Lighthouse Healthcare Limited

CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

Company Registration No 05820919

Lighthouse Healthcare Limited
CONTENTS

Lighthouse Healthcare Limited
DIRECTORS AND ADVISORS

DIRECTORS

JC Ball
G Delaney-Smith
DBJ Sweetland

REGISTERED OFFICE

2nd Floor Bezant House
Bradgate Park View
Chellaston
Derbyshire
DE73 5UH

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

The directors present their report and the audited group financial statements of Lighthouse Healthcare Limited for the year ended 31 March 2013

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company, providing a support office and financing function for its subsidiaries The principal activity of the group is the provision of learning disability and mental health services

REVIEW OF THE BUSINESS

The directors are satisfied with the performance of the company and the group for the year and do not anticipate any significant changes to the group's activities in the forthcoming year

Details of the results for the year are set out in the profit and loss account on page 7 During the year, an impairment charge was made of £11,964,000 to reduce the carrying value of goodwill arising on the acquisition of Healthlinc Individual Care Limited

Occupancy levels fell during the year There were variations between the 8 services with average occupancy of 78% during the year

The group's patients and service users are mainly funded by the public sector During the period the company has continued to put significant effort into building relationships with NHS Specialised Commissioning Groups, local authorities and other public sector purchasing agencies

An important part of the company's activities is the strength of its property portfolio of healthcare facilities In this context, the company's strategy includes the ongoing economic development of the property portfolio and a regular refurbishment programme

KEY PERFORMANCE INDICATORS

Financial Performance
The group prepares detailed financial budgets for all of its facilities and operations, against which actual performance is monitored

Quality and Compliance with Regulations
The group operates in a highly regulated environment, registered with the Care Quality Commission in England and with Health Inspectorate Wales in Wales The quality of care provided by the group and its compliance with regulation are monitored in a structured manner and subject to continuous review by the senior managers and executive directors

Position at the year end
The group's performance against these measures was satisfactory at the year end

FUTURE DEVELOPMENTS

The directors expect funding in the healthcare sector to be restricted and that changes to the NHS commissioning will represent a challenge to the business in the short term The group is likely to adopt a defensive business strategy, designed to protect its income stream and tightly control costs However, there are opportunities to reposition and grow the business over the medium and long term

The directors expect the future performance of the group to be satisfactory

RISKS AND UNCERTAINTIES

The group is exposed to a variety of risks that could affect the performance of the business The Board is responsible for maintaining a risk management programme that seeks to identify, manage and mitigate business risk

Customer and Price risk

The group's main customer is the NHS and any changes in government purchasing policy away from the independent sector would constitute a risk NHS, government bodies and local authorities will be under pressure to cut spending, which represents a risk to the business in terms of fees for new admissions and inflationary increases on fees for existing users of the services

Wherever possible the group mitigates price risk through negotiating long term contracts for patients and service users with fixed price agreements and it is committed to working with its purchasers to find solutions that provide demonstrable value for money In an increasingly competitive market, the strategy is to continue to focus on providing high quality person-centred services at fee levels which are competitive and represent good value

Credit risk

The group has limited exposure to this risk as counterparties are all local NHS, governmental departments and local authorities

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient funds available for operations and planned exposures

Interest rate cash flow risk

The group utilises interest rate swaps to manage its exposure to interest rate fluctuations At the year end 80% of the group's bank borrowings were hedged

Health and safety risk

Due to the nature of the group operations, an independent adviser monitors health and safety risk in conjunction with the operations team, to ensure that company policies are adhered to

DIVIDENDS

No dividends have been paid during the year (2012 £nil)

GOING CONCERN

After making appropriate enquiries the directors have reasonable expectations that the company and group have adequate resources to continue in operational existence for the foreseeable future For this reason the directors continue to adopt the going concern basis in preparing the financial statements Full detail is given in the accounting policies to the accounts

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

The group's policy is to consult and discuss with employees matters likely to affect employees' interests Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the regular and frequent financial and economic factors affecting the group's performance

The group's policy is to recruit disabled workers for those vacancies that they are able to fill All necessary assistance with initial training courses is given Once employed a career plan is developed so as to ensure suitable opportunities for each disabled person Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings of the group and company exceeds book values of those assets at 31 March 2013 However, as the group does not adopt a policy of valuation, the excess of market value over book value has not been quantified

