

**HC-One Limited**  
**(Formerly Alfa Care Services Limited)**  
**Annual report and financial statements**  
**for the 14 months ended 30 September 2012**

Registered number 07712656



**HC-One Limited**  
**(Formerly Alfa Care Services Limited)**

Annual report and financial statements for the 14 months ended  
30 September 2012

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# **HC-One Limited**

## **(Formerly Alffa Care Services Limited)**

Annual report and financial statements for the 14 months ended  
30 September 2012

### **Directors' report**

The directors present their annual report and the audited financial statements of HC-One Limited ("the Company") for the 14 months ended 30 September 2012

#### **Principal activities**

The principal activity of the Company is the operation of care homes for the elderly in the United Kingdom. The Company is a wholly-owned subsidiary of the group of companies (known as 'the NHP Group') whose ultimate parent company is Libra No 2

#### **Business review**

HC-One Limited is a leading care homes operator in the UK providing nursing and residential care to more than 10,000 residents in over 240 care homes in the UK

The Company was incorporated on 20 July 2011 and commenced trading on 1 November 2011, following the acquisition of the trade and certain assets of 247 care homes from Southern Cross Healthcare Plc. During the period to date management have commenced a significant business turnaround, at all times being focused on the needs of residents and worked to ensure they receive the care they deserve. Key achievements during the period include

- Significant improvement in quality of service provision across the business, including a 87% reduction in the number of embargoes,
- Undertook an independent survey of residents, in conjunction with Ipsos MORI, showing 96% of residents were satisfied or very satisfied with overall standard of care,
- Launched a comprehensive, sector leading and cost effective e-based Learning and Development Programme,
- Significant capital improvement plan to improve the condition and environments at our homes, with £20m spent up to 30 September 2012 and a further £40m committed in the year to 30 September 2013,
- Issued new uniforms to all staff,
- Ordered new minibuses for each home,
- Undertook a comprehensive review of all systems, policies and procedures, resulting in new policies and procedures being launched across all areas of the business and new IT hardware at all homes,
- Establishment of HC-One brand and reputation, and
- Undertook a detailed business review of all our homes, service provision, prices, cost of provision, local market position and analysis to develop a home by home business plan for the next three years

The profit and loss account shows the trade for the 11 months to 30 September 2012

#### **Results**

The Company's loss for the fourteen months ended 30 September 2012 amounted to £5.9m and included £6.9m of exceptional costs. Profit on ordinary activities was £1.0m. The Company has net liabilities of £0.9m.

#### **Key performance indicators**

The key financial and operational performance indicators monitored by management include internal quality ratings, regulatory inspections, occupancy percentage, average weekly fees and costs per resident week.

## **HC-One Limited** **(Formerly Alfa Care Services Limited)**

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### **Going Concern**

The Company's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' Report. The Directors' Report also describes the financial position of the Company, its cash flows, liquidity position and borrowing facilities, the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through

- the proceeds of a capital contribution by Libra Intermediate Holdco Limited, its direct parent company, completed 27 October 2011 (£5,000,000),
- the proceeds of an intercompany loan advanced to the Company by certain indirect subsidiaries of its indirect parent company LIBRA No 2 Limited (the "Group Lenders") pursuant to an intercompany loan agreement dated 28 October 2011 between the Company and the Group Lenders (£25,000,000), maturing 31 December 2015, and
- the proceeds of a further loan advanced to the Company by the Group Lenders pursuant to an intercompany loan agreement dated 20 December 2012 between the Company and the Group Lenders (£25,000,000), also maturing 31 December 2015

The directors have received written confirmation from Capita Asset Services (UK) Limited and Capita Asset Services (Ireland) Limited in their capacity as servicer and Capita Asset Services (UK) Limited in its capacity as special servicer in each case on behalf of the creditors under the £1,172,000,000 senior term loan facility agreement dated 15 January 2007 between LIBRA No 3 Limited as borrower and certain financial institutions as lenders (the "Senior Facility Agreement") that they will not make demand under the guarantee provided by the Company or enforce any of the security interests granted by the Company with respect to the Senior Facility Agreement (see note 27) at any time prior to 28 February 2014. Furthermore, an agreement which allows the Company to withhold sufficient cash to meet its ongoing cash requirements has been entered into with the landlords of the care homes. Those landlords are fellow group companies.

