Company Registration No. 05296574

LIBRA CARECO HOLDINGS LIMITED

Report and Financial Statements

30 September 2007

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P V Taylor
D C Nicholson

SECRETARY

R Mortimer

REGISTERED OFFICE

25 Hanover Square
London
W1S 1JF

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended to 30 September 2007

The 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 ACTIVITY

In the year to 30 September 2007, the Company has continued to act as a holding company and this will continue in the foreseeable future

The principal activity of the Group is the purchase and retention of freehold and long leasehold interests, in modern, purpose-built care homes

BUSINESS REVIEW

On 12 December 2006 Delta G-Co Limited and Starsign Limited, both incorporated and registered in the Isle of Man, jointly acquired 100% issued share capital of Libra No 2 Limited, the Company's intermediate parent undertaking, from the ultimate subsidiary undertakings of The Royal Bank of Scotland plc, Primemodern Limited and Libra No 1 Limited

The ultimate parent undertaking of Delta G-Co Limited and Starsign Limited is Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man

RESULTS

The results of the Group for the period ended 30 September 2007 are set out in the profit and loss account on page 7

DIVIDENDS

No dividends in respect of the year are proposed (2006 £nil)

DEBT REFINANCING AND GOING CONCERN

At 30 September 2007, the Group had a bank loan of £1,172,000,000 secured on the Group's investment properties and freehold land and buildings At 16 October 2008, the loan amounts remains outstanding The maturity date of the loan is on 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 The breach of the covenant crystallises the loan on 15 January 2009 The failure to comply with these covenants has resulted in a default in the £70 million term loan facility

The LTV test of 92 7% was met as at 30 September 2007, however, property values have fallen since that date and the Directors of the Company, who are also the directors of Libra No 3 Limited, a group undertakings and also the borrower to the bank loan, have been advised by their valuers, King Sturge, that they consider that as at 16 October 2008 the appropriate yield for the Group's property portfolio is 7 42%, and the value of the portfolio is c £931,000,000 after costs of 1 75%, on the basis of the properties being sold as a business, resulting in an LTV ratio of 126%

As a result of this, and because of two other minor breaches (see note 1), which unless waived will mean that the loan will not be extended, the Directors have initiated discussions with Capmark Services UK Limited ('Capmark') as Servicer under the securitisation structure which operates alongside the bank loan The Directors have offered to cooperate with Capmark to achieve a sensible negotiated reorganisation of the Group's affairs and a restructuring of its debts Capmark has indicated that it is willing to consider a reorganisation and debt restructuring and has agreed to work with the Group towards a standstill agreement to allow the parties time to put these into effect This is in the process of being negotiated 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 these negotiations were to fail Given the above, there is a material uncertainty which may cast significant doubt as to the Company'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, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business

DIRECTORS' REPORT

(Continued)

DEBT REFINANCING AND GOING CONCERN (Continued)

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 Company would be written down to their recoverable value, provision made for any further liabilities that may arise amd to reclassify non current assets and liabilities as current assets and liabilities The financial statements do not include any adjustments that would result from the withdrawal of support from the Company's parent At this time it is not practicable to quantify such adjustments See further details in note 1 to the financial statements

DIRECTORS

The following Directors served throughout the year

		Date Appointed	Date Resigned
P V Taylor	Executive Director	12 December 2006	-
R N Midmer	Executive Director	12 December 2006	28 June 2007
D C Nicholson	Executive Director	28 June 2007	-
T V Castledine	Executive Director	3 March 2006	12 December 2006
S B Eighteen	Executive Director	3 March 2006	12 December 2006
A C Farnell	Executive Director	3 March 2006	12 December 2006
N S Moy	Executive Director	3 March 2006	12 December 2006

The current Directors of the Company are detailed on page 1

None of the Directors hold 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

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 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 & Touche 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 17 October 2008

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) 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 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 LIBRA CARECO HOLDINGS LIMITED

We have audited the financial statements of Libra CareCo Holdings Limited for the year ended 30 September 2007, which comprise of the profit and loss account, the balance sheet and the related notes 1 to 10 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 LIBRA CARECO HOLDINGS 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 2007 and of its result for the year ended 30 September 2007,
- 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 & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

