ice-country-highlights-united-kingdom.pdf>
- 27 Most current available, as of 30 July 2021, the 2019 statements were filed on 29 April 2020, for the financial year ended 30 September 2019, the 2020 financial statements were filed on 21 May 2021. <https://find-and-update.company-information.service.gov.uk/company/09089978/filing-history>
- 28 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.15 Profit and Loss Account and p.20 Cash Flow Statement reports corporation tax of £1.4m.
- 29 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2020, p.21 Profit and Loss Account & p.26 Cash Flow Statement; As opposed to the 2019 Cash Flow Statement there is no reporting of actual tax paid in 2020.
- 30 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.20 Cash Flow Statement.
- 31 FC Skyfall Holdco 3 Limited, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.35 Note 7, p.48 Note 24, p.49 Note 29.
- 32 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.20 Cash Flow Statement & p.26 of 2020 Financial Statements.
- 33 Ibid, p.32 Note 7 Total "Interest Payable and Similar Expenses were £22.6m, the only expenses that do not appear to be due to related parties are the £0.2m in "Other bank finance costs" and the £26,000 in finance lease charges.
- 34 Ibid, p.43, Note 20.
- 35 Ibid.
- 36 Ibid.
- 37 Ibid, p.47 Note 30.
- 38 Ibid & p.53 Note 29 in the 2020 Financial Statements.
- 39 Ibid, p.46, Note 25.
- 40 Ibid.
- 41 Ibid, p.3 Strategic Report.
- 42 p.3 Strategic Report in the 2020 Financial Statements.
- 43 FC Skyfall Holdco 3 Limited, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.2 Strategic Report.
- 44 Ibid, p.19 Profit and Loss Account & p.36 Note 9.
- 45 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, Underlying Home EBITDAR is the same is EBITDA, but including rent.
- 46 p.3 Strategic Report in the 2020 Financial Statements.
- 47 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.3 Strategic Report & p.4 Strategic Report in the 2020 Financial Statements.
- 48 FC Skyfall Holdco 3 Limited, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.3 Strategic Report; states a total of 63 regulatory non-compliant homes in 2020.
- 49 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.7 Strategic Report.
- 50 HC-One deny wrongfully extracting public money by using a potential reduction in occupancy numbers. It says that it predicted a reduction in occupancy due to the pandemic and had to plan for that. It responds that occupancy rates reduced to 72% but are now recovering.
- 51 Gill Plimmer, 10 May 2019, Financial Times, "Care home group paid £48.5m in dividends while warning of cuts". (link above)
- 52 Ibid.
- 53 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.48 Note 32.
- 54 Ibid.
- 55 Ibid, pp.39-40 Note 15.
- 56 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.8 Directors' Report.
- 57 Gill Plimmer, 10 May 2019, Financial Times, "Care home group paid £48.5m in dividends while warning of cuts". (link above)
- 58 <https://www.hc-one.co.uk/Our-News/Corporate-News/HC-One-invests-in-homes-and-staff-with-support-fro.aspx>
- 59 <https://cictar.org/darkness-at-sunrise-uk-care-homes-shifting-profits-offshore/>

