Company Registration
No. FC027929

100793/240

LIBRA CARECO EQUITY CO LIMITED
Report and Financial Statements
30 September 2010

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS

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

c/o Maples Corporate Services Limited
P O Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

AUDITORS

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, and

(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

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF LIBRA CARECO EQUITY CO LIMITED

We have audited the financial statements of Libra CareCo Equity Co Limited for the year ended 30 September 2010, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15 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 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 loss 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 requirement of the provisions of the Companies Act 2006 applicable to overseas companies

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LIBRA CARECO EQUITY CO 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 incurred a net loss of £3,647 for the year ended 30 September 2010 and, as of that date, the Company's current liabilities exceeded its current assets by £314,298 Thus 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

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date 8 February 2011

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2010

	Notes	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Administrative expenses	3	(3,647)	(3,790)
OPERATING LOSS		(3,647)	(3,790)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,647)	(3,790)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year	10	(3,647)	(3,790)

Results are derived wholly from continuing operations

There are no recognised gains or losses for the current financial or the preceding year other than as stated in the profit and loss account Accordingly, no statement of total recognised gains and losses is presented

BALANCE SHEET
At 30 September 2010

	Notes	2010 £	2010 £	2009 £	2009 £
FIXED ASSETS					
Investments	5		-		-
CURRENT ASSETS					
Debtors	6	1,357		1,357	
CREDITORS· amounts falling due within one year	7	(315,655)		(312,008)	
NET CURRENT LIABILITIES			(314,298)		(310,651)
NET LIABILITIES			(314,298)		(310,651)
CAPITAL AND RESERVES					
Called up share capital	9		2,076		2,076
Reserve	10		(316,374)		(312,727)
SHAREHOLDERS' DEFICIT	11		(314,298)		(310,651)

These financial statements were approved and authorised for issue by the Board of Directors on 8 February 2011
The Company Registration number is FC027929

Signed on behalf of the Board of Directors

J M J M Jensen
Director

P H Thompson
Director

NOTES TO THE ACCOUNTS
Period ended 30 September 2010

1. GOING CONCERN

The Company ıs a guarantor for a loan entered ınto by another group company

As at 30 September 2010, LIBRA No 2 Lımıted, the Company's ıntermedıate parent undertakıng (the "**Mezzanıne Borrower**") had a term loan of £70 mıllıon (the "**Mezzanıne Loan**") and LIBRA No 3 Lımıted (a subsıdıary of the Mezzanıne Borrower) (the "**Senıor Borrower**") had a term loan of £1,172 mıllıon (the "**Senıor Loan**") secured on the ınvestment propertıes and freehold land and buıldıngs (the "**Portfolıo**") of the Mezzanıne Borrower and ıts subsıdıarıes (the "**Group**") As at 8 February 2011, the loan amounts remaın outstandıng The orıgınal final maturıty date of the Senıor Loan was 15 January 2009 and of the Mezzanıne Loan was 15 February 2009 (each, the "**orıgınal final maturıty date**"), wıth an optıon to extend these loans to 15 January 2010 and 15 February 2010 respectıvely (each, the "**final maturity date**"), ın each case provıded (among other thıngs) that no default was outstandıng at the orıgınal final maturıty date

However, a fall ın property values ın the perıod to 30 September 2008 and a further fall ın the perıod to 15 December 2008 resulted ın the breach of, among other thıngs, the loan to value ('LTV') financıal covenant wıth respect to the Senıor Loan (resultıng ın an automatıc cross-default wıth respect to the Mezzanıne Loan) As a result, the Group was not ın a posıtıon to extend the loans to the final maturıty date Other breaches of the terms of the loan documents, chıefly concernıng ınformatıon covenants, also resulted ın defaults wıth respect to the Senıor Loan and the Mezzanıne Loan

