Cayman Islands Company Registration
No. FC 027202

1007212/210

# CARE HOMES NO. 2 (CAYMAN) LIMITED
(formerly "Care Homes No. 2 Limited")
Financial Statements
30 September 2007

# REPORT AND FINANCIAL STATEMENTS 2007

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# REPORT AND FINANCIAL STATEMENTS 2007

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

P V Taylor
D C Nicholson

### REGISTERED OFFICE

P O Box 1093 GT
Ugland House
South Church Street
Grand Cayman KY1-1102
Cayman Islands

### ASSET MANAGER

NHP Management Limited
25 Hanover Square
London
W1S 1JF

### BANKERS

Bank of Scotland
Eagle House
4 Don Road
St Helier
Jersey
JE4 8XU

### SOLICITORS

Eversheds LLP
Holland Court
The Close
Norwich NR1 4DX

### AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

## 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 the 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 as at the end of the financial period and of the profit and loss of the Company for that period In preparing those 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 which 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 applicable to overseas companies They are also responsible for the system of internal control, 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 CARE HOMES NO.2 (CAYMAN) LIMITED

We have audited the financial statements of Care Homes No 2 (Cayman) Limited for the year ended 30 September 2007, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16 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 236 Company Act as originally enacted 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 applicable to overseas companies

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

**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 judgments 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

**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 profit for the year ended 30 September 2007, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 applicable to overseas companies

## INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF CARE HOMES NO.2 (CAYMAN) LIMITED (Continued)

**Emphasis of matter – Going concern**

Without qualifying our opinion, we draw attention to the disclosures made in note 2 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 2) 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 2, 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 September 2007

| | Notes | 2007 £ | 2006 £ |
|---|---|---|---|
| **TURNOVER AND GROSS PROFIT** | 3 | 30,361,414 | 29,595,886 |
| Administrative expenses | 4 | (29,116,596) | (20,987,467) |
| **OPERATING PROFIT** | | 1,244,818 | 8,608,419 |
| Profit on disposal of investments in overriding lease premiums | 7 | 100,633,267 | - |
| Loss on disposal of Secured Notes | 11 | (63,480,126) | - |
| Loss on disposal of investment in Swap Deposit Agreement | 7 | (613,232) | - |
| Net interest payable and similar costs | 5 | (7,498,610) | (12,933,391) |
| **PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 30,286,117 | (4,324,972) |
| Tax on ordinary activities | 6 | (19,242) | (326,286) |
| **PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR** | 13 | 30,266,875 | (4,651,258) |
| **Retained loss brought forward** | | (40,313,486) | (35,662,228) |
| **Retained loss carried forward** | | (10,046,611) | (40,313,486) |

Turnover and operating profit are wholly derived 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

## BALANCE SHEET
## 30 September 2007

| | Notes | 2007 £ | 2007 £ | 2006 £ | 2006 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Investments | 7 | | 20,419,537 | | 221,407,298 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 8 | 13,153,266 | | 72,493 | |
| Short term investments | 9 | - | | 2,630,000 | |
| Cash at bank and in hand | | 52,188 | | 87,564 | |
| | | 13,205,454 | | 2,790,057 | |
| **CREDITORS: amounts falling due within one year** | 10 | (21,864,532) | | (2,827,604) | |
| **NET CURRENT LIABILITIES** | | | (8,659,078) | | (37,547) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 11,760,459 | | 221,369,751 |
| **CREDITORS: amounts falling due after more than one year** | 11 | | (21,806,570) | | (261,682,737) |
| **NET LIABILITIES** | | | (10,046,111) | | (40,312,986) |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 12 | | 500 | | 500 |
| Profit and loss account | | | (10,046,611) | | (40,313,486) |
| **SHAREHOLDERS' DEFICIT** | 13 | | (10,046,111) | | (40,312,986) |

The accompanying notes form an integral part of these financial statements

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 FINANCIAL STATEMENTS
## Year ended 30 September 2007

### 1. GENERAL

Care Homes No 2 (Cayman) Limited (the 'Company') was incorporated in the Cayman Islands as an exempted company On 1 December 2006 UK resident Directors were appointed and the Company registered a branch in England and Wales The Company has presented the financial statements for the year from 1 October 2006 to 30 September 2007 as opposed to for the period from the branch registration date on 1 December 2006

The Company has adopted UK GAAP consistently during the current and the previous years

### 2. ACCOUNTING POLICIES

The principal activity of the Company is the investment in overriding leases acquired from the NHP Limited group of companies, which are in respect of long leasehold interests in predominantly modern, purpose-built care homes

