Company Registration No. 05324564

LIBRA GUARANTEECO LIMITED

Report and unaudited Financial Statements
30 September 2013

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
P H Thompson

COMPANY SECRETARY

L Pang

REGISTERED OFFICE

Liberty House
222 Regent Street
London
W1B 5TR

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the unaudited financial statements, for the year ended 30 September 2013.

BUSINESS REVIEW

The company has been dormant as defined in section 1169 of the Companies Act 2006 throughout the year and preceding financial year. It is anticipated that the company will remain dormant for the foreseeable future. Key performance indicators are not considered necessary for an understanding of the development, performance or position of the business of the company. There are no risks or uncertainties facing the company including those within the context of the use of financial instruments.

SHARE CAPITAL

The Company was incorporated as a private company limited by guarantee without a share capital.

DIRECTORS

The following Directors of the Company who served during the year were:

	Date Appointed
P H Thompson	6 November 2009
J M J M Jensen	19 December 2008

THIRD-PARTY INDEMNITY PROVISIONS

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 and of the Group 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 with respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 14 January 2014, a further standstill agreement was put in place, expiring 14 April 2014.

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 220 care homes. 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 now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 220 care homes.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements.

DIRECTORS' REPORT

GOING CONCERN (Continued)

As at 4 February 2014, the Group has provided a total amount of £68 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013 and a further inter-company loan of £8 million in December 2013.

The Group now controls both the properties and the operations of over 220 care homes and has therefore taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations.

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded.

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through supporting the care home operations at HC-One.

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*).

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*).

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process.

Workstreams with respect to the Sale Process are on-going.

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet; 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 Disposal Options and/or Potential Restructuring; and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013 and 15 January 2014.

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date.

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed.

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

DIRECTORS' REPORT

GOING CONCERN (Continued)

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a 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. See further details in note 2 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 10 to the financial statements.

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

J M J M Jensen
Director
Date: 4 February 2014
Liberty House
222 Regent Street
London
W1B 5TR

BALANCE SHEET
At 30 September 2013

	Notes	2013 £	2012 £
CREDITORS: amounts falling due within one year	6	(493)	(493)
NET LIABILITIES		(493)	(493)
CAPITAL AND RESERVES			
Profit and loss account	7	(493)	(493)
SHAREHOLDERS' DEFICIT	8	(493)	(493)

LIBRA GUARANTEECO LIMITED (registered number 05324564) did not trade during the current or preceding period and has made neither profit nor loss, nor any other recognised gain or loss.

For the year ending 30 September 2013 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements on pages 5 to 9 were approved and authorised for issue by the Board of Directors on 4 February 2014.

Signed on behalf of the Board of Directors

J M J M Jensen
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

1. GENERAL

Libra GuaranteeCo Limited was incorporated in Great Britain and registered in England and Wales on 5 January 2005. The address of the registered office is on page 1.

The Company is limited by guarantee and as such has no share capital. The liability of each member, in the event of winding up shall not exceed £1. At 30 September 2013, the Company only has one member.

2. 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 2013 and at 4 February 2014 the term loan amounts remain outstanding (see note 16 of the LIBRA No 2 Limited's 30 September 2013 financial statements for further details).

Since November 2008 the term loans have been subject to a series of standstill agreements and on 14 January 2014 a further standstill agreement was put in place, expiring on 14 April 2014.

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 220 care homes. 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 now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 220 care homes.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements.

As at 4 February 2014, the Group has provided a total amount of £68 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013 and a further inter-company loan of £8 million in December 2013.

The Group now controls both the properties and the operations of over 220 care homes and has therefore taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations.

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded.

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through supporting the care home operations at HC-One.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

2. GOING CONCERN (Continued)

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*).

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*).

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process.

Workstreams with respect to the Sale Process are on-going.

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet; 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 Disposal Options and/or Potential Restructuring; and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013 and 15 January 2014.

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date.

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed.

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a 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.

3. ACCOUNTING POLICIES

Basis of accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

3. **ACCOUNTING POLICIES (Continued)**

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

4. **PROFIT AND LOSS ACCOUNT**

No profit and loss account is presented with these financial statements because the Company has not received income, incurred expenditure or recognised any gains or losses during either the year under review or the preceding financial year. There have been no movements in shareholders' funds during the year under review or the preceding financial year.

5. **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.

6. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £	2012 £
Amount due to group undertaking	493	493
	493	493

7. **PROFIT AND LOSS ACCOUNT**

	£
At 1 October 2012	(493)
Loss for the year	-
At 30 September 2013	(493)

8. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	£
Cost	
At 1 October 2012	(493)
Loss for the year	-
At 30 September 2013	(493)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

9. 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 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. On 4 April 2007 CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were assigned to Libra NHP (2007) Limited, who in turn assigned £638 million to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

10. POST BALANCE SHEET EVENTS

On 14 January 2014 a standstill agreement was put in place until 14 April 2014 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.

11. 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.

No other related party transaction is noted.

12. PARENT UNDERTAKINGS

The immediate parent undertaking is Libra CareCo Investments 2 Limited, a company incorporated in the United Kingdom 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 group consolidated financial statements to 30 September 2013, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ.