

**Company Registration No. 03512953**

**Ultima Holdings Limited**

**Report and Financial Statements**

**30 September 2011**

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**ULTIMA HOLDINGS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2011**

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## **ULTIMA HOLDINGS LIMITED**

### **REPORT AND FINANCIAL STATEMENTS 2011**

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

##### **DIRECTORS**

J M JM Jensen  
P H Thompson

##### **COMPANY SECRETARY**

L Pang

##### **REGISTERED OFFICE**

c/o NHP Management Limited  
Liberty House  
222 Regent Street  
London  
W1B 5TR

##### **AUDITOR**

Target  
76 Shoe Lane  
London  
EC4A 3JB

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## ULTIMA HOLDINGS LIMITED

### DIRECTORS' REPORT

The Directors have pleasure in presenting the annual report and the audited financial statements for the year ended 30 September 2011

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

### PRINCIPAL ACTIVITY

The principal activity of the Company was that of a specialist provider of quality long term care through the operation of nursing care homes, residential homes and homes specialising in specific disorders such as Alzheimer's disease. The company also provided sheltered accommodation for elderly people.

### BUSINESS REVIEW

The results for the year to 30 September 2011 are set out on page 7 of the financial statements

### DIVIDENDS

No dividends in respect of the year are proposed (2010 - £nil)

### DIRECTORS

The following Directors served throughout the year except as noted

#### Directors

P H Thompson

J M Jensen

The current Directors of the Company are detailed on page 1

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

### GOING CONCERN

The Company is a guarantor for a loan entered into by another group company and is also reliant on the Group to continue as a going concern due to its recurring losses and net current liability position. Nevertheless, the Group has been in technical breach of its loan covenants since 15 December 2008 due to the fall in property values and the Directors of the Company have been in restructuring negotiations with its lenders since 28 November 2008 and have entered into a series of standstill agreements which suspend the rights of creditors in respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 13 January 2012, a further standstill agreement was put in place, expiring 13 April 2012.

Given these circumstances along with other matters disclosed in note 1, the Directors do not currently expect the Company to go into insolvent liquidation but there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern, which casts the same doubt as to the Company's ability to continue as a going concern. Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis. See further details in note 1 to the financial statements.

## ULTIMA HOLDINGS LIMITED

### DIRECTORS' REPORT (Continued)

#### AUDITOR

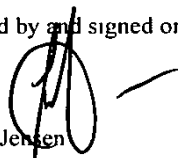
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each of the directors is aware, there is no relevant audit information 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 in order to make themselves aware of any relevant audit information 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 s418 of the Companies Act 2006

Target have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

Approved by and signed on behalf of the Directors



J M J M Jensen  
Director  
Date 17<sup>th</sup> February 2012  
Liberty House  
222 Regent Street  
London  
W1R 5TR

**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

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and accounting estimates that are reasonable and prudent, and
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) 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 proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that so far as they are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ULTIMA HOLDINGS LIMITED**

We have audited the financial statements of Ultima Holdings Limited for the year ended 30 September 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related Notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ULTIMA HOLDINGS LIMITED (Continued)**

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £4,698,533 for the year ended 30 September 2011 and, as of that date, the Company's current liabilities exceeded its current assets by £4,373,664. Thus the Company is reliant on the Group to continue as a going concern.

The Group is in breach of the financial covenants in its loan agreement (as described in note 14 of the LIBRA No 2 Limited's 30 September 2011 financial statements). The Directors are in discussion with Capita Asset Services (UK) Limited regarding a resolution of the breach. However, the outcome of these discussions and the timing of their conclusion are uncertain.

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

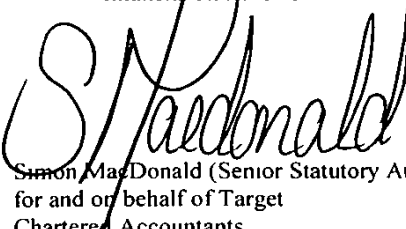
### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

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

  
Simon MacDonald (Senior Statutory Auditor)  
for and on behalf of Target  
Chartered Accountants  
Statutory Auditors  
76 Shoe Lane  
London EC4A 3JB

Date 17th February 2012



# ULTIMA HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 September 2011

	Note	2011 £	unaudited 2010 £
Provision for debts due from group undertakings		(9,922)	-
<b>OPERATING LOSS</b>		(9,922)	-
Amount written off investments		(4,688,611)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,698,533)	-
Tax on loss on ordinary activities	4	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND LOSS FOR THE YEAR</b>	9	(4,698,533)	-