After making enquiries and based on the company's forecasts and projections, taking account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

#### ***Cash flow risk***

The Company's activities expose it primarily to the financial risks of changes in interest rates on the £25m loan from fellow group companies. Interest is calculated based on LIBOR + margin.

#### ***Credit risk***

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic climate.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

## **HC-One Limited (Formerly Alfa Care Services Limited)**

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### **Financial risk management objectives and policies (continued)**

#### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations, the company uses long-term debt finance provided by fellow group companies

### **Directors**

The directors, who served throughout the period, unless otherwise shown, were as follows

Mr Chaitanya Patel (appointed 20 July 2011)

Mr David Spruzen (appointed 20 July 2011)

Mr David Smith (appointed 1 November 2011)

Sir William Wells (appointed 27 September 2011)

Mrs Anne Williams (appointed 1 November 2011)

Jeremy Jensen (appointed 16 August 2011, resigned 30 September 2011)

John Ivers (appointed 3 December 2012)

### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 September 2012 were equivalent to 40 days' purchases, based on the average daily amount invoiced by suppliers during the period

### **Charitable and political contributions**

During the period the Company made charitable donations of £4,846, principally to local charities serving the communities in which the Company operates. The Company made no political donations during the period

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the weekly newsletters

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**Auditor**

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP has been newly appointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by



David Smith  
Director  
13 February 2013

**HC-One Limited**  
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**Directors' responsibilities statement**

The Directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **HC-One Limited (Formerly Alfa Care Services Limited)**

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### **Independent auditor's report to the members of HC-One Limited**

We have audited the financial statements of HC-One Limited for the 14 month period ended 30 September 2012 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

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



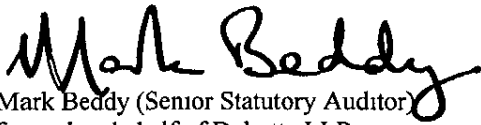
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**Matters on which we are required to report by exception**

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



Mark Beddy (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
13 February 2013

**HC-One Limited**  
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**Profit and loss account for the 14 month period ended 30 September 2012**

|  | Note | Ordinary<br>activities<br>£'000 | Exceptional<br>activities<br>(note 7)<br>£'000 | Total<br>£'000 |
|--|------|---------------------------------|--|----------------|
| Turnover   | 1    | 277,190                         | -  | 277,190        |
| Cost of sales  | 3    | (263,478)                       | (4,163)  | (267,641)      |
| <b>Gross profit</b>  |      | 13,712                          | (4,163)  | 9,549          |
| Administrative expenses  |      | (8,721)                         | -  | (8,721)        |
| Other operating expenses   |      | (3,008)                         | -  | (3,008)        |
| <b>Operating profit/(loss)</b>   | 4    | 1,983                           | (4,163)  | (2,180)        |
| Closure costs  |      | -                               | (2,683)  | (2,683)        |
| Interest receivable and similar income                                 | 8    | 152                             | -  | 152            |
| Interest payable and similar charges                                   | 9    | (1,178)                         | -  | (1,178)        |
| <b>Profit/(loss) on ordinary activities before taxation</b>            |      | 957                             | (6,846)  | (5,889)        |
| Tax on profit/(loss) on ordinary activities and exceptional activities | 10   | -                               | -  | -              |
| <b>Profit/(loss) on ordinary activities after taxation</b>             | 20   | 957                             | (6,846)  | (5,889)        |

All activities relate to continuing operations and were acquired in the period

There are no gains or losses in the financial period other than the loss for the period. Accordingly no separate Statement of total recognised gains and losses is disclosed.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

HC-One was incorporated on 20 July 2011 and the Company commenced trading on 1 November 2011. The profit and loss account shows the trade for the 11 months to 30 September 2012.

