

NHP SECURITIES NO.2 LIMITED

Annual Report and Financial Statements

For the year ended 30 September 2016



NHP SECURITIES NO.2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
SEPTEMBER 2016**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr C Patel
Mr D Smith

REGISTERED OFFICE

Southgate House
Archer Street
Darlington
County Durham DL3 6AH

BANKERS

Barclays Bank PLC
South East Corporate Banking Centre
P.O. Box 112
Horsham
West Sussex RH12 1YQ

SOLICITORS

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London E14 5DS

Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle Upon Tyne
United Kingdom

DIRECTORS' REPORT

The Directors present their annual report on the affairs of NHP Securities No.2 Limited ("the Company"), together with the financial statements and auditor's report for the year ended 30 September 2016. The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The Company has also taken the small companies exemption from the requirement to prepare a Strategic Report.

PRINCIPAL ACTIVITY

The principal activity of the Company is the holding of freehold and long leasehold interests in predominantly modern, purpose-built care homes, the overriding leasehold interests of which have been sold to Care Homes No.1 Limited, a group undertaking. The Directors intend to continue this activity in the forthcoming year.

BUSINESS REVIEW

During the year, the Company sold two properties operated by HC-One Limited, the Company's group undertaking, for net consideration totalling £1.5m.

At 30 September 2016 the carrying value of the Company's 7 operating properties and a land site was £21.6m (2015: 9 operating properties and a land site at £21.2m - restated).

RESULTS

The results for the year to 30 September 2016 are set out in the profit and loss account on page 7.

DIVIDENDS

No dividends in respect of the year are proposed (2015: £nil).

DIRECTORS

The following Directors served throughout the year:

Dr C Patel
Mr D Smith

The Company 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.

PROPERTY VALUATIONS

As part of the transition to FRS 102, the freehold properties owned by the Company which are leased to HC-One Limited, a group undertaking, were reclassified from operating properties to investment properties. As a result, the Company and its group undertakings' investment properties were fair valued by the Directors at 30 September 2015 and 30 September 2016. See note 7 to the financial statements for further details.

GOING CONCERN

The going concern position of the Company is dependent on the overall going concern of the Group headed by FC Skyfall Upper Midco Limited.

The Directors have reviewed the going concern of the Company and the Group carefully in the preparation of the financial statements.

Management have prepared detailed forecasts for the Group for the period to 30 September 2018. Net debt levels, servicing costs and covenant requirements are closely monitored and managed in accordance with the Group's objectives, policies and processes.

The Group maintains sufficient cash resources to meet its day-to-day working capital requirements.

The Directors believe that the Group and the Company are well placed to manage its risk appropriately.

DIRECTORS' REPORT (Continued)

GOING CONCERN (Continued)

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

SUBSEQUENT EVENTS

No other significant events are noted after the year ended 30 September 2016. See note 15 to the financial statements.

AUDITOR

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as a director in order to make themselves 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 indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objection has been received.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Approved by the Board and signed on its behalf by:



Mr D Smith
Director
Date: 24 January 2017
Southgate House
Archer Street
Darlington
County Durham DL3 6AH

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHP SECURITIES NO.2 LIMITED

We have audited the financial statements of NHP Securities No.2 Limited for the year ended 30 September 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NHP SECURITIES NO.2 LIMITED (Continued)**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



David Johnson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle Upon Tyne, United Kingdom
Date: 25 January 2017

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2016

	Notes	2016 £	2015 Restated £
TURNOVER	3	563,697	2,558,257
Administrative (expenses)/ income		(43,070)	39,776,997
OPERATING PROFIT		520,627	42,335,254
Loss on disposal of properties		-	(1,663,849)
Gain on revaluation of investment properties	7	1,870,493	5,193,961
Net interest receivable and similar income	4	2,050,446	691,503
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,441,566	46,556,869
Tax on profit on ordinary activities	6	200,575	(12,487)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		4,642,141	46,544,382

Results are derived wholly from continuing operations.

There is no comprehensive income for the current or preceding year other than as stated in the profit and loss account. Accordingly, no statement of comprehensive income is presented.

