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Company Registration No FC 026602

or

LIBRA NO 2 LIMITED

**Report and Financial Statements
30 September 2013**

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REPORT AND FINANCIAL STATEMENTS 2013

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REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen (the Chief Restructuring Officer)

P H Thompson

SECRETARY

Crestbridge Corporate Services Limited (formerly 'Dominion Corporate Services Limited')

REGISTERED OFFICE

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

SOLICITORS

Eversheds LLP

Eversheds House

70 Great Bridgewater Street

Manchester M1 5ES

White & Case LLP

5 Old Broad Street

London EC2N 1DW

BANKERS

Barclays Bank PLC

South East Corporate Banking Centre

PO Box 112

Horsham

West Sussex RH12 1YQ

The Royal Bank of Scotland PLC

36 St Andrew Square

Edinburgh EH2 2YB

AUDITOR

Deloitte LLP

Chartered Accountants

London

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2013

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law which would apply if the Company was incorporated in Great Britain)

PRINCIPAL ACTIVITY

The principal activity of the Group is the purchase and retention of freehold and long leasehold interests, in modern, purpose-built care homes together with the operations by HC-One Limited ("HC-One"), a group undertaking of nursing and residential homes and TTCC Limited ('TTCC'), a group undertaking specialised in learning disabilities homes

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

DIRECTORS

The following Directors served during the year

Directors

P H Thompson

J M J M Jensen

THIRD PARTY INDEMNITY PROVISIONS

The Group has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force to the date of this report

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donation of £23,000, principally to local charities serving the communities in which the Group operates. The Group and the Company made no political donations during the year

AUDITOR

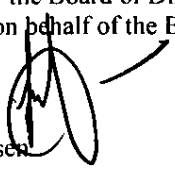
Each of the persons who is a Director at the date of approval of this report confirms that

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
And signed on behalf of the Board


J M J M Jensen
Director
Date 26 February 2014

STRATEGIC REPORT

BUSINESS REVIEW

At 30 September 2013 the Group owned the freehold and long leasehold interests in 295 care homes, two residential properties and three sites together valued at £530,590,000 (2012 303 care homes, three residential properties and two sites at £515,923,000) 228 care homes operated by HC-One and two learning disabilities homes operated by TTCC were valued as individual operational entities on an existing use basis The remaining 65 care homes operated by third party operators continue to be valued on Market Value basis or valued as closed homes if they were closed

HC-One is a leading care home operator in the UK providing nursing and residential care to more than 10,000 residents in 228 care homes across UK

In the last two years, 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 homes embargoes since November 2011 to 3 continuing homes 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 2011 who are fundamental to the success of each home,
- Multi award winning and cost effective mandatory and specialist Learning and Development programme, and
- Improving occupancy from 83.1% in November 2011 to 87.0% at 30 September 2013 against a declining market trend

TTCC commenced trading on 1 July 2013 following the acquisition of the operating business of two learning disabilities homes from HC-One Profit for the three months to 30 September 2013 was £6,000 TTCC was dormant prior to 1 July 2013

As a result of these achievements in September 2013 the Group have appointed advisers to review their strategic options This strategic review is the next step in the turnaround of HC-One and TTCC from when they became subsidiaries Whatever course of action is chosen it will be based on ensuring HC-One and TTCC remain a sustainable company on a sound footing

RESULTS

The results of the Group for the years ended 30 September 2013 and 30 September 2012 are set out in the consolidated profit and loss account on page 11

The key financial and operational performance indicators monitored by HC-One operating business include internal quality ratings, regulatory inspections, occupancy percentage, average weekly fees and costs per resident week Further details on the performances and key achievements of the operating business can be found in strategic report of the audited financial statements of HC-One Limited for the year ended 30 September 2013, which are publicly available

STRATEGIC REPORT (Continued)

The other principal Key Performance Indicators (KPIs) used by the Group to measure its own performance are shown below

	2013	2012	Increase/ (decrease)
Turnover	£316.5m	£292.2m	£24.3m
Adjusted operating profit	£29.1m	£34.9m	£(5.8m)
Operating cash flow after interest	£24.2m	£42.2m	£(18.0m)
Shareholders' deficit	£1,359.6m	£1,210.8m	£148.8m
Investment and operating properties at valuation	£530.6m	£515.9m	£14.7m

Group turnover for the year ended 30 September 2013 has increased by £24.3m principally due to a full 12 months trading under HC-One in the year ended 30 September 2013

Adjusted operating profit for the year ended 30 September 2013 is calculated as operating profit of £23.8m plus exceptional costs of £1.6m plus provision for permanent diminution in value of tangible fixed assets of £3.7m (2012 £24.6m plus £5.4m plus £4.9m). The operating profit before exceptional costs and permanent diminution in value has declined principally due to increased in cost of sales incurred by the operating business

Operating cash flow after interest for the year ended 30 September 2013 is calculated as net cash inflow from operating activities of £49.3m less net cash outflow from returns on investment and servicing of finance of £25.1m (2012 £58.5m less £16.3m)

Shareholders' deficit has increased by £148.8m from £1,210.8m at 30 September 2012 to £1,359.6m at 30 September 2013 mainly due to loss in the financial year of £171.1m

DIVIDENDS

The Company has declared and paid a dividend of £nil for the year (2012 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Directors of the Company have the overall responsibilities for the Group and its subsidiaries in assessing risk and taking appropriate action, which the Company forms an integral part of. Accordingly, the Group risks and policies also apply to the Company

Cash flow risk

The Group used derivative financial instruments to reduce the exposure to interest rate movements in line with the Group's risk management policies as approved by the Board of Directors. The interest rate swap agreement was signed with Credit Suisse on 15 January 2007 as disclosed in note 16 of the LIBRA No 2 Limited's 30 September 2013 financial statements. The Group does not use derivative financial instruments for speculative purposes

Credit risk

The Group's principal assets are bank balances and cash, trade and other receivables and tangible fixed assets

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

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

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group has continued to receive support from its lenders as disclosed in note 1 to the financial statements

STRATEGIC REPORT (Continued)**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****Price risk**

The Group has entered into a number of medium-term rental agreements with its tenants for which some tenants are subject to fixed annual price increases and the other tenants are linked to RPI

The Group also face uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One

PROPERTY VALUATIONS

The Group's property portfolio is the largest component of its net asset value. The value of the Group's property portfolio is subject to the conditions prevailing in the property investment market, the general economic environment, and the growing pressure on the public sector spending. Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control.

At 30 September 2013 the Group's property portfolio was valued by Jones Lang LaSalle, a professionally qualified firm of external valuers. Investment properties are stated at market value whereas the operating properties have been valued as individual operational entities with regard to their trading potential, excluding head office costs.

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length. The current economic climate means that there have been few transactions involving the types of property owned by the Group. Jones Lang LaSalle commented in their valuation certificate as at 30 September 2013 that events in relation to the demise of Southern Cross at the end of 2011 and subsequent transfer of their homes to landlords and multiple operators including HC-One (in the case of the majority of this portfolio), the sale of Four Seasons Healthcare Group in 2012, a continuing lack of liquidity in the financial sector, together with austerity measures which were detrimentally affecting market sentiment were, in the opinion of Jones Lang LaSalle, likely to affect values going forward. As the market adjusts following these events, circumstances continue to change, and as such Jones Lang LaSalle were not able to accurately assess the medium/long term effect there will be on the market with the very limited investment transactional evidence available to them and therefore they applied their professional judgement.

