

HCP HOLDINGS LIMITED

Annual report and financial statements

Registered number 03209169

31 December 2013

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COMPANIES HOUSE

COMPANY INFORMATION

Directors	L G Blade (resigned 28/02/2013) D A Bourgeois J N Churchward-Cardiff (resigned 30/04/2013) N J E Crowther * P Francis (resigned 24/10/2013) M J Lennon * D L McCormack T R Pearson * M J Webber * M Woodhead (appointed 27/03/2013)
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* Non-executive directors

Secretary	D L McCormack
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Company number	3209169
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Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
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Auditors	KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom
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Bankers	National Westminster Bank plc City of London 1 Prince's Street London EC2R 8PA
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Lloyds TSB Bank plc
8 – 10 Waterloo Place
London
SW1Y 4BE

Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
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Strategic report

The directors present their strategic report for the year ended 31 December 2013.

Business review and objectives

The principal activity of the group is to provide comprehensive and innovative asset management solutions to projects in the Private Finance Initiative ("PFI") market and direct to public and private sector clients.

Working closely with stakeholders including, public and private sector clients, construction contractors, facility service providers and senior debt and equity funding partners the group creates opportunity for growth through innovation, improving efficiency and minimising risk.

The asset management services provided are documented in the Management Service Agreements. The terms of these agreements are typically for the full concession period of the projects and provide obligations on the group to provide specific services that are aligned with the client's contractual obligations and the strategic objectives of the group.

The group has set specific business objectives, which are monitored using a number of key performance indications ("KPI's"). The relevant KPI's for the group are:

	2013 £ 000	2012 £ 000
Turnover	15,057	14,830
(Loss) / profit after tax	(1,300)	1,097
Cash resources	4,270	3,661
	Number	Number
Number of Management Services Agreements	39	36

At the commencement of the year the group had thirty six Management Service Agreements. These agreements provide services to infrastructure projects in the health, education, justice, defence and social housing sectors. During the year the group acquired four new agreements in the education sector and discontinued services to one in the health sector.

During the coming year the group anticipates acquiring further Management Service Agreements and securing technical and asset management support services.

Resource and technology

The groups strengths relate to its experience and capability in delivering a professional and comprehensive service to its clients. It is important that the group maintains a highly qualified and well-motivated work force and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the group and the wider business environment. Regular communication and consultation with employees is essential and achieved through formal and informal meetings, shared communication platforms, annual conferences and regional and functional development days.

The effective use of, and investment in, information technology is critical to the success of the group. The group has as its strategic objective a commitment to invest in the development of new IT to facilitate the innovation of new service offerings and to add value to the provision of its existing services.

Principle risks and uncertainties

The group has sufficient available cash resources to meet its operational commitments and has no external debt obligations. Any risks and uncertainties arise from the commercial contracts, market environment, loss of key staff and economic and financial environment.

Strategic report *(continued)*

Commercial contracts

Typically the Management Service Agreements are long term agreements effective to the end of the project concession term. Risks associated with the agreements include:

- **Renewal:** there are a small number of agreements that are effective for a shorter term of between three to five years and these may be market tested on renewal. The group bids in a competitive environment for new agreements.
- **Scope of services:** the agreements include obligations to provide a wide scope of services, failure to deliver these obligations may result in financial loss for the client and contractual termination of the agreement.

The group manages these risks by investing in the development of its employees and services through the recruitment of professionally trained resource, the continued professional and commercial training of its employees, the development of new and innovative services, investment in IT, regular monitoring of its performance and by maintaining strong working relationships with all stakeholders.

Market environment

The economic recession has significantly reduced the availability of new bidding opportunities in both the public and private sectors. New projects to the market are competitively tendered. The group continues to develop its employees, its processes and service offering to meet the changing needs of its customers and the market in general to ensure that it is best placed to benefit from the opportunities presented.

Loss of key staff

A key contributor to the group's success reflects its strategy in recruiting experienced and professionally trained staff. The group seeks to ensure the retention of its key staff by offering a competitive remuneration package, career development opportunities, continuous professional development and the award of performance incentive payments.

Economic and Financial environment

Inflation is important to the group in so far that the fee income derived from the majority of its agreements is periodically adjusted against the index of inflation and can therefore impact on the profit margin obtained on each contract. The future uncertainties facing the group in relation to this measure and the wider economic environment are continually reviewed. Through effective management and efficient deployment of resource the group strives to minimise the impact of this risk and continue to provide a secure future for its employees whilst offering a value for money service to all its customers.

