Company Registration No. FC 027927

100861/120

NHP HOLDCO 1 LIMITED

Report and Financial Statements
30 September 2014

REPORT AND FINANCIAL STATEMENTS 2014

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REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr C Patel (appointed on 12 November 2014)
Mr D Smith (appointed on 12 November 2014)
Mr J M J M Jensen (resigned on 12 November 2014)
Mr P H Thompson (resigned on 12 November 2014)

SECRETARY

Crestbridge Corporate Services Limited

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

SOLICITORS

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester M1 5ES

BANKERS

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

The Royal Bank of Scotland PLC
36 St Andrew Square
Edinburgh EH2 2YB

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2014

PRINCIPAL ACTIVITY

The principal activity of the Group is the management and running of care homes principally for the elderly The Group also owns the freeholds of care homes which are leased to the operating subsidiaries (HC-One Limited and TTCC Limited) and a small number of third party operators

HC-One Limited is a leading care homes operator in the UK providing nursing and residential care, whereas TTCC Limited is specialised in learning disabilities homes

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

Details of significant post balance sheet events and the principal risks and uncertainties, including financial and credit risks, are provided within the Strategic Report

DIRECTORS

The following Directors served during the year

Mr C Patel (appointed on 12 November 2014)
Mr D Smith (appointed on 12 November 2014)
Mr J M J M Jensen (resigned on 12 November 2014)
Mr P H Thompson (resigned on 12 November 2014)

THIRD PARTY INDEMNITY PROVISIONS

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donation of £153,000 (2013 £23,000), principally to local charities serving the communities in which the Group operates The Group and the Company made no political donations during the year (2003 £nil)

DIVIDENDS

The Company has declared and paid a dividend of £nil for the year (2013 £nil)

AUDITOR

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

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

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

DIRECTORS' REPORT (Continued)

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

D Smith
Director
Date 29 April 2015

Southgate House
Archer Street
Darlington
County Durham DL3 6AH

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2014

BUSINESS REVIEW

At 30 September 2014 the Group owned the freehold and long leasehold interests in 273 care homes, two residential properties and two sites together valued at £552,970,000 (2013 295 care homes, two residential properties and three sites at £530,590,000) 226 care homes operated by HC-One and two learning disabilities homes operated by TTCC were valued as individual operational entities on an existing use basis The remaining 45 care homes operated by third party operators continue to be valued on Market Value basis or valued as closed homes if they were closed

HC-One is a leading care home operator in the UK providing nursing and residential care to more than 10,000 residents in over 220 care homes across UK

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

- improving occupancy from 83% in November 2011 to 89% at 30 September 2014 against a declining market trend,
- Improving the quality of the premises with substantial investment of £100m towards real estate/maintenance and services including home minibuses and IT infrastructure,
- Delivering a multi award winning mandatory and specialist Learning and Development programme, and
- Improving the quality of the services across the business

RESULTS

The results of the Group for the years ended 30 September 2014 and 30 September 2013 are set out in the consolidated profit and loss account on page 11

The key financial and operational performance indicators monitored by HC-One operating business include internal quality ratings, regulatory inspections, occupancy percentage, average weekly fees and costs per resident week Further details on the performances and key achievements of the operating business can be found in strategic report of the audited financial statements of HC-One Limited for the year ended 30 September 2014, which are publicly available

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

	2014	**2013**	**Increase/ (decrease)**
Turnover	£325 1m	£316 5m	£8 6m
Adjusted operating (loss) /profit	£(1 7m)	£7 4m	£(9 1m)
Operating cash flow after interest	£45 3m	£22 4m	£22 9m
Shareholders' funds	£513 9m	£62 8m	£451 1m
Investment and operating properties at valuation	£553 0m	£530 6m	£22 4m

Group turnover for the year ended 30 September 2014 has increased by £8 6m principally due to improvement in occupancy in HC-One homes trading at 89% at 30 September 2014, following improvement in quality of care and premises with a substantial investment of £100m towards its care homes since November 2011

STRATEGIC REPORT (Continued)

RESULTS (Continued)

Adjusted operating (loss) / profit for the year ended 30 September 2014 is calculated as operating profit of £385 4m less net exceptional income of £391 5m add provision for permanent diminution in value of tangible fixed assets of £4 4m (2013 Operating loss of £3 1m add exceptional costs of £0 6m add provision of permanent diminution in value of £3 7m) The operating profit before exceptional costs and permanent diminution in value has declined principally due to an increase in payroll costs of £5 1m, additional home running costs of £1 0m and an increase in depreciation charge of £7 0m due to increased in capital improvement costs to the operating properties

Operating cash flow after interest for the year ended 30 September 2014 is calculated as net cash inflow from operating activities of £45 5m less net cash outflow from returns on investment and servicing of finance of £0 2m (2013 £22 4m less £nil)

Shareholders' funds have increased significantly by £451 1m from £62 8m at 30 September 2013 to £513 9m at 30 September 2014 mainly due to group loan notes restructuring during the financial year which resulted in an exceptional gain of £407 4m Furthermore, the Group sold some closed homes for net consideration of £21 9m at net profit of £1 3m At 30 September 2014 the Group property portfolio valuation has improved by £22 4m to £553 0m

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Cash flow risk
The Group's activities exposed primarily to the financial risk of changes in interest rates on the £78m loan notes from LIBRA No 3 Limited, the Company's immediate parent undertaking However, on 12 November 2014 was fully repaid following the change in ownership See note 29 for further details

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

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

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

Liquidity risk

The Group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments See going concern note 2 for further details

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

The Group also face uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One and TTCC The average weekly fee rates are also driven by the number of residents funded by local authorities and by private fee payers

Operational risks

The Group's activities expose to a number of operational risks including reputational risk and regulatory risk

Reputational risk

In order to mitigate this risk HC-One delivers employee training via a multi award winning mandatory and specialist Learning and Development programme and carries out a Disclosure and Barring Service check on all care staff

STRATEGIC REPORT (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Regulatory risk

In order to mitigate this risk HC-One has a dedicated compliance department that manage regulatory matters

