

**LIBRA CARECO CH2 PROPCO LIMITED**

**Annual Report and Financial Statements**

**For the year ended 30 September 2017**

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# **LIBRA CARECO CH2 PROPCO LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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## **LIBRA CARECO CH2 PROPCO LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

#### **OFFICERS AND PROFESSIONAL ADVISERS**

##### **DIRECTORS**

Mr J Hutchens (appointed 21 September 2017)  
Dr C Patel (resigned 18 December 2017)  
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  
Statutory Auditor  
Newcastle upon Tyne  
United Kingdom

## **LIBRA CARECO CH2 PROPCO LIMITED**

### **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of Libra CareCo CH2 PropCo Limited (the "Company"), together with the audited financial statements for the year ended 30 September 2017. 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.2 (Cayman) Limited. The Company will continue to receive rental income from overriding lease agreements and interest income from loan notes issued to group undertakings. The Directors intend to continue these activities in the forthcoming year.

### **BUSINESS REVIEW**

During the year, the Company sold 57 freehold and leasehold properties, for net consideration totalling £153.3m. 51 of the 57 freehold and leasehold properties were sold to FC Skyfall IOM Properties Limited, a group undertaking. At 30 September 2017 there were 6 properties remaining in the Company's property portfolio at carrying value of £4.6m (2016: 63 properties at £157.9m).

### **RESULTS**

The results for the year to 30 September 2017 are set out in the profit and loss account on page 8.

### **DIVIDENDS**

Dividends of £147,845,834 were proposed and paid to Libra CareCo CH2 PropCo HoldCo Limited in the current year (2016: £nil).

### **DIRECTORS**

The following Directors served throughout the year and to the date of signing:

Mr J Hutchens (appointed 21 September 2017)  
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**

The freehold properties owned by the Company which are leased to Care Management Group ("CMG") are investment properties. The Company and its group undertakings' investment properties were fair valued by the Directors at 30 September 2017. See note 7 to the financial statements for further details.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors of the Company have the overall responsibilities for the FC Skyfall Upper Midco Limited group ("the Group"), of which the Company is a subsidiary. The principal risks and uncertainties of the Group also apply to the Company. The consolidated financial statements of FC Skyfall Upper Midco Limited for the year ended 30 September 2017 are publicly available from Companies House at Crown Way, Cardiff, Wales, CF14 3UZ.

## **LIBRA CARECO CH2 PROPCO LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **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 consolidated financial statements.

Management have prepared detailed forecasts for the Group for the period to 30 September 2019. Net debt levels, servicing costs and covenant requirements are closely monitored and managed in accordance to 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.

#### **SUBSEQUENT EVENTS**

No other significant events are noted between the year ended 30 September 2017 and to the date of signing this report. 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.

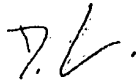
## LIBRA CARECO CH2 PROPCO LIMITED

### DIRECTORS' REPORT (Continued)

#### APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

Approved by the Board and signed on its behalf by:



Mr D Smith  
Director

Date: 1 February 2018

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 judgements 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.

## **LIBRA CARECO CH2 PROPCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBRA CARECO CH2 PROPCO LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Libra CareCo CH2 PropCo Limited (the 'Company') 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **LIBRA CARECO CH2 PROPCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBRA CARECO CH2 PROPCO LIMITED (Continued)**

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
LIBRA CARECO CH2 PROPCO LIMITED (Continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report and from the requirement to prepare a Strategic report.

We have nothing to report in respect of these matters.



Dave Johnson (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne, United Kingdom  
Date: 1 February 2018

# LIBRA CARECO CH2 PROPCO LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 30 September 2017

	Notes	Total 2017 £'000	Total 2016 £'000
<b>TURNOVER</b>	3	3,148	6,049
Administrative expenses		(105)	(76)
<b>OPERATING PROFIT</b>		3,043	5,973
Net interest receivable and similar income	4	15,824	12,510
Profit on disposal of properties		27	292
Gain on revaluation of investment properties	7	-	39,117
<b>PROFIT BEFORE TAXATION</b>	5	18,894	57,892
Tax on profit	6	4,454	(2,677)
<b>PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		23,348	55,215
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		23,348	55,215

Results are derived from continuing operations.