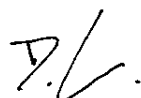
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**Balance sheet as at 30 September 2012**

|  | Note | £'000           |
|--|------|-----------------|
| <b>Fixed assets</b>  |      |                 |
| Tangible assets  | 11   | 30,209          |
| Intangible assets- negative goodwill                           | 12   | (1,254)         |
| <b>Total fixed assets</b>                                      |      | <b>28,955</b>   |
| <b>Current assets</b>  |      |                 |
| Debtors  | 13   | 21,204          |
| Cash at bank and in hand                                       | 14   | 24,007          |
| <b>Total current assets</b>                                    |      | <b>45,211</b>   |
| <b>Creditors- amounts falling due within one year</b>          | 15   | <b>(38,548)</b> |
| <b>Net current assets</b>                                      |      | <b>6,663</b>    |
| <b>Total assets less current liabilities</b>                   |      | <b>35,618</b>   |
| <b>Creditors- amounts falling due after more than one year</b> | 16   | <b>(27,143)</b> |
| <b>Provisions for liabilities</b>                              | 17   | <b>(9,364)</b>  |
| <b>Net liabilities</b>   |      | <b>(889)</b>    |
| <b>Capital and reserves</b>                                    |      |                 |
| Called-up share capital  | 19   | 5,000           |
| Profit and loss account  | 20   | (5,889)         |
| <b>Total shareholders' deficit</b>                             |      | <b>(889)</b>    |

The financial statements on pages 8 to 22 were approved by the Board of directors on 13 February 2013 and were signed on its behalf by



D Smith

Finance Director

13 February 2013

HC-One Limited Registered number 07712656

## **HC-One Limited (Formerly Alfa Care Services Limited)**

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### **Notes to the financial statements for the period ended 30 September 2012**

#### **1. Accounting policies**

The Company prepares its annual financial statements to 30 September each year. As HC-One Limited was incorporated on 20 July 2011 the financial statement to the 30 September 2012 are for a period of 14 months. However, HC-One commenced trading on 1 November 2011, therefore the related financial statements show trade for the 11 months ended 30 September 2012.

#### **Basis of preparation**

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and Generally Accepted Accounting Practice (UK GAAP). The principal accounting policies are set out below and have been applied consistently throughout the period.

#### **Going concern**

The Company's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' Report. The Directors' Report also describes the financial position of the Company, its cash flows, liquidity position and borrowing facilities, the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through

- the proceeds of a capital contribution by Libra Intermediate Holdco Limited, its direct parent company, completed 27 October 2011 (£5,000,000),
- the proceeds of an intercompany loan advanced to the Company by certain indirect subsidiaries of its indirect parent company LIBRA No 2 Limited (the "Group Lenders") pursuant to an intercompany loan agreement dated 28 October 2011 between the Company and the Group Lenders (£25,000,000), maturing 31 December 2015, and
- the proceeds of a further loan advanced to the Company by the Group Lenders pursuant to an intercompany loan agreement dated 20 December 2012 between the Company and the Group Lenders (£25,000,000), also maturing 31 December 2015.

The directors have received written confirmation from Capita Asset Services (UK) Limited and Capita Asset Services (Ireland) Limited in their capacity as servicer and Capita Asset Services (UK) Limited in its capacity as special servicer in each case on behalf of the creditors under the £1,172,000,000 senior term loan facility agreement dated 15 January 2007 between LIBRA No 3 Limited as borrower and certain financial institutions as lenders (the "Senior Facility Agreement") that they will not make demand under the guarantee provided by the Company or enforce any of the security interests granted by the Company with respect to the Senior Facility Agreement (see note 27) at any time prior to 28 February 2014. Furthermore, an agreement which allows the Company to withhold sufficient cash to meet its ongoing cash requirements has been entered into with the landlords of the care homes. Those landlords are fellow group companies.

After making enquiries and based on the company's forecasts and projections, taking account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Turnover**

Turnover represents fee income receivable from care services provided. Turnover is recognised in the period in which the Company obtains the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year.

## **HC-One Limited** **(Formerly Alfa Care Services Limited)**

Annual report and financial statements for the 14 months ended  
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### **1. Accounting policies (continued)**

#### **Exceptional costs**

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 7.

