

NHP SECURITIES NO.3 LIMITED
Report and Financial Statements
30 September 2008

THURSDAY



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REPORT AND FINANCIAL STATEMENTS 2008

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REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
D C Nicholson

REGISTERED OFFICE

25 Hanover Square
London
W1S 1JF

BANKERS

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

SOLICITORS

Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

AUDITORS

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2008.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITIES

The Company receives rental income from three residential buildings. The Directors intend to continue these activities in the forthcoming year.

BUSINESS REVIEW

In the year to 30 September 2008, the Company has continued the receipt of rental income from the residential buildings and this will continue in the foreseeable future.

RESULTS

The results for the year ended 30 September 2008 are set out in the profit and loss account on page 8.

DIVIDENDS

During the year, the Company declared and paid a dividend of £65,000,000(2007: £nil).

DIRECTORS

The following Directors served throughout the year and subsequently, except as noted:

	<u>Date Appointed</u>	<u>Date Resigned</u>
P V Taylor	-	19 December 2008
D C Nicholson	-	-
J M J M Jensen	19 December 2008	-

The current Directors of the Company are detailed on page 1.

No Director has, or had, any interests in the shares of the Company. No Director holds a service contract with the Company and there is no Company share option scheme in existence.

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

DIRECTORS' REPORT (Continued)

GOING CONCERN

At 30 September 2008, the Group had bank loans of £1,172m (the 'Senior loan') and £70m (the 'Term Loan Facility') secured on the Group's investment properties and freehold land and buildings.

As at 29 September 2008, the portfolio was valued by King Sturge LLP at £929,776,000 (assuming costs of 1.75%). This results in a loan to value ratio of 126%, which puts the senior loan in breach of its Loan to Value ('LTV') covenant of 92.7%. There are also a number of breaches of other covenants to the loan, which mainly relate to the provision of information. Further, in the light of deteriorating conditions in the real estate investment market, another valuation was commissioned which shows that as at 15 December 2008 the value of the portfolio had dropped to £863,304,000 (assuming costs of 1.75%). This further diminution has not been reflected in the financial statements.

In addition, at 15 January 2009, the loan amounts remained outstanding. The maturity date of the senior loan was 15 January 2009 (the original final maturity date) with an option to extend the loan to 15 January 2010 provided no default was outstanding at the original final maturity date. This failure to repay on the maturity date was an event of default which meant that the loan became instantly repayable.

As a result, the Directors of the Company commenced discussions with the loan Special Servicer, Capmark Services UK Limited ('Capmark'), about how best to resolve this situation. On 25 November 2008 a standstill agreement was put in place until 14 January 2009, and then further extended by all parties to 14 April 2009, which suspends the ability of Capmark and others to exercise their rights in relation to certain specified events of default. This allows the Group time in which to negotiate a solution to the problem of the breached covenants without threat of foreclosure.

The £70m term loan facility is also in breach as a result of the above. The lenders of this loan have also entered into the standstill agreement and have thus suspended their ability to exercise any rights they may have.

There is a provision in the standstill agreement for a Chief Restructuring Officer to be appointed to the board of the Group, whose role would be to represent the Company and Libra No. 3 Limited, its subsidiary undertaking, in its negotiations between the lenders and the Special Servicer. The Chief Restructuring Officer was appointed on 19 December 2008.

Further, the Directors have received an undertaking from Capmark that the cash flow required to operate the Group until the refinancing has been concluded will be forthcoming. The undertaking states that it is the intention of the Senior Creditors to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business, including without limitation (a) day-to-day operating costs; (b) restructuring costs; and (c) other exceptional costs incurred in relation to the Potential Restructuring.

Given these circumstances, the Directors do not currently believe there is a risk that the Group will go into insolvent liquidation, although this could change if the negotiations envisaged by the standstill agreement were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

PAYMENTS TO CREDITORS

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms. The creditor days for the Company at 30 September 2008, calculated in accordance with the Companies Act 1985 are 78 (2007: 37).

DIRECTORS' REPORT (Continued)

AUDITORS

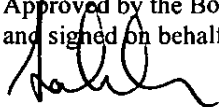
In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

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



D C Nicholson
Director

Date: 20 January 2009

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed and
- (d) prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT

TO THE MEMBERS OF NHP SECURITIES NO.3 LIMITED

We have audited the financial statements of NHP Securities No. 3 Limited for the year ended 30 September 2008, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NHP SECURITIES NO. 3 LIMITED (Continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern.

The Company is a guarantor for a loan agreement entered into by another group company. The group is in breach of the financial covenants in its loan agreement (as described in note 1). The Directors are in discussions with Capmark Services UK Limited regarding a resolution of the breach. However, the outcome of these discussions and the timing of their conclusion is uncertain.

These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the financial statements on the going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern as it is not practicable to determine or quantify them.



Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

Date: 20 January 2009

NHP SECURITIES NO.3 LIMITED

PROFIT & LOSS ACCOUNT Year ended 30 September 2008

	Note	2008 £	2007 £
TURNOVER AND GROSS PROFIT	3	30,027	29,760
Other administrative expenses	4	(525,416,174)	(76,564)
OPERATING LOSS		(525,386,147)	(46,804)
Net interest payable and similar charges	5	(1,563,150)	(1,784,924)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(526,949,297)	(1,831,728)
Tax credit on loss on ordinary activities	6	-	428,632
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR	14	(526,949,297)	(1,403,096)

Results are derived wholly from continuing operations.

There are no recognised gains or losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

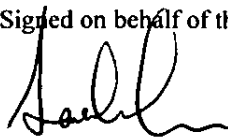
NHP SECURITIES NO.3 LIMITED

BALANCE SHEET 30 September 2008

	Note	2008 £	2007 £
TANGIBLE FIXED ASSETS			
Land and buildings	7	550,000	585,000
INVESTMENTS	8	1	153,692,701
TOTAL FIXED ASSETS		<u>550,001</u>	<u>154,277,701</u>
CURRENT ASSETS			
Debtors			
- due within one year	9	836,132	18,260,000
- due after more than one year	9	-	521,423,880
Cash at bank and in hand		327,439	13,781
		<u>1,163,571</u>	<u>539,697,661</u>
CREDITORS: amounts falling due within one year	10	<u>(24,382,100)</u>	<u>(115,208,993)</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(23,218,529)</u>	<u>424,488,668</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(22,668,528)</u>	<u>578,766,369</u>
CREDITORS: amounts falling due after more than one year	12	<u>(163,084,558)</u>	<u>(172,544,578)</u>
NET (LIABILITIES) / ASSETS		<u><u>(185,753,086)</u></u>	<u><u>406,221,791</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve	14	(13,302)	12,278
Profit and loss account	14	<u>(185,739,786)</u>	<u>406,209,511</u>
SHAREHOLDERS' FUNDS		<u><u>(185,753,086)</u></u>	<u><u>406,221,791</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 20 January 2009.

Signed on behalf of the Board of Directors



D C Nicholson
Director



J M J M Jensen
Director

NHP SECURITIES NO.3 LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 September 2008

	Note	2008 £	2007 £
Loss for the year		(526,949,297)	(1,403,096)
Net deficit on revaluation of property interests	14	<u>(25,580)</u>	<u>(9,060)</u>
Total recognised gains and losses for the year		<u><u>(526,974,877)</u></u>	<u><u>(1,412,156)</u></u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 30 September 2008

	Note	2008 £	2007 £
Loss for the year		(526,949,297)	(1,403,096)
Dividend paid to equity holder		(65,000,000)	-
Net deficit on revaluation of property interests	14	<u>(25,580)</u>	<u>(9,060)</u>
Net decrease in shareholders' funds		(591,974,877)	(1,412,156)
Shareholders' funds at the beginning of the year		<u>406,221,791</u>	<u>407,633,947</u>
Shareholders' (deficit) / funds at the end of the year		<u><u>(185,753,086)</u></u>	<u><u>406,221,791</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 30 September 2008

	2008 £	2007 £
Loss on ordinary activities before taxation	<u>(526,949,297)</u>	<u>(1,831,728)</u>
Historical cost loss on ordinary activities before taxation	<u>(526,949,297)</u>	<u>(1,831,728)</u>
Historical cost loss retained for the year	<u><u>(526,949,297)</u></u>	<u><u>(1,403,096)</u></u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

1. GOING CONCERN

The Company is a guarantor for a loan entered into by another group company.

At 30 September 2008, the Group had bank loans of £1,172 million (the 'Senior Loan') and £70 million (the 'Term Loan Facility') secured on the Group's investment properties and freehold land and buildings. At 16 January 2009, the loan amounts remain outstanding. The maturity date of the senior loan was 15 January 2009 (the original final maturity date) with an option to extend the loan to 15 January 2010 provided no default is outstanding at the original final maturity date.

Libra No. 2 Limited, the Company's ultimate parent company declared a dividend on 27 November 2007 of £89,035,586, and there was a deficit on the revaluation of properties of £392,665,000 in the year ended 30 September 2008. As a result, the Group is now in a net liability position.