DIRECTORS

The directors who have held office since 1 April 2012 were as follows

JC Ball
G Delaney-Smith
DBJ Sweetland (appointed 22 January 2013)
GH Blackoe (resigned 2 October 2012)
TZ Gowers (resigned 22 January 2013)
DJ Cole (resigned 21 September 2012)
D Whittaker (resigned 19 November 2012)
K Willis (resigned 13 April 2012)

AUDITORS

Baker Tilly UK Audit LLP, Chartered Accountants, were appointed auditors by the company at 20 July 2010 Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and therefore Baker Tilly UK Audit LLP will continue in office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

By order of the board

DBJ Sweetland

DBJ Sweetland
Director

23 September 2013

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law)

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the group and the company and of the profit or loss of the group for that perıod

In preparıng those financıal statements, the dırectors are requıred to

a select suıtable accountıng polıcıes and then apply them consıstently,

b make judgements and accountıng estımates that are reasonable and prudent,

c state whether applıcable UK Accountıng Standards have been followed, subject to any materıal departures dısclosed and explaıned ın the financıal statements,

d prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the group and the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the group's and the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the group and the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the group and the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIGHTHOUSE HEALTHCARE LIMITED

We have audited the group and parent company financial statements (the 'financial statements') on pages 7 to 28 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 more fully explained in the Directors' Responsibilities Statement set out on page 5, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http //www frc org uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010) aspx

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 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 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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent 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,

Ronald Goodwin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

30 September 2013

Lighthouse Healthcare Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
TURNOVER	1	**22,837**	23,661
Cost of sales		**(15,622)**	(15,690)
GROSS PROFIT		**7,215**	7,971
Administrative expenses		**(2,835)**	(3,378)
OPERATING PROFIT BEFORE IMPAIRMENT		**4,380**	4,593
Impairment of goodwill	8	**(11,964)**	(3,381)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER IMPAIRMENT BEFORE INTEREST		**(7,584)**	1,212
Interest receivable and similar income	2	**9**	23
Interest payable and similar charges	3	**(5,068)**	(6,021)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2-5	**(12,643)**	(4,786)
Taxation	6	**(170)**	29
LOSS FOR THE FINANCIAL YEAR	15	**(12,813)**	(4,757)

The turnover and operating profit for the year arises from the group's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

Lighthouse Healthcare Limited
CONSOLIDATED BALANCE SHEET
at 31 March 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
FIXED ASSETS					
Intangible fixed assets	8		**39,083**		52,205
Tangible fixed assets	9		**21,475**		21,914
			60,558		74,119
CURRENT ASSETS					
Property held for resale		**-**		130	
Debtors	10	**1,241**		404	
Cash at bank and in hand		**3,209**		3,872	
		4,450		4,406	
CREDITORS Amounts falling due within one year	11	**(2,649)**		(6,022)	
NET CURRENT LIABILITIES			**1,801**		(1,616)
TOTAL ASSETS LESS CURRENT LIABILITIES			**62,359**		72,503
CREDITORS Amounts falling due after more than one year	12		**(81,742)**		(79,043)
PROVISIONS FOR LIABILITIES	13		**(628)**		(658)
NET LIABILITIES			**(20,011)**		(7,198)
CAPITAL AND RESERVES					
Called up share capital	14		**-**		-
Share premium account	15		**7,000**		7,000
Profit and loss account	15		**(27,011)**		(14,198)
SHAREHOLDERS' DEFICIT			**(20,011)**		(7,198)

The financial statements on pages 7 to 28 were approved by the board and authorised for issue on 23 September 2013 and are signed on its behalf by

DBJ Sweetland

DBJ Sweetland
Director

Company Registration No 05820919

Lighthouse Healthcare Limited
BALANCE SHEET
at 31 March 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
FIXED ASSETS					
Investments	7		**45,236**		57,913
Tangible fixed assets	9		**2,894**		2,948
			48,130		60,861
CURRENT ASSETS					
Debtors – (of which £3,269,000 (2012 £3,524,000) is due after more than one year)	10	**3,959**		3,525	
Cash at bank and in hand		**1,659**		823	
		5,618		4,348	
CREDITORS Amounts falling due within one year	11	**(1,319)**		(4,339)	
NET CURRENT ASSETS			**4,299**		9
TOTAL ASSETS LESS CURRENT LIABILITIES			**52,429**		60,870
CREDITORS Amounts falling due after more than one year	12		**(93,796)**		(85,966)
NET LIABILITIES			**(41,367)**		(25,096)
CAPITAL AND RESERVES					
Called up share capital	14		**-**		-
Share premium account	15		**7,000**		7,000
Profit and loss account	15		**(48,367)**		(32,096)
SHAREHOLDERS' DEFICIT			**(41,367)**		(25,096)