Date 17 October 2008

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2007

	Notes	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Operating results	2	-	-
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on result on ordinary activities		-	-
RESULT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR		-	-
RETAINED RESULT TRANSFERRED TO RESERVES		-	-

Results are derived wholly from continuing 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

BALANCE SHEET
30 September 2007

	Notes	2007 £	2006 £
INVESTMENT	3	2,060	2,060
TOTAL FIXED ASSETS		2,060	2,060
CURRENT ASSETS			
Debtor	4	50	50
NET ASSETS		2,110	2,110
CAPITAL AND RESERVES			
Called up share capital	5,6	2,110	2,110
Profit and loss account		-	-
SHAREHOLDERS' FUNDS		2,110	2,110

These financial statements were approved and authorised for issue by the Board of Directors on 17 October 2008

Signed on behalf of the Board of Directors

D C Nicholson
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

1. ACCOUNTING POLICIES

Except as noted below, a summary of the principal accounting policies, all of which have been applied consistently during the current year and the previous period, is set out below

Basis of accounting – Going concern

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

At 30 September 2007, the Group had a bank loan of £1,172,000,000 secured on the Group's investment properties and freehold land and buildings At 16 October 2008, the loan amount remains outstanding Libra No 2 Limited, the Company's ultimate parent company declared a dividend on 27 November 2007 of £89,035,586 with the result that the Group is now in a net liability position Under the terms of its bank 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 The failure to comply with these covenants has resulted in a default in the £70 million term loan facility

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 throughout the life of the loan until the last covenant testing date, which is 15 October 2009, which show that the Group can meet its day to day cash needs including the payment of loan interest, even though the ICR covenant is not met towards the end of the testing period

The Directors have also considered the LTV test, and note that this had been met as at 30 September 2007 However, property values have fallen since that date and the Directors have been advised by their valuers, King Sturge, that they consider that as at 16 October 2008 the appropriate yield for the Group's property portfolio is 7 42%, and the value of the portfolio is c £931,000,000 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 Libra No 3 Limited will not therefore be in a position to extend the loan as at 15 January 2009 unless this breach, and two other minor breaches which remain unremedied, are waived The two minor breaches include the change of accounting reference date for the subsidiaries incorporated in the United Kingdom and the non-delivery of the audited financial statements within 150 days from the accounting period end The effect of the breach is that the loan becomes immediately repayable as at 15 January 2009

The Directors of the Company have initiated discussions with Capmark Services UK Limited ('Capmark') as Servicer under the securitisation structure which operates alongside the bank loan and have offered to cooperate with it to achieve a sensible negotiated reorganisation of the Group's affairs and a restructuring of its debts Capmark has indicated that it is willing to consider a reorganisation and debt restructuring and has agreed to work with the Group towards a standstill agreement to allow the parties time to put these into effect This is in the process of being negotiated 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 these negotiations were to fail Given the above, there is a material uncertainty which may cast significant doubt as to the Company'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 Company (specifically amounts due from group undertaking) would be written down to their recoverable value, provision made for any further liabilities that may arise and to reclassify non current assets and liabilities as current assets and liabilities The financial statements do not include any adjustments that would result from the withdrawal of support from the Company's parent At this time it is not practicable to quantify such adjustments

Except as noted above, the financial statements are prepared under the historical cost convention, in accordance with all applicable United Kingdom law and accounting standards and in compliance with the Companies Act 1985 The particular accounting policies adopted are described below

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

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

1. ACCOUNTING POLICIES (Continued)

Exemption from consolidation

As of 14 October 2005, the Company is itself a subsidiary undertaking and is exempt from the requirement to prepare group accounts by virtue of section 228A of the Companies Act 1985 These financial statements therefore present information about the Company as an individual undertaking and not about its group

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

Cash flow statement

The Directors have elected to take advantage of the exemption under FRS 1 not to prepare a cash flow statement as the financial statements of the ultimate parent company contain a consolidated cash flow statement and are available through Companies House

2. OPERATING RESULTS

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

Fees payable to the Company's auditors for the audit of the Company's annual accounts of £500 for the current year (2006 £500) have been borne by NHP Management Limited, a group undertaking