BALANCE SHEET
As at 30 September 2016

	Notes	2016 £	2015 Restated £
FIXED ASSETS			
Tangible fixed assets	7	21,558,913	21,213,961
Investment	8	52,000,645	35,810,055
		<u>73,559,558</u>	<u>57,024,016</u>
 CURRENT ASSETS			
Debtors	9	10,555,979	22,249,504
 CREDITORS: amounts falling due within one year	10	(5,366,821)	(4,966,370)
 NET CURRENT ASSETS		<u>5,189,158</u>	<u>17,283,134</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		78,748,716	74,307,150
 CREDITORS: amounts falling due after more than one year	11	(4,201,615)	(4,201,615)
 PROVISIONS FOR LIABILITIES	12	(953,931)	(1,154,506)
 NET ASSETS		<u>73,593,170</u>	<u>68,951,029</u>
 CAPITAL AND RESERVES			
Called-up share capital	13	2	2
Capital contribution	13	30,809,580	30,809,580
Profit and loss account	13	42,783,588	38,141,447
 SHAREHOLDERS' FUNDS		<u>73,593,170</u>	<u>68,951,029</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These financial statements of NHP Securities No. 2 Limited (registered number 03287983) were approved by the Board of Directors and authorised for issue on 24 January 2017. They were signed on its behalf by:



Mr D Smith
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2016

	Note	Called-up share capital £	Capital Contribution £	Profit and loss account £	Total £
At 30 September 2014		2	30,809,580	(7,260,916)	23,548,666
Changes on transition to FRS102	18	-	-	(1,142,019)	(1,142,019)
At 1 October 2014		2	30,809,580	(8,402,935)	22,406,647
Profit for the financial year (restated)		-	-	46,544,382	46,544,382
At 30 September 2015		2	30,809,580	38,141,447	68,951,029
Profit for the financial year		-	-	4,642,141	4,642,141
At 30 September 2016		2	30,809,580	42,783,588	73,593,170

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, except as noted below.

General information and basis of accounting

NHP Securities No.2 Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Director's report on page 2.

The average monthly number of employees (excluding executive directors) was nil (2015: nil).

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) as issued by Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information, see note 18.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent undertaking, FC Skyfall Upper Midco Limited, which can be obtained from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ. Exemptions have been taken in these separate Company financial statements in relation to a cash flow statement, and the disclosure of intercompany transactions with other group undertakings within the FC Skyfall Upper Midco Limited group.

Going concern

The going concern position of the Company is dependent on the overall going concern of the Group headed by FC Skyfall Upper Midco Limited.

The Directors have reviewed the going concern of the Company and the Group carefully in the preparation of the financial statements.

Management have prepared detailed forecasts for the Group for the period to 30 September 2018. Net debt levels, servicing costs and covenant requirements are closely monitored and managed in accordance with the Group's objectives, policies and processes.

The Group maintains sufficient cash resources to meet its day-to-day working capital requirements.

The Directors believe that the Group and the Company are well placed to manage its risk appropriately.

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

Turnover

Turnover represents amounts receivable on overriding lease rents during the year, excluding Value Added Tax. The Company recognises the amount of turnover in accordance with the Overriding Lease Agreement. The Company 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

1. ACCOUNTING POLICIES (Continued)

Tangible fixed assets

Investment properties

Investment properties for which fair value can be measured reliably without undue costs or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

No depreciation is provided on investment properties.

Taxation

Current 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 that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense and income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise that assets and settle the liability simultaneously.

Interest

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

Investment

Fixed asset investments are stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30 September 2016

1. ACCOUNTING POLICIES (Continued)

Financial instrument

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

2. CRITICAL ACCOUNTING JUDGEMENTS (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements are considered to be those which are also key sources of estimation which have been discussed below.

Key sources of estimation uncertainty

Revaluation of properties

Determining the fair value of freehold properties at fair value requires estimation based upon the market and cash flows of assets. Management have sought advice with a valuation specialist to address the risk of estimation uncertainty of revaluing properties.

3. TURNOVER

Turnover comprises the following amounts earned from the Company's ordinary activities which take place wholly within the United Kingdom:

	2016 £	2015 £
Overriding lease rents received from group undertaking	563,697	2,558,257

4. NET INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £	2015 £
Loan notes interest receivable from group undertaking	2,407,858	1,048,639
Interest payable to NHP Limited in respect of loan notes	(357,382)	(357,136)
Bank charges	(30)	-
	<u>2,050,446</u>	<u>691,503</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging and crediting:

	2016 £	Restated 2015 £
Group management fees	(24,599)	(181,696)
Write back of provision for doubtful debts – group undertakings*	-	39,974,693
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(10,600)	(12,000)
Tax adviser fees payable to the Company's auditors	(4,000)	(4,000)

*During the year ended 30 September 2016, write back of provision for doubtful debts include £nil (2015: £33,251,798) for the investment in subordinated loan notes and £nil (2015: £6,722,895) for other amounts owed by group undertakings.