The financial statements on pages 7 to 28 were approved by the board and authorised for issue on 23 September 2013 and are signed on its behalf by

DBJ Sweetland

DBJ Sweetland
Director

Lighthouse Healthcare Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2013

	Note	2013		2012	
		£'000	**£'000**	£'000	£'000
CASH FLOW FROM OPERATING ACTIVITIES	16		**5,947**		6,530
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17		**(3,346)**		(4,089)
TAXATION			**(183)**		(125)
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		**(375)**		(465)	
Sale of tangible fixed assets		**156**		66	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE			**(219)**		(399)
CASH INFLOW BEFORE FINANCING			**2,199**		1,917
FINANCING	17		**(2,862)**		(1,954)
DECREASE IN CASH IN THE YEAR			**(663)**		(37)

	Note	2013 £'000	2012 £'000
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash in the year		**(663)**	(37)
Cash outflow from decrease in debt and lease financing		**2,862**	1,954
Changes in net debt resulting from cash flows		**2,199**	1,917
Interest accrued on loans		**(1,611)**	(1,495)
New finance leases		**(55)**	(57)
Capitalised arrangement fees released		**(135)**	(306)
Movement in net debt in the year		**398**	59
Net debt at start of year	18	**(78,310)**	(78,369)
NET DEBT AT END OF YEAR	18	**(77,912)**	(78,310)

Lighthouse Healthcare Limited
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
for the year ended 31 March 2013

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
LOSS FOR THE FINANCIAL YEAR	**(12,813)**	(4,757)	**(16,271)**	(15,584)
NET INCREASE IN SHAREHOLDERS' DEFICIT	**(12,813)**	(4,757)	**(16,271)**	(15,584)
OPENING SHAREHOLDERS' DEFICIT	**(7,198)**	(2,441)	**(25,096)**	(9,512)
CLOSING SHAREHOLDERS' DEFICIT	**(20,011)**	(7,198)	**(41,367)**	(25,096)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's and group's financial statements

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Lighthouse Healthcare Limited group and are 100% owned

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Lighthouse Healthcare Limited and all of its subsidiary undertakings for the year Subsidiaries acquired during a year are consolidated using the acquisition method Their results are incorporated from the date that control passes All financial statements are made up to 31 March

Purchased goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the separable net asset acquired, is capitalised and written off on a straight line basis over its estimated useful economic life of 50 years The goodwill on the business is intrinsically linked to the value of the freehold buildings and the directors believe that the amortisation profile should reflect the depreciation policy of the freehold asset

Under the provisions of FRS 10 – Goodwill and intangible fixed assets, an impairment review is carried out annually An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount The recoverable amount of an asset is the greater of its net selling price and value-in-use In assessing value-in-use, the estimated future cash flows are discounted over 7 years to their present value using a discount rate (the weighted average cost of capital) that reflects current market assessments of the time value of money and the risks specific to the asset

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's report on pages 2 to 4

Occupancy levels within the business continue to remain high and fee rate targets are being achieved although, as the group is reliant on publically funded organisations and given the current uncertain economic outlook, there is a risk that these may not be maintained The group continues to focus on winning long term contracts to ensure a level of cashflow certainty and tightly controlling staff costs in services where occupancy levels vary The group is utilising its size to enter into group purchasing contracts to realise efficiencies on non-staff cost lines As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The group has bank funding in place until October 2017, with headroom on current and forecast performance to meet its obligations In future years, an adequate level of free cash will be generated to allow for development opportunities to build on the profitability of the business The group currently hedges 80% of its bank debt to mitigate the risk of increased interest costs as a result of adverse LIBOR fluctuations

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements

INVESTMENTS
Fixed asset investments are stated at cost Provision is made for any impairment in the value of fixed asset investments

TANGIBLE FIXED ASSETS
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows

Freehold buildings	- 50 years straight line
Plant and equipment	- 3 to 10 years straight line
Motor vehicles	- 4 to 5 years straight line

All costs in relation to new developments are capitalised up to the date of registration

PROPERTY HELD FOR SALE
Properties held for sale are stated at the lower of cost and net realisable value