POST BALANCE SHEET EVENTS

On 12 November 2014 Formation Capital, a leading healthcare-focused private investment firm in the USA, and Safanad, a global investment firm, in partnership with Court Cavendish Healthcare Management Services Limited, a related party of the Group, acquired 100% share capital of NHP Holdco 1 Limited from LIBRA No 3 Limited ("LIBRA 3"), the Company's immediate parent undertaking The change in ownership removed the uncertainty and financial risk connected with the bank debts of LIBRA 3 and LIBRA No 2 Limited, the Company's ultimate parent undertaking The new structure properly funds the Group, the Company and the operations of HC-One and TTCC and its plan for future development

The Group's new partnership is with two organisations who share HC-One and TTCC's passion for care Since 1999, Formation Capital and its investors have invested over US$5 5billion across care in the senior housing sector Safanad Limited is a global investment firm that invests in property, private and public market

The new partnership has been created with the view to consolidating HC-One's transformation and is planning to acquire further homes and diversify the care provided to include retirement villages, residential, nursing and home care In doing so becoming an integrated health and social care provider working in collaboration with public sector commissioners delivering high quality and cost effective services

As such, the acquisition represents the start of a new era for the Group's residents, staff and relatives An investment programme will commence in 2015 to invest more than £100 million over five years to continue improving HC-One's homes and the services provided

GOING CONCERN

LIBRA No 2 Limited had a term loan of £70m (the 'Mezzanine Loan') and LIBRA No 3 Limited had a term loan £1,172m (the 'Senior Loan') secured on the Group's freehold and long leasehold properties The Group had been in breach of the covenants since November 2008 due to the fall in property values and the Directors of the Company had been in restructuring negotiation with its lenders and had entered into a series of standstill agreements

At 30 September 2014 the Group and Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan had decided to pursue a possible sale of all of the shares of the Company (the *Disposal*)

The Disposal was successfully concluded on 12 November 2014 following an acquisition made by Formation Capital, a leading healthcare-focused private investment firm in the USA, and Safanad, a global investment firm, in partnership with Court Cavendish Healthcare Management Services Limited Consequently, the Company and all its subsidiaries including HC-One and TTCC have been transferred to the new owner See note 29 for further details

The obligations of NHP Holdco 1 Limited and its subsidiary undertakings under the £1,172m term loans were fully discharged on 12 November 2014

On 12 December 2014 LIBRA No 2 Limited and LIBRA No 3 Limited have been placed into liquidation

Subsequent to change of ownership, the Group's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and positions are set out above

The Strategic Report also describes the financial position of the Group, its cash flows and liquidity position, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk

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

STRATEGIC REPORT (Continued)

GOING CONCERN (Continued)

After making enquiries and based on the Group's forecasts and projections, taking into account of reasonably 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

PROPERTY VALUATIONS

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

At 30 September 2014 the Group's property portfolio was valued by Jones Lang LaSalle, a professionally qualified firm of external valuers Investment properties are stated at market value whereas the operating properties have been valued as individual operational entities with regard to their trading potential, excluding head office costs

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length The values are very dependent upon occupancy, capital expenditure spends and performance of the management teams at macro and micro levels In a short period of time the effects of the recent changes particularly in relation to HC-One operating properties and capital expenditure spent and to be spent should be more readily discernable and in the opinion of Jones Lang LaSalle, they would consider these in their valuation at a later date

The basis of valuation of operating properties was the 'profit' method, which consider the property as a trading asset with consideration of its business potential This requires an understanding of the vast quantity of legislation and regulatory standard healthcare operators should adhere to Valuations of trading assets are derived from their potential earnings before interest, taxes, depreciation and amortisation (EBITDA)

DISABLED EMPLOYEES

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

EMPLOYMENT CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and of the Company This is achieved through formal and informal meetings and the weekly newsletters

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

D Smith
Director
Date 29 April 2015
Southgate House
Archer Street
Darlington
County Durham DL3 6AH

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the provisions of the Companies Act 2006 applicable to overseas companies 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 HOLDCO 1 LIMITED

We have audited the financial statements of NHP Holdco 1 Limited for the year ended 30 September 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movements in Shareholders' Funds, the Group Note of Historical Cost Profits and Losses and the related notes 1 to 30 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 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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 September 2014 and of the Group's 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 provisions of the Companies Act 2006 applicable to overseas companies

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NHP HOLDCO 1 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 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

Mark Beddy

Mark Beddy (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date 29 April 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2014

	Notes	2014 £000	2013 £000
TURNOVER	3	325,058	316,515
Cost of sales		(271,693)	(261,529)
Exceptional costs	6	(10,107)	(563)
Total costs of sales		(281,800)	(262,092)
Gross profit		43,258	54,423
Provision for permanent diminution in value of properties		(4,371)	(3,674)
Administrative income / (expenses)			
- on-going		(42,456)	(42,660)
- property depreciation		(12,656)	(11,147)
- exceptional	6	401,612	-
Total administrative income / (expenses)		342,129	(57,481)
OPERATING PROFIT / (LOSS)	3, 7	385,387	(3,058)
Restructuring of continuing operations	8	(1,458)	(2,554)
Net profit on sale of properties and other tangible fixed assets		1,275	224
Net interest payable and similar charges	9	(1,535)	(891)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		383,669	(6,279)
Tax on profit / (loss) on ordinary activities	10	13,452	525
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	21	397,121	(5,754)

Results are derived wholly from continuing operations

BALANCE SHEETS
at 30 September 2014

FIXED ASSETS	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
INTANGIBLE ASSETS					
Negative goodwill	12	(34)	(3,751)	-	-
TANGIBLE ASSETS					
Investment properties	13	50,385	61,465	-	-
Operating properties	13	502,585	469,125	-	-
Other fixed assets	13	41,927	45,341	-	-
		594,897	575,931	-	-
INVESTMENTS	14	-	-	11	11
TOTAL FIXED ASSETS		594,863	572,180	11	11
CURRENT ASSETS					
Debtors	15	21,158	21,138	1	1
Short-term deposits	16	8,631	11,006	-	-
Cash at bank and in hand	16	11,818	24,681	-	-
		41,607	56,825	1	1
CREDITORS: amounts falling due within one year	17	(118,825)	(547,127)	(3,902)	(3,797)
NET CURRENT LIABILITIES		(77,218)	(490,302)	(3,901)	(3,796)
TOTAL ASSETS LESS CURRENT LIABILITIES		517,645	81,878	(3,901)	(3,796)
CREDITORS: amounts falling due after more than one year	18	(3,250)	(4,338)	-	-
PROVISIONS FOR LIABILITIES	19	(484)	(14,706)	-	-
NET ASSETS / (LIABILITIES)		513,911	62,834	(3,901)	(3,796)
CAPITAL AND RESERVES					
Called up share capital	20	2	2	2	2
Capital Contribution reserve	21	532,869	532,869		
Revaluation reserve	21	(74,206)	(232,257)	-	-
Profit and loss account	21	55,246	(237,780)	(3,903)	(3,798)
SHAREHOLDERS' FUNDS / (DEFICIT)		513,911	62,834	(3,901)	(3,796)

These financial statements were approved and authorised for issue by the Board of Directors on 29 April 2015 The Company Registration number is FC027927

Signed on behalf of the Board of Directors

D Smith
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2014

	Notes	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Net cash inflow from operating activities	23	45,517	22,423
Return on investments and servicing finance			
Interest paid		(278)	(222)
Other similar charges paid		(70)	(2)
Interest received		95	215
Net cash outflow from returns on investments and servicing of finance		**(254)**	**(9)**
Taxation			
Corporation tax received		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(31,332)	(45,240)
Proceeds on disposal of tangible fixed assets		21,894	3,620
Net cash outflow from investing activities		(9,438)	(41,620)
Financing			
Loan notes issued to LIBRA No 3 Limited (net)		(51,063)	895
Net cash outflow before use of liquid resources		**(15,238)**	**(18,311)**
Management of liquid resources			
Short-term deposit withdrawal		2,375	30,418
(Decrease) / Increase in cash in the year	25	(12,863)	12,107

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2014

	Notes	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Profit / (Loss) for the year	21	397,121	(5,754)
Net surplus on revaluation of properties	21	53,956	22,255
Total recognised profit for the year		451,077	16,501

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 September 2014

	Notes	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Profit / (Loss) for the year	21	397,121	(5,754)
Net surplus on revaluation of properties	21	53,956	22,255
Net increase in shareholders' funds		451,077	16,501
Shareholders' funds at the beginning of year		62,834	46,333
Shareholders' funds at end of year		513,911	62,834

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2014

		Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Profit on ordinary activities before taxation	21	383,669	(6,279)
Realisation of property revaluation losses of previous years		(104,095)	(13,034)
Historical cost profit / (loss) on ordinary activities before taxation		279,574	(19,313)
Historical cost profit / (loss) retained for the year		397,121	(5,754)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

1. GROUP RESTRUCTURING

LIBRA No 2 Limited had a term loan of £70m (the 'Mezzanine Loan') and LIBRA No 3 Limited had a term loan £1,172m (the 'Senior Loan') secured on the Group's freehold and long leasehold properties The Group had been in breach of the covenants since November 2008 due to the fall in property values and the Directors of the Company had been in restructuring negotiation with its lenders and had entered into a series of standstill agreements

At 30 September 2014 the Group and Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan had decided to pursue a possible sale of all of the shares of the Company (the *Disposal*)

The Disposal was successfully concluded on 12 November 2014 following an acquisition made by Formation Capital, a leading healthcare-focused private investment firm in the USA, and Safanad, a global investment firm, in partnership with Court Cavendish Healthcare Management Services Limited Consequently, the Company and all its subsidiaries including HC-One and TTCC have been transferred to the new owner See note 29 for further details

The obligations of NHP Holdco 1 Limited and its subsidiary undertakings under the £1,172m term loan were fully discharged on 12 November 2014

On 12 December 2014 LIBRA No 2 Limited and LIBRA No 3 Limited have been placed into liquidation

Up until 30 September 2013, the results of the Group were consolidated under LIBRA No 2 Limited Following a change in ownership, the Group consolidated financial statements represent the financial statements of the Company and its subsidiary undertakings for the year ended 30 September 2014, and the comparatives for the year ended 30 September 2013 have been produced on the same basis

2. ACCOUNTING POLICIES

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

Basis of accounting

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the years ended 30 September 2014 and 30 September 2013

Basis of consolidation

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

Acquisitions are accounted for under the acquisition method

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

2. ACCOUNTING POLICIES (Continued)

Going concern

Subsequent to the change of ownership (see note 1) the Group's business activities, together with the principal risks and uncertainties likely to affect its future development, performance and positions are set out above

The Strategic Report also describes the financial position of the Group, its cash flows and liquidity position, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk

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

After making enquiries and based on the Group's forecasts and projections, taking into account of reasonably 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

Intangible fixed assets – Negative goodwill

Negative goodwill, which represents the excess of the fair value of the identifiable assets and liabilities acquired over the costs of an acquisition, is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation Negative goodwill in excess of the fair value of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life Residual value is calculated on prices prevailing at the date of acquisition or revaluation

Investment properties

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

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

Operating properties

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

2. ACCOUNTING POLICIES (Continued)

Depreciation

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

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

Operating properties are depreciated using the new market value of the property less £nil residual value over a decreasing useful economic lives The estimated useful economic lives are as follows

Freehold buildings	- 30 years

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

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

Short term leasehold, buildings and grounds	- shorter of the term of the lease, or useful economic life of the asset
Fixtures and fitting and equipment	- 3 to 5 years
Motor vehicles	- 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount

Investments

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

Debtors

Debtors are recognised initially at cost less any provision for impairment

Cash and cash equivalents

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

Creditors

Trade creditors are recorded initially at fair value, net of transaction costs incurred Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the year of the borrowing using the effective interest rate method

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

2 ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation

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

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

Turnover

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

Cost of sales

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

Exceptional costs

The Group separately presents certain items as exceptional on the face of the profit and loss account Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve reader's understanding of the financial information Further information is given in note 5

Finance costs

Finance costs include interest payable on borrowing calculated using the effective interest method Interest expenses are recognised in the profit and loss account as they accrue