#### **Finance costs**

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

#### **Pension costs**

The Company operates a stakeholder pension scheme which is managed by the Company and funds are invested on the employee's behalf. This pension scheme is accounted for as a defined contribution scheme and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Taxation**

The charge for taxation is based on the result for the period and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws.

#### **Intangible assets – Negative goodwill**

Negative goodwill, which represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of an acquisition, is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

#### **Tangible fixed assets**

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

- Short term leasehold, buildings and grounds – shorter of the term of the lease, or useful economic life of the asset
- Fixtures and fittings and equipment - 3 to 5 years
- Motor Vehicles - 3 to 5 years

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

#### **Debtors**

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

#### **Cash and cash equivalents**

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

# **HC-One Limited**

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### **1. Accounting policies (continued)**

#### **Creditors**

Trade creditors are recorded initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the period of the borrowing using the effective interest rate method.

Other creditors and accruals are measured at the best estimate of the expenditure required to settle the obligation.

#### **Share capital**

Ordinary shares are classified as equity and recorded at the par value of proceeds received, net of direct issue costs.

#### **Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the lower of fair value at acquisition or at the present value of the minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant rate of interest on the outstanding obligation.

All other leases are operating leases and are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. No asset is recognised on the Company's balance sheet.

#### **Onerous leases and contracts**

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

#### **Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of Libra No 2 Limited and is included in the consolidated financial statements of Libra No 2 ('the NHP Group') which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related-party transactions with entities that are part of the NHP Group. For details of other related-party transactions see note 23.

### **2. Segmental analysis**

HC-One Limited operates under two operating segments, an Elderly Care segment and a specialist segment. Since the turnover of the specialist segment is less than 10 per cent of the Company's total turnover, no segmental information is presented.

### **3. Cost of sales**

Cost of sales includes £4,646,000 of additional costs incurred during the period, relating to improving the quality and operational performance of several underperforming homes. These costs principally related to home payroll costs and catch up maintenance costs. These costs are not anticipated to continue into the next financial year.

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**4. Operating loss**

|  | <b>2012</b>    |
|--|----------------|
|  | <b>£'000</b>   |
| <b>Operating loss is stated after charging/(crediting):</b>      |                |
| Wages and salaries   | 173,526        |
| Social security costs  | 11,141         |
| Other pension costs  | 298            |
| <b>Staff costs</b>   | <b>184,965</b> |
| Depreciation of tangible fixed assets                            |                |
| -Owned assets (note 11)  | 4,996          |
| -Leases assets (note 11)   | 31             |
| Amortisation of goodwill (note 12)                               | (321)          |
| Operating lease charges- land and buildings                      | 36,743         |
| Impairment of fixed assets (note 11)                             | 287            |
| Management charges   | 3,008          |
| Services provided by the Company's auditor                       |                |
| Fees payable for the audit of the Company's financial statements | 65             |
| Non audit fees- Tax services                                     | 1              |

**5. Directors' emoluments**

|  | <b>2012</b>  |
|--|--------------|
|  | <b>£'000</b> |
| Aggregate emoluments inclusive of benefits in kind | 316          |
| Pension contributions                              | 34           |
|  | <b>350</b>   |

**Highest paid director**

|                            | <b>2012</b>  |
|----------------------------|--------------|
|                            | <b>£'000</b> |
| Total amount of emoluments | 253          |

**6. Employee information**

The average monthly number of persons employed by the Company during the period was

| <b>By activity</b> | <b>No</b>     |
|--------------------|---------------|
| Care staff         | 13,946        |
| Administrative     | 1,043         |
|                    | <b>14,989</b> |

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**7. Exceptional activities**

|                     | <b>2012</b>  |
|---------------------|--------------|
|                     | <b>£'000</b> |
| Restructuring costs | 4,163        |
| Closure costs       | 2,683        |
|                     | <b>6,846</b> |

**Restructuring costs**

Exceptional costs totalling £4,163,000 have been incurred relating to the restructuring costs following the Company's launch on 1 November 2011

**Closure costs**

Following the Company's launch, management undertook a full review of the Company's estate and portfolio of homes. Following this review, management took the decision to close nine of its care homes. As a result of these decisions, a charge for closure costs and future operating losses of £2,683,000 has been recognised in the period. Of this £1,059,000 has been utilised in the period with the remaining £1,624,000 to be utilised within one year. Further details are given in note 17.