LEASED ASSETS AND OBLIGATIONS
Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease' The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

RETIREMENT BENEFITS
The group operates a defined contribution scheme 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

DEFERRED TAXATION
Deferred tax is recognised in respect of 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 years different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the years in which 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 measured on a non-discounted basis

A deferred tax asset is recognised only to the extent that it will be realised in the foreseeable future

CASH AND CASH EQUIVALENTS
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

TURNOVER
Turnover represents the amounts derived from the provision of learning disability and mental health services to customers during the year Turnover relating to the provision of learning disability and mental health services is recognised at the beginning of the month to which it relates

1 TURNOVER

In the opinion of the directors there is only one class of business, being the provision of learning disability and mental health services All turnover is derived in the UK

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Bank interest receivable	**9**	23

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank loan interest	**3,121**	5,269
Other interest	**1,240**	-
Interest on loan stock	**371**	337
Other loan interest	**26**	98
Interest on finance leases	**8**	11
Amortisation of finance costs	**302**	306
	5,068	6,021

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation is stated after charging		
Audit services		
- statutory audit of parent and consolidated accounts	**7**	7
Other services		
Audit of subsidiaries by Baker Tilly	**26**	26
- Other services relating to taxation		
- Compliance services	**8**	8
- Advisory services	**10**	-
Depreciation of tangible fixed assets		
- Owned	**768**	756
- Leased	**82**	91
(Profit)/Loss on disposal of fixed assets	**(10)**	12
Goodwill amortisation	**1,158**	1,232
Impairment of goodwill	**11,964**	3,381
Operating lease rental		
- Other	**23**	23
- Plant and Machinery	**17**	17

5 EMPLOYEES

The average monthly number of persons (including directors) employed during the year was	**2013 Number**	2012 Number
Directors	**5**	7
Management and administration	**53**	57
Nursing and residential	**550**	564
	608	628

The aggregate payroll costs for these persons	**2013 £'000**	2012 £'000
Wages and salaries	**11,831**	12,467
Social security costs	**1,042**	1,165
Pension costs	**81**	141
	12,954	13,773

DIRECTORS' REMUNERATION	**2013 £'000**	2012 £'000
Aggregate emoluments	**358**	540
Sums charged by third parties for directors' services	**34**	48
Company pension contributions	**25**	32
	417	620

Director emoluments disclosed above include the following payments to the highest paid director

	2013 £'000	2012 £'000
Emoluments	**146**	146
Company contributions to money purchase schemes	**13**	12
	159	158

The number of directors to whom retirement benefits are accruing under

	2013 Number	2012 Number
Money purchase schemes	**3**	3

6 TAXATION

a) Analysis of charge in the year

	2013	2012
	£'000	£'000
Current tax		
UK corporation tax	**200**	-
Adjustment in respect of prior years	**-**	(25)
Total current tax	**200**	(25)
Deferred taxation		
Origination and reversal of timing differences	**(3)**	52
Adjustment in respect of prior years	**(27)**	(56)
Total deferred tax	**(30)**	(4)
Tax on loss on ordinary activities	**170**	(29)

b) Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher (2012 higher) than the average standard rate of corporation tax in the UK of 24% (2012 26%) The differences are explained below.

	2013	2012
	£'000	£'000
Loss on ordinary activities before tax	**(12,643)**	(4,786)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK 24% (2012 26%)	**(3,034)**	(1,244)
Expenses not deductible for tax purposes	**3,217**	1,272
Other timing differences	**92**	(78)
Capital allowances in excess of depreciation	**(4)**	87
Tax losses carried forward	**-**	(37)
Utilisation of tax losses	**(71)**	-
Adjustment in respect of prior years	**-**	(25)
Tax charge/(credit) for year	**200**	(25)

7 INVESTMENTS

	COMPANY Shares ın group undertakıngs £'000
Cost at begınnıng and end of year	57,913
Permanent dımınutıon ın value	(12,677)
At end of year	**45,236**

The company holds more than 20% of the equıty (and no other share or loan capıtal) of the followıng undertakıngs

Company	*Prıncıpal actıvıty*	*Percentage and class of share held*
Acorn Care Lımıted	Provısıon of nursıng care	100% Ordınary
Acorn Care (Welshpool) Lımıted	Provısıon of nursıng care	100% Ordınary
Healthlınc Indıvıdual Care Lımıted	Provısıon of nursıng care	100% Ordınary
Fıeld House (Alfreton) Lımıted (formerly Growıng Older Wıth Learnıng Dısabılıty Lımıted)	Provısıon of nursıng care	100% Ordınary