Under the terms of the respectıve loan documents, the Senıor Borrower was requıred to make repayment of the Senıor Loan on 15 January 2009 and the Mezzanıne Borrower was requıred to make repayment of the Mezzanıne Loan on 15 February 2009 These repayments were not made As a result, the respectıve borrowers have become lıable for an addıtıonal 2% default ınterest wıth respect to the overdue amounts The default ınterest amounts have contrıbuted to a breach of the ınterest cover ratıo ('ICR') financıal covenant ın relatıon to the Senıor Loan (resultıng ın an automatıc cross-default wıth respect to the Mezzanıne Loan)

Sınce November 2008, the Dırectors of the Group have been ın ongoıng dıscussıons wıth Capıta Asset Servıces (UK) Lımıted ("**Capıta**"), the specıal servıcer to the Senıor Loan under the securıtısatıon structure (whıch operates on a back-to-back basıs wıth the Senıor Loan) and have entered ınto a serıes of standstıll agreements whıch suspend the rıghts of the credıtors wıth respect to the Senıor Loan and the Mezzanıne Loan to enforce theır rıghts under the loan documents and related securıty On 13 December 2010 a further standstıll agreement was put ın place, expırıng 14 February 2011 On 17 January 2011 the Senıor Borrower was unable to satısfy ıts ınterest payment ın full on the ınterest payment date The non full ınterest payment has been acknowledged ın the Amendment to Standstıll Agreement dated 19 January 2011

The Dırectors of the Group and Capıta contınue to explore alternatıve optıons to maxımıse the recoverıes of the Senıor Loan, ıncludıng the sale of the whole or part of the Group and/or the propertıes (the "**Disposal Optıons**")

On 7 December 2010 the Group's prıncıpal tenant, Southern Cross Healthcare plc ("Southern Cross"), announced as part of ıts prelımınary full year results that ıt had engaged Morgan Stanley to revıew ıts lease arrangements wıth landlords Sınce then, the Dırectors of the Company and Capıta have been ın on-goıng dıscussıons wıth Southern Cross and ıts advısors ın respect of a potentıal restructurıng of the Southern Cross' oblıgatıons to the Group under the lease documents (the "**Southern Cross Dıscussıons**") Such dıscussıons are at a prelımınary stage The Senıor Borrower and Capıta have joıntly appoınted Ernst & Young LLP as an advısor to assıst ın the dıscussıons wıth Southern Cross and to provıde on-goıng advıce as to the varıous optıons relatıng to the Group's propertıes that are leased to Southern Cross

In order to be able to ımprove flexıbılıty wıth regard to the Dısposal Optıons and the potentıal restructurıng under the Southern Cross Dıscussıons, the Dırectors of the Company sıgned an agreement on 17 January 2011 wıth the lenders of the Mezzanıne Loan enablıng the restatement and amendment of the orıgınal Mezzanıne Loan, whıch had the effect of waıvıng certaın "hold-out"-rıghts under the transactıon documents held by the Mezzanıne Loan lenders, whıch would otherwıse have restrıcted the Group's abılıty ultımately to optımıse the Dısposal Optıons and the Southern Cross Dıscussıons

NOTES TO THE ACCOUNTS
Period 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 loans 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
Period ended 30 September 2010

2. ACCOUNTING POLICIES

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

Exemption from consolidation

The Company has taken advantage of section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is itself a subsidiary undertaking of LIBRA No 2 Limited These financial statements provide information about the Company as an individual undertaking and not about its group

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which have originated at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is not recognised in respect of gains and losses on revalued assets unless the company has entered into a binding agreement to sell the assets and the gains or losses have been recognised in the profit and loss account Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

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 impairment

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 obtainable from the Companies House

3 ADMINISTRATIVE EXPENSES

The Company had no employees during the current or preceding year

No Directors' fees have been charged to the profit and loss account during the current or preceding year

The audit fees of £1,500 for the current and the preceding year have been borne by NHP Management Limited, a group undertaking