**8. Interest receivable and similar income**

|                                   | <b>2012</b>  |
|-----------------------------------|--------------|
|                                   | <b>£'000</b> |
| Bank deposits interest receivable | 152          |

**9. Interest payable and similar charges**

|                                       | <b>2012</b>  |
|---------------------------------------|--------------|
|                                       | <b>£'000</b> |
| Interest payable on intercompany loan | 1,176        |
| Finance lease interest                | 2            |
|                                       | <b>1,178</b> |

The interest payable on loans balance relates to accrued interest on the £25m loan with fellow group companies. Interest is calculated based on LIBOR + margin.



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**(Formerly Alfa Care Services Limited)**

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**10. Tax on loss on ordinary activities**

|   | <b>2012</b>  |
|---|--------------|
|   | <b>£'000</b> |
| <b>Current tax:</b>                             |              |
| -UK corporation tax on losses of the period     | -            |
| <b>Total current tax</b>                        | -            |
| <b>Deferred tax:</b>                            |              |
| -Origination and reversal of timing differences | -            |
| <b>Total deferred tax (see note 17)</b>         | -            |
| <b>Tax on loss on ordinary activities</b>       | -            |

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax (24.90%) to the loss before tax is as follows

|   | <b>2012</b>  |
|---|--------------|
|   | <b>£'000</b> |
| Tax on loss on ordinary activities at standard UK corporation<br>tax rate of 24.90% | (1,466)      |
| Effects of  |              |
| Expenses not deductible for tax purposes  | 769          |
| Capital allowances in excess of depreciation  | 402          |
| Non-taxable release of negative goodwill  | (97)         |
| Tax losses arising in the period – not recognised                                   | 392          |
| <b>Current tax charge for period</b>  | -            |

**Factors affecting current and future tax charges**

The corporation tax applicable to the Company was 24.90% during the period. From April 2012 the corporation tax rate payable by the Company reduced to 24% with a further 1% reduction on 1 April 2013 stabilising at 23%.

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**11. Tangible fixed assets**

|                                     | Buildings &<br>Grounds<br>£'000 | Leasehold<br>Improvements<br>£'000 | Fixtures &<br>Fittings<br>£'000 | Motor<br>Vehicles<br>£'000 | Total<br>£'000 |
|-------------------------------------|---------------------------------|------------------------------------|---------------------------------|----------------------------|----------------|
| <b>Cost</b>                         |                                 |                                    |                                 |                            |                |
| On incorporation                    | -                               | -                                  | -                               | -                          | -              |
| Acquired (note 18)                  | 682                             | 3,299                              | 10,300                          | 14                         | <b>14,295</b>  |
| Additions                           | 3,486                           | 3                                  | 16,536                          | 1,203                      | <b>21,228</b>  |
| At 30 September 2012                | 4,168                           | 3,302                              | 26,836                          | 1,217                      | <b>35,523</b>  |
| <b>Depreciation</b>                 |                                 |                                    |                                 |                            |                |
| On incorporation                    | -                               | -                                  | -                               | -                          | -              |
| Charge for the period               | (110)                           | (123)                              | (4,757)                         | (37)                       | <b>(5,027)</b> |
| Impairment                          | (287)                           | -                                  | -                               | -                          | <b>(287)</b>   |
| At 30 September 2012                | (397)                           | (123)                              | (4,757)                         | (37)                       | <b>(5,314)</b> |
| <b>Net Book Value</b>               |                                 |                                    |                                 |                            |                |
| On incorporation                    | -                               | -                                  | -                               | -                          | -              |
| At 30 September 2012                | <b>3,771</b>                    | <b>3,179</b>                       | <b>22,079</b>                   | <b>1,180</b>               | <b>30,209</b>  |
| <b>Leased assets included above</b> |                                 |                                    |                                 |                            |                |
| <b>Net Book Value</b>               |                                 |                                    |                                 |                            |                |
| On incorporation                    | -                               | -                                  | -                               | -                          | -              |
| At 30 September 2012                | -                               | -                                  | -                               | <b>1,167</b>               | -              |