Durıng the year, a permanent ımpaırment was recognısed ın respect of the Healthlınc Indıvıdual Care Lımıted ınvestment as a result of the reposıtıonıng of one of the hospıtals reducıng the expected enterprıse value of the ıncome generatıng unıt The expected enterprıse value has been calculated usıng forecast cash flows through to March 2017, growth ın fees of 1%-1 5% from March 2015 and a dıscount rate of 8 3% per annum

8 INTANGIBLE FIXED ASSETS

	GROUP Goodwill £'000
COST	
At beginning and end of year	62,955
AMORTISATION	
At beginning of year	10,750
Charge for year	1,158
Impairment charge	11,964
At end of year	23,872
NET BOOK VALUE	
At 31 March 2013	**39,083**
At 31 March 2012	52,205

During the year, the carrying value of the goodwill arising on the acquisition of Healthlinc Individual Care Limited was impaired by £11,964,000 which reflects a reduction in the expected enterprise value following the market reposition of the hospitals included within this entity The assumptions used to calculate the expected enterprise value are set out in Note 7

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Group				
Cost				
At beginning of year	22,281	2,535	393	25,209
Additions	121	244	62	427
Disposals	(3)	-	(82)	(85)
At end of year	22,399	2,779	373	25,551
Depreciation				
At beginning of year	1,615	1,539	141	3,295
Charge for year	400	346	104	850
Disposals	-	-	(69)	(69)
At end of year	2,015	1,885	176	4,076
Net Book Value				
At 31 March 2013	**20,384**	**894**	**197**	**21,475**
At 31 March 2012	20,666	996	252	21,914

The net book value of motor vehicles includes £150,000 (2012 £182,000) in respect of fixed assets held under finance leases and hire purchase contracts Depreciation charged for the year on these assets was £82,000 (2012 £91,000)

Included in freehold property is land with a value of £2,625,000 (2012 £2,625,000) which is not depreciated

9 TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Company				
Cost				
At beginning of year	2,947	188	42	3,177
Additions	55	9	-	64
Disposals	(4)	-	(42)	(46)
At end of year	2,998	197	-	3,195
Depreciation				
At beginning of year	96	105	28	229
Charge for year	55	45	6	106
Disposals	-	-	(34)	(34)
At end of year	151	150	-	301
Net Book Value				
At 31 March 2013	**2,847**	**47**	**-**	**2,894**
At 31 March 2012	2,851	83	14	2,948

The net book value of motor vehicles includes £nil (2012 £13,000) in respect of fixed assets held under finance leases and hire purchase contracts Depreciation charged for the year on these assets was £6,000 (2012 £8,000)

Included in freehold land and property is land with a value of £240,000 (2012 £240,000) which is not depreciated

10 DEBTORS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Due within one year				
Trade debtors	**484**	354	**1**	1
Other debtors	**32**	4	**16**	-
Deferred arrangement fee	**291**	-	**291**	-
Prepayments and accrued income	**434**	46	**382**	-
	1,241	404	**690**	1
Due after more than one year				
Amounts owed by group undertakings	-	-	**3,269**	3,524
	1,241	404	**3,959**	3,525

11 CREDITORS Amounts falling due within one year

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Obligations under finance leases	**53**	76	-	8
Bank loan (net of amortised arrangement fees of £nil) (2012 £298,000))	-	1,230	-	1,230
Trade creditors	**407**	341	**160**	64
Corporation tax	**200**	183	-	-
Other taxation and social security	**347**	565	**73**	141
Other creditors	**177**	78	**170**	37
Accruals and deferred income	**1,465**	1,716	**916**	1,026
Bank arrangement fee	-	1,000	-	1,000
Other loans	-	833	-	833
	2,649	6,022	**1,319**	4,339

12 CREDITORS Amounts fallıng due after more than one year

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Bank loan (net of amortısed arrangement fees of £1,278,000 (2012 £1,252,000))	**61,353**	74,214	**61,353**	74,214
Oblıgatıons under finance leases	**32**	38	-	-
Other Loan	**14,945**	-	**14,945**	-
Loan stock	**3,912**	3,541	**3,912**	3,541
Bank arrangement fees	**1,500**	1,250	**1,500**	1,250
Amounts owed to group undertakıngs	-	-	**12,086**	6,961
	81,742	79,043	**93,796**	85,966