NOTES TO THE ACCOUNTS
Period ended 30 September 2010

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Corporation tax	-	-
Total tax	-	-
Loss before tax	(3,647)	(3,790)
Tax on loss at standard rate of 28% (2009 28%)	(1,021)	(1,061)
Factors affecting tax charge		
Increase in loss carried forward	1,021	1,061
Current tax charge	-	-

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax due to an increase in tax losses carried forward

The main rate of corporation tax will be reduced from 28% to 27% from 1 April 2011 There will be further 1% reductions in the main corporation tax rate in each of the next three years to bring the rate down to 24% by 1 April 2014 as such the main rate of corporation tax will fall to 27% for 2011-12, with further 1% cuts in the following three years to 26% in 2012-13, 25% in 2013-14, and 24% in 2014-15

5. INVESTMENT

	£
Cost	
At 1 October 2009 and 30 September 2010	284,166
Provision	
At 1 October 2009 and 30 September 2010	(284,166)
Net book value:	
At 30 September 2010	-
At 30 September 2009	-

The investment in Libra CareCo Holdings Limited, a company incorporated in Great Britain, was acquired on 14 October 2005 and comprises a 100% holding of its issued share capital Acquisition costs incurred at the date of acquisition were £282,090 and this amount was included in the cost of investment

NOTES TO THE ACCOUNTS
Period ended 30 September 2010

5. INVESTMENT (Continued)

At 30 September 2010, the Company held investments either directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
Libra CareCo Holdings Limited *	Great Britain	98 4%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra GuaranteeCo Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Limited	Great Britain	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Limited	Great Britain	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No 1 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 2 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 3 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 4 Limited	Great Britain	100%	Partner in LLNHP Partnership
NHP Securities No 6 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 9 Limited	Jersey	100%	Investment in overriding leases of care home properties
NHP Securities No 11 Limited	Jersey	100%	Parent company of NHP Securities No 9 Limited
NHP Management Limited	Great Britain	100%	Management of care home property portfolios
NHP Operations (York) Limited	Great Britain	100%	Care home property development
LLNH Limited	Great Britain	100%	Partner in LLHNP Partnership
Care Homes No 1 Limited	Cayman Islands	100%	Investment in care homes properties
Ultima Holdings Limited	Great Britain	100%	Immediate parent company of Ultima Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Care home operator
Eton Hall Homes Limited	Great Britain	100%	Care home operator
Ultima Care Limited	Great Britain	100%	Care home operator
Platinum Healthcare Limited	Great Britain	100%	Care home operator

* Held directly by Libra CareCo Equity Co Limited

All shares held are ordinary shares

NOTES TO THE ACCOUNTS
Period ended 30 September 2010

6. DEBTORS

	2010	2009
	£	£
Prepayments	1,357	1,357

7. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Amounts due to group undertakings	315,655	312,008

Amounts due to group undertakings are due on demand bearing no interest

8. DEFERRED TAXATION

Company	Provided		Unprovided	
	2010	2009	2010	2009
	£000	£000	£000	£000
Losses carried forward	-	-	(3,729)	(2,846)
	-	-	(3,729)	(2,846)

No deferred tax asset has been recognised in respect of the losses carried forward as it is considered that it is uncertain whether there will be sufficient taxable profits in the future to utilise losses

9 CALLED UP SHARE CAPITAL

	2010	2009
	£	£
Called up, allotted and fully paid:		
207,590 Ordinary Shares at £0 01 each	2,076	2,076

10. RESERVES

	2010	2009
Profit and loss account	£	£
At 1 October	(312,727)	(308,937)
Loss for the financial year	(3,647)	(3,790)
At 30 September	(316,374)	(312,727)

11. MOVEMENT IN SHAREHOLDERS' DEFICIT

	2010	2009
	£	£
At 1 October	(310,651)	(306,861)
Loss for the financial year	(3,647)	(3,790)
At 30 September	(314,298)	(310,651)

NOTES TO THE ACCOUNTS
Period ended 30 September 2010

12. 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

13. 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

14. 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

15. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra CareCo TopCo 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