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NHP SECURITIES NO.12 LIMITED

Report and Financial Statements

30 September 2010

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REPORT AND FINANCIAL STATEMENTS 2010

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REPORT AND FINANCIAL STATEMENTS 2010

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

AUDITORS

Deloitte LLP
Chartered Accountants
London

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NHP SECURITIES NO.12 LIMITED

We have audited the financial statements of NHP Securities No 12 Limited for the year ended 30 September 2010, 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.

This report is made solely to the Company's members, as a body. 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

As explained more fully in the Directors' Responsibilities Statement, 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 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 (APB'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.

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 2010 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 AUDITORS' REPORT TO THE MEMBERS OF NHP SECURITIES NO.12 LIMITED

(Continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, 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 1). 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 and Registered Auditors
London, United Kingdom

Date 8 February 2011

NHP SECURITIES NO.12 LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 September 2010

	Notes	2010 £	2009 £
TURNOVER AND GROSS PROFIT	3	500	500
Administrative expenses		(500)	(500)
OPERATING RESULT	4	-	-
Tax on result on ordinary activities	5	-	-
RESULT FOR THE FINANCIAL YEAR	7	-	-

All results are derived from continuing operations

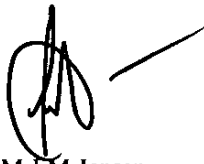
There are no recognised gains or losses in the current or preceding year other than as stated above No statement of recognised gains and losses has, therefore been presented

BALANCE SHEET
30 September 2010

	Notes	2010 £	2009 £
Debtors		-	-
NET ASSETS		-	-
CAPITAL AND RESERVES			
Called up share capital	6	2	2
Profit and loss account		(2)	(2)
SHAREHOLDERS' FUNDS	7	-	-

The financial statements were approved and authorised for issue by the Board of Directors on 8 February 2011. The Company Registration number is FC027207.

Signed on behalf of the Board of Directors



J M J M Jensen
Director



P H Thompson
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 2010

1. GOING CONCERN

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

As at 30 September 2010, LIBRA No 2 Limited, the Company's intermediate parent undertaking (the "**Mezzanine Borrower**") had a term loan of £70 million (the "**Mezzanine Loan**") and LIBRA No 3 Limited (a subsidiary of the Mezzanine Borrower) (the "**Senior Borrower**") had a term loan of £1,172 million (the "**Senior Loan**") secured on the investment properties and freehold land and buildings (the "**Portfolio**") of the Mezzanine Borrower and its subsidiaries (the "**Group**"). As at 8 February 2011, the loan amounts remain outstanding. The original final maturity date of the Senior Loan was 15 January 2009 and of the Mezzanine Loan was 15 February 2009 (each, the "**original final maturity date**"), with an option to extend these loans to 15 January 2010 and 15 February 2010 respectively (each, the "**final maturity date**"), in each case provided (among other things) that no default was outstanding at the original final maturity date.

However, a fall in property values in the period to 30 September 2008 and a further fall in the period to 15 December 2008 resulted in the breach of, among other things, the loan to value ('LTV') financial covenant with respect to the Senior Loan (resulting in an automatic cross-default with respect to the Mezzanine Loan). As a result, the Group was not in a position to extend the loans to the final maturity date. Other breaches of the terms of the loan documents, chiefly concerning information covenants, also resulted in defaults with respect to the Senior Loan and the Mezzanine Loan.

Under the terms of the respective loan documents, the Senior Borrower was required to make repayment of the Senior Loan on 15 January 2009 and the Mezzanine Borrower was required to make repayment of the Mezzanine Loan on 15 February 2009. These repayments were not made. As a result, the respective borrowers have become liable for an additional 2% default interest with respect to the overdue amounts. The default interest amounts have contributed to a breach of the interest cover ratio ('ICR') financial covenant in relation to the Senior Loan (resulting in an automatic cross-default with respect to the Mezzanine Loan).

Since November 2008, the Directors of the Group have been in ongoing discussions with Capita Asset Services (UK) Limited ("**Capita**"), the special servicer to the Senior Loan under the securitisation structure (which operates on a back-to-back basis with the Senior Loan) and have entered into a series of standstill agreements which suspend the rights of the creditors with respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 13 December 2010 a further standstill agreement was put in place, expiring 14 February 2011. On 17 January 2011 the Senior Borrower was unable to satisfy its interest payment in full on the interest payment date. The non full interest payment has been acknowledged in the Amendment to Standstill Agreement dated 19 January 2011.

The Directors of the Group and Capita continue to explore alternative options to maximise the recoveries of the Senior Loan, including the sale of the whole or part of the Group and/or the properties (the "**Disposal Options**").

On 7 December 2010 the Group's principal tenant, Southern Cross Healthcare plc ("**Southern Cross**"), announced as part of its preliminary full year results that it had engaged Morgan Stanley to review its lease arrangements with landlords. Since then, the Directors of the Company and Capita have been in on-going discussions with Southern Cross and its advisors in respect of a potential restructuring of the Southern Cross' obligations to the Group under the lease documents (the "**Southern Cross Discussions**"). Such discussions are at a preliminary stage. The Senior Borrower and Capita have jointly appointed Ernst & Young LLP as an advisor to assist in the discussions with Southern Cross and to provide on-going advice as to the various options relating to the Group's properties that are leased to Southern Cross.