Under the terms of the Senior Loan, the Group has to comply with a number of financial covenants, of which the two most material are a Loan to Value ('LTV') covenant and an Interest Cover Ratio ('ICR') covenant. Further, in order for the Group to continue to trade as a going concern, the Directors of each of the entities in the Group need to be satisfied that they will continue to be able to meet their operating costs and expenses as they fall due.

The Directors of the Company, who are also the directors of Libra No. 3 Limited, a group undertaking and also the borrower to the bank loan, have prepared cash flow forecasts covering the period to 31 March 2010 which show that there is a shortfall in the operational cash flow of the Company in the period. However, the Directors have received an undertaking from Capmark Services UK Limited ('Capmark'), the Special Servicer to the Senior Loan, that the cash flow required to operate the Group will be forthcoming whilst discussions with respect to the Potential Restructuring are continuing. The cash flow forecasts also indicate that the ICR test will not be met throughout the testing period. The undertaking states that it is the intention of the Senior Creditors to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business, including without limitation (a) day-to-day operating costs and expenses; (b) restructuring costs; and (c) other exceptional costs incurred in relation to the Potential Restructuring.

The Directors have also considered the LTV test, and note that this was not met as at 30 September 2008. The Directors have been advised by their valuers, King Sturge LLP, that they consider that as at 29 September 2008 the appropriate yield for the Group's property portfolio is 7.42%, and the value of the portfolio is £929,767,000 after costs of 1.75%, on the basis of the properties being sold as a business, resulting in an LTV ratio of 126%.

This breaches the LTV covenant which is set at 92.7%, and the Group was not therefore in a position to obtain the extension of the loan as at 15 January 2009 unless this breach, and other breaches chiefly concerning information covenants which remain unremedied, had been waived. The effect of these breaches was that the loan became immediately repayable as at 15 January 2009. The failure to comply with these covenants has also resulted in a default in the £70 million term loan facility.

However, the Directors of the Company have initiated discussions with Capmark under the securitisation structure which operates alongside the bank loan and have entered into a standstill agreement which suspends the rights and remedies of the loan servicer against specified breaches of the loan until 14 April 2009.

Given these circumstances, the Directors do not currently believe there is a risk that the Company will go into insolvent liquidation, although this could change if the negotiations for which the standstill agreement allows were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis. In the event that a going concern basis should become inappropriate, the assets of the Group would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of the other fixed assets. The particular accounting policies adopted are described below. The financial statements are prepared in compliance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The accounting policies have been followed consistently during the current and previous year.

Exemption from consolidation

The Company has not prepared consolidated financial statements as it is a subsidiary of a company incorporated in the Cayman Islands, Libra No. 2 Limited, which prepares consolidated financial statements under UK GAAP. These financial statements provide information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represent amounts receivable on rental accommodation due in the normal course of business.

Other fixed assets – land and buildings

The residential properties are held to provide accommodation to care employees of Southern Cross Healthcare Group Limited, a care home operator.

Depreciation

Land and buildings are depreciated in equal instalments over the estimated useful economic lives of each category of asset. The amount of depreciation, the calculation of which is based on the valuation less estimated residual value, is charged to the profit and loss account with an appropriate adjustment made to the revaluation reserve by the transfer of a sum from the revaluation reserve to the profit and loss account. The estimated useful economic lives are as follows:

Freehold land	no depreciation
Freehold buildings	50 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Taxation

Current tax, including UK corporation 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.

Interest

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

NOTES TO THE ACCOUNTS

Year ended 30 September 2008

2. ACCOUNTING POLICIES (Continued)

Cash flow statement

As the Company is a wholly owned subsidiary, it has taken exemption under the terms of Financial Reporting Standard 1 (revised 1996) 'Cash flow statements' from preparing cash flow statement, as it is included in the consolidated financial statements of Libra No.2 Limited, which are publicly available.

3. TURNOVER AND GROSS PROFIT

Turnover, which is stated net of value added tax, comprises the following from the Company's ordinary activities, which take place wholly within the United Kingdom:

	2008 £	2007 £
Rental income - Southern Cross Healthcare Group Limited	29,950	29,644
Commissions and fees received	77	116
	<u>30,027</u>	<u>29,760</u>

4. ADMINISTRATIVE EXPENSES

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

None of the Directors received emoluments directly from the Company during the current or preceding year.