The group is not materially exposed to interest rate risk.

In the opinion of the directors there are no other key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

The strategic report was approved by the board of directors on 10 September 2014 and signed on its behalf by



D L McCormack

Secretary

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2013.

Post balance sheet event

On 26 March 2014 the group implemented the group capital restructure program. There were several parts to this which have impacted the company;

- The company waived the right to £658,000 of accrued preference dividends on the preference shares held in HCP Management Services Limited. The investment in £2,000,000 of preference shares held by the company in HCP Management Services Limited were repaid by HCP Management Services Limited in cash and the company invested a further £100,000 in ordinary share capital in HCP Management Services Limited.
- The company waived the right to £119,000 of accrued term loan interest due from HCP Social Infrastructure (Canada) Limited, thereby reducing retained earnings. The term loan of £550,000 made to HCP Social Infrastructure (Canada) Limited and the investment in £3,000,000 of preferred shares held by the company in HCP Social Infrastructure (Canada) Limited were converted into equity.
- The company performed a capital reduction, which resulted in transferring £230,000 of ordinary share capital, £1,367,000 of the share premium reserve and £3,451,000 of preference shares into the profit and loss reserve. The company also issued one ordinary B share of £1 and redeemed the preferred A share.
- The company's ultimate parent, Innisfree M&G PPP LP waived the right to £1,158,000 of accrued preference dividends on the preference shares held by Innisfree M&G PPP LP in the company and this amount was transferred to the profit and loss reserve.

Dividends

Dividends of £200,000 were paid during the year (2012: £nil).

Charitable donations

During the year the group contributed £nil (2012: £2,000) to charity.

Directors

The directors who served during the year are as stated below:

L G Blade (resigned 28/02/2013)
D A Bourgeois
J N Churchward Cardiff (resigned 30/04/2013)
N J E Crowther
P Francis (resigned 24/10/2013)
M J Lennon
D L McCormack
T R Pearson
M J Webber
M Woodhead (appointed 27/03/2013)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of the information.

Directors report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors report was approved by the board of directors on 10 September 2014 and signed on its behalf by



D L McCormack
Secretary

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.



KPMG LLP

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

Independent auditor's report to the members of HCP Holdings Limited

We have audited the financial statements of HCP Holdings Limited for the year ended 31 December 2013, set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

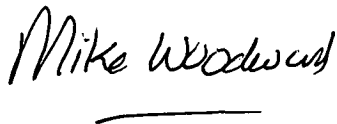
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of HCP Holdings Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Mike Woodward

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor.
Chartered Accountants

Date: 12 SEP 2014

Consolidated Profit and Loss Account

for the year ended 31 December 2013

	Notes	2013 £ 000	2012 £ 000
Turnover	2	15,057	14,830
Administrative expenses		(14,990)	(15,467)
Other income	3	-	2,181
Operating profit	3	67	1,544
Interest receivable and similar income	4	35	49
Interest payable and similar charges	5	(1,332)	(436)
(Loss) / profit on ordinary activities before taxation		(1,230)	1,157
Tax on (loss) / profit on ordinary activities	9	(70)	(60)
(Loss) / profit for the year		(1,300)	1,097

The profit for the current year and loss for the previous year relates solely to continuing operations.

The notes on pages 13 to 27 form an integral part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2013

	2013	2012
	£ 000	£ 000
(Loss) / profit on ordinary activities after taxation	(1,300)	1,097
Foreign exchange movement on the translation of net investments	(42)	1
Total recognised (loss) / profit	(1,342)	1,098

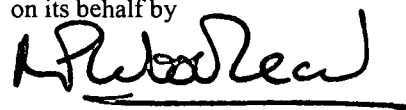
The notes on pages 13 to 26 form an integral part of these financial statements.

Consolidated and Company Balance Sheets at 31 December 2013

	Notes	Group 2013 £ 000	2012 £ 000	Company 2013 £ 000	2012 £ 000
Fixed assets					
Intangible assets	11	1,070	1,256	-	-
Tangible assets	12	179	213	-	-
Fixed asset investments	13	-	-	5,406	7,215
		<u>1,249</u>	<u>1,469</u>	<u>5,406</u>	<u>7,215</u>
Current assets					
Debtors	14	1,570	1,154	*2,870	*3,619
Short term investments	15	-	2,163	-	-
Cash at bank and in hand		4,270	3,661	181	100
		<u>5,840</u>	<u>6,978</u>	<u>3,051</u>	<u>3,719</u>
Creditors: amounts falling due within one year	16	(2,225)	(2,334)	(808)	(861)
Net current assets		<u>3,615</u>	<u>4,644</u>	<u>2,243</u>	<u>2,858</u>
Total assets less current liabilities		<u>4,864</u>	<u>6,113</u>	<u>7,649</u>	<u>10,073</u>
Creditors: amounts falling due after more than one year	17	(6,540)	(6,247)	(6,540)	(6,247)
Net (liabilities)/assets		<u>(1,676)</u>	<u>(134)</u>	<u>1,109</u>	<u>3,826</u>
Capital and reserves					
Called up share capital	19	730	730	730	730
Share premium account		1,367	1,367	1,367	1,367
Profit and loss account		(3,773)	(2,231)	(988)	1,729
Shareholders' (deficit)/funds		<u>(1,676)</u>	<u>(134)</u>	<u>1,109</u>	<u>3,826</u>

*Included within this balance are debts due after one year amounting to £1,216,000 (2012: £1,307,000)

The financial statements were approved by the board of directors on 10 September 2014 and were signed on its behalf by



M Woodhead
Director

The notes on pages 13 to 27 form an integral part of these financial statements.

Company registered number: 3209169

Consolidated Cash Flow Statement
for the year ended 31 December 2013

	Notes	£ 000	2013 £ 000	2012 £ 000
Net cash outflow from operating activities	20		(224)	(604)
Returns on investment and servicing of finance				
Interest received		35		49
Interest paid		(163)		(147)
Net cash outflow from returns on investments and servicing of finance			(128)	(98)
Taxation				
Corporation tax (paid)/received			(48)	7
Capital expenditure and financial investment				
Payments to acquire tangible assets			(94)	(180)
Equity dividends paid	10		(200)	-
Cash outflow before management of liquid resources and financing			(694)	(875)
Management of liquid resources				
Purchase of short term investments		-		(2,163)
Sale of short term investments		2,163		-
Net cash (outflow) / inflow from management of liquid resources			2,163	(2,163)
Financing				
Preference 'A' dividend paid			(875)	-
Increase / (decrease) in cash in the year	21		594	(3,038)

The notes on pages 13 to 27 form an integral part of these financial statements.

Reconciliations of Movements in Shareholders' Funds
for the year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Notes	£ 000	£ 000	£ 000	£ 000
(Loss) / profit for the year		(1,300)	1,097	(2,517)	950
Dividends on shares classified in shareholders' funds	10	(200)	-	(200)	-
Retained (loss) / profit		(1,500)	1,097	(2,717)	950
Other recognised (losses) / profit relating to the year		(42)	1	-	-
Net (reduction in) / addition to shareholders' funds		(1,542)	1,098	(2,717)	950
Opening shareholders' (deficit) / funds		(134)	(1,232)	3,826	2,876
Closing shareholders' (deficit) / funds		(1,676)	(134)	1,109	3,826

The notes on pages 13 to 27 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2013. Intra-group sales and profits are eliminated fully on consolidation.

The acquisition method of accounting has been adopted. Under this method, the results of any subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Going concern

The financial statements have been prepared on a going concern basis notwithstanding reporting net liabilities of the group of £1,676,000 (2012: £134,000) and loss after tax of £1,300,000 (2012: profit of £1,097,000). The directors believe the basis of preparation to be appropriate for the following reason. The group enjoys positive cash resources of £4,270,000 (2012: £3,661,000) and net current assets of £3,615,000 (2012: £4,644,000). The group has no external debt obligations other than to its parent undertaking. Following the group capital restructure program that occurred in March 2014 (see note 25) the group has returned to a positive net asset position.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is amortised to nil over its estimated useful life. The estimated useful life of the group's goodwill is ten years.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Computers and telephones	-	33% straight line
Fixtures, fittings and equipment	-	20% to 25% straight line
Leasehold improvement	-	10% to 50% straight line

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on the related foreign currency borrowings.