3. INVESTMENT

	Shares in subsidiary undertakings 2006 £	Shares in subsidiary undertakings 2006 £
At 1 October 2006 and 30 September 2007	2,060	2,060

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

3. INVESTMENT (Continued)

At 30 September 2007, the Company held investments directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
Subsidiary undertakings			
Libra CareCo Investments 1 Limited (formerly 'TBG CareCo Investments 1 Limited')*	Great Britain	100%	Parent company of Libra Investments 2 Limited
Libra CareCo Investments 2 Limited (formerly 'TBG CareCo Investments 2 Limited')	Great Britain	100%	Parent company of Libra CareCo Limited and Libra GuaranteeCo Limited
Libra GuaranteeCo Limited (formerly 'TBG GuaranteeCo Limited')	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Limited (formerly 'TBG CareCo Limited')	Great Britain	100%	Parent company of NHP Limited
NHP Limited	Great Britain	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No 1 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 2 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 3 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 4 Limited	Great Britain	100%	Partner in LLNHP Partnership
NHP Securities No 6 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 9 Limited	Jersey	100%	Investment in overriding leases of care home properties
NHP Securities No 11 Limited	Jersey	100%	Parent company of NHP Securities No 9 Limited
NHP Management Limited	Great Britain	100%	Management of care home property portfolios
NHP Operations (York) Limited	Great Britain	100%	Care home property development
LLNH Limited	Great Britain	100%	Partner in LLHNP Partnership
Care Homes No 1 Limited	Cayman Islands	100%	Investment in care home properties
Ultima Holdings Limited	Great Britain	100%	Immediate parent company of Ultima Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Care home operator
Eton Hall Homes Limited	Great Britain	100%	Care home operator
Ultima Care Limited	Great Britain	100%	Care home operator
Platinum Healthcare Limited	Great Britain	100%	Care home operator

* held directly by Libra CareCo Holdings Limited

All shares held are ordinary shares

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

3. INVESTMENT (Continued)

Summarised below are the financial information of the subsidiary undertakings

	Capital and Reserve at 30 September 2007	Profit / (Loss) for the year ended 30 September 2007
	£	£
Libra CareCo Investments 1 Limited	103,938,790	(5,075,358)
Libra CareCo Investments 2 Limited	96,262,526	9,261,344
Libra GuaranteeCo Limited	57,723	-
Libra CareCo Limited	(75,002,624)	(13,732,845)
NHP Limited	303,402,020	16,723,338
NHP Securities No 1 Limited	176,189,294	7,029,370
NHP Securities No 2 Limited	82,946,332	3,661,765
NHP Securities No 3 Limited	406,221,791	(1,403,096)
NHP Securities No 4 Limited	2	-
NHP Securities No 6 Limited	31	(32)
NHP Securities No 9 Limited	15,124	5
NHP Securities No 11 Limited	3,120	(892)
NHP Management Limited	70,275	(201,443)
NHP Operations (York) Limited	2,152,456	4,748
LLNH Limited	1	1
Care Homes No 1 Limited	(1,284,038)	13,496,520
Ultima Holdings Limited	324,838	552
Ultima Healthcare Limited	4,688,125	61
Eton Hall Homes Limited	25,857	-
Ultima Care Limited	(5,306,986)	(29)
Platinum Healthcare Limited	111,649	(6)

4. DEBTORS

	2007	2006
	£	£
Amount due from group undertaking	50	50

5. CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised		
1,000,000 ordinary shares at 1p each	10,000	10,000
Called, allotted and fully paid:		
211,000 ordinary shares at 1p each	2,110	2,110

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

6. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
At 1 October	2,110	-
Retained profit for the year	-	2,110
At 30 September	2,110	2,110

7. 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 (previously within "Libra CareCo Offshore Superholdco Limited" group) have not been disclosed in these financial statements

There are no other related party transactions requiring disclosure in the current or preceding year

8. POST BALANCE SHEET EVENTS

There is no significant issue to report

9. 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

10. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra CareCo Equity Co Limited (formerly Libra CareCo Offshore Equity Co), a company incorporated in Great Britain and registered in England and Wales.

In the opinion of the Directors, 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 group consolidated financial statements to 30 September 2007, which include the results of the Company, are available from Libra Group at 25 Hanover Square, London, W1S 1JF