Previous to the registration of a branch, the Company filed foreign company financial statements prepared in accordance with accounting principles generally accepted in the United States of America Following the registration of a branch in England and Wales from 1 December 2006, the Company prepares its financial statements in accordance with all applicable United Kingdom accounting standards and in compliance with the Companies Act 1985 applicable for overseas companies On the basis that the financial statements for the current year have been prepared in accordance to such basis, the Directors have considered that it is more appropriate to present the comparative figures on the same basis to present a true and fair view of the state of affairs of the Company at the balance sheet date and of its results for the year then ended

**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

## 2. ACCOUNTING POLICIES (Continued)

**Basis of accounting (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 (specifically amounts due from group undertakings) 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 particular accounting policies adopted are described below and have been followed consistency during the current and previous years

**Exemption from consolidation**

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

**Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business Rental income includes a base pavement rent plus an additional turnover rent element calculated and recognised at the end of each individual lease anniversary year

**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

**Foreign currencies**

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

**Investment**

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

**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 from the registered office

**Amortisation of issue costs**

Issue costs incurred in relation to the issue of the Secured Notes are being amortised on the effective interest period of 24 years The unamortised issue costs have been fully written off on repayment of the Secured Notes on 4 December 2006

## NOTES TO THE FINANCIAL STATEMENTS
**Year ended 30 September 2007**

### 2. ACCOUNTING POLICIES (Continued)

**Amortisation of discount on Secured Notes**

The discount on the issue price of the Secured Notes is being amortised on the effective interest period of 24 years The unamortised discount costs have been fully written off on repayment of the Secured Notes on 4 December 2006

### 3. TURNOVER AND GROSS PROFIT

Turnover comprises the following earned from the Company's ordinary activities which take place wholly within the United Kingdom

| | 2007 £ | 2006 £ |
|---|---|---|
| Rental receivable | 30,315,156 | 29,556,963 |
| Other fees and commissions | 46,258 | 38,923 |
| | 30,361,414 | 29,595,886 |

### 4. ADMINISTRATIVE EXPENSES

Administrative expenses include, inter alia

| | 2007 £ | 2006 £ |
|---|---|---|
| Management fees | 157,877 | 443,339 |
| Audit fees | 6,853 | 9,480 |
| Overriding lease rents to Libra CareCo CH2 Propco Limited | 27,443,798 | 12,219,976 |
| Amortisation of overriding lease premiums | 1,434,377 | 8,180,432 |

### 5 NET INTEREST PAYABLE AND SIMILAR CHARGES

| | 2007 £ | 2006 £ |
|---|---|---|
| Interest receivable Secured Notes | (2,831,200) | (16,332,298) |
| Amortisation of issue costs | (5,027,845) | (307,273) |
| Amortisation of discount on Secured Notes | (361,648) | (22,092) |
| Interest payable to HM Revenue & Customs | - | (246,523) |
| Interest payable to group undertakings | (529,652) | (186,312) |
| Interest receivable on Swap Deposit Agreeement | 550,837 | 3,858,539 |
| Interest receivable on bank deposits | 700,898 | 302,568 |
| | (7,498,610) | (12,933,391) |

The amortisation of issue costs and discount on Secured Notes include amounts of £4,971,615 (2006 £nil) and £358,053 (2006 £nil) respectively written off in respect of the unamortised issue costs and discount on Secured Notes following the repayment of Secured Notes on 4 December 2006

## 6. TAX CHARGE / (CREDIT) ON PROFIT / (LOSS) ON ORDINARY ACTIVITES

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Income tax charge / (credit) | | |
| - Current year | 19,242 | (343,461) |
| - Prior year | - | 17,175 |
| Total income tax charge / (credit) | 19,242 | (326,286) |
| Current year corporation tax charge | - | - |
| Tax on profit / (loss) on ordinary activities | 19,242 | (326,286) |
| Profit / (loss) before tax | 30,286,117 | (4,324,972) |
| Tax on profit / (loss) at standard rate of 30% (2006 30%) | (9,085,835) | 1,297,492 |
| Factors affecting charge | | |
| Permanent difference - disallowable expenses | (2,126,290) | (2,218,962) |
| Permanent difference – non taxable income | 39,944 | 924,007 |
| Loss on disposal | (19,044,038) | - |
| Profit on disposal | 30,189,980 | - |
| Difference in rates of tax | 6,997 | (345,998) |
| Current tax charge / (credit) for the year | 19,242 | (343,461) |

The Company is incorporated in the Cayman Islands which does not impose any taxes on the company The Company's tax charge is due to income tax imposed on its business operation in the United Kingdom, prior to 1 December 2006, which are subject to tax at the statutory rate of 22%

On 1 December 2006 the Company became resident in the UK for tax purposes and is liable to corporation tax at 30% from that date The Corporation tax charge is lower than expected by applying the standard rate to the profit before tax because certain items are not subject to corporation tax