Interest

Interest receivable is recognised in the financial statements on an accruals basis

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

2 ACCOUNTING POLICIES (Continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the lower of fair value at acquisition or at the present value of minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant rate of interest on the outstanding obligation

Rental paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such basis No asset is recognised on the Group or the Company's balance sheet

Pension Schemes

HC-One operates both a company Default Pension Scheme and a Stakeholder Pension Scheme HC-One's Default Pension Scheme is managed by an external third party The Group, including HC-One's Stakeholder Pension Scheme is managed by the Group and funds are invested on the employee's behalf The Group operates a stakeholder pension scheme which is managed by the Group and funds are invested on the employees' behalf This pension scheme is accounted for as a defined contribution pension scheme and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

3. SEGMENT INFORMATION

Year ended 30 September 2014	Property business £000	Operating business £000	Group total £000
Turnover			
Total revenue	47,031	316,942	363,973
Inter-segment revenue	(38,865)	-	(38,865)
Unallocated revenue	-	-	(50)
	8,166	316,942	325,058
Costs of sales			
Total costs of sales	-	(321,639)	(321,639)
Inter-segment costs of sales	-	38,865	38,865
Unallocated costs of sales	-	-	974
Costs of Sales to third parties	-	(282,774)	(281,800)
Segment gross profit	8,166	34,168	43,258

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

3. SEGMENT INFORMATION

(Continued)

Year ended 30 September 2014 (Continued)	**Property business £000**	**Operating business £000**	**Group total £000**
Administrative expenses			
Provision for permanent diminution in value of properties	(4,371)	-	(4,371)
Administrative expenses			
- on-going	(29,965)	(12,527)	(42,492)
- property depreciation	(3)	(12,653)	(12,656)
- exceptional	401,612	-	401,612
Unallocated administrative expenses	-	-	36
Segment administrative income /(expenses)	367,273	(25,180)	342,129
Operating profit	375,439	8,988	385,387
Exceptional items reported after operating profit	(221)	(547)	(768)
Unallocated exceptional items	-	-	(690)
Segment net interest payable and similar charges	(221)	(547)	(1,458)
Profit on sale of tangible fixed assets	1,275	-	1,275
Total net interest payable and similar charges	2,026	(3,676)	(1,650)
Inter-segment interest	(3,268)	3,268	-
Unallocated interest	-	-	115
Segment net interest payable and similar charges	(1,242)	(408)	(1,535)
Profit on ordinary activities before taxation			383,669

Year ended 30 September 2014	**Property business £000**	**Operating business £000**	**Group total £000**
Net assets			
Total net assets/ (liabilities)	574,070	(31,742)	542,328
Inter-segment net assets / (liabilities)	(89,148)	89,148	-
Unallocated net liabilities	-	-	(28,417)
Segment net assets	484,922	57,406	513,911

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

3. SEGMENT INFORMATION (Continued)

Year ended 30 September 2013	Property business £000	Operating business £000	Group total £000
Turnover			
Total sales	49,470	306,784	356,254
Inter-segment sales	(39,689)	-	(39,689)
Unallocated sales	-	-	(50)
Sales to third parties	9,781	306,784	316,515
Costs of sales			
Total costs of sales	-	(298,941)	(298,941)
Inter-segment costs of sales	-	39,689	39,689
Unallocated costs of sales	-	-	(2,840)
Costs of Sales to third parties	-	(259,252)	(262,092)
Segment gross profit	9,781	47,532	54,423
Administrative expenses			
Provision for permanent diminution in value of properties	(3,674)	-	(3,674)
Administrative expenses			
- on-going	(29,815)	(12,787)	(42,602)
- property depreciation	(5)	(11,142)	(11,147)
- exceptional	-	-	-
Unallocated administrative expenses	-	-	(58)
Segment administrative expenses	(33,494)	(23,929)	(57,481)
Operating profit	(23,713)	23,603	(3,058)
Exceptional items reported after operating profit	(501)	(2,053)	(2,554)
Profit on sale of tangible fixed assets	224	-	224
Total net interest payable and similar charges	1,321	(2,412)	(1,091)
Inter-segment interest	(2,140)	2,140	-
Unallocated interest	-	-	200
Segment net interest payable and similar charges	(819)	(272)	(891)
Loss on ordinary activities before taxation			(6,279)
Net assets			
Total net assets / (liabilities)	95,863	(10,295)	85,568
Inter-segment net assets	(63,628)	63,628	-
Unallocated net liabilities	-	-	(22,734)
Segment net assets	45,687	53,333	62,834

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

4 STAFF COSTS

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

Group	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Wages and salaries	195,725	191,242
Social security costs	11,838	12,223
Other pension costs	528	357
	208,091	203,822

Average number of employees (excluding executive Director): Group	Year ended 30 September 2014 No	Year ended 30 September 2013 No.
Administrative	305	302
Care staff	13,352	13,467
	13,657	13,769

Company

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

5 DIRECTORS' EMOLUMENTS

J M J M Jensen was an executive director of the Company and the Group until 12 November 2014 He was Chief Restructuring Officer of the Group J M J M Jensen's services to the Company and its subsidiary undertakings were provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £574,000 (2013 £422,000) were incurred for the year ended 30 September 2014 The total fees amount is included in the total administrative expenses

P H Thompson was a non-executive director of the Company and of the Group until 12 November 2014 P H Thompson's services were also provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £154,000 were incurred for the year ended September 2014 (2013 £123,000) The total fees amount is included in the total administrative expenses

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

6. EXCEPTIONAL (COSTS) /INCOME

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

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Restructuring costs	(1,112)	(563)
Impairment of tangible fixed assets	(8,995)	-
	(10,107)	(563

Restructuring costs

Restructuring costs of £1,112,000 have been incurred by HC-One Limited relating to the restructuring costs in the year ended 30 September 2014 (2013 £563,000)

Impairment of tangible fixed assets

HC-One carried out an impairment review which resulted in fixed assets being written down by £8,995,000 in the year ended 30 September 2014

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

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Restructuring costs	(5,754)	-
Amounts written back – loan notes restructuring	407,366	-
	401,612	-

