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Company Registration No. FC027206

**NHP SECURITIES NO.10 LIMITED**

**Report and Financial Statements**

**30 September 2011**

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## **NHP SECURITIES NO.10 LIMITED**

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

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**NHP SECURITIES NO.10 LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2011**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J M J M Jensen  
P H Thompson

**SECRETARY**

Dominion Corporate Services Limited

**REGISTERED OFFICE**

47 Esplanade  
St Helier  
Jersey  
JE1 0BD

**SOLICITORS**

Eversheds LLP  
Kett House  
Station Road  
Cambridge CB1 2JY

**AUDITOR**

Deloitte 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 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 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 accounting estimates that are reasonable and prudent,
- (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 adequate 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 provisions of the Companies Act 2006 applicable to overseas companies. 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHP SECURITIES NO.10 LIMITED**

We have audited the financial statements of NHP Securities No 10 Limited for the year ended 30 September 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related Notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein. 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 result 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 provisions of the Companies Act 2006 applicable to overseas companies.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHP SECURITIES NO.10 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 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.

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

We have nothing to report in respect of the following matters where the provisions of the Companies Act 2006 applicable to overseas companies require 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



**Deloitte LLP**  
Chartered Accountants  
London, United Kingdom

Date 17 February 2012

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**NHP SECURITIES NO.10 LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 2011**

	Notes	2011 £	2010 £
<b>TURNOVER AND GROSS PROFIT</b>	3	500	500
Administrative expenses		(500)	(500)
<b>OPERATING RESULT</b>	4	-	-
Tax on result on ordinary activities	5	-	-
<b>RESULT ON ORDINARY ACTIVITIES AFTER TAXATION AND RESULT FOR THE FINANCIAL YEAR</b>	7	-	-

All results are derived from continuing operations

There are no recognised gains or losses in the current or preceding year other than as stated above. No statement of recognised gains or losses has, therefore, been presented.

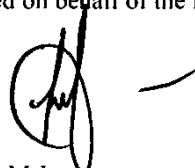
## NHP SECURITIES NO.10 LIMITED

### BALANCE SHEET at 30 September 2011

	Notes	2011 £	2010 £
Debtors		-	-
<b>NET ASSETS</b>		-	-
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	10,000	10,000
Profit and loss account		(10,000)	(10,000)
<b>SHAREHOLDERS' FUNDS</b>	7	-	-

These financial statements were approved and authorised for issue by the Board of Directors on 17 February 2012  
The Company Registration number is FC027206

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 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**

**Accounting convention**

The financial statements have been prepared under the historical cost convention, and in accordance with Section 396 of the Overseas Companies Regulations 2010. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (as issued by ASB). The financial statements have been audited in accordance with International Standards on Auditing (UK and Ireland).

The particular accounting policies adopted are described below. They have been applied consistently throughout the year and the preceding 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.

**Cash flow statement**

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

**3. TURNOVER AND GROSS PROFIT**

Turnover represents a trustee fee arising from the Company's non-beneficial interest in long leasehold interests which are wholly within the United Kingdom.

**4. OPERATING RESULT**

The Company had no employees during the current or 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.

Operating result is stated after taking into account the following income and (expense):

	2011 £	2010 £
Trustee fee due from Care Homes No 3 Limited	500	500
Provision of doubtful debts – group undertakings	(500)	(500)

No audit fees have been charged to the profit and loss account. Audit fees of £500 have been borne by Care Homes No 3 Limited in both the current and the preceding year. The Company did not incur any non-audit fees during the year (30 September 2010: £nil).

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

**5. TAX ON RESULT ON ORDINARY ACTIVITIES**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Current tax charge	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Total tax charge	-	-
	<u>-</u>	<u>-</u>
Result before tax	-	-
Tax on result at standard rate of 20.5% (2010: 21%)	-	-
Factors affecting charge		
Non deductible provisions	103	105
Group relief for nil consideration	(103)	(105)
	<u>-</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The tax charge for the current year is lower than that resulting from applying the standard rate of corporation tax due to Group relief available from other group companies for £nil consideration

**6. CALLED SHARE CAPITAL**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Called up, allotted and fully paid:</b>		
8,000 A Ordinary shares of £1 each	8,000	8,000
2,000 B Ordinary shares of £1 each	2,000	2,000
	<u>10,000</u>	<u>10,000</u>

All of the shares are fully paid. The A Shares carry a right to vote. The B shares do not carry a right to receive notice of, attend or vote at any general meeting of the Company.

**7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Result for the year	<u>-</u>	<u>-</u>
Net increase in shareholders' funds	-	-
Shareholders' funds at the beginning of the year	<u>-</u>	<u>-</u>
Shareholders' funds at the end of the year	<u>-</u>	<u>-</u>

**8. 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, a group undertaking 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.

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

**9. POST BALANCE SHEET EVENT**

a) On 30 September 2011 the Company together with some of its group undertakings, had reached a final form of restructuring with Southern Cross in respect of its business and the process of transferring its care homes to new operators, including to the new subsidiary of the Group, HC-One Limited ('HC-One') The Company's care homes were ultimately assigned from Southern Cross to HC-One on 31 October 2011 See further details in note 1 to the financial statements

b) On 29 September 2011 the Company together with HC-One Limited and some of its other group undertakings entered into an Agreement for the Provision of Management Services with Court Cavendish Healthcare Management Services Limited for the provision of management services to HC-One Limited, a care home operator with effect from 1 November 2011, at management fees of £3 12 million per annum (including VAT) The Agreement for the Provision of Management Services replaced the Interim Agreement agreed on 21 April 2011

c) 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

**10. RELATED PARTY TRANSACTIONS**

a) 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 these financial statements

b) On 21 April 2011 Court Cavendish Healthcare Management Services Limited was retained as a managing agent under the Interim Agreement for the provision of Management Services entered into with the Company and its various group undertakings Total retainer fees for the period from 19 April to 30 September 2011 were £1,106,018 (including VAT), which was borne by NHP Management Limited, the Company's group undertaking As at 30 September 2011 there was no outstanding amount The Interim Agreement was replaced by an Agreement for the Provision of Management Services on 29 September 2011 See note 9 for further details

c) No other related party transaction is noted

**11. ULTIMATE PARENT COMPANY**

At 30 September 2011 the immediate parent company and ultimate parent company and controlling party is Care Homes No 3 Limited, a company incorporated in the Cayman Islands

The ultimate and 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 2011, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