GOING CONCERN

As set out in note 16 to the financial statements, as at 30 September 2013, the Company (the "**Mezzanine Borrower**") had a term loan of £70 million (the "**Mezzanine Loan**") and LIBRA No 3 Limited (a subsidiary of the Company) (the "**Senior Borrower**") had a term loan of £1,172 million (the "**Senior Loan**") secured on the Group's freehold and long leasehold properties. The Group has been in technical breach of its loan covenants since 15 December 2008 due to the fall in property values and the Directors of the Company have been in restructuring negotiations with its lenders since 28 November 2008 and have entered into a series of standstill agreements which suspend the rights of creditors with respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 14 January 2014, a further standstill agreement was put in place, expiring 14 April 2014.

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 228 care homes. 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 now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 228 care homes.

STRATEGIC REPORT (Continued)**GOING CONCERN (Continued)**

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements.

As at 26 February 2014, the Group has provided a total amount of £74 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013, inter-company loan of £8m in December 2013 and a further inter-company loan of £6 million in February 2014.

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded.

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders.

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP ('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*).

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*).

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process.

Workstreams with respect to the Sale Process are on-going.

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet, without limitation, reasonable

(a) day-to-day operating costs and expenses,

(b) restructuring and/or disposal costs,

(c) other exceptional costs incurred in relation to the Disposal Options and/or Potential Restructuring, and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013.

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date.

STRATEGIC REPORT (Continued)

GOING CONCERN (Continued)

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a going concern basis

In the event that the going concern basis should become inappropriate, the assets of the Group and the Company would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments. See further details in note 1 to the financial statements

PAYMENT TO CREDITORS

The Group's policy is to fix payment terms when agreeing the terms of each transaction. It is the Group's general policy to pay suppliers in accordance with the agreed terms and conditions, provided that the supplier has complied with those terms. The average creditors' days for the Group at 30 September 2013 were equivalent to 30 (2012: 30). Creditor days for the Company at 30 September 2013 were nil (2012: nil), based on the average daily amount invoiced by suppliers during the year.

DISABLED EMPLOYEES

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

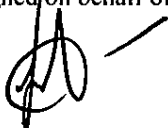
EMPLOYMENT CONSULTATION

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 Group and of the Company. This is achieved through formal and informal meetings and the weekly newsletters.

POST BALANCE SHEET EVENTS

Events taking place after balance sheet date have been disclosed in note 28.

Approved by the Board of Directors
And signed on behalf of the Board



J M J M Jensen
Director
Date: 26 February 2014
Liberty House
222 Regent Street
London W1B 5TR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Group and of the profit and loss of the Group for that period. In preparing these financial statements, the Directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and accounting estimates that are reasonable and prudent,
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) 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 proper 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 to enable them to ensure that the financial statements comply with the provisions of the Companies Act 2006 applicable to overseas companies. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBRA NO 2 LIMITED

We have audited the Group and Parent Company financial statements of LIBRA No 2 Limited (the 'Company') for the year ended 30 September 2013, which comprise the Consolidated Profit and Loss account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Reconciliation of Movements in Shareholders' Funds, the Consolidated Note of Historical Cost Profits and Losses and the related notes 1 to 29. 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 Statement of Directors' Responsibilities, 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 Group's and the Company's affairs as at 30 September 2013 and of the Group's 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 provisions of the Companies Act 2006 applicable to overseas companies.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern.

The Group is in breach of the financial covenants in its loan agreement (as described in note 1). The Directors are in discussion with Capita Asset Services (UK) Limited regarding a resolution of the breach. However, the outcome of these discussions and the timing of their conclusion are uncertain.

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBRA NO 2 LIMITED (Continued)

Opinion on other matter prescribed by the provision of the Companies Act 2006 applicable to overseas companies.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the provisions of the Companies Act 2006 applicable to overseas companies require us to report to you, if in our opinion

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

The signature of Deloitte LLP is written in a stylized, cursive script.

Deloitte LLP
Chartered Accountants
London, United Kingdom
Date 26 February 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2013

	Notes	2013 £000	2012 £000
TURNOVER	3	316,515	292,236
Cost of sales		(261,529)	(227,032)
Exceptional costs	5	(563)	(4,163)
Total costs of sales		<u>(262,092)</u>	<u>(231,195)</u>
Gross profit		54,423	61,041
Provision for permanent diminution in value of properties		(3,674)	(4,851)
Administrative expenses			
- on-going		(14,780)	(13,371)
- property depreciation		(11,147)	(16,893)
- exceptional	5	(1,003)	(1,309)
Total administrative expenses		<u>(30,604)</u>	<u>(36,424)</u>
OPERATING PROFIT	3, 6	23,819	24,617
Costs of a fundamental restructuring of continuing operations	7	(2,554)	(5,208)
Net profit / (loss) on sale of properties and other tangible fixed assets	8	224	(43)
Net interest payable and similar charges		<u>(193,105)</u>	<u>(180,298)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(171,616)	(160,932)
Tax on loss on ordinary activities	9	525	(13,977)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	20	<u>(171,091)</u>	<u>(174,909)</u>

Results are derived wholly from continuing operations

The Company's subsidiary undertaking, HC-One Limited was incorporated on 20 July 2011 and commenced trading on 1 November 2011. The profit and loss account for the preceding year showed the trade for the eleven months to 30 September 2012.

BALANCE SHEETS
at 30 September 2013

		Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
FIXED ASSETS	Note				
INTANGIBLE ASSETS					
Negative goodwill	11	(3,751)	(9,326)	-	-
TANGIBLE ASSETS					
Investment properties	12	61,465	71,615	-	-
Operating properties	12	469,125	444,308	-	-
Other fixed assets	12	45,341	26,246	-	-
		575,931	542,169	-	-
INVESTMENTS	13	-	-	-	-
TOTAL FIXED ASSETS		572,180	532,843	-	-
CURRENT ASSETS					
Debtors	14	21,263	21,515	124	125
Short-term deposits	15	11,185	41,976	-	-
Cash at bank and in hand	15	25,960	12,575	-	-
		58,408	76,066	124	125
CREDITORS: amounts falling due within one year	16	(1,971,165)	(1,803,111)	(505,081)	(412,927)
NET CURRENT LIABILITIES		(1,912,757)	(1,727,045)	(504,957)	(412,802)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,340,577)	(1,194,202)	(504,957)	(412,802)
CREDITORS: amounts falling due after more than one year	17	(4,338)	(982)	-	-
PROVISIONS FOR LIABILITIES	18	(14,706)	(15,601)	-	-
NET LIABILITIES		(1,359,621)	(1,210,785)	(504,957)	(412,802)
CAPITAL AND RESERVES					
Called up share capital	19	200	200	200	200
Revaluation reserve	20	(444,904)	(480,193)	-	-
Profit and loss account	20	(914,917)	(730,792)	(505,157)	(413,002)
SHAREHOLDERS' DEFICIT		(1,359,621)	(1,210,785)	(504,957)	(412,802)

These financial statements were approved and authorised for issue by the Board of Directors on 26 February 2014. The Company Registration number is FC026602.