Restructuring costs of £5,754,000 have been incurred in respect of possible sale of all of the shares of NHP Holdco 1 Limited as disclosed in note 1

During the year, prior to a disposal of the shares in NHP Holdco 1 Limited, the Group undertook a series of debt restructuring steps to consolidate the loan balances between LIBRA No 3 Limited, the Company's immediate parent undertaking and the companies under NHP Holdco 1 Limited group Amounts written back of £407,366,000 represent amounts provided against in previous years for which provisions are no longer required

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

7. OPERATING PROFIT

Group operating profit is arrived after charging

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Depreciation of tangible fixed assets		
- owned assets*	29,718	22,840
- leased assets	1,258	1,094
Amortisation of negative goodwill	(3,717)	(423)
Impairment of fixed assets	8,995	451
Management fees	3,061	3,230
Operating lease rentals - buildings	554	557
Bad and doubtful debts	28,183	3

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
The analysis of auditor's remuneration (including VAT) is as follows		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	3	3
Fees payable to the Company's auditor for the audit of the Group's annual accounts	100	100
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to regulations	169	128
- Corporate finance services	816	-
- Tax services	96	71
	1,184	302

*included property depreciation of £12,654,000 for the year ended 30 September 2014 (2013 £11,142,000)

8. RESTRUCTURING OF CONTINUING OPERATIONS

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Closure costs	(1,458)	(2,554)
	(1,458)	(2,554)

Closure costs

During the year, HC-One undertook a review of the company's estate resulting in the decision to close a further five of its care homes As a result of this decision, a charge for closure costs and future operating losses of £1,238,000 has been recognised in the year Of the £2,492,000 closure provision, £2,008,000 has been utilised in the year with the remaining £484,000 to be utilised within one year See note 19 for further details

The other group undertakings have incurred a further amount of £220,000 on closure costs

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

9. NET INTEREST PAYABLE AND SIMILAR CHARGES

Group	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Interest receivable		
Interest receivable on bank deposits	94	213
Interest receivable from LIBRA No 3 Limited	6,684	9,250
Other interest receivable	1	1
	6,779	9,464
Interest payable:		
Interest payable to LIBRA No 3 Limited	(7,965)	(10,131)
Finance lease interest	(278)	(222)
Finance costs	(71)	(2)
	(8,314)	(10,355)
Net interest payable and similar charges	(1,535)	(891)

10. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

Group	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Corporation tax	-	-
Deferred tax credit	13,452	525
Total tax credit	13,452	525
Effective tax rate	-	-
Reconciliation of current tax charge		
Loss on ordinary activities before taxation	383,669	(6,279)
Tax on profit / (loss) at standard rate of 22% (2013 23 5%)	84,407	(1,476)
Factors affecting the change		
Non deductible expenses	(78)	596
Depreciation in excess of capital allowances	6,897	5,099
Loss on tangible fixed assets	866	79
WWDC adjustment	(5,092)	(5,120)
Group relief for £nil consideration	(8,986)	(11,581)
Inter-company debts provisions	(10,964)	6,667
Investment written off	-	863
Loan restructuring	(71,147)	-
Permanent diminution in value	(766)	-
Utilisation of brought forward losses	(1)	(763)
Increase in losses carried forward	4,864	5,636
Group tax for the current year	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

11. PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Loss on ordinary activities after taxation and for the financial year	(105)	(6)

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

12. INTANGIBLE FIXED ASSETS

Negative Goodwill and acquisition

Group

	£'000
Cost	
At 30 September 2012	(11,712)
Adjustment arising from finalisation of fair value	5,152
At 30 September 2013 and 30 September 2014	(6,560)
Accumulated amortisation	
At 30 September 2012	2,386
Credit for the year	1,415
Adjustment arising from finalisation of fair value	(992)
At 30 September 2013	2,809
Credit for the year	3,717
At 30 September 2014	6,526
Net book value	
At 30 September 2014	**(34)**
At 30 September 2013	(3,751)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

13. TANGIBLE FIXED ASSETS

Investment properties Group	Freehold investment properties £000	Long leasehold investment properties £000	Total £000
At valuation:			
At 30 September 2012	67,155	4,460	71,615
Disposals	(945)	-	(945)
Net deficit on revaluation (see note 21)	(8,460)	(30)	(8,490)
Provision for permanent diminution in value	(715)	-	(715)
At 30 September 2013	**57,035**	**4,430**	**61,465**
Disposals	(17,375)	-	(17,375)
Transferred from operating properties	1,820	-	1,820
Net surplus on revaluation (see note 21)	4,345	110	4,455
Write back of permanent diminution in value	20	-	20
At 30 September 2014	**45,845**	**4,540**	**50,385**

Investment properties are stated at market value as at 30 September 2014 as valued by professionally qualified external valuers The Group's properties were valued by Jones Lang LaSalle, Chartered Surveyors and a member of the Royal Institution of Chartered Surveyors The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors In their valuation report, Jones Lang LaSalle have stated that the opinions and values stated therein represent their objective view as at 30 September 2014

The values are very dependent upon occupancy, capital expenditure spends and performance of the management teams at macro and micro levels In a short period of time the effects of the recent changes particularly in relation to HC-One operating properties and capital expenditure spent and to be spent should be more readily discernable and in the opinion of Jones Lang LaSalle, they would consider these in their valuation at a later date

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2014 and have considered that a write back of £20,000 (2003 write off of £715,000) permanent diminution in value is required on the investment properties in respect of closure homes, which has consequently been credited / (charged) to the profit and loss account

The Market Value of the investment properties valued by Jones Lang LaSalle was £52,286,000 if the individual properties were valued as separate businesses at 30 September 2014 (2013 £63,762,000)

The historical cost of the Group's freehold and long leasehold investment properties at 30 September 2014 was £49,180,000 (2013 £62,267,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