Notes (continued)

1. Accounting policies (continued)

Leasing

Rentals payable under operating leases are charged against profit and loss account on a straight line basis over the lease term.

Post retirement benefit

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension costs charged to the profit and loss account represent the contribution payable by the group during the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Financial instruments

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents the total invoice value, excluding value added tax, of the services provided during the year relating to management service agreements.

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits.

Notes *(continued)*

2. Analysis of group turnover by geographical market	2013	2012
	£ 000	£ 000
Turnover is derived from the principal activity of the group		
UK	13,819	13,379
Rest of the World	1,238	1,451
	15,057	14,830

3. Group operating (loss) / profit	2013	2012
	£ 000	£ 000
Operating (loss) / profit is stated after charging / (crediting) :		
Other income (see note below)	-	(2,181)
Amortisation and other amounts written off intangible assets	186	186
Depreciation and other amounts written off tangible assets	128	84
Reorganisation costs	283	539
Net foreign exchange loss	57	37
Operating lease rentals		
- Land and building	170	206
- Plant and machinery	5	2
Auditor's remuneration	52	41
Auditor's fees for non audit services	15	30
Auditor's remuneration in respect of previous years	2	-

Other income represents the proceeds received from the groups participation in successful bid activity in Canada in 2012.

4. Interest receivable and similar income	2013	2012
	£ 000	£ 000
Bank and other interest	35	49
	35	49

Notes (continued)

5. Interest payable and similar charges	2013	2012
	£ 000	£ 000
On amounts payable to ultimate parent undertaking	163	162
Finance charges on shares classified as financial liabilities	294	274
Preference 'A' dividend paid	875	-
	<u>1,332</u>	<u>436</u>

6. Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2013	2012
	Number	Number
Directors	4	5
Project and administration	155	161
	<u>159</u>	<u>166</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£ 000	£ 000
Wages and salaries	10,066	10,414
Social security costs	938	998
Pension costs	1,033	1,058
	<u>12,037</u>	<u>12,470</u>

Directors' emoluments

	2013	2012
	£ 000	£ 000
Remuneration and other emoluments	969	1,337
Group contributions to defined contribution pension schemes	91	105
Compensation for loss of office	-	350
	<u>1,060</u>	<u>1,792</u>

Notes (continued)

6. Staff numbers and costs (continued)

	Number 2013	Number 2012
Number of directors to whom retirement benefits are accruing under a money purchase scheme	6	6
Highest paid director	2013	2012
Amounts included above:	£ 000	£ 000
Emoluments and other benefits	301	285
Pension contributions	3	37
Compensation for loss of office	-	350
	304	672

7. Pension scheme

The group operates a defined contribution pension scheme in respect of certain employees. The scheme and its assets are held by independent managers. The Group also contributes to a number of privately administered defined contribution pension schemes. The pension charge for the year represents contributions payable by Group and amounted to £1,033,000 (2012: £1,058,000).

At the balance sheet date £47,000 (2012: £91,000) remained unpaid.

8. Company profit for the financial year

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been presented in these accounts. The profit after tax for the financial year is made up as follows:

	2013 £ 000	2012 £ 000
Parent company's (loss) / profit after tax for the financial year	(2,517)	950

Notes *(continued)*

9. Tax on ordinary activities

Analysis of charge in period	2013	2012
	£ 000	£ 000
Current tax		
UK corporation tax at 23.25% (2012: 24.5%)	97	34
Adjustments in respect of prior periods	(63)	(40)
Non resident taxes	6	4
	<hr/>	<hr/>
Total current tax charge / (credit)	40	(2)
	<hr/>	<hr/>
Deferred tax		
Timing differences, origination and reversal	30	62
	<hr/>	<hr/>
Total deferred tax	30	62
	<hr/>	<hr/>
Tax on (loss) / profit on ordinary activities	70	60
	<hr/>	<hr/>

Factors affecting tax charge for period:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

The differences are explained below:

	2013	2012
	£ 000	£ 000
(Loss) / profit on ordinary activities before taxation	(1,230)	1,157
	<hr/>	<hr/>

Current tax reconciliation

Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)

(286) 284

Effects of:

Expenses not deductible for tax purposes	242	40
Capital allowance for period in arrears of depreciation	-	4
Overseas tax losses	172	-
Other short term timing differences	(31)	(63)
Non domestic corporation tax charge	6	4
Utilisation of tax losses	-	(123)
Adjustment in respect of prior period	(63)	(40)
Overseas double taxation relief	-	(108)
	<hr/>	<hr/>
Current tax charge / (credit) for period	40	(2)
	<hr/>	<hr/>

Notes (continued)

9. Tax on ordinary activities (continued)

The 2013 Budget, announced on 20 March 2013, stated that the UK corporation tax rate will reduce to 21% by 2014. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and a further reduction to 21% (effective from 1 April 2014) which has not yet been substantively enacted. The budget also announced the intention to further reduce the corporation tax rate to 20% from 1 April 2015.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although it is not considered to have a material effect on the groups financial position, this will further reduce the groups future current tax charge and reduce the groups deferred tax asset accordingly.

10. Dividends

	2013 £ 000	2012 £ 000
Ordinary interim dividend paid in respect of the current year	200	-

11. Intangible fixed assets

Group	Goodwill £ 000
Cost	
At 1 January 2013 and 31 December 2013	1,860
Amortisation	
At 1 January 2013	604
Charge for the year	186
At 31 December 2013	790
Net book values	
At 31 December 2013	1,070
At 31 December 2012	1,256

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following sets out the periods over which goodwill is amortised and the reasons for the periods chosen:

The directors consider that goodwill arising on the acquisition of HCP Management Services Limited in 2009 be amortised over a period of ten years, reflecting the average remaining period to expiry of the management contracts acquired on the acquisition of HCP Management Services Limited.

12. Tangible fixed assets	Computers & telephones £ 000	Fixtures, fittings and equipment £ 000	Leasehold Improvement £ 000	Total £ 000
Group				
Cost				
At 1 January 2013	375	12	55	442
Additions	71	23	-	94
Disposals	-	-	-	-
At 31 December 2013	446	35	55	536
Depreciation				
At 1 January 2013	204	10	15	229
Charge for the year	118	2	8	128
Disposals	-	-	-	-
At 31 December 2013	322	12	23	357
Net book values				
At 31 December 2013	124	23	32	179
At 31 December 2012	171	2	40	213
13. Fixed asset investments				
Company				Shares in subsidiary undertakings £ 000
Cost				
At 1 January 2013				7,215
Impairment				(1,809)
Net book values				
At 31 December 2013				5,406

The directors have assessed the Net Present Value of the future cash flows from the contracts in place as at 31 December 2013 and consider them to be in excess of the carrying values stated above, after the impairment of £1,809,000 which was made in the investment in HCP Social Infrastructure (Canada) Limited.

Notes (continued)

13. Fixed asset investments (continued)

Subsidiary undertakings

The undertakings in which the Group's interest at the year end is more than 20% are as follows:

Company	Country of Registration or incorporation	Nature of business	Shares held class	Proportion of shares held %
Subsidiary undertaking				
HCP Social Infrastructure (UK) Limited	England & Wales	Trading	Ordinary	100
HCP Social Infrastructure (Canada) Limited	Canada	Trading	Ordinary	100
HCP Management Services Limited	England & Wales	Trading	Ordinary	100

14. Debtors	Group		Company	
	2013	2012	2013	2012
	£ 000	£ 000	£ 000	£ 000
Trade debtors	84	165	-	-
Amounts owed by group undertakings	-	-	*2,870	*3,619
Amount owed by related parties	908	567	-	-
Other debtors	108	102	-	-
Prepayments and accrued income	453	246	-	-
Corporation Tax	13	40	-	-
Deferred tax (note 18)	4	34	-	-
	<u>1,570</u>	<u>1,154</u>	<u>2,870</u>	<u>3,619</u>

*Included within this balance are debts due after one year amounting to £1,216,000 (2012: £1,307,000).

15. Short term investments	Group		Company	
	2013	2012	2013	2012
	£ 000	£ 000	£ 000	£ 000
Short term unlisted investments	-	2,163	-	-
	<u>-</u>	<u>2,163</u>	<u>-</u>	<u>-</u>

Short term unlisted investments included cash deposits held by HCP Social Infrastructure (Canada) Limited in Guaranteed Investment Contracts with varying maturity dates.