Signed on behalf of the Board of Directors

J M J M Jensen
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Net cash inflow from operating activities	22	49,285	58,490
Return on investments and servicing finance			
Interest paid		(25,062)	(16,484)
Other similar charges paid		(222)	(1)
Interest received		215	190
Net cash outflow from returns on investments and servicing of finance		<u>(25,069)</u>	<u>(16,295)</u>
Taxation			
Corporation tax received		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(45,242)	(17,474)
Proceeds on disposal of tangible fixed assets		3,620	2,611
Net cash outflow from investing activities		<u>(41,622)</u>	<u>(14,863)</u>
Acquisitions and disposals			
Operating business acquisition	11	-	(1,026)
Net cash (outflow) / inflow before use of liquid resources and financing		(17,406)	26,306
Management of liquid resources			
Short-term deposit investment / (withdrawal)		30,791	(14,219)
Increase in cash in the year	24	<u>13,385</u>	<u>12,087</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Loss for the year	20	(171,091)	(174,909)
Net surplus / (deficit) on revaluation of properties	20	22,255	(65,798)
Total recognised loss for the year		<u>(148,836)</u>	<u>(240,707)</u>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Loss for the year	20	(171,091)	(174,909)
Net surplus / (deficit) on revaluation of properties	20	22,255	(65,798)
Net decrease in shareholders' funds		<u>(148,836)</u>	<u>(240,707)</u>
Shareholders' deficit at the beginning of year		<u>(1,210,785)</u>	<u>(970,078)</u>
Shareholders' deficit at end of year		<u>(1,359,621)</u>	<u>(1,210,785)</u>

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2013

		Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Loss on ordinary activities before taxation	20	(171,616)	(160,932)
Realisation of property revaluation losses of previous years		<u>(13,034)</u>	<u>(15,236)</u>
Historical cost loss on ordinary activities before taxation		<u>(184,650)</u>	<u>(176,168)</u>
Historical cost loss retained for the year		<u>(171,091)</u>	<u>(174,909)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

1. GOING CONCERN

The Group has been in breach of the covenants on its term loans since November 2008 and as at 30 September 2013 and at 4 February 2014 the term loan amounts remain outstanding (see note 16 for further details)

Since November 2008 the term loans have been subject to a series of standstill agreements and on 14 January 2014 a further standstill agreement was put in place, expiring on 14 April 2014

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 228 care homes. 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 now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 228 care homes

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements

As at 26 February 2014, the Group has provided a total amount of £74 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013, inter-company loan of £8 million in December 2013 and a further inter-company loan of £6million in February 2014

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP ('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*)

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*)

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process

Workstreams with respect to the Sale Process are on-going

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

1. GOING CONCERN (Continued)

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet, without limitation, reasonable

(a) day-to-day operating costs and expenses,

(b) restructuring and/or disposal costs,

(c) other exceptional costs incurred in relation to the Disposal Options and/or Potential Restructuring, and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a going concern basis

In the event that the going concern basis should become inappropriate, the assets of the Group and the Company would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments

2. ACCOUNTING POLICIES

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

Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of tangible fixed assets, and in accordance with Section 406 of the Overseas Companies Regulations 2011. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 30 September 2013, except the results for the operating business in the preceding period represented the trade for the eleven months to 30 September 2012

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed

Acquisitions are accounted for under the acquisition method

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

2. ACCOUNTING POLICIES (Continued)

Intangible fixed assets – Negative goodwill

Negative goodwill, which represents the excess of the fair value of the identifiable assets and liabilities acquired over the costs 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 value 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 or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Depreciation is not provided in respect of freehold investment properties or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The Directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for Investment Properties'. Depreciation is one of the factors reflected in the annual revaluation, and amounts, which might otherwise have been charged, cannot be separately identified or quantified. Under the terms of the Group's leases, freehold and long leasehold investment properties are required to be maintained to a high standard by its tenants.

Operating properties

Individual freehold and leasehold properties other than investment properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

On 1 November 2011, the lease agreements of the investment properties leased by the Group to a third party tenant were assigned to HC-One Limited, a wholly owned subsidiary of the Company and since then have been operated by that company. Accordingly, these tangible fixed assets were reclassified as operating properties from investment properties at the then existing use value. Operating properties are valued annually at the balance sheet date on existing use basis by Jones Lang LaSalle.

Depreciation

In accordance with SSAP No 19, no depreciation is provided in respect of investment properties. Under the terms of the lease, freehold property is required to be maintained to a high standard by its tenant.

The fact that no depreciation is provided in respect of the investment properties is a departure from the statutory accounting rules, which requires all fixed assets to be depreciated over their effective useful lives. However, such property is not held for consumption, but for investment, and the Directors consider that systematic depreciation would be inappropriate and would not give a true and fair view. The accounting policy adopted and departure from the Companies Act 2006 is therefore necessary for the accounts to give a true and fair view. Depreciation is one of the factors reflected in the annual revaluation and amounts which might otherwise have been charged cannot be separately identified or quantified.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2013****2. ACCOUNTING POLICIES (Continued)****Depreciation (Continued)**

Operating properties are depreciated in equal annual instalments over the estimated useful lives of each category of asset. The estimated useful economic lives are as follows:

Freehold buildings	- 30 years
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The useful economic lives of the freehold building, which relate to the freehold buildings of the Group operated by HC-One operating business, has been estimated as 30 years from the date these properties have become owner occupied.

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

Short term leasehold, buildings and grounds life of the asset	- shorter of the term of the lease, or useful economic life of the asset
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Fixtures and fitting and equipment	- 3 to 5 years
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Motor vehicles	- 3 to 5 years
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Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Investments

Investments held by the Company as fixed assets are revalued to the amounts of the underlying net assets of the individual subsidiaries. Any surplus or deficit arising on revaluation is transferred to the revaluation reserve whilst any provision for impairment is charged to the profit and loss account.

Taxation

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

Deferred tax is provided in full on timing differences which have originated at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognised in respect of gains and losses on revalued assets unless the company has entered into a binding agreement to sell the assets and the gains or losses have been recognised in the profit and loss account. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover earned from the ordinary activities of the Group, which is stated net of value added tax, take place wholly within the United Kingdom. Rental income from third party operators includes a base pavement rent plus an additional turnover rent element calculated and recognised at the end of each individual lease anniversary year. Turnover of the operating business represents fee income receivable from care services provided. Turnover is recognised in the period in which the Group obtain the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year. The Group recognises turnover when the amount can be reliably measured and when there is a right to consideration. Turnover is recorded at the value of consideration due.

Cost of sales

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

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2013****2. ACCOUNTING POLICIES (Continued)****Exceptional costs**

The Group 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 reader's understanding of the financial information. Further information is given in note 5.

Finance costs

Costs which are incurred directly in connection with the raising of borrowings are amortised at a constant rate over the term of the loan facility in accordance with FRS 4 'Capital Instruments'.

Interest

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange for sterling ruling at the dates of the transactions. All monetary assets and liabilities in foreign currencies are expressed in sterling at the year-end rates. Gains and losses arising from the movements in exchange rates during the period are dealt with in the profit and loss account.

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 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.

Rental paid under operating leases 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 basis. No asset is recognised on the Group or the Company's balance sheet.

Pension

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

Financial instruments -

The Group uses derivative financial instruments to reduce exposure to interest rate movements in line with the Group's risk management policies. The Group does not enter into derivative financial instruments for speculative purposes. Amounts payable or receivable in respect of the interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Redeemable Preference Shares

Redeemable preference shares are classified according to the substance of the contractual arrangements entered into.