Administrative expenses include:

	2008 £	2007 £
Group management fees	87,371	50,964
Depreciation	9,420	11,052
Provision of doubtful debts – group undertakings	525,277,838	-
Fees payable to the Company's auditors for the audit of the annual accounts	17,765	13,668
Tax advisor fees payable to the Company's auditors	35,850	-
	<u>570,324</u>	<u>75,684</u>

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable to NHP Limited on subordinated loan notes	(13,476,866)	(13,859,923)
Finance costs	(60)	(113)
Interest receivable on loan notes to group undertakings	11,868,631	12,046,930
Interest receivable on bank deposits	45,145	28,182
	<u>(1,563,150)</u>	<u>(1,784,924)</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
Corporation tax credit:		
Current year	-	-
Prior year	-	428,632
	<u>-</u>	<u>428,632</u>
Total tax credit	<u>-</u>	<u>428,632</u>
 Loss before tax	 (526,949,297)	 (1,831,728)
Tax on loss at standard rate of 29% (2007: 30%)	(152,815,296)	(549,518)
Factors affecting tax charge:		
Permanent differences	-	3,315
Non-deductible expenditure	2,731	-
Non-deductible provisions	152,330,574	-
Increase in loss carried forward	481,991	-
Group relief for nil consideration	-	546,203
	<u>-</u>	<u>546,203</u>
Current tax charge	<u>-</u>	<u>-</u>

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax principally because certain items of expenditure are not deductible for tax purposes.

7. TANGIBLE FIXED ASSETS

	Land and buildings £
Cost or Valuation	
At 1 October 2007	585,000
Deficit on revaluation of properties	(35,000)
	<u>550,000</u>
At 30 September 2008	<u>550,000</u>
 Depreciation	
At 1 October 2007	-
Charge	(9,420)
Transfer to revaluation reserve	9,420
	<u>-</u>
At 30 September 2008	<u>-</u>
Net book value at 30 September 2008	<u>550,000</u>
Net book value at 30 September 2007	<u>585,000</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

8. INVESTMENTS

	At 30 September 2007 £	Additions £	Repayments £	At 30 September 2008 £
Shares in subsidiary undertaking				
At cost or valuation				
Ultima Holdings Limited	1	-	-	1
Subordinated loan notes investment in				
Libra 3 Limited	5,500,000	-	-	5,500,000
Care Homes No.2 Limited	2,081,116	1,546	-	2,082,662
Care Homes No.3 Limited	23,841,468	-	-	23,841,468
NHP Operations (York) Limited	2,456,584	19,486	(357,180)	2,118,890
Libra CareCo CH2 PropCo Limited	72,106,107	-	-	72,106,107
Libra CareCo CH3 PropCo Limited	47,707,425	-	-	47,707,425
	153,692,700	21,032	(357,180)	153,356,552
Provision of doubtful debts	-	(153,356,552)	-	(153,356,552)
Total	153,692,701	(153,335,520)	(357,180)	1

Shares in subsidiary undertaking

The Company holds 100% of the issued ordinary share capital of Ultima Holdings Limited, a company incorporated in Great Britain. Ultima Holdings Limited and its subsidiary undertakings have not traded during the current or preceding year. Previously they were trading as nursing and residential care homes.

The Company has invested in 13,970,000 'C' Ordinary Shares in Ultima Holdings Limited which were retained at a £nil value at 30 September 2008 (2007: £nil). The shares carry no voting rights. Ultima Holdings Limited and its subsidiary undertakings have not traded during the current or preceding year. Previously they were trading as nursing and residential care homes.

At 30 September 2008, the Company held investments in the following principal subsidiary undertakings:

Name	Country of incorporation	% Holdings	Principal activity
Ultima Holdings Limited *	Great Britain	100%	Immediate parent company of Ulitma Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Previously, a care home operator, now dormant
Eton Hall Homes Limited	Great Britain	100%	Previously, a care home operator, now dormant
Ultima Care Limited	Great Britain	100%	Previously, a care home operator, now dormant
Platinum Healthcare Limited	Great Britain	100%	Previously, a care home operator, now dormant

* held directly by NHP Securities No.3 Limited.

All shares held are ordinary shares.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

8. INVESTMENTS (Continued)

Summarised below are the financial information of the subsidiary undertakings:

	Capital and Reserve at 30 September 2008 £	Profit / (Loss) for the year ended 30 September 2008 £
Ultima Holdings Limited	324,869	31
Ultima Healthcare Limited	4,688,137	12
Eton Hall Homes Limited	25,857	-
Ultima Care Limited	(5,306,971)	15
Platinum Healthcare Limited	111,635	(14)
	<u> </u>	<u> </u>

Subordinated loan notes investment

£2,082,662 (2007: £2,081,116) of the loan notes were issued to Care Homes No.2 Limited. The loan notes are repayable on 2 January 2026 and also bear interest at 8.91% per annum.

