HC-One Limited

Annual report and financial statements
for the year ended 30 September 2013

Registered number: 07712656

HC-One Limited

Annual report and financial statements for the year ended 30 September 2013

Contents

HC-One Limited

Annual report and financial statements for the year ended 30 September 2013

Directors' Report

The directors present their annual report and the audited financial statements of HC-One Limited ("the Company") for the year ended 30 September 2013

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 Limited.

Charitable and political contributions

During the year the Company made charitable donations of £22,695, principally to local charities serving the communities in which the Company operates The Company made no political donations during the year

Directors

The directors, who served throughout the year, unless otherwise shown, were as follows:
Mr Chaitanya Patel
Mr David Spruzen
Mr David Smith
Sir William Wells
Mrs Anne Williams
John Ivers (appointed 3 December 2012)

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 have expressed their willingness to be reappointed for another term and appropriate arrangements are being put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by

David Smith
Director
20 December 2013

HC-One Limited

Annual report and financial statements for the year ended 30 September 2013

Strategic Report

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 220 care homes in the UK

In its two year history, HC-One has established a market leading reputation and developed a recognisable brand for the provision of high quality care in the UK HC-One is implementing its vision to operate the kindest care homes in the UK through its core principles of Accountability, Involvement and Partnership Since HC-One started operating in November 2011 management has focused on operational excellence across the board to deliver high quality services and provide the kindest possible care Key achievements include

- Improving the quality of the services across the business with a 81% reduction in the number of home embargoes since November 2011 to 3 in September 2013,
- Improving the quality of the premises with substantial investment of £60m towards real estate/maintenance and services including home minibuses and IT infrastructure,
- Improving the quality, performance and retention of staff with the appointment of over 180 quality home managers since November 2011who are fundamental to the success of each home,
- Multi aware winning and cost effective mandatory and specialist Learning and Development programme;
- Improving occupancy from 83 1% in November 2011 to 87.0% at 30 September 2013 against a declining market trend, and

As a result of these achievements in September 2013 NHP Group have appointed advisers to review their strategic options. This strategic review is the next step in the turnaround of HC-One from when it was formed on 20 July 2011, whatever course of action is chosen it will be based on ensuring HC-One remain a sustainable company on a sound footing.

Results

The profit and loss account shows the results for the year ended 30 September 2013. The Company's loss for the year ended 30 September 2013 amounted to £9.4m (2012 £5 9m) and included £2 6m (2012: £6 8m) of exceptional costs Loss on ordinary activities excluding exceptional costs was £6.8m (2012 profit of £1 0m).

The Company's gross profit on ordinary activities for the year ended 30 September 2013 amounted to £8 3m (2012 £13.7m) included operating lease charges of £37 3m (2012 £36 7m) and £12 8m (2012· £5 0m) of depreciation Excluding depreciation gross profit was £21 1m (2012 £18 7m)

The Company has net liabilities of £10 3m (2012. £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.

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 above

Going Concern (continued)

The Strategic 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;
- 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 proceeds of a further loan advanced to the Company by the Group Lenders pursuant to an intercompany loan agreement dated 24 July 2013 between the Company and the Group Lenders (£5,000,000), also 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 2013 between the Company and the Group Lenders (£8,000,000), 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 2015 save to the extent required to implement any sale of the Company 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 £55m 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

Financial risk management objectives and policies (continued)

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

Liquidity risk
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

Approved by the Board and signed on its behalf by.

David Smith
Director
20 December 2013

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 year 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

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

We have audited the financial statements of HC-One Limited for the year ended 30 September 2013 which comprise 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its loss for the year 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 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 HC-One 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, 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

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

Profit and loss account for the year ended 30 September 2013

	Note	Ordinary activities 2013 £'000	Exceptional costs (Note 7) 2013 £'000	Total 2013 £'000	Ordinary activities 2012 (11 months*) £'000	Exceptional costs (Note 7) 2012 (11 months*) £'000	Total 2012 (11 months*) £'000
Turnover	1	306,141	-	306,141	277,190	-	277,190
Cost of sales	3	(297,850)	(563)	(298,413)	(263,478)	(4,163)	(267,641)
Gross profit/(loss)		8,291	(563)	7,728	13,712	(4,163)	9,549
Administrative expenses		(9,449)	-	(9,449)	(8,721)	-	(8,721)
Other operating expenses		(3,230)	-	(3,230)	(3,008)	-	(3,008)
Operating (loss)/profit	4	(4,388)	(563)	(4,951)	1,983	(4,163)	(2,180)
Closure costs		-	(2,053)	(2,053)	-	(2,683)	(2 683)
Interest receivable and similar income	8	150	-	150	152	-	152
Interest payable and similar charges	9	(2,562)	-	(2,562)	(1,178)	-	(1,178)
(Loss)/Profit on ordinary activities before taxation		(6,800)	(2,616)	(9,416)	957	(6 846)	(5,889)
Tax on (Loss)/Profit on ordinary activities and exceptional activities	10	-	-	-	-	-	-
(Loss)/Profit on ordinary activities after taxation	20	(6,800)	(2,616)	(9,416)	957	(6,846)	(5,889)