Bank loans

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

3. SEGMENT INFORMATION

Year ended 30 September 2013	Property business £000	Operating business £000	Group total £000
Turnover			
Total revenue	49,470	306,784	356,254
Inter-segment revenue	(39,689)	-	(39,689)
Unallocated revenue	-	-	(50)
	<u>9,781</u>	<u>306,784</u>	<u>316,515</u>
Costs of sales			
Total costs of sales	-	(298,941)	(298,941)
Inter-segment costs of sales	-	39,689	39,689
Unallocated costs of sales	-	-	(2,840)
	<u>-</u>	<u>(259,252)</u>	<u>(262,092)</u>
Costs of Sales to third parties			
	<u>-</u>	<u>(259,252)</u>	<u>(262,092)</u>
Segment gross profit	<u>9,781</u>	<u>47,532</u>	<u>54,423</u>
Administrative expenses			
Provision for permanent diminution in value of properties	(3,674)	-	(3,674)
Administrative expenses			
- on-going	(1,935)	(12,787)	(14,722)
- property depreciation	(5)	(11,142)	(11,147)
- exceptional	(1,003)	-	(1,003)
Unallocated administrative expenses	-	-	(58)
	<u>(6,617)</u>	<u>(23,929)</u>	<u>(30,604)</u>
Segment administrative expenses	<u>(6,617)</u>	<u>(23,929)</u>	<u>(30,604)</u>
Operating profit	<u>3,164</u>	<u>23,603</u>	<u>23,819</u>
Exceptional items reported after operating profit	(501)	(2,053)	(2,554)
	<u>224</u>	<u>-</u>	<u>224</u>
Profit on sale of tangible fixed assets	<u>224</u>	<u>-</u>	<u>224</u>
Total net interest payable and similar charges	(190,893)	(2,412)	(193,305)
Inter-segment interest	(2,140)	2,140	-
Unallocated interest	-	-	200
	<u>(193,033)</u>	<u>(272)</u>	<u>(193,105)</u>
Segment net interest payable and similar charges	<u>(193,033)</u>	<u>(272)</u>	<u>(193,105)</u>
Loss on ordinary activities before taxation			<u>(171,091)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

3. SEGMENT INFORMATION

(Continued)

Year ended 30 September 2013	Property business £000	operating business £000	Group total £000
Net liabilities			
Total net liabilities	(1,326,539)	(10,295)	(1,336,834)
Inter-segment net liabilities	(63,628)	63,628	-
Unallocated net liabilities	-	-	(22,787)
Segment net liabilities	(1,390,167)	53,333	(1,359,621)
Year ended 30 September 2012	Property business £000	Operating business £000	Group total £000
Turnover			
Total sales	51,738	277,190	328,928
Inter-segment sales	(36,646)	-	(36,646)
Unallocated sales	-	-	(46)
Sales to third parties	15,092	277,190	292,236
Costs of sales			
Total costs of sales	-	(267,641)	(267,641)
Inter-segment costs of sales	-	36,646	36,646
Unallocated costs of sales	-	-	(200)
Costs of Sales to third parties	-	(230,995)	(231,195)
Segment gross profit	15,092	46,195	61,041
Administrative expenses			
Provision for permanent diminution in value of properties	(4,851)	-	(4,851)
Administrative expenses			
- on-going	(1,628)	(11,729)	(13,357)
- property depreciation	-	(16,893)	(16,893)
- exceptional	(1,309)	-	(1,309)
Unallocated administrative expenses	-	-	(14)
Segment administrative expenses	(7,788)	(28,622)	(36,424)
Operating profit	7,304	17,359	24,617
Exceptional items reported after operating profit	(2,525)	(2,683)	(5,208)
Loss on sale of tangible fixed assets	(43)	-	(43)
Total net interest payable and similar charges	(179,272)	(1,026)	(180,298)
Unallocated administrative expenses	(1,176)	1,176	-
Segment net interest payable and similar charges	(180,448)	150	(180,298)
Loss on ordinary activities before taxation			(160,932)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

3. SEGMENT INFORMATION

(Continued)

Year ended 30 September 2012	Property business £000	Operating business £000	Group total £000
Net liabilities			
Total net liabilities	(1,200,535)	(889)	(1,201,424)
Inter-segment net liabilities	(31,510)	31,510	-
Unallocated net liabilities	-	-	(9,361)
Segment net liabilities	(1,232,045)	30,621	(1,210,785)

4. STAFF COSTS

The aggregate staff costs (excluding executive Director) were as follows

Group	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Wages and salaries	191,242	173,867
Social security costs	12,223	11 186
Other pension costs	357	321
	203,822	185,374
Average number of employees (excluding executive Director):	Year ended 30 September 2013	Year ended 30 September 2012
Group	No	No.
Administrative	302	1,046
Care staff	13,467	13,946
	13,769	14,992

J M J M Jensen is an executive director of the Company and the Group. He is Chief Restructuring Officer of the Group. J M J M Jensen's services to the Company and LIBRA No 3 Limited and their subsidiary undertakings are provided via a contract with The Aaronite Partnership LLP in which he is a partner. Total fees (including VAT) of £422,000 (2012 £382,000) were incurred for the year ended 30 September 2013. The total fees amount is included in the total administrative expenses.

P H Thompson is a non-executive director of the Company and of the Group. P H Thompson's services are also provided via a contract with The Aaronite Partnership LLP in which he is a partner. Total fees (including VAT) of £123,000 were incurred for the year ended September 2013 (2012 £89,000). The total fees amount is included in the total administrative expenses.

Company

There are no staff costs incurred by the Company during the current or the preceding year. All employees are employed by NHP Management Limited, HC-One Limited and TTCC Limited, the Company's group undertakings.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2013****5. EXCEPTIONAL COSTS**

The following exceptional costs have been incurred or provided for and are included in cost of sales

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Restructuring costs	<u>(563)</u>	<u>(4,163)</u>

Restructuring costs of £563,000 have been incurred by H C-One Limited relating to the restructuring costs in the year ended 30 September 2013 (2012 £4,163,000 have been incurred by HC-One Limited following the launch of the company's operation on 1 November 2011)

The following exceptional (costs) / income have been incurred or provided for and are included in total administrative expenses

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Restructuring costs	(957)	(100)
Abort costs on disposal of properties	(28)	-
Tenant re-gearing fees	(18)	-
Bad and doubtful debts – third party tenant	-	(1,209)
	<u>(1,003)</u>	<u>(1,309)</u>

Restructuring costs of £957,000 have been incurred in respect of a strategic options review undertaken by the Group with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders

6 OPERATING PROFIT

Group operating profit is arrived after charging

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Depreciation of tangible fixed assets		
- owned assets*	22,840	21,769
- leased assets	1,094	31
Amortisation of negative goodwill	(423)	(2,386)
Impairment of fixed assets	451	287
Management fees	3,230	3,008
Operating lease rentals - buildings	710	550
Bad and doubtful debts	<u>3</u>	<u>1,209</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

6. OPERATING PROFIT (Continued)

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
The analysis of auditor's remuneration is as follows		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	12
Fees payable to the Company's auditor for the audit of the Group's annual accounts	100	100
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to regulations	154	151
- Corporate finance services	53	32
- Tax services	88	79
	<u>407</u>	<u>374</u>

*included property depreciation of £11,142,000 for the year ended 30 September 2013 (2012 £16,893,000)

7 COSTS OF A FUNDAMENTAL RESTRUCTURING OF CONTINUING OPERATIONS

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Costs of a fundamental restructuring of continuing operations	-	(1,994)
Closure costs	(2,554)	(3,214)
	<u>(2,554)</u>	<u>(5,208)</u>

Costs of a fundamental restructuring of continuing operations

The costs of a fundamental restructuring of continuing operations arose in respect of the Group's participation in the Southern Cross Healthcare Group Plc, the Group's former principal tenant's restructuring which would help to stabilise the business of the homes transferred from Southern Cross following the demise of that company at end of 2011. The restructuring in Southern Cross without the participation of its principal landlords of which the Group was one, would have led to an uncontrolled outcome for the Group, which would have had a material effect on the nature and focus of the Group's operations going forward.