Notes *(continued)*

16. Creditors: amounts falling due within one year	Group	2012	Company	2012
	2013	£ 000	2013	£ 000
	£ 000	£ 000	£ 000	£ 000
Trade creditors	207	151	-	-
Amounts owed to ultimate parent undertaking	41	41	41	41
Amounts owed to group undertakings	-	-	760	788
Corporation tax	-	34	7	32
Other taxes and social security costs	615	634	-	-
Other creditors	29	28	-	-
Accruals and deferred income	1,286	1,355	-	-
Pension contributions payable	47	91	-	-
	<u>2,225</u>	<u>2,334</u>	<u>808</u>	<u>861</u>
17. Creditors: amounts falling due after more than one year	Group	2012	Company	2012
	2013	£ 000	2013	£ 000
	£ 000	£ 000	£ 000	£ 000
Shares classified as financial liabilities	3,451	3,451	3,451	3,451
Amounts owed to ultimate parent undertaking	1,085	792	1,085	792
Loans from ultimate parent undertaking	2,004	2,004	2,004	2,004
	<u>6,540</u>	<u>6,247</u>	<u>6,540</u>	<u>6,247</u>
Shares classified as financial liabilities				
Redeemable between two and five years	-	-	-	-
Redeemable in five years or more	3,451	3,451	3,451	3,451
	<u>3,451</u>	<u>3,451</u>	<u>3,451</u>	<u>3,451</u>
Amounts owed to ultimate parent undertakings				
Payable between two and five years	1,085	792	1,085	792
	<u>1,085</u>	<u>792</u>	<u>1,085</u>	<u>792</u>

Notes (continued)

17. Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2013	2012	2013	2012
	£ 000	£ 000	£ 000	£ 000
Analysis of loans				
Repayable by instalments after five years:				
Loan from ultimate parent undertaking	2,004	2,004	2,004	2,004
	<u>2,004</u>	<u>2,004</u>	<u>2,004</u>	<u>2,004</u>
Loan maturity analysis				
In five years or more	2,004	2,004	2,004	2,004
	<u>2,004</u>	<u>2,004</u>	<u>2,004</u>	<u>2,004</u>

Shares classified as financial liabilities

At the balance sheet date the Company had in issue 3,451,260 redeemable preference shares of £1 each and 1 'A' preference share of £1.

Redeemable preference shares

The holders of the redeemable preferred shares are entitled to a cumulative cash dividend at 5% of the subscription price up until 30 June 2012, and thereafter at a rate of 8.5% per annum. In addition the holders are entitled to a rolled up dividend of 3.5% of the subscription price per annum up until 30 June 2012.

In accordance with the Articles of Association on 30 June 2012 the accrued rolled up dividend was capitalised and applied by the holders of the preferred shares in subscribing for 451,261 additional shares at a subscription price of £1 per share.

The Company's preferred shares confer an obligation to pay dividends or make redemptions at such time as the company's subsidiary, HCP Social Infrastructure (Canada) Limited, pays dividends or makes redemptions on its preferred shares or 30 June 2012, whichever is earlier. The Company is the holder of the HCP Social Infrastructure (Canada) Limited preference shares. The Company's obligation to pay dividends or make redemptions on its preference shares exist notwithstanding any default on the part of HCP Social Infrastructure (Canada) Limited in relation to its preference shares issued.

The Company has the right to redeem the redeemable preferred shares at any time, and must redeem them between 2017 and 2021 in accordance with the redemption schedule detailed in the Articles of Association.

'A' preference share

The rights attaching to the 'A' preference share are disclosed in the articles of association of the Company. The preference share will be redeemed upon the earlier of payment of the preference dividend or on the 31 December 2015.

There are no voting rights associated with the 'A' preference share.

Term loan

A term loan facility dated 4 July 2007 for £550,000 was made available to the Company by Innisfree M & G PPP LP, the ultimate controlling party of the Company. The loan is repayable in ten equal instalments with the first capital repayment due on 31 December 2017. During the year an amount of £93,750 of the interest payable was rolled up to loan principal. The loan interest is on these loans are charged at 8.5% per annum. The loans are secured by a mortgage debenture on the assets of the Group.

Loan note

An unsecured loan note facility dated 1 October 2009 for £1,359,717 was made available to the Company by Innisfree M & G PPP LP, the ultimate controlling party of the Company. The loan is repayable by 31 March 2024. Interest is charged at 8% per annum.