*For the 11 months ended 30 September 2012

All activities relate to continuing operations

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

HC-One Limited

Annual report and financial statements for the year ended 30 September 2013

Balance sheet as at 30 September 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	11	63,868	30,209
Intangible assets	12	(690)	(1,254)
Total fixed assets		63,178	28,955
Current assets			
Debtors	13	20,693	21,204
Cash at bank and in hand	14	11,854	24,007
Total current assets		32,547	45,211
Creditors- amounts falling due within one year	15	(38,250)	(38,548)
Net current (liabilities)/assets		(5,703)	6,663
Total assets less current liabilities		57,475	35,618
Creditors- amounts falling due after more than one year	16	(62,696)	(27,143)
Provision for liabilities	17	(5,084)	(9,364)
Net liabilities		(10,305)	(889)
Capital and reserves			
Called-up share capital	19	5,000	5,000
Profit and loss account	20	(15,305)	(5,889)
Total shareholders' deficit	21	(10,305)	(889)

The financial statements on pages 8 to 23 were approved by the Board of directors on and authorised for issue on 20 December 2013 and were signed on its behalf by

D Smith

Finance Director

20 December 2013

HC-One Limited Registered number 07712656

Notes to the financial statements for the year ended 30 September 2013

1. Accounting policies

The Company prepares its annual financial statements to 30 September each year

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 year

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 Strategic Report

The Strategic 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;
- 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 proceeds of a further loan advanced to the Company by the Group Lenders pursuant to an intercompany loan agreement dated 24 July 2013 between the Company and the Group Lenders (£5,000,000), also 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 2013 between the Company and the Group Lenders (£8,000,000), 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 2015 save to the extent required to implement any sale of the Company 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

1. Accounting policies (continued)

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

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 year 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 year 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 years 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 years 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

1. Accounting policies (continued)

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

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 year 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. The origin and destination of all turnover is the United Kingdom

3. Cost of sales

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

4. Operating (loss)/profit

	2013 £'000	11 months ended 30 Sept 2012 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Wages and salaries	190,538	173,526
Social security costs	12,152	11,141
Other pension costs	333	298
Staff costs	203,023	184,965
Depreciation of tangible fixed assets.		
-Owned assets (note 11)	11,694	4,996
-Leases assets (note 11)	1,094	31
Amortisation of goodwill (note 12)	(238)	(321)
Operating lease charges land and buildings	37,323	36,743
Impairment of fixed assets (note 11)	451	287
Management charge	3,230	3,008
Services provided by the Company's auditor·		
Fees payable for the audit of the Company's annual financial statements	65	65
Non audit fees - taxation	8	1

5. Directors' emoluments

	2013 £'000	11 months ended 30 Sept 2012 £'000
Aggregate emoluments inclusive of benefits in kind	730	316
Pension contributions	25	34
	755	350

Highest paid director

	2013 £'000	11 months ended 30 Sept 2012 £'000
Total amount of emoluments	351	253

6 Employee information

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

By activity	2013 No.	2012 No
Care staff	13,381	13,680
Administrative	289	286
	13,670	13,966

7. Exceptional costs

	2013 £'000	11 months ended 30 Sept 2012 £'000
Restructuring costs	563	4,163
Closure costs	2,053	2,683
	2,616	6,846

Restructuring costs

Exceptional costs totalling £563,000 have been incurred relating to the restructuring costs in the year ended 30 September 2013

Closure costs

In prior year management undertook a full review of the Company's estate and portfolio of homes, resulting in a provision for closure costs brought forward of £1,624,000 in respect of eight care homes During the year, management has undertaken another review resulting in the decision to close a further nine of its care homes As a result of these decisions, a charge for closure costs and future operating losses of £2,053,000 has been recognised in the year £2,423,000 has been utilised in the year with the remaining £1,254,000 to be utilised within one year Further details are given in note 17.