- 60 <https://www.hc-one.co.uk/Our-News/Corporate-News/HC-One-invests-in-homes-and-staff-with-support-fro.aspx>
- 61 Welltower, Business Update, NAREIT, June 2021, p.46. [https://welltower.com/wp-content/uploads/2021/06/NAREIT-2021\\_vFF.pdf](https://welltower.com/wp-content/uploads/2021/06/NAREIT-2021_vFF.pdf)
- 62 Tim Mullaney, 2 May 2021, Skilled Nursing News, "With New CEO, Formation Capital Launches Strategy to 'Break Down Walls of Senior Living'". <https://skillednursingnews.com/2021/05/with-new-ceo-formation-capital-launches-strategy-to-break-down-walls-of-senior-living/>
- 63 HC One does not deny that Formation Capital was not mentioned in the announcement of April 2021 but points out that it now holds only 7% of shares and that "no shareholder dividend payment has been made since 2017". HC-One has been asked to clarify whether Formation Capital and other offshore ownership entities continue to receive other forms of dividends. HC-One appears to categorise equity dividends, which have been paid, as distinct from "shareholder dividends".
- 64 <https://find-and-update.company-information.service.gov.uk/company/09089978/filing-history>
- 65 <https://find-and-update.company-information.service.gov.uk/company/13256022/filing-history>
- 66 <https://find-and-update.company-information.service.gov.uk/company/13260641/persons-with-significant-control>
- 67 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2020, p.54 Note 31.
- 68 Ibid, p.11 Strategic Report; p.54 Note 31; p.13 Directors' Report.
- 69 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.9 Directors' Report.
- 70 FC Skyfall Topco Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.1, these financial statements are signed 3 April 2020 and were filed on 15 May 2020.
- 71 <https://find-and-update.company-information.service.gov.uk/company/FC032425/filing-history>
- 72 Ibid.
- 73 <https://find-and-update.company-information.service.gov.uk/company/FC038602> ; <https://find-and-update.company-information.service.gov.uk/company/FC038602/officers>
- 74 FC Skyfall Upper Midco Ltd Annual Report and Consolidated Financial Statements for the Year Ended 30 September 2020, p.16 Directors' Report.
- 75 Ibid.
- 76 Ibid, p.13 Directors' Report.
- 77 SEC Actions, March 1 2020, Lexology, "This week in Securities Litigation". <https://www.lexology.com/library/detail.aspx?g=77b7907f-ee0e-4115-9628-17713a6e1846>
- 78 HC-One responded that "Mr Fishman is no longer a Director on the ownership Board of HC-One and is no longer associated with Formation Capital" and deny "any material misstatement on the part of HC-One Directors". HC-One has been asked why Mr Fishman continued to be reported as being associated with Formation Capital, after the relationship had officially ceased, and to clarify his current role as director of Skyfall Topco 2021 Ltd and its UK establishment HC-One Topco Ltd.
- 79 FC Skyfall Upper Midco Ltd Annual Report and Consolidated Financial Statements for the Year Ended 30 September 2020, p.18 Directors' Report.
- 80 See here: <https://www.sec.gov/litigation/admin/2020/ia-5450.pdf>
- 81 FC Skyfall Topco Limited, Directors' Report and Audited Financial Statements for the year ended 30 September 2020, p.23 Note 18.
- 82 <https://find-and-update.company-information.service.gov.uk/company/FC038602/filing-history>
- 83 FC Skyfall Topco Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.14 Note 8.
- 84 Ibid, p.14 Note 9.
- 85 Ibid, p.18 Note 12.
- 86 Ibid, p.5 Profit and Loss Account and p.15 Note 10.
- 87 FC Skyfall Topco Limited, Directors' Report and Audited Financial Statements for the year ended 30 September 2020, p.8 Income Statement.
- 88 FC Skyfall Topco Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.5 Profit and Loss Account, p.15 Note 10, p.13 Note 3 and p.14 Note 7.
- 89 Ibid, p.20 Note 16.
- 90 Ibid, p.8 Cash Flow Statement; p.11 Note 1; p.21 Note 21.
- 91 FC Skyfall Topco Limited, Directors' Report and Audited Financial Statements for the year ended 30 September 2020, p.8 Income Statement, p.17 Note 8
- 92 HC-One deny siphoning off profit to tax free jurisdictions and point out that preference shares are used to raise equity to invest in the homes. It also