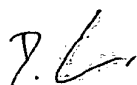
There is no comprehensive income for the current or preceding year other than as stated in the profit and loss account. Accordingly, no statement of comprehensive income is presented.

**LIBRA CARECO CH2 PROPCO LIMITED**

**BALANCE SHEET**  
As at 30 September 2017

	Notes	£'000	2017 £'000	£'000	2016 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		4,595		157,867
Investments	8		344,632		335,422
			349,227		493,289
<b>CURRENT ASSETS</b>					
Debtors	9	73,643		56,131	
- due within one year					
<b>CREDITORS: amounts falling due within one year</b>	10	(39,942)		(37,991)	
<b>NET CURRENT ASSETS</b>			33,701		18,140
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			382,928		511,429
<b>CREDITORS: amounts falling due after more than one year</b>	11		(72,106)		(72,106)
<b>PROVISION FOR LIABILITIES</b>	12		-		(4,003)
<b>NET ASSETS</b>			310,822		435,320
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	13		-		-
Capital contribution			238,558		238,558
Profit and loss account			72,264		196,762
<b>SHAREHOLDERS' FUNDS</b>			310,822		435,320

These financial statements of Libra CareCo CH2 PropCo Limited (registered number 05555758) were approved by the Board of Directors and authorised for issue on 1 February 2018. They were signed on its behalf by:



Mr D Smith  
Director

**LIBRA CARECO CH2 PROPCO LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 30 September 2017**

	<b>Called-up share capital</b>	<b>Capital contribution reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 October 2015</b>	-	238,558	141,547	380,105
Profit for the financial year and total comprehensive income	-	-	55,215	55,215
<b>At 30 September 2016</b>	-	238,558	196,762	435,320
Profit for the financial year and total comprehensive income	-	-	23,348	23,348
Dividends paid on equity shares (note 17)	-	-	(147,846)	(147,846)
<b>At 30 September 2017</b>	-	238,558	72,264	310,822

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 September 2017**

**1. ACCOUNTING POLICIES**

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

**General information and basis of accounting**

Libra CareCo CH2 PropCo Limited is a private company limited by shares 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 activity are set out in the Director's report on page 2.

The average monthly number of employees (excluding executive directors) was nil (2016: 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 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, the disclosure of intercompany transactions with other group undertakings within the FC Skyfall Upper Midco Limited group, in the production of consolidated financial statements, as the Company is itself a subsidiary of FC Skyfall Upper Midco Limited, and remuneration of key management personnel.

**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 2019. Net debt levels, servicing costs and covenant requirements are closely monitored and managed in accordance to 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 overriding lease rental income accounted for on an accrual basis under the terms of overriding lease agreements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

**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.

**Investment**

Fixed asset investment is stated at cost less provision for impairment.

**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.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis; or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Interest**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

**1. ACCOUNTING POLICIES (Continued)**

**Dividend expense**

Dividend payable is recognised in the financial statements when amounts have been declared and paid. Dividends were proposed and paid to Libra CareCo CH2 PropCo Holdco Limited, an immediate parent undertaking.

**Financial instruments**

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 balance sheet 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

**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.

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 are 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.

*Impairment on investment in subsidiary*

Determining whether the investment in subsidiary undertakings should be impaired based on the financial position and future prospect of the investment requires judgement. See note 8.

**3. TURNOVER**

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

	2017 £'000	2016 £'000
Overriding lease rents received from group undertaking	3,148	6,049

**4. NET INTEREST RECEIVABLE AND SIMILAR INCOME**

	2017 £'000	2016 £'000
Interest receivable on loan notes to group undertakings	17,775	14,661
Interest payable on loan notes from group undertakings	(1,951)	(2,151)
	<u>15,824</u>	<u>12,510</u>

# LIBRA CARECO CH2 PROPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 September 2017

### 5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2017 £'000	2016 £'000
Management fees from NHP Management Limited, a group undertaking	63	49
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	24	24
Non-audit fees for tax advice	18	6

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

None of the Directors received emoluments in relation to their services to the Company during the current or preceding year. Directors' emoluments have been borne by HC-One Limited, a group undertaking during the current and preceding year, and were not recharged to the Company.

### 6. TAX ON PROFIT

	2017 £'000	2016 £'000
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	(3,375)	3,380
Adjustment in respect of previous periods	(1,511)	3
Effect of changes in tax rates	432	(706)
<b>Total deferred taxation:</b>	<b>(4,454)</b>	<b>2,677</b>
<b>Total tax charge/ (credit)</b>	<b>(4,454)</b>	<b>2,677</b>
<b>Reconciliation of current year charge:</b>		
Profit before tax	18,894	57,892
Tax on profit at standard rate of 19.5% (2016: 20.0%)	3,684	11,578
Factors affecting tax charge:		
Income not taxable for tax purposes	-	(59)
Non-taxable revaluation	-	(4,938)
Adjustment from previous years	(1,511)	3
Effects of group relief/other reliefs	(3,618)	(3,201)
Gains / rollover relief	(3,442)	-
Tax rate changes	433	(706)
<b>Tax (credit)/ charge for the financial year</b>	<b>(4,454)</b>	<b>2,677</b>

The standard rate of tax applied to reported profit is 19.5% (2016: 20.0%).

Finance Act No.2 2015 included provisions to reduce the corporate tax to 19.0% with effect from 1 April 2017 and 18.0% 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 18.0% to 17.0% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 30 September 2017.

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

# LIBRA CARECO CH2 PROPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 September 2017

### 7. TANGIBLE FIXED ASSETS

	Freehold Investment properties £'000	Long leasehold investment properties £'000	Total £'000
<b>At cost or valuation</b>			
At 1 October 2015	110,871	20,685	131,556
Disposals	(12,806)	-	(12,806)
Surplus on revaluation	32,501	6,616	39,117
<b>At 30 September 2016</b>	<b>130,566</b>	<b>27,301</b>	<b>157,867</b>
Disposals	(125,971)	(27,301)	(153,272)
<b>At 30 September 2017</b>	<b>4,595</b>	<b>-</b>	<b>4,595</b>

Investment properties, which are freeholds and long leaseholds, were revalued to fair value at 30 September 2017 by the Directors. No revision of value was determined from the previous revaluation date of 30 September 2016.

The Directors have performed a full valuation 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 2017 was £3,147,950 (2016: £6,049,000). No contingent rents have been recognised as income in the current or preceding year.

### 8. INVESTMENTS

	Share in subsidiary undertaking £'000	Subordinated loan notes investment in subsidiary undertaking £'000	Total £'000
<b>Cost and net book value</b>			
At 1 October 2016	382	335,040	335,422
Additions	-	9,210	9,210
<b>At 30 September 2017</b>	<b>382</b>	<b>344,250</b>	<b>344,632</b>

#### Shares in Subsidiary undertaking

On 1 December 2006, Libra CareCo CH2 PropCo Limited purchased the entire issued share capital of Care Homes No. 2 (Cayman) Limited, a company incorporated in the Cayman Islands. The principal activity of Care Homes No. 2 (Cayman) Limited is the investment in overriding leases acquired from the Company.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

## 8. INVESTMENTS (Continued)

**Shares in Subsidiary undertaking (Continued)**

At 30 September 2017, the Company held investments either directly or indirectly in the following subsidiary undertakings:

<b>Name</b>	<b>Country of incorporation</b>	<b>% Holdings</b>	<b>Principal activity</b>
Care Homes No.2 (Cayman) Limited *	Cayman Islands	100%	Investment in care homes properties
NHP Securities No.5 Limited	Jersey	100%	Investment in care home properties
NHP Securities No.8 Limited	Jersey	100%	Investment in care homes properties

\* held directly by Libra CareCo CH2 PropCo Limited. All others are indirect.

**All shares held are ordinary shares.**

The registered address for Care Homes No.2 (Cayman) Limited is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The registered address for NHP Securities No.5 Limited and NHP Securities No.8 Limited is 47 Esplanade, St Helier, Jersey, Channel Islands, JE1 0BD.