Notes (continued)

20. Reconciliation of operating profit/(loss) to operating cash flow	2013	2012
	£ 000	£ 000
Reconciliation of operating profit / (loss) to net cash flow from operating activities:		
Operating profit	67	1,544
Depreciation and amortisation	314	270
Loss on disposal of fixed assets	-	1
Currency translation differences	(30)	(16)
(Increase) / decrease in debtors	(473)	268
(Decrease) in creditors	(102)	(2,671)
Net cash (outflow) / inflow from operating activities	(224)	(604)
21. Reconciliation of net cash flow to movements in total funds	2013	2012
	£ 000	£ 000
Increase / (decrease) in cash in year	594	(3,038)
Foreign exchange movements	15	39
Change in net funds resulting from cash flows	609	(2,999)
Total cash funds at 1 January	3,661	6,660
Total cash funds at 31 December	4,270	3,661

22. Commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
Land and buildings	2013	2012	2013	2012
	£ 000	£ 000	£ 000	£ 000
Expiry date:				
Within one year	-	21	-	-
Between two and five years	42	79	-	-
Over five years	167	77	-	-

Notes (continued)

23. Related party transactions

Innisfree M & G PPP LP

T R Pearson, M J Webber and N J Crowther, directors of HCP Holdings Limited, are also directors of Innisfree Limited. Innisfree Limited is a subsidiary of Innisfree Group Limited. Innisfree Limited is a fund manager managing a number of private equity infrastructure funds (collectively "Innisfree Funds").

Innisfree Funds have equity stakes in most of the PFI projects to which the Group provides management services. In aggregate the Group made sales totalling £12,809,000 (2012: £12,482,000) to these companies and at the balance sheet date the amount owing from these companies was £908,000 (2012: £564,000). At the balance sheet date £3,130,000 (2012: £2,837,000) was owing to Innisfree M & G PPP LP by the Group.

Included in other debtors (note 14) are staff loans for which the following directors had interest free loans during the year for rail season tickets.

	2013	2012
P Francis	£ 000	£ 000
Balance at beginning of year	-	3
Balance at end of year	2	-
Highest balance outstanding during the year	4	3

Innisfree Limited

N J Crowther, T R Pearson and M J Webber, directors of HCP Holdings Limited, are also directors of Innisfree Limited. Innisfree Limited is a subsidiary of Innisfree Group Limited. Innisfree Limited is a fund manager managing a number of private equity infrastructure funds (collectively "Innisfree Funds").

Included in creditors (note 16) is an amount of £nil (2012: £13,390), a charge by Innisfree Limited for providing directorial services for the year to the Group.

24. Ultimate parent undertaking and controlling interest

In the directors opinion the company's ultimate parent undertaking and controlling party is Innisfree M & G PPP LP, a limited partnership registered in England and Wales. Registered office address 7th Floor, Abacus House, 33 Gutter Lane, London, EC2V 8AS.

25. Post balance sheet event

On 26 March 2014 the company implemented the group capital restructure program. There were several parts to this which have impacted the company;

- The company waived the right to £658,000 of accrued preference dividends on the preference shares held in HCP Management Services Limited. The investment in £2,000,000 of preference shares held by the company in HCP Management Services Limited were repaid by HCP Management Services Limited in cash and the company invested a further £100,000 in ordinary share capital in HCP Management Services Limited.
- The company waived the right to £119,000 of accrued term loan interest due from HCP Social Infrastructure (Canada) Limited, thereby reducing retained earnings. The term loan of £550,000 made to HCP Social Infrastructure (Canada) Limited and the investment in £3,000,000 of preferred shares held by the company in HCP Social Infrastructure (Canada) Limited were converted into equity.
- The company performed a capital reduction, which resulted in transferring £230,000 of ordinary share capital, £1,367,000 of the share premium reserve and £3,451,000 of preference shares into the profit and loss reserve. The company also issued one ordinary B share of £1 and redeemed the preferred A share.

Notes *(continued)*

25. Post balance sheet event *(continued)*

- The company's ultimate parent, Innisfree M&G PPP LP waived the right to £1,158,000 of accrued preference dividends on the preference shares held by Innisfree M&G PPP LP in the company and this amount was transferred to the profit and loss reserve.