Closure costs

In prior year, HC-One 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, HC-One 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. See note 18 for further details.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

8. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Group		
<u>Interest receivable</u>		
Interest receivable on bank deposits	214	189
Other interest receivable	1	1
	<u>215</u>	<u>190</u>
<u>Interest payable</u>		
Interest payable on bank loans*	(183,161)	(171,143)
Finance lease interest	(222)	(2)
Interest payable – shareholders loans	(276)	(276)
Interest payable on accrued dividend of preference shares	(4,427)	(3,816)
Dividends – redeemable preference shares	(5,232)	(5,247)
Finance costs	(2)	(4)
	<u>(193,320)</u>	<u>(180,488)</u>
Net interest payable and similar charges	<u>(193,105)</u>	<u>(180,298)</u>

*On 15 January 2009 the Group failed to repay the £1,172 million term loan of the Senior Facility Agreement and on 15 February 2009 the Company also failed to repay the £70 million term loan. Default interest amounts of £33,080,000 were charged on the overdue amounts and have been included within the interest payable on bank loans for the year ended 30 September 2013 (2012 £27,765,000)

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Group		
Corporation tax	-	-
Deferred tax credit / (charge)	525	(13,977)
Total tax credit / (charge)	<u>525</u>	<u>(13,977)</u>
Effective tax rate	-	-
Reconciliation of current tax charge		
Loss on ordinary activities before taxation	(171,616)	(160,932)
Tax on loss at standard rate of 23.5% (2012 24.5%)	(40,330)	(40,233)
Factors affecting the change		
Non deductible expenses	3,147	3,692
Depreciation in excess of capital allowances	5,099	4,597
Non-taxable income	-	(97)
Loss on tangible fixed assets	79	10
Investment written off	863	1,213
Utilisation of brought forward losses	(763)	(21)
Increase in losses carried forward	31,905	30,839
Group tax for the current year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2013****9. TAX ON LOSS ON ORDINARY ACTIVITIES (Continued)**

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax due to an increase in losses carried forward

10. PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Loss on ordinary activities after taxation and for the financial year	(92,155)	(80,980)

The Company has taken the advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company alone is not presented

11. INTANGIBLE FIXED ASSETS**Negative Goodwill and acquisition****Group**

	£'000
Cost	
At 30 September 2012	(11,712)
Adjustment arising from finalisation of fair value	5,152
At 30 September 2013	6,560
Accumulated amortisation	
At 30 September 2012	2,386
Credit for the year	1,415
Adjustment arising from finalisation of fair value	(992)
At 30 September 2013	2,809
Net book value	
At 30 September 2013	(3,751)
At 30 September 2012	(9,326)

On 31 October 2011 HC-One Limited, the Company's subsidiary undertaking acquired the trade and certain assets of 247 care homes and support function from Southern Cross Healthcare PLC for £1,026,000. Following the finalisation of the fair value of assets and liabilities acquired, negative goodwill has been reduced by £5,152,000 resulting from an additional impairment in respect of fixed assets acquired from Southern Cross.

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 £992,000 have been recognised due to reduction in negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

11. INTANGIBLE FIXED ASSETS (Continued)

Negative Goodwill and acquisition (Continued)

The following table sets out the book value of the identifiable assets and liabilities acquired along with their final assessment of fair values

	Book value £000	Impairment £000	Other adjustments £000	Fair value to the Group £000
Tangible fixed assets	26,742	(17,599)	-	9,143
Other	-	-	(1,557)	(1,557)
Net assets	<u>26,742</u>	<u>(17,599)</u>	<u>(1,557)</u>	<u>7,586</u>
Satisfied by:				
Cash consideration and costs of acquisition				1,026
Negative goodwill				<u>(6,560)</u>

12. TANGIBLE FIXED ASSETS

Investment properties	Freehold investment properties £000	Long leasehold investment properties £000	Total £000
Group			
At valuation:			
At 30 September 2012	67,155	4,460	71,615
Disposals	(945)	-	(945)
Net deficit on revaluation (see note 20)	(8,460)	(30)	(8,490)
Provision for permanent diminution in value	(715)	-	(715)
At 30 September 2013	<u>57,035</u>	<u>4,430</u>	<u>61,465</u>

Investment properties are stated at market value as at 30 September 2013 as valued by professionally qualified external valuers. The Group's properties were valued by Jones Lang LaSalle, Chartered Surveyors and a member of the Royal Institution of Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. In their valuation report, Jones Lang LaSalle have stated that the opinions and values stated therein represent their objective view as at 30 September 2013.

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2013 and are of the opinion that there is a deficit of £715,000 (2012 £1,430,000) on closed homes which represents a permanent fall in value, which has consequently been charged in the profit and loss account.

The Market Value of the investment properties valued by Jones Lang LaSalle was £63,762,000 if the individual properties were valued as separate businesses at 30 September 2013 (2012 £74,320,000).

The historical cost of the Group's freehold and long leasehold investment properties at 30 September 2013 was £62,267,000 (2012 £65,934,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

12. TANGIBLE FIXED ASSETS (Continued)

Operating properties	Freehold land and buildings £000	Long leasehold land and buildings £000	Total £000
Group			
At valuation			
At 30 September 2012	435,619	8,689	444,308
Additions at cost	15,021	-	15,021
Disposals	(3,978)	-	(3,978)
Net surplus on revaluation (see note 20)	14,802	1,931	16,733
Provision for permanent diminution in value	(2,959)	-	(2,959)
At 30 September 2013	<u>458,505</u>	<u>10,620</u>	<u>469,125</u>
Accumulated depreciation			
At 30 September 2012	-	-	-
Depreciation charge	(13,820)	(226)	(14,046)
Disposals	34	-	34
Net surplus on revaluation (see note 20)	13,786	226	14,012
At 30 September 2013	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 30 September 2013	<u>458,505</u>	<u>10,620</u>	<u>469,125</u>
At 30 September 2012	<u>435,619</u>	<u>8,689</u>	<u>444,308</u>

At 30 September 2013 the operating properties have been valued by Jones Lang LaSalle as individual operational entities having regard to their trading potential, excluding head office costs

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length. The current economic climate means that there have been few transactions involving the types of property owned by the Group. The Company's valuers, Jones Lang LaSalle commented in their valuation certificate as at 30 September 2013 that events in relation to the demise of Southern Cross at the end of 2011 and subsequent transfer of their homes to landlords and multiple operators including HC-One (in the case of the majority of this portfolio), the sale of Four Seasons Healthcare Group in 2012, a continuing lack of liquidity in the financial sector, together with austerity measures which were detrimentally affecting market sentiment were, in the opinion of Jones Lang LaSalle, likely to affect values going forward. As the market adjusts following these events, circumstances continue to change, and as such Jones Lang LaSalle were not able to accurately assess the medium/long term effect there will be on the market with the very limited investment transactional evidence available to them and therefore they applied their professional judgement.