13. TANGIBLE FIXED ASSETS (Continued)

Operating properties	Freehold land and buildings £000	Long leasehold land and buildings £000	Total £000
Group			
At valuation			
At 30 September 2012	435,619	8,689	444,308
Additions at cost	15,021	-	15,021
Disposals	(3,978)	-	(3,978)
Net surplus on revaluation (see note 21)	14,802	1,931	16,733
Provision for permanent diminution in value	(2,959)	-	(2,959)
At 30 September 2013	**458,505**	**10,620**	**469,125**
Additions at cost	12,058	-	12,058
Disposals	(3,225)	(540)	(3,765)
Net surplus on revaluation (see note 21)	36,020	840	36,860
Impairment	(5,482)	-	(5,482)
Provision of permanent diminution in value	(4,391)	-	(4,391)
Transferred to investment properties	(1,820)		(1,820)
At 30 September 2014	**491,665**	**10,920**	**502,585**
Accumulated depreciation			
At 30 September 2012	-	-	-
Depreciation charge	(13,820)	(226)	(14,046)
Disposals	34	-	34
Net surplus on revaluation (see note 21)	13,786	226	14,012
At 30 September 2013	-	-	-
Depreciation charge	(15,139)	(295)	(15,434)
Disposals	139	-	139
Net surplus on revaluation (see note 21)	12,346	295	12,641
Impairment	2,654	-	2,654
At 30 September 2014	-	-	-
Net book value			
At 30 September 2014	**491,665**	**10,920**	**502,585**
At 30 September 2013	458,505	10,620	469,125

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

13 TANGIBLE FIXED ASSETS (Continued)

Operating properties (Continued)

At 30 September 2014 the operating properties have been valued by Jones Lang LaSalle as individual operational entities having regard to their trading potential, excluding head office costs

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length The values are very dependent upon occupancy, capital expenditure spends and performance of the management teams at macro and micro levels In a short period of time the effects of the recent changes particularly in relation to HC-One operating properties and capital expenditure spent and to be spent should be more readily discernable and in the opinion of Jones Lang LaSalle, they would consider these in their valuation at a later date

The basis of valuation of operating properties was the 'profit' method, which consider the property as a trading asset with consideration of its business potential This requires an understanding of the vast quantity of legislation and regulatory standard healthcare operators should adhere to Valuations of trading assets are derived from their potential earnings before interest, taxes, depreciation and amortisation (EBITDA)

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2014 and have considered that a provision of permanent diminution in value of £4,391,000 (2013 £2,959,000) is required on closure and loss making homes and potential home sales, which has consequently charged to the profit and loss account

HC-One also carried out an impairment review which resulted in the fixed assets being written down by £2,828,000

The historical cost of the Group's freehold and long leasehold operating properties at 30 September 2014 was £482,151,000 (2013 £493,707,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

13 TANGIBLE FIXED ASSETS (Continued)

Other fixed assets

Group	Short term leasehold improvements, buildings and grounds £000	Fixtures, fittings & equipment £000	Motor Vehicles £000	Total £000
Cost				
At 30 September 2012	3,981	26,260	1,217	31,458
Additions	-	28,261	5,127	33,388
Disposals	-	(175)	(13)	(188)
Fair value adjustments	(3,981)	-	-	(3,981)
At 30 September 2013	-	54,346	6,331	60,677
Additions	-	18,322	72	18,394
Disposals	-	(145)	(63)	(208)
Impairment	-	(11,011)	(766)	(11,777)
At 30 September 2014	-	61,512	5,574	67,086
Accumulated depreciation				
At 30 September 2012	(434)	(4,741)	(37)	(5,212)
Charge for the year	659	(9,447)	(1,100)	(9,888)
Disposals	149	57	9	215
Impairment	(374)	(77)	-	(451)
At 30 September 2013	-	(14,208)	(1,128)	(15,336)
Charge for the year	-	(14,274)	(1,268)	(15,542)
Disposals	-	109	-	109
Impairment	-	5,308	302	5,610
At 30 September 2014	-	(23,065)	(2,094)	(25,159)
Net book value				
At 30 September 2014	-	**38,447**	**3,480**	**41,927**
At 30 September 2013	-	40,138	5,203	45,341

Leased assets included above

Net book value:				
At 30 September 2014	-	-	3,460	3,460
At 30 September 2013	-	-	5,181	5,181

HC-One carried out an impairment review which resulted in the fixed assets being written down by £6,167,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

14. INVESTMENTS

Company

	£'000
At Cost or valuation	
At 30 September 2013 and 30 September 2014	2,088
Provision	
At 30 September 2013 and 30 September 2014	(2,077)
Net book value	
At 30 September 2014	**11**
At 30 September 2013	11

At 30 September 2014, the Company held investments either directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
NHP Holdco 2 Limited*	Cayman Islands	100%	Investment company in group undertaking with Investment in care home properties
NHP Holdco 3 Limited	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Holdco Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Limited	United Kingdom	100%	Investment in care home properties
Libra CareCo CH3 PropCo Holdco Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH3 PropCo Limited	United Kingdom	100%	Investment in care home properties
Libra CareCo Holdings Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra GuaranteeCo Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No 1 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 2 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 3 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 4 Limited	United Kingdom	100%	Partner in LLNHP Partnership
NHP Securities No 5 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 8 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 9 Limited	Jersey	100%	Investment in overriding leases of care home properties

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

14. INVESTMENTS (continued)

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

* shares directly held by NHP Holdco 1 Limited
All shares held are ordinary shares

15 DEBTORS

Group	2014 £000	2013 £000
Amount falling due within one year		
Trade debtors	17,100	17,342
Other debtors	1,891	1,803
Prepayments and accrued income	2,167	1,993
	21,158	21,138

Prepayments and accrued income include an amount of £255,000 paid to Court Cavendish Healthcare Management Services Limited, a related party of the Group Further details are given in note 28

Company	2014 £000	2013 £000
Prepayments	1	1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

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

Group	2014 £000	2013 £000
Short-term deposits		
Short-term deposits	8,631	11,006
Cash at bank and in hand		
Cash at bank and in hand	11,818	24,681

At 30 September 2014, the Group had £8,631,000 of cash held on short-term deposit with a short-term credit rating as determined by Moody's of Prime-2

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2014 £000	2013 £000
Trade creditors	12,139	11,623
Finance lease	1,087	1,087
Other creditors	4,395	801
Taxation and social security	2,628	2,759
Accruals and deferred income	19,803	23,117
Loan notes due to group undertaking	78,034	405,791
Loan interest due to group undertaking	739	98,203
Other amounts due to group undertaking	-	3,746
	118,825	547,127