- states that it pays full UK tax. HC-One has been asked to clarify whether all the Cayman Islands 'Skyfall' entities which have a role in the ownership of HC-One are UK tax resident, file UK company accounts and pay UK tax.
- 93 FC Skyfall Topco Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.8 Cash Flow Statement.
- 94 Ibid, p.19 Note 14.
- 95 Ibid, p.19 Notes 13 and 14.
- 96 Ibid, p.9 Note 1.
- 97 Ibid, p.15 Note 11.
- 98 Ibid, pp.16-17 Note 11.
- 99 Joe Lo, 7 July 2020, The Ferret, "Scottish care homes owned by the Chinese state in tax havens". <https://theferret.scot/scottish-care-homes-chinese-state-tax-havens/>
- 100 <https://www.gov.scot/news/home-farm-care-home/>
- 101 Severin Carrell, 21 May 2020, The Guardian, "Scotland bans Covid-19 support to firms based in tax havens". <https://www.theguardian.com/politics/2020/may/21/scotland-bans-covid-19-support-firms-tax-havens>
- 102 FC Skyfall Topco Limited, Annual Report and Financial Statements for the year ended 30 September 2019, pp.16-17 Note 11.
- 103 HC One responded that its entire debt is now consolidated with Welltower, an independent and publicly listed healthcare and property investor traded on the New York Stock Exchange. It says that since April 2021, no interest on those debts is paid to anyone associated with its owners.
- 104 <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/legal/deloitte-uk-legal-eurobonds.pdf>
- 105 <https://www.csx.ky/companies/announcement.asp?id=8777>
- 106 <https://www.csx.ky/companies/announcement.asp?id=8374>
- 107 <https://www.csx.ky/companies/announcement.asp?id=6751>
- 108 Ibid.
- 109 <https://www.csx.ky/companies/announcement.asp?id=9344>
- 110 FC Skyfall Holdco 1 Limited Financial Statements for the Year Ended 30th September 2020, p.20 Note 12.
- 111 Ibid, p.19 Note 10.
- 112 Ibid.
- 113 FC Skyfall Holdco 3 Limited Financial Statements for the Year Ended 30 September 2020, p.46 Note 19.
- 114 These include: <https://www.csx.ky/companies/announcement.asp?id=9346> & <https://www.csx.ky/companies/announcement.asp?id=9344>
- 115 FC Skyfall TA Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.2 Directors' Report.
- 116 Ibid, p.3 Directors' Report.
- 117 Ibid, p.2 Directors' Report.
- 118 FC Skyfall TA Limited Director's Report and Audited Financial Statements for the Year Ended 30th September 2020, p.24 Note 18.
- 119 FC Skyfall TA Limited, Annual Report and Financial Statements for the year ended 30 September 2019, p.23 Note 22.
- 120 2020 Report, p.24 Note 18.
- 121 Ibid & 2019 Report p.23 Note 22.
- 122 2019 Report, p.20 Note 13.
- 123 Ibid.
- 124 2020 Report, p.23 Note 14.
- 125 2019 Report, p.8 Profit and Loss Account; p.16 Note 3.
- 126 Ibid, p.8 Profit and Loss Account; p.17 Notes 6 and 7.
- 127 Ibid, p.11 Cash Flow Statement.
- 128 JFSC Companies Registry. See here: <https://www.jerseyfsc.org/registry/documentsearch/NameDetail.aspx?id=298362>
- 129 Cindat, 20 December 2019, "Cindat Capital Management Completes Acquisition of Healthpeak's UK Care Home Portfolio" [https://www.cindat.com/content/details8\\_37.html](https://www.cindat.com/content/details8_37.html)
- 130 Cindat is backed by China Cinda (<https://www.cindat.com/about/>), which was created by the Chinese Government. China Cinda is now listed in the Hong Kong Stock Exchange, but 72% owned by the Chinese Government (58% Ministry of Finance & 14% National Council for Social Security Fund). (<https://www.fitchratings.com/research/international-public-finance/fitch-affirms-cinda-asset-management-at-a-outlook-stable-16-04-2020>) The majority of capital for this acquisition of UK care homes is directly from China Cinda. (<https://www.perenews.com/cindat-makes-further-push-into-uk-senior-housing-sector/>)
- 131 ChinaDaily.com.cn, 3 March 2017, "Cindat