The loan notes of £23,841,468 due by Care Homes No.3 Limited, which represent the consideration payable for the financing of overriding leases, have no fixed repayment dates and bear interest at 6.60% per annum.

The loan notes of £2,118,890 (2007: £2,456,584) were issued to NHP Operations (York) Limited, a group undertaking to enable that company to finance its care home development. The loan notes have no fixed repayment date and bear interest at 9.25% per annum.

The loan notes of £72,106,107 and £47,707,425 due by Libra CareCo CH2 PropCo Limited and Libra CareCo CH3 PropCo Limited respectively have no fixed repayment dates and bear interest at daily 12 month LIBOR plus 2%. The loan notes were issued to finance part consideration for the purchase of the interests in freehold and long leasehold residual properties.

On 3 March 2006, a loan note of £5,500,000 (the amount was previously reported under 'Debtors') was issued to Libra No. 3 Limited to enable that company to repay cash to the preference shares holders of Libra No.2 Limited, the intermediate parent undertaking of the Company. The loan note has no fixed repayment date and bears interest at LIBOR plus 2% per annum.

9. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Other debtors	7,500	4,609
Corporation tax debtor	828,632	428,632
Loan note interest receivable from group undertakings	-	17,819,884
Prepayments and accrued income	-	6,875
	<u>836,132</u>	<u>18,260,000</u>
Amounts falling due after more than one year:		
Amounts due by group undertakings	-	521,423,880
	<u>836,132</u>	<u>521,423,880</u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Other creditors	25,975	28,669
Amounts owed to group undertakings	15,539,379	48,135,099
Interest on loan notes payable to NHP Limited, a group undertaking	8,795,846	67,035,295
Accruals and deferred income	20,900	9,930
	<u>24,382,100</u>	<u>115,208,993</u>

11. DEFERRED TAXATION

	Provided		Unprovided	
	2008	2007	2008	2007
	£	£	£	£
Accelerated capital allowances	-	-	-	-
Revaluation of investment properties	-	-	-	-
Losses c/f	-	-	(460,331)	-
	<u>-</u>	<u>-</u>	<u>(460,331)</u>	<u>-</u>

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

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

	2008	2007
	£	£
Loan notes due to NHP Limited	163,084,558	172,544,578
	<u>163,084,558</u>	<u>172,544,578</u>

Loan notes

Since 1997 NHP Limited has transferred proceeds from equity issues in consideration of loan notes to enable the Company to finance asset acquisitions. The loan notes of £140,289,814 have no fixed repayment dates and bear interest at 8.5% per annum (2007: 8.5%). In 2002, following a Rights Issue by NHP Limited, the Company issued a further £32,254,764 of subordinated loan notes, bearing interest at 6.0% per annum, in consideration of a further transfer of funds. These loan notes have no fixed repayment date. During the current year, the Company made a repayment of £9,460,020 to NHP Limited.

13. SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
100 ordinary shares at £1 each	100	100
	<u>100</u>	<u>100</u>
Called up, allotted and fully paid:		
2 ordinary shares at £1 each	2	2
	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2008

14. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 October 2007	12,278	406,209,511
Deficit on revaluation of land and building	(25,580)	-
Loss for the year	-	(526,949,297)
Dividend paid to equity holder	-	(65,000,000)
At 30 September 2008	<u>(13,302)</u>	<u>(185,739,786)</u>

15. CONTINGENT LIABILITIES AND GUARANTEES

The Company is one of the guarantors to a £1,172 million term loan facility agreement entered into by Libra No.3 Limited with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007. The facility is secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were ultimately transferred by way of novation to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

16. POST BALANCE SHEET EVENT

On 25 November 2008 a standstill agreement was put in place until 14 January 2009 and later extended until 14 April 2009, which suspends the ability of Capmark, the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Company time to negotiate a solution to the problem of the breached covenants without threat of foreclosure. See further details in note 1 to the financial statements.

17. RELATED PARTY TRANSACTIONS

The exemption under Financial Reporting Standard No.8 "Related Party Disclosures" has been taken and consequently, transactions with other undertakings within the Libra No. 2 Limited group have not been disclosed in these financial statements.

18. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is NHP Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate and parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man. In the opinion of the Directors, there is no ultimate controlling party in that company.

The results of the Company are consolidated within Libra No. 2 Limited, its intermediate parent undertaking, a company incorporated and registered in the Cayman Islands. Libra No.2 Limited is both the smallest and largest group including the Company for which consolidated accounts are prepared.

Copies of the Libra No. 2 Limited group consolidated financial statements to 30 September 2008, which include the results of the Company, are available from Libra Group at 25 Hanover Square, London, W1S 1JF.