Loan notes due to group undertaking

Detailed below were loan notes amounts due to LIBRA No 3 Limited, a group undertaking at 30 September 2014 and 30 September 2013

	2014 £000	2013 £000
Libra CareCo Limited	61,884	58,671
Libra CareCo CH2 PropCo Limited	3,798	156,890
Libra CareCo CH3 PropCo Limited	8,400	124,063
Libra CareCo Investments 1 Limited	-	66,166
NHP Holdco 1 Limited	3,755	-
NHP Holdco 2 Limited	1	-
NHP Holdco 3 Limited	196	-
	78,034	405,790

At 4 June 2014 the Company and the Group re-structured the amounts due to LIBRA No 3 Limited, the Company's immediate parent undertaking into loan notes The loan notes bears interest rate at 6 month LIBOR plus 2% per annum On 12 November 2014 LIBRA No 3 Limited sold its 100% shareholding in NHP Holdco 1 Limited The loan notes were fully repaid on 12 November 2014 by FC Skyfall Bidco Limited, a new intermediate parent undertaking

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

17 CREDITORS· AMOUNTS FALLING DUE WITHIN ONE YEAR (Contınued)

Company	2014 £000	2013 £000
Loan notes due to group undertakıng	3,755	-
Loan ınterest due to group undertakıng	32	-
Amounts due to group undertakıngs	115	3,797
	3,902	3,797

Loan notes due to group undertakıng

At 4 June 2014 the Company and the Group formalısed the amounts due to LIBRA No 3 Lımıted, the Company's ımmedıate parent undertakıng of £3,754,723 ınto loan notes The loan notes have no fixed repayment date and bear ınterest rate at 6 month LIBOR plus 2% per annum On 12 November 2014 LIBRA No 3 Lımıted sold ıts 100% shareholdıng ın the Company See note 28 for further detaıls

Amounts due to group undertakıngs

The amounts are due on demand bearıng no ınterest

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

Group	2014 £000	2013 £000
Fınance leases	3,250	4,338

	2014 £000	2013 £000
Fınance leases		
Future mınımum payments under finance leases are as follows		
Between one and two years	1,087	1,087
Between two and five years	2,163	3,251
Total due after more than one year	**3,250**	**4,338**
Wıthın one year	1,087	1,087
Total future mınımum payments under finance leases	**4,337**	**5,425**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

19. PROVISIONS FOR LIABILITIES

Group

	Deferred taxation £000	Closure costs £000	Total £000
At 30 September 2012	(13,977)	(1,624)	(15,601)
Credit / (Charged) to profit and loss account	525	(2,053)	(1,528)
Less Utilisation of provision	-	2,423	2,423
At 30 September 2013	(13,452)	(1,254)	(14,706)
Credit /(Charge) to profit and loss account	13,452	(1,238)	12,214
Less Utilisation of provision	-	2,008	2,008
At 30 September 2014	-	(484)	(484)

During the year, HC-One undertook a review of the company's estate resulting in the decision to close a further five of its care homes As a result of this decision, a charge for closure costs and future operating losses of £1,238,000 has been recognised in the year Of the £2,492,000 closure provision, £2,008,000 has been utilised in the year with the remaining £484,000 to be utilised within one year

DEFERRED TAXATION

Group

	Provided 2014 £000	Provided 2013 £000	Unprovided 2014 £000	Unprovided 2013 £000
Deferred tax asset / (liability)				
Accelerated capital allowances	-	(13,452)	13,381	1,685
Losses carried forward	-	-	31,375	27,094
Revaluation of properties	-	-	(4,243)	4,304
	-	(13,452)	40,513	33,083

No deferred tax liability has been recognised on timing differences relating to accelerated capital allowances If future tax losses were to arise at the current rate, it is unlikely that the liability would crystallise

No deferred tax asset has been recognised in respect of the losses carried forward at the balance sheet date as it is uncertain whether the Group will have sufficient taxable profits in the future to utilise the losses of £31,375,000

Company

	Provided 2014 £000	Provided 2013 £000	Unprovided 2014 £000	Unprovided 2013 £000
Losses carried forward	-	-	(5,235)	(7,543)
	-	-	(5,235)	(7,543)

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

20. CALLED-UP SHARE CAPITAL

Company	£000
Called, allotted and fully paid:	
207,589 ordinary shares at £0 01 each	2
At 30 September 2013 and 2014	2

21. RESERVES

	Capital contribution reserve*	Revaluation Reserve	Profit and loss account
	£000	£000	£000
At 30 September 2013	532,869	(232,257)	(237,780)
Net surplus on revaluation of tangible fixed assets	-	53,956	-
Realisation of property revaluation losses of previous years	-	104,095	(104,095)
Profit for the year	-	-	397,121
At 30 September 2014	532,869	(74,206)	55,246

* The Group has no obligation to repay these amounts nor to provide any consideration for receiving them

	Profit and loss account £000
Company	
At 30 September 2013	(3,798)
Loss for the year	(105)
At 30 September 2014	(3,903)

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	£000
Company	
At 30 September 2013	(3,796)
Loss for the year	(105)
At 30 September 2014	(3,901)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2014 £000	2013 £000
Operating profit /(loss)	385,387	(3,058)
Depreciation of other fixed assets	30,976	23,934
Amortisation of negative goodwill	(3,717)	(423)
Impairment of tangible fixed assets	8,994	451
Provision for permanent diminution in value of properties	4,371	3,674
Gain on loan notes restructuring	(407,366)	-
Costs of a fundamental restructuring of continuing operations	(1,458)	(2,554)
Profit / (loss) on disposal of tangible fixed assets	1,755	(224)
Increase in debtors	(20)	(26)
Increase in creditors	453	1,018
Increase / (Decrease) in provisions	26,142	(369)
Net cash inflow from operating activities	45,517	22,423