- Capital unveils plans to expand into US senior-care homes". [https://www.chinadaily.com.cn/business/2017-03/03/content\\_28417014.htm](https://www.chinadaily.com.cn/business/2017-03/03/content_28417014.htm)
- 132 Omega Healthcare Investors, Inc, Annual Report (10-K) for the fiscal year ended December 31, 2020, pp.F-35-36 [https://www.omegahealthcare.com/~/\\_media/Files/O/Omega-Health-Care/2020/10-Q4q.pdf](https://www.omegahealthcare.com/~/_media/Files/O/Omega-Health-Care/2020/10-Q4q.pdf)
- 133 Omega reports its 49% interest in the unconsolidated joint venture includes Cindat Ice Portfolio Holdings, LP. and other entities. The investment was purchased in two stages from another US REIT, HCP, Inc. The filings of this company list 4 Cindat Ice Portfolio entities incorporated in Cayman. <https://www.sec.gov/Archives/edgar/data/765880/000162828019001407/ex21112312018.htm>
- 134 Maureen Tkacik, 20 October 2020, The American Prospect, "The Corporatization of Nursing Homes: A tragic history of how we've treated elderly citizens, for profit". <https://prospect.org/familycare/the-corporatization-of-nursing-homes/>
- 135 Ryan Mills, 2 July 2020, Naples Daily News, "Consulate Health Care, Florida's largest nursing home company, faces quarter-billion-dollar fraud judgement". <https://www.naplesnews.com/story/news/local/florida/2020/07/02/consulate-health-care-florida-fraud-reinstated-judgment-255-million/3278365001/>
- 136 Kimberly Marselas, 1 June 2018, McKnight's Long-Term Care News, "Report finds web of related companies make Consulate-owned nursing homes appear 'cash-strapped'". <https://www.mcknights.com/news/report-finds-web-of-related-companies-make-consulate-owned-nursing-homes-appear-cash-strapped/>
- 137 Christopher Rowland, 14 September 2021, Washington Post, "How one of the largest nursing home chains in Florida could avoid nearly all of \$256 million fraud judgement". <https://www.washingtonpost.com/business/2021/09/14/nursing-home-bankruptcy-fraud/>
- 138 Ibid.
- 139 <https://www.sec.gov/litigation/admin/2020/ia-5450.pdf>
- 140 FC Skyfall Upper Midco Ltd, Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, p.9 Directors Report.
- 141 <https://www.formationcapital.com/team/>
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- 143 Ibid.
- 144 Howard Gleckman, 3 March 2021, Forbes, "What the Divorce of the Nation's Biggest Nursing Home Operator and Owner Means". <https://www.forbes.com/sites/howardgleckman/2021/03/03/what-the-divorce-of-the-nations-biggest-nursing-home-operator-and-owner-means/?sh=65898323c422>
- 145 Ibid.
- 146 Formation Capital, LLC, Firm Brochure (Part 2A of Form ADV), March 31, 2021, p.1. [https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd\\_iapd\\_Brochure.aspx?BRCHR\\_VRSN\\_ID=708687](https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=708687)
- 147 Ibid.
- 148 Formation Capital, Form ADV, 31 March 2021. <https://reports.adviserinfo.sec.gov/reports/ADV/160400/PDF/160400.pdf>
- 149 Ibid.
- 150 Safanad Inc., Part 2 Brochure, Form ADV, 31 March 2021. [https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd\\_iapd\\_Brochure.aspx?BRCHR\\_VRSN\\_ID=703761](https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=703761)
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- 155 Zawya Dow Jones, 29 January 2013, Gulf News, "Saudi's National Commercial Bank CEO resigns". <https://gulfnews.com/business/markets/saudis-national-commercial-bank-ceo-resigns-1.1139423>
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164 <https://www.cqc.org.uk/publications/major-reports/publication-statistics-deaths-involving-covid-19-care-homes-england>

165 HC-One deny siphoning money out of UK care homes and point to net investment figures. It says that there is no evidence of any connection between ownership model and death rates in care homes, based on a Care Quality Commission report.

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167 Caroline Wilson, 27 May 2021, The Herald, "Covid-19: Why bigger care homes had higher death rates". <https://www.heraldsotland.com/news/19330990.covid-19-bigger-care-homes-higher-death-rates/>; Care Inspectorate 2019/20 Quarter 3 Statistical Report Tables, Summary of No. of registered care services at 31 December 2019. <https://www.careinspectorate.com/index.php/publications-statistics/133-public/statistics/quarterly-statistical-summary-report-qtr-3-2019-20>; data on number of beds by provider was not available across the sector.

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169 HC-One says it does not unnecessarily divert resources away from the homes and states that its priority is the welfare of residents and Colleagues. It states that the interests of residents and owners are aligned and that the owners provide much needed investments.

## ADDENDUM

Prior to publication, CICTAR sent a letter (17 November) to HC-One containing a comprehensive list of allegations contained in this report. The text of this report has been amended to respond to some information or concerns in HC-One's response (26 November). CICTAR has sought further clarification from HC-One regarding other issues. CICTAR appreciates HC-One's engagement and will publish the company's full response to the list of allegations alongside the report on our website ([www.cictar.org](http://www.cictar.org)). A summary of HC-One's response, prior to each specific allegation, is re-printed below. Some of HC-One's responses are also summarised in endnotes in the text of the report.

*HC-One is committed to delivering high-quality, kind care for our Residents and the communities we serve. Our owners share this commitment, and their financial support enables us to invest at scale into our Residents, Colleagues, and homes across the UK. Our owners have invested far more into the delivery of kind care than they have taken out of the organisation.*

CICTAR acknowledges that the April 2021 refinancing with Welltower has reduced the level of ongoing related party transactions and that further efforts are underway to simplify HC-One's corporate structure.

CICTAR is a global corporate tax research centre set up to untangle corporate tax webs and provide case studies on corporate tax avoidance. CICTAR is a collective global resource to facilitate broader and effective public participation by workers and communities in tax debates. Local, national, regional and international tax reforms are essential to address inequality, increase transparency and fund essential public services.

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