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2013 and have considered that there is a net deficit of £2,959,000 (2012 £3,420,000) on closed homes which represents a permanent fall in value on the operating properties, which has consequently charged in the profit and loss account.

The historical cost of the Group's freehold and long leasehold operating properties at 30 September 2013 was £493,707,000 (2012 £498,300,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

12 TANGIBLE FIXED ASSETS (Continued)

Other fixed assets

Group	Short term leasehold improvements, buildings and grounds £000	Fixtures, fittings & equipment £000	Motor Vehicles £000	Total £000
Cost				
At 30 September 2012	3,981	26,260	1,217	31,458
Additions	-	28,261	5,127	33,388
Disposals	-	(175)	(13)	(188)
Fair value adjustments	(3,981)	-	-	(3,981)
At 30 September 2013	-	54,346	6,331	60,677
Accumulated depreciation				
At 30 September 2012	(434)	(4,741)	(37)	(5,212)
Charge for the year	659	(9,447)	(1,100)	(9,888)
Disposals	149	57	9	215
Impairment	(374)	(77)	-	(451)
At 30 September 2013	-	(14,208)	(1,128)	(15,336)
Net book value				
At 30 September 2013	-	40,138	5,203	45,341
At 30 September 2012	3,547	21,519	1,180	26,246
Leased assets included above				
Net book value:				
At 30 September 2013	-	-	5,181	5,181
At 30 September 2012	-	-	1,167	1,167

On the acquisition of fixed assets from Southern Cross Healthcare Plc, the Group carried out an impairment review which resulted in the fixed assets being written down on acquisition by £17,599,000 (see note 11). This included a total amount of £3,981,000 in respect of non-moveable tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

13. INVESTMENTS

Company

Shares in LIBRA
No 3 Limited
£'000

At Cost or valuation

At 30 September 2012 and 30 September 2013

77,339

Provision

At 30 September 2012 and 30 September 2013

(77,339)

Net book value

At 30 September 2013

-

At 30 September 2012

-

At 30 September 2013, the Company held investments either directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
LIBRA No 3 Limited*	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
NHP Holdco 1 Limited (formerly 'Libra CareCo Superholdco Limited')	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
NHP Holdco 2 Limited (formerly 'Libra CareCo TopCo Limited')	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
NHP Holdco 3 Limited (formerly 'Libra CareCo Equity Co Limited')	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Holdco Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Limited	United Kingdom	100%	Investment in care home properties
Libra CareCo CH3 PropCo Holdco Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH3 PropCo Limited	United Kingdom	100%	Investment in care home properties
Libra CareCo Holdings Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra GuaranteeCo Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No 1 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 2 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 3 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 4 Limited	United Kingdom	100%	Partner in LLNHP Partnership
NHP Securities No 5 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 8 Limited	Jersey	100%	Investment in care home properties

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

13. INVESTMENTS (continued)

Name	Country of incorporation	% Holdings	Principal activity
NHP Securities No 9 Limited	Jersey	100%	Investment in overriding leases of care home properties
NHP Securities No 10 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 11 Limited	Jersey	100%	Parent company of NHP Securities No 9 Limited
NHP Securities No 12 Limited	Jersey	100%	Investment in care home properties
NHP Management Limited	United Kingdom	100%	Management of care home property portfolios
NHP Operations (York) Limited	United Kingdom	100%	Care home property development
Care Homes No 1 Limited	Cayman Islands	100%	Investment in care home properties
Care Homes No 2 (Cayman) Limited	Cayman Islands	100%	Investment in care home properties
Care Homes No 3 Limited	Cayman Islands	100%	Investment in care home properties
LLNH Limited	United Kingdom	100%	Partner in LLHNP Partnership
Ultima Holdings Limited**	United Kingdom	100%	Care home operator
Ultima Healthcare Limited**	United Kingdom	100%	Care home operator
Eton Hall Homes Limited**	United Kingdom	100%	Care home operator
Ultima Care Limited**	United Kingdom	100%	Care home operator
Platinum Healthcare Limited**	United Kingdom	100%	Care home operator
Libra Intermediate Holdco Limited	Jersey	100%	Investment company in care home operating Company
HC-One Limited	United Kingdom	100%	Care home operator
TTCC Limited***	United Kingdom	100%	Care home operator

*100% Class A ordinary shares are held directly by LIBRA No 2 Limited. All others are held indirectly by the subsidiaries of LIBRA No 3 Limited.

100% Class B1 and Class B2 ordinary shares of LIBRA No 3 Limited are held by management staff.

LIBRA No 2 Limited further held 100% issued 12% cumulative redeemable preference share capital of LIBRA No 3 Limited.

**During the year, the Ultima sub-group of companies comprising Ultima Holdings Limited, Ultima Healthcare Limited, Eton Hall Homes Limited, Ultima Care Limited and Platinum Healthcare Limited went into a Members Voluntary Liquidation. The Joint Liquidators were appointed on 16 January 2013. The companies should be dissolved, three months from 9 January 2014.

***TTCC Limited was a 100% new subsidiary which took on the assignment of operating business of two homes specialised in learning disabilities from HC-One Limited on 1 July 2013.

14. DEBTORS

Group	2013 £000	2012 £000
Amount falling due within one year		
Trade debtors	17,342	17,811
Other debtors	1,925	2,108
Prepayments and accrued income	1,996	1,596
	<u>21,263</u>	<u>21,515</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

14. DEBTORS (Continued)

Company	2013 £000	2012 £000
Amounts due by Delta G-Co Limited and Starsign Limited (see note 27)	123	123
Prepayment	1	2
	<u>124</u>	<u>125</u>

15. SHORT-TERM DEPOSITS AND CASH AT BANK AND IN HAND

Group	2013 £000	2012 £000
Short-term deposits		
Short-term deposits	11,185	41,976
	<u>11,185</u>	<u>41,976</u>
Cash at bank and in hand		
Cash at bank and in hand	25,960	12,575
	<u>25,960</u>	<u>12,575</u>

In order to protect the Group's investment and ensure funds continued to be available to underwrite a substantial investment programme in its care homes to maintain and improve the quality of care in them, the Directors of the Company and of the Group have retained some of the rental income monies received from the Group's tenants through a series of non-full interest payments (which had been acknowledged in the standstill agreements) to the Libra Group lenders. See further details in note 1.