## NOTES TO THE FINANCIAL STATEMENTS
**Year ended 30 September 2007**

### 7 INVESTMENTS

| | 2007 £ | 2006 £ |
|---|---|---|
| **Investments in subsidiary undertakings** | | |
| 8,000 A Ordinary Shares in NHP Securities No 5 Limited | 8,000 | 8,000 |
| 2,000 B Ordinary Shares in NHP Securities No 5 Limited | 2,500 | - |
| 8,000 A Ordinary Shares in NHP Securities No 8 Limited | 8,000 | 8,000 |
| 2,000 B Ordinary Shares in NHP Securities No 8 Limited | 2,500 | - |
| | 21,000 | 16,000 |
| **Overriding lease premiums** | | |
| **Cost** | | |
| At 1 October | 200,838,000 | 200,838,000 |
| Disposal | (200,838,000) | - |
| At 30 September | - | 200,838,000 |
| **Accumulated amortisation** | | |
| At 1 October | (61,879,097) | (53,698,665) |
| Charge | (1,434,377) | (8,180,432) |
| Disposal | 63,313,474 | - |
| At 30 September | - | (61,879,097) |
| **Net book value at 30 September** | - | 138,958,903 |
| **Deposit Swap Agreement** | | |
| Cost | 57,180,000 | 57,180,000 |
| Accumulated compound interest to date | 25,803,232 | 25,252,395 |
| Disposal | (82,983,232) | |
| At 30 September | - | 82,432,395 |
| **Loan note due by group undertaking** | | |
| Loan note due by group undertaking | 20,398,537 | - |
| | 20,419,537 | 221,407,298 |

**Investments in Subsidiary Undertakings**

Both NHP Securities No 5 Limited and NHP Securities No 8 Limited were incorporated in Jersey and their sole activities are to purchase long leasehold interests in modern purpose-built care homes, which are leased back to care home operators The authorised share capital of both NHP Securities No 5 Limited and NHP Securities No 8 Limited is £10,000, divided into 8,000 A Ordinary Shares of £1 each (the "A Shares") and 2,000 B Ordinary Shares of £1 each (the "B Shares"), all of which have been issued and are fully paid The A Shares carry a right to vote generally but the B Shares do not carry a right to receive notice of, attend or vote at any general meeting of the company

On 1 December 2006 the Company paid £2,500 each to NHP Securities No 5 Limited and NHP Securities No 8 Limited to acquire the 2,000 issued 'B' Ordinary Shares of £1 each

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 September 2007

### 7. INVESTMENTS (Continued)

Summarised below are the financial information of the subsidiary undertakings

| | Capital and Reserve at 30 September 2007 | Profit for the year ended 30 September 2007 |
|---|---|---|
| | £ | £ |
| NHP Securities No 5 Limited | 19.903 | 517 |
| NHP Securities No 8 Limited | 16,262 | 570 |

**Overriding lease premiums**

Overriding lease premiums represent amounts paid as premiums for the grant of 99 year overriding leases

As part of the corporate restructuring, on 4 December 2006, Libra CareCo CH2 Propco Limited made a capital payment of £238,157,793 to the Company to enter into a Deed of Variation of Agreement for Overriding Lease At that date, the net book value of the overriding leases was £137,524,526, hence profit arising from the desposal of the investments in overriding lease premiums of £100,633,267 was credited to the profit and loss account The disposal is at no gain or loss for tax purposes The capital payment received from the disposal of overriding lease premiums has been used to repay the Secured Notes as disclosed in note 11 Following the repayment of the Secured Notes on 4 December 2006, the value of overriding leases has become negligible

**Deposit Swap Agreement**

The deposit swap investment represents a premium paid in respect of an AAA rated deposit swap agreement with General Re Financial Product Corporation, which is guaranteed to provide for the repayment of the £180 million Class A Secured Notes in February 2023 The mark to market valuation of the Deposit Swap Agreement at 30 September 2006 was £85,056,791

For the period from 1 October to 17 November 2006, interest receivable on Swap Deposit Agreement was £550,837 On 17 November 2006, the Company terminated its AAA rated Swap Deposit Agreement with General Re Financial Product Corporation at terminated value of £82,370,000 The net book value at that date was £82,983,232, hence resulting a loss on disposal of £613,232 charged to the profit and loss account The company was not resident in the UK for tax purposes at that time and the amount is not subject to UK tax The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc on 17 November 2006 at compounded interest rate of 4 812011% per annum which guaranteed to provide for the repayment of the £180 million Class A Secured Notes in February 2023