Losses are derived wholly from discontinued operations

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

**ULTIMA HOLDINGS LIMITED**  
Company Registration No. 3512953

**BALANCE SHEET**  
**As at 30 September 2011**

	Note	£	2011 £	£	unaudited 2010 £
<b>FIXED ASSETS</b>					
Investments	5		-		4,688,611
<b>CURRENT ASSETS</b>					
Debtors	6	-		9,922	
		-		9,922	
<b>CREDITORS: amounts falling due within one year</b>	7	(4,373,664)		(4,373,664)	
<b>NET CURRENT LIABILITIES</b>			(4,373,664)		(4,373,742)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES AND NET LIABILITIES</b>			(4,373,664)		324,869
<b>CAPITAL AND RESERVES</b>					
Called up share capital	8		13,970,100		13,970,100
Profit and loss account			(18,343,764)		(13,645,231)
<b>EQUITY SHAREHOLDERS' (DEFICIT)/ FUNDS</b>	9		(4,373,664)		(4,373,742)

These financial statements were approved and authorised for issue by the Board of Directors on 17<sup>th</sup> February 2012  
The Company Registration number is 3512953

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

Signed on behalf of the Board of Directors



J M J M Jensen  
Director

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

### 1. GOING CONCERN

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

The Group has been in breach of the covenants on its term loans since November 2008 and as at 30 September 2011 and at 17 February 2012 the term loan amounts remain outstanding (see note 14 of the LIBRA No 2 Limited's 30 September 2011 financial statements for further details) Since November 2008 the term loans have been under a series of standstill agreements and on 13 January 2012 a further standstill agreement was put in place, expiring on 13 April 2012

During the year, HC-One Limited ('HC-One'), a new subsidiary undertaking of the Group was formed as a new care home operator On 31 October 2011 HC-One took over the operation of 242 care homes through assignment of the operating leases from Southern Cross Healthcare Group plc ('Southern Cross') following the conclusion of its restructuring process (the *Southern Cross Restructuring*)

In order to protect the Group's investment and ensure funds were available to underwrite a substantial investment programme in the quality of care in its care homes, the Directors of the Company and of the Group have retained the rental income monies received from the Group's tenants during 2011 through a series of non full interest payments (which have been acknowledged in the standstill agreements) to the Group's lenders This has enabled the Group to provide a total amount of £30 million to HC-One by way of capital contribution and inter-company loans in October 2011 Furthermore, the rents payable by HC-One were reset at £40 million per annum, which is on average 38% below the previous amount charged to Southern Cross

Unlike Southern Cross, the Group now controls both the property and the operations of 242 care homes and can therefore ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations As announced by the Libra Group lenders on 1 November 2011, the Group intends the level of rent payable by HC-One to be reviewed periodically in line with the trading performance of the business

The discussions with respect to restructuring the term loan of the Company and of the Group with its lenders are on-going (the *Potential Restructuring*)

The Directors of the Group and of the Company and Capita Asset Services (UK) Limited, the Special Servicer to the senior loan continue to explore methods to maximise recoveries to the lenders, including the sale of the whole or part of the Group and/or the properties (the *Disposal Options*)

Whilst the Group must resolve its outstanding debts in the medium term, in the opinion of the Directors of the Company and of the Group, the financing of the Group's operating company, HC-One is secure and will not be compromised, since the long-term value of the Group can only be achieved through the success of the care home operations at HC-One

The Libra Group lenders have confirmed by a letter that it is their intention to provide the Group with the funds it requires including, without limitation, reasonable (a) day-to-day operating costs and expenses, (b) restructuring and/or disposal costs, (c) other exceptional costs incurred in relation to the Southern Cross Restructuring, the Disposal Options and/or the Potential Restructuring, and (d) ensuring that HC-One has sufficient funds to ensure continuity of care services at the homes and investment for the future Based on this assumption, the Directors have prepared a forecast cash flow up to 30 June 2013 which reveals that the Group remains cash positive throughout the period to that date

Given these circumstances, the Directors do not currently expect the Group to go into insolvent liquidation, although this position could change if the negotiations for which the current 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 indicate that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business

At the present time, the Directors consider it appropriate to prepare the Group and the Company financial statements on the going concern basis In the event that the going concern basis should become inappropriate, the assets of the Group and the Company 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 FINANCIAL STATEMENTS

Year ended 30 September 2011

### 2. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with all applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

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

#### Exemption from consolidation

The Company is itself a subsidiary undertaking of LIBRA No 2 Limited, a company incorporated and registered in the Cayman Islands, and the Company is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements provide information about the Company as an individual undertaking and not about its group.

#### Taxation

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

Deferred tax is provided in full on timing differences 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.

#### Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 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 a cash flow statement, as it is included in the consolidated financial statements of LIBRA No 2 Limited, which are publicly available.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

None of the Directors received emoluments in relation to their services to the Company during the current or preceding year. Directors' emoluments have been borne by NHP Management Limited, a group undertaking during the current and preceding year.