8. Interest receivable and similar income

	2013 £'000	11 months ended 30 Sept 2012 £'000
Bank deposits interest receivable	150	152

9. Interest payable and similar charges

	2013 £'000	11 months ended 30 Sept 2012 £'000
Interest payable on intercompany loan	2,340	1,176
Finance lease interest	222	2
	2,562	1,178

The interest payable on loans balance relates to accrued interest on the £55m loan with fellow group companies. Interest is calculated based on LIBOR + margin

10. Tax on loss on ordinary activities

	2013 £'000	11 months ended 30 Sept 2012 £'000
Current tax:		
-UK corporation tax on losses of the year	-	-
Total current tax	-	-
Deferred tax:		
-Origination and reversal of timing differences	-	-
Total deferred tax (see note 17)	-	-
Tax on loss on ordinary activities	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax (23 50%) to the loss before tax is as follows

	2013 £'000	11 months ended 30 Sept 2012 £'000
Tax on loss on ordinary activities at standard UK corporation tax rate of 23 50% (2012· 24 90%)	(2,213)	(1,466)
Effects of:		
Expenses not deductible for tax purposes	1,132	769
Capital allowances in excess of depreciation	1,494	402
Utilisation of tax losses previously not recognised	(344)	
Non-taxable release of negative goodwill	(69)	(97)
Tax losses arising in the year – not recognised	-	392
Current tax charge for the year	-	-

Factors affecting current and future tax charges

The corporation tax applicable to the Company was 23 50% during the year From April 2013 the corporation tax rate payable by the Company reduced to 23% with a further 2% reduction on 1 April 2014

11. Tangible fixed assets

	Buildings & Grounds £'000	Leasehold Improvements £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	**Total £'000**
Cost					
At 1 October 2012	4,167	3,302	26,837	1,217	**35,523**
Additions	11,076	-	32,306	5,123	**48,505**
Disposals	(269)	(1,224)	(176)	(13)	**(1,682)**
Fair value adjustments	(18)	(18)	(107)	-	**(143)**
At 30 September 2013	14,956	2,060	58,860	6,327	**82,203**
Depreciation					
At 1 October 2012	(397)	(123)	(4,757)	(37)	**(5,314)**
Charge for the year	(954)	(471)	(10,263)	(1,100)	**(12,788)**
Disposals	2	147	60	9	**218**
Impairment	(374)	-	(77)	-	**(451)**
At 30 September 2013	(1,723)	(447)	(15,037)	(1,128)	**(18,335)**
Net Book Value					
At 1 October 2012	3,770	3,179	22,080	1,180	30,209
At 30 September 2013	**13,233**	**1,613**	**43,823**	**5,199**	**63,868**
Leased assets included above					
Net Book Value					
At 1 October 2012	-	-	-	1,167	1,167
At 30 September 2013	-	-	-	**5,181**	**5,181**

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 £13,665,000 (see note 18) A further impairment of £451,000 has been recognised relating to additions in the year

12. Intangible fixed assets

Negative Goodwill	£'000
Cost	
At 1 October 2012	(1,575)
Adjustment arising from finalisation of fair value (note 18)	326
At 30 September 2013	(1,249)
Amortisation	
At 1 October 2012	321
Charge for the year	294
Adjustment arising from finalisation of fair value	(56)
At 30 September 2013	559
Net Book Value	
At 1 October 2012	(1,254)
At 30 September 2013	**(690)**

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 Following the finalisation of the fair values of assets and liabilities acquired, negative goodwill has been reduced by £326,000 This results from an additional impairment of £1,218,000 in respect of fixed assets acquired from Southern Cross assets and a reduction in the assessment of the onerous lease provision of £892,000

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 Fair value amortisation adjustments of £56,000 have been recognised due to reduction in negative goodwill

13. Debtors

	2013 £'000	2012 £'000
Trade debtors	17,208	17,811
Other debtors	1,602	1,947
Prepayments and accrued income	1,883	1,446
	20,693	21,204

Prepayments and accrued income include an amount of £255,000 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*

	2013 £'000	2012 £'000
Cash at bank and in hand	11,854	24,007

At 30 September 2013, the Company had £11,006,000 of cash held on short term deposit, held with counterparties with a short-term credit rating as determined by Moody's of P2.

15. Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	(11,244)	(6,505)
Finance leases (note 16)	(1,087)	(207)
Other taxation and social security	(2,725)	(2,883)
Other creditors	(682)	(4,889)
Accruals and deferred income	(22,512)	(24,064)
	(38,250)	(38,548)

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

	2013 £'000	2012 £'000
Intercompany loan	(58,358)	(26,161)
Finance leases	(4,338)	(982)
	(62,696)	(27,143)

The loans balance relates to a £55m loan with fellow group companies plus accrued interest of £3 4m Interest is calculated based on LIBOR + margin The loan is due for renewal on 31 December 2015

Finance leases

Future minimum payments under finance leases are as follows.