24. ANALYSIS OF CHANGES IN NET DEBT

Group	At 30 September 2013 £000	Cash flow £000	Non-cash changes £000	At 30 September 2014 £000
Cash at bank and in hand	24,681	(12,863)	-	11,818
Net cash at bank and in hand	24,681	(12,863)	-	11,818
Short term deposit investments	11,006	(2,375)	-	8,631
Loan notes issued to LIBRA No 3 Limited	(405,790)	(51,063)	378,819	(78,034)
	(370,103)	(66,301)	378,819	(57,585)

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

	2014 £000	2013 £000
(Decrease) / Increase in cash during the year	(12,863)	12,107
Net cash outflow from management of liquid resources	(2,375)	(30,418)
Net cash outflow from loan notes issued to Libra No 3 Limited	(51,063)	-
Changes in net debt resulting from cash flows	(66,301)	(18,311)
Non-cash changes in net debt	378,819	-
Net debt at the beginning of year	(370,103)	(351,792)
Net debt at the end of the year	(57,585)	(370,103)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

26 FINANCIAL COMMITMENTS

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

	2014 £000	2013 £000
Office lease – expiring within one year	45	45
Motor vehicle leases		
- expiring within one year	79	-
- expiring between two and five years	16	138
	140	183

27 CONTINGENT LIABILITIES AND GUARANTEES

On 12 November 2014 NHP Holdco 1 Limited and its group undertakings became guarantors to a facility agreement entered into by FC Skyfall Bidco Limited, the Company's new 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 29 April 2015 the outstanding loan amount is £295 8m

28. RELATED PARTY TRANSACTIONS

(a) At 30 September 2014 J M J M Jensen was an executive director of the Company and the Group He was a Chief Restructuring Officer of the Group J M J M Jensen's services to the Company and the Group were provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £574,000 (2013 £422,000) were incurred for the year ended 30 September 2014 The total fees amount is included in the total administrative expenses As at 30 September 2014 the amount £51,000 remained outstanding but the full amount was settled on 8 October 2014

(b) P H Thompson was a non-executive director of the Company and of the Group P H Thompson's services were also provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £154,000 were incurred for the year ended September 2014 (2013 £123,000) The total fees amount is included in the total administrative expenses As at 30 September 2014 the amount £15,000 remained outstanding but the full amount was settled on 8 October 2014

(c) Following a selection process undertaken by the Group, HC-One entered into a management services contract with Court Cavendish Healthcare Management Services Limited, at a cost of £3 7m for the year (including VAT) Dr Chaitanya Patel is a director of the Company as of 12 November 2014 and he is chairman of Court Cavendish Healthcare Management Services Limited In line with the agreement, amounts are paid monthly in advance, with £255,000 being held within prepayments at 30 September 2014 (see note 14)

(d) Care Management Group ("CMG") provides residential care, domiciliary care and supported living services for people with learning disabilities and complex needs including mental health needs Dr Chaitanya Patel is a director of the company CMG is a tenant of the Group Total rent due under leases for the year ended 30 September 2014 was £1 3m At 30 September 2014, £0 4m remained outstanding but was settled on 5 December 2014

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

28. RELATED PARTY TRANSACTIONS (Continued)

(e) During the year, CMG entered into a lease for an office and subsequently sub-let one floor to HC-One All transactions were on normal commercial terms and at arm's length

Transactions with CMG

	2014	2013
	£'000	£'000
Recharge of office refurbishment	-	9
Lease and service charge	239	155
Management charges	61	180
Expenses	4	7
Total	**304**	**351**

29 POST BALANCE SHEET EVENTS

(a) On 12 November 2014 Formation Capital, a leading healthcare-focused private investment firm in the USA, and Safanad, a global investment firm, in partnership with Court Cavendish Healthcare Management Services Limited, a related party of the Group, acquired 100% share capital of NHP Holdco 1 Limited from LIBRA No 3 Limited The change in ownership removed the uncertainty and financial risk connected with the bank debts of LIBRA 3 Limited and LIBRA No 2 Limited The new structure properly funds the Group, the Company and the operations of HC-One and TTCC and its plan for future development

The Group's new partnership is with two organisations who share HC-One and TTCC's passion for care Since 1999, Formation Capital and its investors have invested over US$5 5billion across care in the senior housing sector Safanad Limited is a global investment firm that invests in property, private and public market

The new partnership has been created with the view to consolidating HC-One's transformation and is planning to acquire further homes and diversify the care provided to include retirement villages, residential, nursing and home care In doing so becoming an integrated health and social care provider working in collaboration with public sector commissioners delivering high quality and cost effective services

As such, the acquisition represents the start of a new era for the Group's residents, staff and relatives An investment programme will commence in 2015 to invest more than £100 million over five years to continue improving HC-One's homes and the services provided

(b) On 12 November 2014 following the change of ownership, the obligations of NHP Holdco 1 Limited and its subsidiary undertakings under the £1,172m term loan were fully discharged

(c) On 12 December 2014 LIBRA No 2 Limited and LIBRA No 3 Limited have been placed into liquidation

(d) On 12 November 2014 NHP Holdco 1 Limited and all its group undertakings were acceded as guarantors to a facility agreement entered into by FC Skyfall Bidco Limited The facility is secured by a fixed and floating charge over the group assets and unlimited guarantee from its group undertakings As at 29 April 2015 the outstanding loan amount is £295 8m

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

30 ULTIMATE PARENT UNDERTAKINGS

At 30 September 2014 the immediate parent undertaking was LIBRA No 3 Limited, a company incorporated in the Cayman Islands On 12 November 2014 Formation Capital, a leading healthcare-focused private investment firm in the USA, and Safanad, a global investment firm, in partnership with Court Cavendish Healthcare Management Services Limited, a related party of the Group, acquired 100% share capital of the Company from LIBRA No 3 Limited, the Company's immediate parent undertaking

Following the change to new ownership on 12 November 2014 FC Skyfall Bidco Limited, a company incorporated in the United Kingdom and registered in England and Wales, becomes the Company's immediate parent undertaking As disclosed in note 29, LIBRA No 2 Limited and LIBRA No 3 Limited have been placed into liquidation on 12 December 2014 hence NHP Holdco 1 Limited is both the smallest and largest group including the Company for which consolidated accounts are prepared

Copies of the NHP Holdco 1 Limited group consolidated financial statements to 30 September 2014, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