The bank loan ıs repayable by quarterly ınstalments untıl 1 July 2017, wıth a final bullet payment ın October 2017

The bank loan bears ınterest at 3% above LIBOR At the year end the all-ın rate was 3 53%

The other loan fallıng due after more than one year ıs repayable on 18 October 2017 and bears ınterest at 8% above LIBOR At the year end the all-ın rate was 8 51%

All bank and other loans are secured agaınst all of the freehold property owned by the group by way of legal mortgage

Oblıgatıons under finance leases are secured agaınst the underlyıng assets

The loan stock ıs due for repayment on 18 October 2017 The stock bears ınterest at 10% per annum on a monthly compounded basıs

Arrangement fees as a result of the December 2009 refinancıng are due to the bank A fee of £1,250,000 ıs due ın the event of a sale or other dısposal of the group whıch realıses £7,500,000 ın excess of ıt ındebtedness The total arrangement fees are beıng amortısed to the profit and loss account over the length of the loan

In Aprıl 2013 the bank and other loan agreements were amended £5,000,000 of the bank loan was converted ınto an on demand facılıty The bank loan became payable by quarterly ınstalments commencıng 1 July 2014 and endıng 1 July 2017 and a final bullet payment ın October 2017 The arrangement fee under the bank loan agreement of £1,250,000 due ın the event of a sale or other dısposal of the group whıch realıses £7,500,000 ın excess of ıt ındebtedness was cancelled under the amendments £1,500,000 of the other loan was converted ınto an on demand facılıty

12 CREDITORS Amounts falling due after more than one year (continued)

Further information re loan arrangements is shown at note 22

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Analysis of debt maturity	**£'000**	£'000	**£'000**	£'000
Amounts payable				
In one year or less or on demand	-	3,063	-	3,063
In more than one year but not more than two years	**1,107**	1,237	**1,107**	1,237
In more than two years but not more than five years	**80,603**	3,755	**80,603**	3,755
In five years or more	-	74,013	-	74,013
	81,710	82,068	**81,710**	82,068

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Obligations under finance leases				
Amounts payable				
In one year or less	**53**	76	-	8
Between one and two years	**24**	38	-	-
Within two to five years	**8**	-	-	-
	85	114	-	8

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Included above are the following	**£'000**	£'000	**£'000**	£'000
Amounts repayable other than by instalments falling due after more than five years	-	73,249	-	73,249
Of amounts repayable by instalments, the amount falling due after more than five years	-	764	-	764

13 PROVISIONS FOR LIABILITIES

	GROUP Deferred tax £'000	COMPANY Deferred tax £'000
At beginning of year	658	-
Credit for the year	(30)	-
At end of year	**628**	-

Provision for deferred tax has been made as follows

GROUP	**2013** Provided £'000	**2013** Unprovided £'000	2012 Provided £'000	2012 Unprovided £'000
Difference between accumulated depreciation and capital allowances	**806**	**-**	819	17
Other timing differences	**(1)**	**(433)**	-	(363)
Tax losses	**(178)**	**(371)**	(161)	(483)
	627	**(804)**	658	(829)

COMPANY	**2013** Provided £'000	**2013** Unprovided £'000	2012 Provided £'000	2012 Unprovided £'000
Difference between accumulated depreciation and capital allowances	**48**	-	51	-
Other timing differences	-	**(433)**	-	(363)
Tax losses	**(48)**	**(274)**	(51)	(353)
	-	**(707)**	-	(716)

The group and company do not provide deferred taxation assets unless sufficient taxable profits to utilise the assets can be foreseen

14 CALLED UP SHARE CAPITAL

	2013	2012
	£'000	£'000
ALLOTTED, CALLED UP AND FULLY PAID		
9,200 Ordinary A shares of 1 pence each	-	-
1,855 Ordinary B shares of 1 pence each	-	-
4,213 Ordinary C shares of 1 pence each	-	-
1,059 Ordinary D shares of 1 pence each	-	-
	-	-

The Ordinary A shares and Ordinary C shares rank pari passu as regards voting rights and entitlement to dividends The Ordinary D shares have no voting rights but have an entitlement to dividends The Ordinary B shares have no voting rights and no entitlement to dividends