	2013 £'000	2012 £'000
Between one and two years	1,087	207
Between two and five years	3,251	775
After five years	-	-
	4,338	982
Within one year	1,087	207
	5,425	1,189

17. Provisions for liabilities

	Closure costs	Onerous leases	Total
	£'000	£'000	£'000
At 1 October 2012	1,624	7,740	**9,364**
Adjustments arising from finalisation of fair values (note 1)	-	(892)	**(892)**
Charged to profit and loss account	2,053	-	**2,053**
Utilisation of provision	(2,423)	(3,018)	**(5,441)**
At 30 September 2013	1,254	3,830	**5,084**

Closure costs

In prior year management undertook a full review of the Company's estate and portfolio of homes, resulting in a provision for closure costs brought forward of £1,624,000 in respect of eight care homes During the year, management has undertaken another review of resulting in the decision to close a further nine of its care homes. As a result of these decisions, a charge for closure costs and future operating losses of £2,053,000 has been recognised in the year. £2,423,000 has been utilised in the year with the remaining £1,254,000 to be utilised within one year

Onerous leases

During the prior year, 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 prior period. During the current year the fair value exercise has been finalised which has resulted in adjustments of £892,000 and as such the provision in prior year reducing to £9,245,000 Of this £3,018,000 has been utilised in the current year.

Deferred tax

Deferred tax as follows

	2013 £'000	2012 £'000
Accelerated capital allowances	**(1,598)**	(371)
Losses	-	(362)
Deferred tax asset not recognised	**1,598**	733
Deferred tax asset	-	-

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 1st 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 final fair values

	Book value £'000	Impairment £'000	Onerous leases £'000	Other adjustments £'000	2013 £'000
Tangible fixed assets	26,742	(13,665)	-	-	13,077
Onerous leases	-	-	(9,245)	-	(9,245)
Creditors	-	-	-	(1,557)	(1,557)
Total assets	26,742	(13,665)	(9,245)	(1,557)	2,275
Negative goodwill					(1,249)
Consideration and costs of acquisition					1,026

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 Following the finalisation of the fair values of assets and liabilities acquired, negative goodwill has been reduced by £326,000 This results from an additional impairment of £1,218,000 in respect of fixed assets acquired from Southern Cross assets and a reduction in the assessment of the onerous lease provision of £892,000

Cash flow projections have been based on management operating profit projections for a three year period which have been approved by management Future cash flows have been discounted at a discount rate of 8 5% Cash flow projections beyond the three year period have assumed no growth.

In prior year the review resulted in a number of leases being deemed onerous and, as such, a provision of £10,137,000 was made. During the year another review has resulted in fair value adjustments of £892,000 due to a number of homes recovering, therefore their leases not considered onerous and as such the provision reducing to £9,245,000

19. Called-up share capital

	2013 £'000	2012 £'000
Allotted, called-up and fully-paid		
5,000,002 ordinary shares of £1 each	5,000	5,000

20. Reserves

	Profit and loss account £'000
At 1 October 2012	(5,889)
Loss for the year	(9,416)
At 30 September 2013	(15,305)

21. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Opening shareholders' deficit	(889)	-
New shares issued	-	5,000
Loss for the financial year	(9,416)	(5,889)
Closing shareholders' deficit	(10,305)	(889)

22. Financial commitments

As at 30 September 2013 the Company had capital commitments as follows

	2013 £'000	2012 £'000
Contracted for but not provided for		
- finance leases entered into	-	5,108

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2013 £'000	Other 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000
Expiry date				
- between two and five years	-	138	-	137
- after five years	39,682	-	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 £58m (2012 £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 in note 5.

23. Related party transactions (continued)

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 £3.9m for the year (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 £255,000 being held within prepayments at 30 September 2013 (note 13)

Care Management Group (CMG)

During the year the Company obtained management services and goods in the ordinary course of business from Care Management Group, at a cost of £350,978. 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

During the year, 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 year, 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

	2013 £	2012 £
Recharge of office refurbishment	**8,714**	72,906
Lease charge	**155,410**	77,705
Management charges	**180,004**	165,214
Expenses	**6,850**	10,695
Total	**350,978**	326,520

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 2013 an additional £8m 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

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 2015