On 4 December 2006 the Company terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received an amount of £82,554,790 The entire amount has been utilised towards the repayment of the Secured Notes on 4 December 2006 as disclosed on note 11

**Loan note due by group undertaking**

At 30 September 2007 a loan note of £30,398,537 was issued to Libra No 3 Limited to enable that company to finance part of the interest due on the term loan with Credit Suisse signed on 15 January 2007 The loan note has no fixed repayment date and bear interest at LIBOR plus 2% per annum

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 September 2007

### 8. DEBTORS

| | 2007 £ | 2006 £ |
|---|---|---|
| Other debtors | | 21,065 |
| Loan note interest owed by parent undertaking | 431,221 | - |
| Amounts owed by other group undertakings | 12,692,239 | - |
| Prepayments and accrued income | 29,806 | 51,428 |
| | 13,153,266 | 72,493 |

### 9 SHORT TERM INVESTMENTS

| | 2007 £ | 2006 £ |
|---|---|---|
| Short term deposits | - | 2,630,000 |

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

| | 2007 £ | 2006 £ |
|---|---|---|
| Other creditors | 2,386 | - |
| Overriding lease rentals to Libra CareCo CH2 Propco Limited | 7,772,697 | 46,352 |
| Loan notes interest due to group undertakings | 975,520 | 462,755 |
| Amounts owed to group undertakings | 12,991,761 | 71,475 |
| Income tax payable | 101,414 | 113,165 |
| Interest payable on Secured Notes | - | 2,111,341 |
| Accruals and deferred income | 20,754 | 22,516 |
| | 21,864,532 | 2,827,604 |

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2007 £ | 2006 £ |
|---|---|---|
| Class A Secured 5 75% Notes due 2023 | - | 180,000,000 |
| Class M Secured 6 65% Notes due 2025 | - | 60,000,000 |
| Class B Secured 7 65% Notes due 2025 | - | 25,000,000 |
| | - | 265,000,000 |
| Amortisation to date | - | (5,389,493) |
| | - | 259,610,507 |
| Loan notes due to group undertakings | 21,806,570 | 2,072,230 |
| | 21,806,570 | 261,682,737 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 September 2007

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

**Secured Notes**

Interest is payable semi-annually in arrears in February and August The final payment of interest was made on 15 August 2006

The Secured Notes are non-recourse to the Company, and were secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Deposit Swap Agreement with General Re Financial Products Corporation, which at 30 September 2006 amounted to £82,432,395 including accrued interest (see note 7) and over the cash and short term investment balances, which at 30 September 2006 amounted to £2,717,564

On 4 December 2006, the Company novated the entire £265 0 million Secured Notes, at market value of £320,712,583 Disposal costs were £7,767,543 hence total loss on disposal of Secured Notes of £63,480,126 was charged to the profit and loss account The loss on disposal does not result in a deduction for tax purposes The repayment amount was met by the capital payments of the Deed of Variation of Agreement for Overriding Lease of £238,157,793 (see note 7) and the proceeds £82,554,790 from the termination of General Investment Deposit Contract (see note 7)

**Loan notes to group undertakings**

£2,064,230 (2006 £2,064,230) of the loan notes were issued by NHP Securities No 3 Limited, a group undertaking The loan notes have no fixed repayment dates and bear interest of 8 91% per annum A further £16,886 of loan notes were issued and are repayable on 2 January 2026 and also bear interest at 8 91% per annum

A loan note of £8,000 was issued by NHP Limited, a group undertaking and is repayable on 2 January 2026 and bears interest at 8 446% per annum

At 30 September 2007 a loan note of £19,717,454 was issued by Libra CareCo CH2 Propco Limited, a group undertaking The loan note has no fixed repayment date and bear interest of LIBOR plus 2% per annum

### 12 CALLED UP SHARE CAPITAL

| | 2007<br>US $ | 2006<br>US $ |
|---|---|---|
| **Authorised:** | | |
| 50,000 ordinary shares at US $1 each | 50,000 | 50,000 |
| **Called up, allotted and fully paid** | | |
| 1,000 ordinary shares at US $1 each | 1,000 | 1,000 |
| Sterling equivalent | £500 | £500 |

### 13. MOVEMENT IN SHAREHOLDERS' DEFICIT

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| At 1 October | (40,312,986) | (35,661,728) |
| Retained profit / (loss) for the year | 30,266,875 | (4,651,258) |
| At 30 September | (10,046,111) | (40,312,986) |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 30 September 2007

### 14. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the Libra No 2 Limited (previously within "Libra CareCo Offshore Superholdco Limited") group have not been disclosed in these financial statements

### 15 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 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. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Libra CareCo CH2 Propco 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 2007, which include the results of the Company, are available from Libra Group at 25 Hanover Square, London, W1S 1JF