### 4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2011 £	unaudited 2010 £
Loss before tax	(4,698,533)	-
Tax on profit at standard rate of 27% (2010: 28%)	(1,268,604)	-
Factors affecting tax charge		
Expenses not deductible for tax purposes	1,268,604	-
Current year tax charge	-	-

# ULTIMA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

### 5 FIXED ASSET INVESTMENTS

	Shares in group undertakings and participating interests £	Subordinated loan notes investment in subsidiary undertaking £	Total £
<b>Cost</b>			
At 1 October 2010 and 30 September 2011	12,408,682	4,928,112	17,336,794
<b>Provision</b>			
At 1 October 2010	(7,720,071)	(4,928,112)	(12,648,183)
Provision for the year	(4,688,611)	-	(4,688,611)
At 30 September 2011	(12,408,682)	-	(17,336,794)
<b>Net book value</b>			
At 30 September 2011	-	-	-
At 30 September 2010	4,688,611	-	4,688,611

At 30 September 2011, the Company held investments in the following subsidiary undertakings

Name	Country of incorporation	% Holdings	Class of shares held
Ultima Healthcare Limited	Great Britain	100%	Ordinary
Platinum Healthcare Limited	Great Britain	100%	Ordinary
Eton Hall Homes Limited	Great Britain	100%	Ordinary
Ultima Care Limited *	Great Britain	100%	Ordinary

None of the above subsidiary undertakings have traded during the current or preceding year. Previously they were trading as nursing and residential care homes.

\* Ultima Care Limited is a 100% subsidiary of Eton Hall Homes Limited

### 6. DEBTORS

	2011 £	unaudited 2010 £
Amounts owed by group undertakings	-	9,922

# ULTIMA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

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

	2011	unaudited 2010
	£	£
Amounts owed to group undertaking	4,373,664	4,373,664

Included in amounts owed is a loan owed to a subsidiary undertaking of £3,753,000. This loan bears interest at a rate of 6% per annum. No interest was charged during the current or preceding year.

### 8. SHARE CAPITAL

	2011	unaudited 2010
	£	£
<b>Called up, allotted and fully paid.</b>		
100 "A" Ordinary shares of £1 each	100	100
13,970,000 "C" Non-voting Ordinary Shares of £1 each	13,970,000	13,970,000
	<u>13,970,100</u>	<u>13,970,100</u>

"A" and "B" Ordinary Shares rank pari passu with the other in respect of the rights attaching to them. At various times in the year ended 31 May 2001 13,970,000 of the authorised "B" Ordinary Shares of £1 each were converted and re-designated at 13,970,000 "C" non-voting Ordinary Shares of £1 each. These were issued at par to NHP Securities No 3 Limited.

### 9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' (DEFICIT) / FUNDS

	2011	unaudited 2010
	£	£
Loss for the year	(4,698,533)	-
Net increase in shareholders' deficit	(4,698,533)	-
Shareholders' funds at the beginning of the year	324,869	324,869
Shareholders' (deficit) / funds at the end of the year	<u>(4,373,664)</u>	<u>324,869</u>

### 10. RELATED PARTY TRANSACTION

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the LIBRA No 2 Limited group have not been disclosed in the financial statements.

The amount due from NHP Securities No 3 Limited, its group undertakings is £2,926 (2010 £2,926). This amount has been provided in full in the current year (2010 £nil).

The amount due from Platinum Healthcare Limited, its group undertaking is £6,996 (2010 ££6,996). This amount has been provided in full in the current year (2010 £nil).

The amount due from Ultima Care Limited is £4,928,112 (2010 £4,928,112). The amount has been provided in the current year is £nil (2010 £4,928,112).

No other related party transaction is noted.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2011**

**11. POST BALANCE SHEET EVENTS**

On 13 January 2012 a standstill agreement was put in place until 13 April 2012 which suspends the ability of Capita Asset Services (UK) Limited, the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Group time to negotiate a solution to the problem of the breached covenants without threat of foreclosure.

**12. CONTINGENT LIABILITIES**

The Company is one of the guarantors to a £1,172 million term loan facility agreement entered into by LIBRA No 3 Limited, a subsidiary undertaking of the Company's intermediate parent undertaking, LIBRA No 2 Limited with CS Funding 1 Limited (as original lender) on 15 January 2007. The term loan was assigned to Libra NHP (2007) Limited on 3 April 2007 who in turn assigned £638 million to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

**13. PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

The immediate parent undertaking is NHP Securities No 3 Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man.

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 consolidated financial statements to 30 September 2011, which include the results of the Company, are available from Libra Group at Liberty House, 222 Regent Street, London W1B 5TR.