The Company had no employees during the current or preceding year.

The Directors' emoluments have been borne by HC-One Limited, a Group Undertaking during the current and preceding year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

6. TAX ON PROFIT ORDINARY ACTIVITIES

	2016 £	2015 £
Deferred taxation:		
Origination and reversal of timing differences	20,346	12,799
Adjustment in respect of previous periods	(52,580)	-
Effect of changes in tax rates	(168,341)	(312)
	<u>(200,575)</u>	<u>12,487</u>
Total deferred taxation		
	(200,575)	12,487
Total tax (credit)/ charge per profit and loss account	<u>(200,575)</u>	<u>12,487</u>
Reconciliation of current year tax (credit)/ charge:		
Profit before tax	4,441,566	46,556,869
Tax on profit at standard rate of 20.0% (2015: 20.5%)	888,313	9,544,158
Factors affecting tax charge:		
Income not taxable	-	(8,194,264)
Non-deductible expenses	1	255,782
Tax rate changes	(168,341)	(312)
Effects of group relief/ other reliefs	(492,303)	(625,631)
Adjustment from previous periods	(52,580)	-
Benefit of s.198 elections	-	(503,726)
Non-taxable revaluation of investment properties	(375,665)	(463,520)
	<u>(200,575)</u>	<u>12,487</u>
Total tax (credit)/ charge for the year		
	(200,575)	12,487

The standard rate of tax applied to reported profit on ordinary activities is 20.0% (2015: 20.5%).

Finance Act No.2 2015 included provisions to reduce the corporate tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, Finance Bill 2016 was substantively enacted on 6 September 2016 which introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 30 September 2016.

There is no expiry date on timing differences, unused tax losses or tax credits.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

7. TANGIBLE FIXED ASSETS

At cost or valuation	Freehold investment properties £	Long leasehold investment properties £	Total £
At 1 October 2014	27,620,000	4,540,000	32,160,000
Disposals	(11,600,000)	(4,540,000)	(16,140,000)
Surplus on revaluation	5,193,961	-	5,193,961
At 30 September 2015 (restated)	21,213,961	-	21,213,961
Disposals	(1,525,541)	-	(1,525,541)
Surplus on revaluation	1,870,493	-	1,870,493
At 30 September 2016	21,558,913	-	21,558,913

Investment properties, which are all freehold, were revalued to fair value at 30 September 2015 and 30 September 2016 by the Directors.

The Directors have performed a full revaluation of the properties, taking into consideration market conditions and performance of the properties. Also, the Directors have sought advice from a valuation specialist to address the risk of estimation uncertainty of revaluation of properties.

The Directors have carried out impairment review on properties where they have been sold at a lower value to the carrying value.

As set out in note 3, overriding lease rental income during the year ended 30 September 2016 was £563,697 (2015: £2,558,257). No contingent rents have been recognised as income in the current or preceding year.

8. INVESTMENT

	Subordinated loan notes investment in group undertaking £
Cost	
At 1 October 2015	35,810,055
Additions	16,190,590
At 30 September 2016	52,000,645

At 30 September 2016, a loan note of £36,373,749 (2015: £35,810,055) was invested in Care Homes No. 1 Limited, a group undertaking. The loan note has no fixed repayment date and bear interest of LIBOR plus 2% per annum.

At 30 September 2016 loan notes of £15,626,896 (2015: £nil) were owed from FC Skyfall Bidco Limited, an intermediate parent undertaking. The loan repayment date is on 11 November 2019 and the loan notes bear a fixed interest rate of 9% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

9. DEBTORS

	2016 £	2015 £
Amount due within one year:		
Amounts due from group undertakings	10,555,979	22,249,504
	<u>10,555,979</u>	<u>22,249,504</u>

Amounts due from group undertakings are unsecured and interest free.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 (Restated) £
Other creditors	4,000	4,000
Amounts owed to group undertakings	5,362,821	4,962,370
	<u>5,366,821</u>	<u>4,966,370</u>

Amounts owed to group undertakings are due on demand bearing no interest.

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

	2016 £	2015 £
Loan notes due to NHP Limited*	4,201,615	4,201,615
	<u>4,201,615</u>	<u>4,201,615</u>

*The loan note, which represents the consideration payable for assets transferred from group undertakings, has no final repayment dates and carries loan interest at 8.5% (2015: 8.5%) per annum.

12. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Deferred taxation		
Fixed asset timing differences	1,212,999	1,154,506
Losses	(259,068)	-
	<u>953,931</u>	<u>1,154,506</u>
Deferred tax (assets)/ liabilities:		
Provision at 1 October	1,154,506	1,142,019
Adjustment in respect of prior years	(52,580)	-
Deferred tax charge for the year	(147,995)	12,487
Provision at 30 September	<u>953,931</u>	<u>1,154,506</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 30 September 2016****13. CALLED-UP SHARE CAPITAL AND RESERVES**

	2016	2015
	£	£
Called-up, allotted and fully paid:		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

The Company's other reserves are as follows:

The capital contribution represents the cash investment from the Company's former parent undertaking.

The profit and loss account represents cumulative profits or losses, including unrealised profit on the re-measurement of investment properties, net of other adjustments.

14. CONTINGENT LIABILITIES AND GUARANTEES

The Company and its group undertakings are guarantors to a facility agreement entered into by FC Skyfall Lower Midco Limited and FC Skyfall Bidco Limited, the Company's intermediate parent undertakings and FC Skyfall TA Limited, the Company's related group undertaking. The facility is secured by a fixed and floating charge over the group assets and unlimited guarantee from its group undertakings. As at 24 January 2017 the outstanding loan amount is £281.5m.

15. SUBSEQUENT EVENTS

No other significant events are noted after the year ended 30 September 2016.

16. RELATED PARTY TRANSACTIONS

(a) The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other group undertakings within the FC Skyfall Upper Midco Limited group. There are no transactions between the Company and the Directors during the current year or the preceding year.

The key management personnel of the Company are also the key management personnel of the Group and other group undertakings. Management do not believe it is possible to allocate these costs to each individual company. Further details can be found in the consolidated financial statements of FC Skyfall Upper Midco Limited.

(b) During the year ended 30 September 2016 FC Skyfall TopCo Limited, the Company's intermediate parent undertaking, made a payment on behalf of the Company for an amount of £552 (2015: £1,819). This amount remained outstanding at 30 September 2016 and is reported in note 10.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is NHP Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Directors regard FC Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking. There is no controlling party beyond FC Skyfall LP.

The largest group in which the results of the Company are consolidated is that headed by FC Skyfall Upper Midco Limited, a company incorporated in England and Wales.

Copies of FC Skyfall Upper Midco Limited consolidated financial statements for the year ended 30 September 2016 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2016

18. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements for the year ended 30 September 2015 were prepared under previous UK GAAP hence the transition date to FRS 102 was 1 October 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. Freehold land and building has been reclassified from operating properties to investment properties, hence no depreciation charges.

Reconciliation of equity

	At 1 October 2014 £	At 30 September 2015 £
Equity reported under previous UK GAAP	23,548,666	64,184,430
Deferred tax	(1,142,019)	(1,142,019)
Changes in profit and loss accounts – see further details in the profit and loss reconciliation note below	-	5,908,618
Equity reported under FRS 102	<u>22,406,647</u>	<u>68,951,029</u>

Notes to the reconciliation of equity at 1 October 2014

Deferred tax liability of £1,142,019 has been recognised on the potential capital gain arising in relation to the revalued freeholds at 1 October 2014.

Notes to the reconciliation of equity at 30 September 2015

Further details on changes in profit or loss can be found in the profit or loss reconciliation note below.

Reconciliation of profit for year ended 30 September 2015

	At 30 September 2015 £
Profit for the financial year under previous UK GAAP	<u>40,635,764</u>
Write back of depreciation	597,395
Write back of depreciation on disposal of properties	(131,019)
Reversal of impairment	260,768
Revaluation gain on investment properties	5,193,961
Deferred tax	(12,487)
	<u>5,908,618</u>
Profit for the financial year under FRS 102	<u><u>46,544,382</u></u>

Notes to the reconciliation of profit or loss account for the year ended 30 September 2015

On the adoption of FRS 102, operating properties were reclassified as investment properties and were measured at fair value at 30 September 2015. No depreciation is charged on investment properties hence a write back of depreciation charge of £597,395. All homes sold during the year to 30 September 2015 have had the depreciation on disposal reversed out with a value of £131,019. Impairment of fixed assets has been reversed following the revaluation of investment properties at 30 September 2015. Surplus on the revaluation of investment properties was totalled £5,193,961. Deferred tax provision of £12,487 has been recognised on the potential capital gain arising in relation to the revalued freeholds during the year ended 30 September 2015.