The Libra lenders have confirmed by a support letter that it is their intention to provide the Group with sufficient funds it requires (see further details in note 1). The Libra lenders have further confirmed that they will not make demand under the guarantee provided by HC-One Limited or enforce any of the security interest granted by HC-One Limited and TTCC Limited with respect to the Senior Loan at any time prior to 28 February 2015. Furthermore, under the terms and conditions of the inter-company loan agreements between the property business and HC-One, the property business is not entitled to repayments of total loans of £55 million to HC-One before the maturity date of 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2013 £000	2012 £000
Bank loan	1,172,000	1,172,000
Bank loan	70,000	70,000
Cumulative interest capitalised	222,661	222,661
	292,661	292,661
12% Cumulative redeemable 43,600,557 preference shares at £0.01 each	436	436
Premium arising from the issue of 43,600,557 preference shares	43,164	43,164
	43,600	43,600
Trade creditors	11,623	6,212
Interest payable on bank loan *	358,095	199,997
Interest payable on accrued dividend of preference shares	18,018	13,591
Dividend payable on preference shares	39,681	34,449
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Other amounts due to Delta G-Co Limited and Starsign Limited	1,149	1,149
Loan interest payable to Delta G-Co Limited and Starsign Limited	1,874	1,599
Finance lease	1,087	207
Other creditors	858	5,670
Taxation and social security	2,759	2,892
Accruals and deferred income	23,170	24,494
	1,971,165	1,803,111

* On 15 January 2009 the Group failed to repay the £1,172 million term loan of the Senior Facility Agreement and on 15 February 2009 the Company also failed to repay the £70 million term loan. As at 30 September 2013, default interest amounts of £136,427,000 (2012: £103,347,000) were charged on the overdue amounts and have been included within the interest payable on bank loans.

Bank Loans

On 15 January 2007 a £1,172 million loan was fully drawn on a Senior Facility Agreement dated 15 January 2007 entered into by LIBRA No 3 Limited, a group undertaking with CS Funding 1 Limited, a group undertaking of Credit Suisse, London Branch. The original maturity date of the loan was on 15 January 2009 with an option to extend the loan to 15 January 2010, the final maturity date, provided no default was outstanding at the original final maturity date. The loan bears interest at LIBOR plus margin plus mandatory cost. The facility was secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings.

On 4 April 2007 CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were assigned to Libra NHP (2007) Limited, who in turn assigned £638 million to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

At 30 September 2013 the £1,172 million term loan remains outstanding.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2013****16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)****Bank Loans (Continued)**

LIBRA No 3 Limited has entered into a 10 year interest rate swap agreement with Credit Suisse for a notional amount of £1,172 million, split into a three year forward from 15 January 2007 to 15 January 2010, and a seven year forward from 15 January 2010 to 15 January 2017. It fixes the interest rate at 4.813% per annum plus 1.5% margin plus mandatory costs. The three year interest rate swap agreement matured on 15 January 2010. Mark to market valuation on the seven year interest rate swap agreement at 30 September 2013 was of £151.16million out-of-money (2012 £210.14million). This valuation does not reflect any adjustments in respect of the credit risk of the Company and the Group as, due to the circumstances set out in note 1, it is neither practicable nor meaningful to quantify the effect of any such adjustments.

On 15 January 2007 a further £70 million loan was fully drawn on a term loan facility agreement dated 15 January 2007 entered into by the Company and Credit Suisse. The original maturity date of the loan was on 15 February 2009 with an option to extend the loan to 15 February 2010, the final maturity date, provided no default was outstanding at the original final maturity date. The loan bears interest at fixed rate of 26% per annum plus the applicable mandatory cost. Interest payable on each interest payment date 15 January, 15 April, 15 July and 15 October is capitalised and added to the principal loan amount. At 30 September 2012 the £70 million term loan remains outstanding and the capitalised interest amount was £222,661,000 (2012 £222,661,000).

The impact of the financial crisis in 2008 was a decline in the Group property valuation, which led to a breach of the loan to value ('LTV') financial covenant in respect to the £1,172 million term loan (resulting in an automatic cross-default with respect to the £70 million term loan). As a result, LIBRA No 3 Limited was required to make repayment of the £1,172 million term loan on the original maturity date on 15 January 2009 and the Company was required to make repayment to the term loan of £70 million on 15 February 2009. The Company and the Group were not in a position to make repayments and therefore its lenders have imposed an additional 2% default interest with respect to the overdue amounts. The default interest amounts have led to a breach of the interest cover ratio ('ICR') financial covenant to the £1,172 million term loan (resulting in an automatic cross-default with respect to the £70 million term loan).

Since November 2008, the Group has entered into a series of standstill agreements which suspend the rights of creditors to enforce their rights under the loan documents and related security, whilst discussions with respect to restructuring the term loan of the Company and of the Group with its lenders are on-going. On 14 January 2014 by way of a Standstill Agreement, the term loan has been extended with a maturity date on 14 April 2014.

As at 30 September 2013 the Group continues to be in breach of its LTV and ICR financial covenants.

12% cumulative redeemable preference shares

Preference shares are 12% cumulative redeemable preference shares with a nominal value of £0.01 each but issued at a premium of £0.99 per share on 2 March 2006. The preference shareholders shall not be entitled to vote at a general meeting of the Company unless the business of the meeting includes the consideration of a resolution for winding up the Company or for a reduction in the capital of the Company, or the purchase of any shares other than preference shares or any resolution directly or indirectly modifying or varying any of the special rights, privileges or restrictions attached to the preference shares, in which case the preference shareholders shall be entitled to vote in respect of such resolution. The preference dividend is accrued on daily basis at a rate of £0.12 per annum on each preference share and it is payable on redemption of the preference shares by its shareholders or the date falling 20 years from the date on which the preference shares are issued on 2 March 2006, whichever is the earlier. The preference dividend interest is accrued based on the accrued daily but unpaid preference dividend at a rate of 12% per annum. Preference dividend interest is payable on the preference dividend payment date above.

Loan notes due to Delta G-Co Limited and Starsign Limited

On 13 December 2006 loan notes of £249,000 and £4,341,000 were issued by Delta G-Co Limited and Starsign Limited, the joint shareholders of the Company to finance part of the group restructuring costs in December 2006. The loans have no fixed repayment dates and carry interest at fixed rate of 6% per annum. The loan note interest is payable at the repayment date of the loan notes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Company	2013 £000	2012 £000
Bank loan	70,000	70,000
Cumulative interest capitalised	222,661	222,661
	<u>292,661</u>	<u>292,661</u>
12% Cumulative redeemable 43,600,557 preference shares at £0.01 each	436	436
Premium arising from the issue of 43,600,557 preference shares	43,164	43,164
Interest payable on bank loan	99,520	17,575
Interest payable on accrued dividend of preference shares	18,018	13,591
Dividend payable on preference shares	39,681	34,449
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Loan from subsidiary undertaking	4,100	4,100
Amounts due to group undertakings	1,019	744
Loan interest payable to Delta G-Co Limited and Starsign Limited	1,874	1,599
Accruals	18	18
	<u>505,081</u>	<u>412,927</u>

Loan from subsidiary undertaking

Loan notes of £4,100,000 were issued by LIBRA No 3 Limited on 20 January 2011. The loan notes have no repayment dates and bear interest at LIBOR plus 1.75% per annum.

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

Group	2013 £000	2012 £000
Finance leases	<u>4,338</u>	<u>982</u>
	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>
Finance leases		
Future minimum payments under finance leases are as follows		
Between one and two years	1,087	207
Between two and five years	3,251	775
After five years	-	-
	<u>4,338</u>	<u>982</u>
Within one year	<u>1,087</u>	<u>207</u>
	<u>5,425</u>	<u>1,189</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

18 PROVISIONS FOR LIABILITIES

Group	Deferred taxation £000	Closure costs £000	Total £000
At 30 September 2012	(13,977)	(1,624)	(15,601)
Credit / (Charged) to profit and loss account	525	(2,053)	(1,528)
Less Utilisation of provision	-	2,423	2,423
At 30 September 2013	<u>(13,452)</u>	<u>(1,254)</u>	<u>(14,706)</u>

In prior year, HC-One 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, HC-One 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.