In order to be able to improve flexibility with regard to the Disposal Options and the potential restructuring under the Southern Cross Discussions, the Directors of the Company signed an agreement on 17 January 2011 with the lenders of the Mezzanine Loan enabling the restatement and amendment of the original Mezzanine Loan, which had the effect of waiving certain "hold-out"-rights under the transaction documents held by the Mezzanine Loan lenders, which would otherwise have restricted the Group's ability ultimately to optimise the Disposal Options and the Southern Cross Discussions.

NOTES TO THE ACCOUNTS

Year ended 30 September 2010

1 GOING CONCERN (Continued)

While the Disposal Options and the Southern Cross Discussions are being progressed, the discussions with respect to restructuring the Senior Loan and the Mezzanine Loan are on hold pending the outcome of the Southern Cross Discussions but may be restarted in due course

As at 30 September 2010, the Directors were advised by their valuers, King Sturge LLP, that the appropriate yield for the Portfolio was 8.77%, and the value of the Portfolio was £827.15 million after allowing for purchaser's costs of 1.75%, valued on the basis of the individual properties being sold as separate businesses. The LTV ratio (the total of the carrying value of the loans and the fair value of the interest rate swaps attached to them as a percentage of market value of the total property portfolio) at that time was 165.23%. Due to a continued fall in property values and the default interest charges, the Group was in a net liability position of £678.71 million as at 30 September 2010.

King Sturge LLP have drawn attention in their valuation certificate as of 30 September 2010 to the fact that recent announcements in relation to Southern Cross, a continuing lack of liquidity in the financial sector together with austerity measures are detrimentally affecting market sentiment and, in the opinion of King Sturge, are likely to affect market values going forward.

In late 2010 Capita engaged King Sturge LLP to provide an updated property valuation. According to this valuation, as at 30 December 2010 the appropriate yield for the Group's portfolio remained at 8.77%. Notwithstanding the recent announcements in relation to Southern Cross, the lack of property transactions in the market, government measures, fees pressures and the lack of debt finance, King Sturge LLP has considered that the value of the portfolio has remained at the same level as at 30 September 2010 valuation. As at 17 January 2011 the LTV ratio is 156.65%, calculated based on the latest valuation.

In order for the Group to continue to trade as a going concern, the Directors of each of the entities in the Group need to be satisfied that they will continue to be able to meet their operating costs and expenses as they fall due. The Directors have prepared cash flow forecasts covering the period to 30 April 2012 which indicate that there is a shortfall in the operational cash flow of the Group during that period. The cash flow forecasts also indicate that the ICR test will continue not to be met throughout the testing period.

Since January 2009, the Directors have been relying on a confirmation from Capita, subsequently amended on 20 January 2011, that for so long as the Southern Cross Discussions continue and/or the Disposal Options are continuing and discussions in respect of the a potential reorganisation of the affairs of the Group and a restructuring of its debt obligations (the "Potential Restructuring") may be restarted, and provided such funds shall not be applied in contravention of the terms relating to the Senior Loan, it is the intention of the creditors with respect to the Senior Loan to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business (including, without limitation, (a) day to day operating costs and expenses, (b) restructuring and/or disposal costs, and (c) other exceptional costs incurred in relation to the Southern Cross Discussions, the Disposal Options and/or the Potential Restructuring) from the Senior Borrower's cash reserve account within a reasonable time upon request.

Given these circumstances, the Directors do not currently expect the Group to go into insolvent liquidation, although this position could change if either the negotiations for which the current standstill agreement allows were to fail or the financial stability of Southern Cross were to deteriorate in the foreseeable future. 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, which casts the same doubt as to the Company's ability to continue as a going concern due to the fact that the Company is a guarantor to the loan and it is reliant on the Group, and therefore the Company 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 Company financial statements on a 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 and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments.

NOTES TO THE ACCOUNTS

Year ended 30 September 2010

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with Section 396 of the Overseas Companies Regulations 2009. 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

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

	2010	2009
	£	£
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 the current and preceding year.

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

No Directors' fees have been charged to the profit and loss account. Directors' fees have been borne by Care Homes No. 2 (Cayman) Limited in both the current and the preceding year.

NOTES TO THE ACCOUNTS
Year ended 30 September 2010

5. TAX ON RESULT ON ORDINARY ACTIVITIES

	2010 £	2009 £
Corporation tax charge	-	-
Result before tax	-	-
Tax on result at standard rate of 21% (2009 21%)	-	-
Factors affecting charge		
Non deductible provisions	105	105
Group relief for nil consideration	(105)	(105)
	-	-

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

6 CALLED UP SHARE CAPITAL

	2010 £	2009 £
Called up, allotted and fully paid:		
2 Ordinary shares of £1 each	2	2
All of the shares are fully paid		

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Result for the year	-	-
Net increase in shareholders' funds		-
Shareholders' funds at the beginning of the year	-	-
Shareholders' funds at the end of the year	-	-

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.

9. POST BALANCE SHEET EVENT

On 13 December 2010 a standstill agreement was put in place until 14 February 2011 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. See further details in note 1 to the financial statements.

NOTES TO THE ACCOUNTS

Year ended 30 September 2010

10 RELATED PARTY TRANSACTIONS

In accordance with FRS No 8 "Related Party Disclosures", transactions with other undertakings in the LIBRA No 2 Limited Group have not been disclosed in these financial statements

11. ULTIMATE PARENT COMPANY

At 30 September 2010 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 2010, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