### Subordinated Loan notes investment in subsidiary undertaking

◻ 奧聯 年 內 晉 year to 30 September 2017 further loan notes totalling £3,146,000 were invested in Care Homes No.2 (Cayman) Limited. At 30 September 2017, total loan notes of £219,338,000 (2016: £216,192,000) remained outstanding. The loan note has no fixed repayment date and bears interest of LIBOR plus 2% per annum.

At 30 September 2017 loan notes of £54,711,000 (2016: £54,711,000) was invested in FC Skyfall Bidco Limited, an intermediate parent undertaking. The loan repayment date is on 12 November 2019 and bears fixed interest rate of 6% per annum.

During the year to 30 September 2017 further loan notes totalling £6,063,389 were invested in FC Skyfall Bidco Limited, an intermediate parent undertaking. At 30 September 2017 total loan notes of £70,200,389 (2016: £64,137,000) remained outstanding. The loan repayment date is on 12 November 2019 and bears fixed interest rate of 9% per annum.

## 9. DEBTORS

	2017 £'000	2016 £'000
Amount due within one year:		
Amounts due from group undertakings	73,192	55,521
Deferred tax asset(see note 12)	451	-
Other debtors	-	610
	<u>73,643</u>	<u>56,131</u>

# LIBRA CARECO CH2 PROPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 30 September 2017

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	39,924	37,984
Accruals	18	7
	<u>39,942</u>	<u>37,991</u>

#### Amounts owed to group undertakings

Amounts owed by group undertakings have no repayment date and are due on demand bearing no interest.

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

	2017 £'000	2016 £'000
Loan notes due to group undertakings	72,106	72,106
	<u>72,106</u>	<u>72,106</u>

#### Loan notes due to group undertakings

On 17 October 2005, the Company issued a loan note of £72,106,107 to NHP Securities No.3 Limited, a group undertaking, which represents part of the consideration payable for assets transferred. The loan note has no fixed repayment date and carries loan interest at LIBOR plus 2% per annum.

### 12. PROVISION FOR LIABILITIES

	2017 £'000	2016 £'000
<b>Deferred taxation</b>		
Fixed asset timing differences	(451)	4,250
Losses	-	(247)
	<u>(451)</u>	<u>4,003</u>
<b>Deferred tax (assets)/ liabilities:</b>		
Provision at 1 October	4,003	1,326
Adjustment in respect of previous years	(1,511)	3
Deferred tax charge/ (credit) for the year	(2,943)	2,674
	<u>(451)</u>	<u>4,003</u>
Provision at 30 September		

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

**13. CALLED-UP SHARE CAPITAL AND RESERVES**

	2017 £	2016 £
<b>Called-up, allotted and fully paid:</b>		
1 ordinary shares of £1 each	<u>1</u>	<u>1</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 Bidco Limited, the Company's intermediate parent undertaking. The facility is secured by a fixed and floating charge over the group assets and unlimited guarantee from its group undertakings. As at 31 January 2018 the outstanding loan amount is £281.3m.

**15. SUBSEQUENT EVENTS**

No other significant event is noted between the year ended 30 September 2017 and to the date of signing of this report.

**16. RELATED PARTY TRANSACTIONS**

(a) The Company has taken exemption provided under FRS 102 to not disclose intercompany transactions with wholly owned 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, FC Skyfall TopCo Limited, the Company's intermediate parent undertaking, made a payment on behalf of the Company for an amount of £nil (2016: £12,000). This amount of £12,000 was repaid during the current financial year.

**17. DIVIDENDS ON EQUITY**

	2017 £'000	2016 £'000
<b>Declared and paid during the year:</b>		
Equity dividends on ordinary shares	<u>147,846</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 30 September 2017**

**18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Libra CareCo CH2 PropCo Holdco 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 and smallest 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. The registered address of FC Skyfall Upper Midco Limited is 40 Bank Street, Level 29, London, E14 5DS.

Copies of FC Skyfall Upper Midco Limited consolidated financial statements for the year ended 30 September 2017 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.