DEFERRED TAXATION

Group	Provided		Unprovided	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred tax asset / (liability)				
Accelerated capital allowances	(13,452)	(13,977)	1,686	471
Losses carried forward	-	-	125,367	113,544
Revaluation of properties	-	-	4,304	8,392
	<u>(13,452)</u>	<u>(13,977)</u>	<u>131,357</u>	<u>122,407</u>

A deferred tax liability of £13,452,000 has been recognised on timing differences relating to accelerated capital allowances. If future tax losses were to arise at the current rate, it is unlikely that the liability would crystallise.

No deferred tax asset has been recognised in respect of the losses carried forward at the balance sheet date as it is uncertain whether the Group will have sufficient taxable profits in the future to utilise the losses of £125,367,000.

Company	Provided		Unprovided	
	2013 £000	2012 £000	2013 £000	2012 £000
Losses carried forward	-	-	(31,030)	(46,604)
	<u>-</u>	<u>-</u>	<u>(31,030)</u>	<u>(46,604)</u>

No deferred tax asset has been recognised in respect of the losses carried forward as it is considered that it is uncertain whether there will be sufficient taxable profits in the future to utilise the losses.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

19. CALLED-UP SHARE CAPITAL

Company	£000
Called, allotted and fully paid:	
200,000 ordinary shares at £1 each	200
At 30 September 2012 and 2013	200

The redeemable preference shares are presented as a liability (see note 16) and accordingly are excluded from called up share capital in the balance sheet

20. RESERVES

	Revaluation reserve £000	Profit and loss account £000
Group		
At 30 September 2012	(480,193)	(730,792)
Net surplus on revaluation of tangible fixed assets (note 12)	22,255	-
Realisation of property revaluation losses of previous years	13,034	(13,034)
Loss for the year	-	(171,091)
At 30 September 2013	(444,904)	(914,917)
		Profit and loss account £000
Company		
At 30 September 2012		(413,002)
Loss for the year		(92,155)
At 30 September 2013		(505,157)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	£000
Company	
At 30 September 2012	(412,802)
Loss for the year	(92,155)
At 30 September 2013	(504,957)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2013 £000	2012 £000
Operating profit	23,819	24,617
Depreciation of other fixed assets	23,934	21,800
Amortisation of negative goodwill	(423)	(2,386)
Impairment of tangible fixed assets	451	287
Provision for permanent diminution in value of properties	3,674	4,851
Costs of a fundamental restructuring of continuing operations	(2,554)	(2,525)
Profit on disposal of tangible fixed assets	(224)	-
Increase in debtors	(26)	(21,008)
Increase in creditors	1,004	33,913
Decrease in provisions	(370)	(1,059)
Net cash inflow from operating activities	<u>49,285</u>	<u>58,490</u>

23. ANALYSIS OF CHANGES IN NET DEBT

Group	At 30 September 2012 £000	Cash flow £000	Non-cash changes £000	At 30 September 2013 £000
Cash at bank and in hand	<u>12,575</u>	<u>13,385</u>	<u>-</u>	<u>25,960</u>
Net cash at bank and in hand	12,575	13,385	-	25,960
Short term deposit investments	41,976	(30,791)	-	11,185
Bank loans due within one year	(1,464,661)	-	-	(1,464,661)
Loan from Delta G-Co Limited and Starsign Limited	(4,590)	-	-	(4,590)
Preference shares	<u>(43,600)</u>	<u>-</u>	<u>-</u>	<u>(43,600)</u>
	<u>(1,458,300)</u>	<u>(17,406)</u>	<u>-</u>	<u>(1,475,706)</u>

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £000	2012 £000
Increase in cash during the year	13,385	12,087
Net cash (outflow) / inflow from management of liquid resources	<u>(30,791)</u>	<u>14,219</u>
Changes in net debt resulting from cash flows	(17,406)	26,306
Non-cash changes in net debt	-	(65,321)
Net debt at the beginning of year	<u>(1,458,300)</u>	<u>(1,419,285)</u>
Net debt at the end of the year	<u>(1,475,706)</u>	<u>(1,458,300)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

25. FINANCIAL COMMITMENTS

At 30 September 2013 the Group had capital commitments as follows

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

The Group had the following annual commitments under non-cancellable operating leases

	2013 £000	2012 £000
Office lease – expiring within one year	45	54
Motor vehicle leases	138	137
	<u>183</u>	<u>191</u>

26. CONTINGENT LIABILITIES AND GUARANTEES

LIBRA No 3 Limited and all its subsidiary undertakings are guarantors to a £1,172 million term loan facility agreement entered into by LIBRA No 3 Limited with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007 as disclosed in note 16. The facility is secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. On 4 April 2007 CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were assigned to Libra NHP (2007) Limited, who in turn assigned £638 million to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

27. RELATED PARTY TRANSACTIONS

(a) J M J M Jensen is an executive director of the Company and the Group. He is a Chief Restructuring Officer of the Group. J M J M Jensen's services to the Company and LIBRA No 3 Limited and their subsidiary undertakings are provided via a contract with The Aaronite Partnership LLP in which he is a partner. Total fees (including VAT) of £422,000 (2012 £382,000) were incurred for the year ended 30 September 2013. The total fees amount is included in the total administrative expenses. As at 30 September 2013 the amount £23,000 remained outstanding but the full amount was settled on 18 October 2013.

(b) P H Thompson is a non-executive director of the Company and of the Group. P H Thompson's services are also provided via a contract with The Aaronite Partnership LLP in which he is a partner. Total fees (including VAT) of £123,000 were incurred for the year ended September 2013 (2012 £89,000). The total fees amount is included in the total administrative expenses. As at 30 September 2013 the amount £25,000 remained outstanding but the full amount was settled on 18 October 2013.

(c) At 30 September 2013 the Company and the Group have total loans due to Delta G-Co Limited and Starsign Limited, the Company's shareholders. Interest payable on the loans was £276,000 for the year ended 30 September 2013 (2012 £276,000). Further details on the loans can be found in note 16 to the financial statements.

(d) At 30 September 2013 the Company and the Group were owed total amount of £123,000 by Delta G-Co Limited and Starsign Limited as disclosed in note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

28 POST BALANCE SHEET EVENTS

On 14 January 2014 a standstill agreement was put in place until 14 April 2014 which suspends the ability of Capita Asset Services (UK) Limited, the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Group time to negotiate a solution to the problem of the breached covenants without threat of foreclosure.

29 ULTIMATE PARENT UNDERTAKINGS

LIBRA No 2 Limited is jointly owned by Delta G-Co Limited and Starsign Limited in equal shares. The two corporate shareholders were incorporated and registered in the Isle of Man. The ultimate parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man. LIBRA No 2 Limited is both the smallest and largest group the consolidated financial statements are drawn up.

Copies of LIBRA No 2 Limited consolidated financial statements to 30 September 2013 are available from the Companies House at Crown Way, Cardiff, Wales CF14 3US.

LIBRA No 2 Limited is both the smallest and largest group including the Company for which consolidated accounts are prepared.