On the acquisition of fixed assets from Southern Cross Healthcare Plc, the Company carried out an impairment review which resulted in the fixed assets being written down on acquisition by £12,447,000 (see note 18). A further impairment of £287,000 has been recognised relating to additions in the period.

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**12. Intangible fixed assets**

| <b>Negative Goodwill</b> | <b>£'000</b> |
|--------------------------|--------------|
| <b>Cost</b>              |              |
| On incorporation         | -            |
| Acquired                 | (1,575)      |
| At 30 September 2012     | (1,575)      |
| <b>Amortisation</b>      |              |
| On incorporation         | -            |
| Charge for the year      | 321          |
| At 30 September 2012     | 321          |
| <b>Net book value</b>    |              |
| At 30 September 2012     | (1,254)      |

On 1 November HC-One Ltd acquired the trade and certain assets of 247 care homes and support function from Southern Cross Healthcare Group PLC. Negative goodwill of £1,575,000 arose on this transaction (see note 18).

Negative goodwill is being written back on a straight line basis over a period of 3 to 5 years which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated.

**13. Debtors**

|                                | <b>2012</b>  |
|--------------------------------|--------------|
|                                | <b>£'000</b> |
| Trade debtors                  | 17,811       |
| Other debtors                  | 1,947        |
| Prepayments and accrued income | 1,446        |
|                                | 21,204       |

Prepayments and accrued income include an amount of £258,000 paid to Court Cavendish Healthcare Management Services Ltd, a related party of HC-One Ltd. Further details are given in note 23.

**14. Cash at bank and in hand**

|                          | <b>2012</b>  |
|--------------------------|--------------|
|                          | <b>£'000</b> |
| Cash at bank and in hand | 24,007       |

At 30 September 2012, the Company had £11,515,000 of cash held on short term deposit, held with counterparties with a short-term credit rating as determined by Moody's of P1.

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**15. Creditors – amounts falling due within one year**

|                                    | <b>2012</b>     |
|------------------------------------|-----------------|
|                                    | <b>£'000</b>    |
| Trade creditors                    | (6,505)         |
| Finance leases (note 16)           | (207)           |
| Other taxation and social security | (2,883)         |
| Other creditors                    | (4,889)         |
| Accruals and deferred income       | (24,064)        |
|                                    | <b>(38,548)</b> |

Included with trade creditors is an amount of £72,906 due to Care Management Group Ltd, a related party of HC-One Ltd. Further details are given in note 23.

**16. Creditors – amounts falling due after more than one year**

|                   | <b>2012</b>     |
|-------------------|-----------------|
|                   | <b>£'000</b>    |
| Intercompany loan | (26,161)        |
| Finance leases    | (982)           |
|                   | <b>(27,143)</b> |

The loans balance relates to a £25m loan with fellow group companies plus accrued interest of £1.2m. Interest is calculated based on LIBOR + margin. The loan is due for renewal on 31 December 2014.

**Finance leases**

Future minimum payments under finance leases are as follows

|                            | <b>2012</b>  |
|----------------------------|--------------|
|                            | <b>£'000</b> |
| Between one and two years  | 207          |
| Between two and five years | 775          |
| After five years           | -            |
|                            | <b>982</b>   |
| Within one year            | 207          |
|                            | <b>1,189</b> |

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**17. Provisions for liabilities**

|                                    | Closure costs<br>£'000 | Onerous leases<br>£'000 | Total<br>£'000 |
|------------------------------------|------------------------|-------------------------|----------------|
| On incorporation                   | -                      | -                       | -              |
| Fair value adjustments             | -                      | 10,137                  | 10,137         |
| Charged to profit and loss account | 2,683                  | -                       | 2,683          |
| Utilisation of provision           | (1,059)                | (2,397)                 | (3,456)        |
| At 30 September 2012               | 1,624                  | 7,740                   | 9,364          |

**Closure costs**

Following management's decision to close nine care homes, provisions totalling £2,683,000 have been made in respect of closure costs. Of this £1,059,000 was utilised in the period with the remainder of £1,624,000 expected to be fully utilised within one year.