In the event of an exit, the first £35 million of equity is to be distributed pari passu amongst the Ordinary A shares, Ordinary C shares and Ordinary D shares, and any excess over this sum (the excess equity value) is distributed equally amongst all shareholders, save that all of the C ordinary shares then in issue shall not be entitled to less than 27 5% of the excess equity value

On a return of assets on liquidation or capital reduction or otherwise, the assets of the company shall be applied as follows

(a) First in paying to the Ordinary shareholders the issue price of each Ordinary shares, and
(b) the balance of such assets shall be distributed amongst the A Ordinary Shareholders and the C Ordinary Shareholders (pari passu, as if the A Ordinary Shares and C Ordinary Shares constituted one class of share), save where such assets are returned following an exit

15 RESERVES

	Share premium account		Profit and loss account	
	GROUP	COMPANY	GROUP	COMPANY
	£'000	£'000	£'000	£'000
At beginning of year	7,000	7,000	(14,198)	(32,096)
Loss for the year	-	-	(12,813)	(16,271)
At end of year	**7,000**	**7,000**	**(27,011)**	**(48,367)**

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£'000	£'000
Operating (loss)/profit	**(7,584)**	1,212
Depreciation	**850**	847
Goodwill amortisation	**1,158**	1,232
Impairment of goodwill	**11,964**	3,381
(Profit)/Loss on disposal of assets	**(10)**	12
(Increase)/Decrease in debtors	**(164)**	489
Decrease in creditors	**(267)**	(643)
Net cash flow from operating activities	**5,947**	6,530

17 ANALYSIS OF CASHFLOWS

	2013	2012
	£'000	£'000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid on bank loans and overdraft	**(3,347)**	(4,101)
Finance lease interest	**(8)**	(11)
Interest received	**9**	23
	(3,346)	(4,089)
FINANCING		
Repayment of loans	**(1,788)**	(1,861)
Arrangement fees paid	**(990)**	-
Capital element of finance lease payments	**(84)**	(93)
	(2,862)	(1,954)

18 ANALYSIS OF NET DEBT

	At beginning of year	Cash flow	Other non-cash changes	**At end of year**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	3,872	(663)	-	**3,209**
Debt due after one year	(79,005)	-	(2,407)	**(81,412)**
Debt due within one year	(3,063)	2,778	661	**376**
Finance leases	(114)	84	(55)	**(85)**
TOTAL	(78,310)	2,199	(1,801)	**(77,912)**

Non-cash changes include interest accrued on loans, new finance leases and amortised loan arrangement fees

19 COMMITMENTS UNDER OPERATING LEASES

Annual commitments under non cancellable operating leases are as follows

GROUP

	2013 Property £'000	**2013 Other £'000**	2012 Property £'000	2012 Other £'000
Operating leases which expire				
Within one year	**-**	**5**	-	3
Between two and five years	**23**	**11**	-	14
Greater than five years	**-**	**-**	23	-
Total	**23**	**16**	23	17

COMPANY

	2013 Property £'000	**2013 Other £'000**	2012 Property £'000	2012 Other £'000
Operating leases which expire				
Between two and five years	**23**	**1**	-	1
Greater than five years	**-**	**-**	23	-

20 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**113**	-	**-**	-

The group entered into an agreement for the provision of building services to one of the hospitals

21 RELATED PARTY TRANSACTIONS

Keith Willis was a director (until 13 April 2012) and is a shareholder of Lighthouse Healthcare Limited, during the year the group were charged £7,000 (2012 £48,000) by Keith Willis Consultancy for consultancy and related expenses, of which £nil (2012 £4,000) was outstanding at the year end

22 PENSION SCHEME

The group and company operate a defined contribution pension scheme that is administered independently of the group and company

The contributions for the year were as follows

	2013 £'000	2012 £'000
Group	**81**	141
Company	**47**	93

Outstanding contributions at the end of the year, included in creditors, were as follows -

	2013 £'000	2012 £'000
Group	**7**	15
Company	**4**	12

23 FINANCIAL INSTRUMENTS – INTEREST RATE EXPOSURE

The company manages exposure to interest rate risk by using interest rate swaps

At the year end the unrealised gains and losses on open interest rate swaps were as follows

		2013			2012	
	Gains £'000	Losses £'000	Total £'000	Gains £'000	Losses £'000	Total £'000
Unrecognised gains and losses on hedges at 31 March	-	(3,316)	(3,316)	-	(2,678)	(2,678)