**Onerous leases**

During the period, the company conducted a review of the property lease portfolio. The review resulted in a number of leases being considered onerous, and as such a provision of £10,137,000 was made. Of this, £2,397,000 was utilised in the period, with £7,740,000 expected to be utilised within one year.

**Deferred tax**

Deferred tax is provided as follows

|                                   | Tax losses available<br>£'000 | Accelerated capital allowances<br>£'000 | Total<br>£'000 |
|-----------------------------------|-------------------------------|---|----------------|
| Asset arising during the period   | 362                           | 371                                     | 733            |
| Amounts not recognised            | (362)                         | (371)                                   | (733)          |
| <b>Provision for deferred tax</b> | -                             | -                                       | -              |

Deferred tax assets have not been recognised due to the uncertainty of the Company making taxable profits in the next few years.

**18. Acquisitions**

On 1<sup>st</sup> November 2011 the Company purchased the trade and certain assets of 247 care homes from Southern Cross Healthcare Plc for £1,026,000. The following table sets out the book value of the identifiable assets and liabilities acquired along with their provisional fair values.

|  | Book value<br>£'000 | Impairment<br>£'000 | Onerous leases<br>£'000 | Other<br>adjustments<br>£'000 | 2012<br>£'000 |
|--|---------------------|---------------------|-------------------------|-------------------------------|---------------|
| Tangible fixed assets                  | 26,742              | (12,447)            | -                       | -                             | 14,295        |
| Onerous leases                         | -                   | -                   | (10,137)                | -                             | (10,137)      |
| Other                                  | -                   | -                   | -                       | (1,557)                       | (1,557)       |
| Total assets                           | 26,742              | (12,447)            | (10,137)                | (1,557)                       | 2,601         |
| Negative goodwill                      |                     |                     |                         |                               | (1,575)       |
| Consideration and costs of acquisition |                     |                     |                         |                               | 1,026         |

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## **18. Acquisitions (continued)**

On the acquisition of fixed assets from Southern Cross Healthcare Plc, the Company carried out an impairment review which resulted in the fixed assets being written down on acquisition by £12,447,000. A further impairment of £287,000 has been recognised relating to additions in the period.

Cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Future cash flows have been discounted at a discount rate of 12%. Cash flow projections beyond the three year period have assumed no growth.

In addition the review resulted in a number of leases being deemed onerous and, as such, a provision of £10,137,000 has been made with £2,397,000 utilised in the period.

## **19. Called-up share capital**

|   | 2012<br>£'000 |
|---|---------------|
| <b>Allotted, called-up and fully-paid</b> |               |
| 5,000,002 ordinary shares of £1 each      | 5,000         |

## **20. Reserves**

|                      | Profit and<br>loss account<br>£'000 |
|----------------------|-------------------------------------|
| On incorporation     | -                                   |
| Loss for the period  | (5,889)                             |
| At 30 September 2012 | (5,889)                             |

## **21. Reconciliation of movements in shareholders' funds**

|                               | 2012<br>£'000 |
|-------------------------------|---------------|
| Loss for the financial period | (5,889)       |
| Opening shareholders' funds   | -             |
| Closing shareholders' deficit | (5,889)       |

## **22. Financial commitments**

As at 30 September 2012 the Company had capital commitments as follows

|                                     | 2012<br>£'000 |
|-------------------------------------|---------------|
| Contracted for but not provided for |               |
| - finance leases entered into       | 5,108         |

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## **22. Financial commitments (continued)**

Annual commitments under non-cancellable operating leases are as follows

|                              | Land and buildings<br>£'000 | Other<br>£'000 |
|------------------------------|-----------------------------|----------------|
| Expiry date                  |                             |                |
| - between two and five years | -                           | 137            |
| - after five years           | 39,872                      | -              |

The operating lease of land and buildings in relation to the care homes is held with the parent company NHP Group which is subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

Other operating leases relate to the lease of Company cars

## **23. Related party transactions**

### *Identity of related parties*

The Company has a related party relationship with its parent undertaking, the parent's subsidiaries and with its Directors. Included within creditors due after one year is a £26m loan due to fellow group companies, relating to long-term funding arrangements

### *Transactions with key management personnel*

There are no transactions with key management personnel, except for remuneration which is disclosed in note 5

### *Other related party transactions*

#### **Court Cavendish Healthcare Management Services Limited**

Following a selection process undertaken by the NHP Group the Company entered into a management services contract with Court Cavendish Healthcare Management Services Limited, at a cost of £2.8m for the period (including VAT). Dr Chaitanya Patel and David Spruzen are the Chairman and Chief Executive Officer (CEO) respectively for both Court Cavendish Healthcare Management Services Limited and HC-One Limited. In line with the agreement, amounts are paid monthly in advance, with £258,000 being held within prepayments at 30 September 2012 (note 13)

#### **Care Management Group (CMG)**

During the period the Company obtained management services and goods in the ordinary course of business from Care Management Group, at a cost of £326,520. Care Management Group is chaired by Sir William Wells, Senior Independent Non-Executive Director of HC-One Limited. Dr Chaitanya Patel and David Spruzen are Directors of Care Management Group, Chairman and CEO respectively for HC-One Limited. At 30 September 2012, £72,906 was owed to Care Management Group.

During the period, Care Management Group entered into a management services contract in respect of the operation of HC-One's Active Care portfolio, an area in which Care Management Group have specific expertise.

During the period, Care Management Group entered into a lease for an office and subsequently sub-let one floor to HC-One Limited. All transactions were on normal commercial terms and at arm's length.

| Transactions with CMG            | £              |
|----------------------------------|----------------|
| Recharge of office refurbishment | 72,906         |
| Lease charge                     | 77,705         |
| Management charges               | 165,214        |
| Expenses                         | 10,695         |
| <b>Total</b>                     | <b>326,520</b> |

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### **24. Group financial statements**

The Company has not prepared group financial statements as it is exempt from its requirements to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Libra No 2 and is included in the consolidated financial statements of that Company

### **25. Ultimate parent undertaking**

The Company's immediate parent undertaking is Libra Intermediate Holdco limited

The ultimate parent undertaking and controlling party is Libra No 2 Limited, which is the parent undertaking of the smallest and largest group to prepare consolidated financial statements which include this company. Copies of Libra No 2 Limited consolidated financial statements can be obtained from the Company Secretary at Liberty House, 222 Regent Street, London W1B 5TR

### **26. Subsequent events**

On 20 December 2012 an additional £25m loan was received from fellow group companies, relating to long-term funding arrangements. This element of the facility is due for renewal on 31 December 2015. On 13 February 2013, the maturity date on the existing £25m loan facility, dated 28 October 2011, was extended from 31 December 2014 to 31 December 2015.

### **27. Contingent liabilities and guarantees**

On 29 September 2011 the Company acceded to the £1,172,000,000 senior term loan facility agreement dated 15 January 2007 between LIBRA No 3 Limited as borrower and certain financial institutions as lenders (the "Senior Facility Agreement") as a guarantor. The guarantee under the Senior Facility Agreement extends to all amounts outstanding under the Senior Facility Agreement. The senior term loan facility is also secured by fixed and floating charges on the Company's assets pursuant to a security deed dated 29 September 2011 between, among others, the Company and the security agent under the Senior Facility Agreement.

The directors have received written confirmation from Capita Asset Services (UK) Limited and Capita Asset Services (Ireland) Limited in their capacity as servicer and Capita Asset Services (UK) Limited in its capacity as special servicer in each case on behalf of the creditors under the Senior Facility Agreement that they will not make demand under the guarantee provided by the Company or enforce any of the security interests granted by the Company with respect to the Senior Facility Agreement at any time prior to 28 February 2014.