

NHP SECURITIES NO.3 LIMITED
Report and Financial Statements
30 September 2009

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REPORT AND FINANCIAL STATEMENTS 2009

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REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
P H Thompson

COMPANY SECRETARY

L Pang

REGISTERED OFFICE

Liberty House
222 Regent Street
London
W1B 5TR

BANKERS

Barclays Bank PLC
South East Corporate Banking Centre
PO Box 112
Horsham
West Sussex RH12 1YQ

SOLICITORS

Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

AUDITORS

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2009

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

PRINCIPAL ACTIVITIES

The Company receives rental income from three residential buildings. The Directors intend to continue these activities in the forthcoming year.

BUSINESS REVIEW

In the year to 30 September 2009, the Company has continued the receipt of rental income from the residential buildings and this will continue in the foreseeable future.

RESULTS

The results for the year ended 30 September 2009 are set out in the profit and loss account on page 8.

DIVIDENDS

During the year, the Company declared and paid a dividend of £nil (2008 £65,000,000).

DIRECTORS

The following Directors served throughout the year and subsequently, except as noted:

	<u>Date Appointed</u>	<u>Date Resigned</u>
P H Thompson	6 November 2009	-
M J Grant	2 July 2009	6 November 2009
D C Nicholson	-	2 July 2009
J M J M Jensen	19 December 2008	-
P V Taylor	-	19 December 2008

The current Directors of the Company are detailed on page 1.

The company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force to the date of this report.

GOING CONCERN

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

As at 30 September 2009, the Group had a term loan of £70 million (the "Mezzanine Loan") and a term loan of £1,172 million (the "Senior Loan") secured on the Group's investment properties and freehold land and buildings. As at 10 February 2010, 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.

DIRECTORS' REPORT

(Continued)

GOING CONCERN (Continued)

Since 28 November 2008 the Directors of the Company have been in ongoing discussions with Capita Asset Services (UK) Limited ("Capita") (formerly Capmark Services UK Limited), 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 14 January 2010 a further standstill agreement was put in place, expiring 14 April 2010.

As at 30 September 2009, the Directors were advised by their valuers, King Sturge LLP, that the appropriate yield for the Portfolio was 8.34%, and the value of the Portfolio was £849.65 million after costs of 1.75%, valued on the basis of the properties being sold as a business. The LTV ratio at that time was 150.55%. Due to a continued fall in property values and the default interest charges, the Group was in a net liability position of £579.86 million as at 30 September 2009.

In late 2009 Capita engaged King Sturge LLP with a view to obtaining an updated property valuation. According to this valuation, as at 23 December 2009 the appropriate yield for the Group's portfolio was 8%, and the value of the portfolio had improved by £36.57 million to £886.22 million after costs of 1.75%, valued on the basis of the properties being sold as a business. As of 15 January 2010 the LTV ratio is 143.59%.

Since January 2009, the Directors have been relying on a confirmation from Capita that for so long as discussions with respect to a potential reorganisation of the affairs of the Group and a restructuring of its debt obligations (the "Potential Restructuring") are continuing, and on the understanding that 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 costs, and (c) other exceptional costs incurred in relation to 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 Company 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.

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 Group would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments. See further details in note 1 to the financial statements.

DIRECTORS' REPORT

(Continued)

AUDITORS

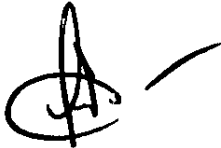
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

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

A handwritten signature in black ink, appearing to be 'J M J M Jensen', with a checkmark to its right.

J M J M Jensen
Director
Date 11 February 2010
Liberty House
222 Regent Street
London W1B 5TR

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 estimates that are reasonable and prudent, and
- (c) 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 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 Companies Act 2006. 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.3 LIMITED

We have audited the financial statements of NHP Securities No 3 Limited for the year ended 30 September 2009, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and the related notes 1 to 17. 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 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 2009 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 requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NHP SECURITIES NO. 3 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 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 (formerly 'Capmark 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 Group'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

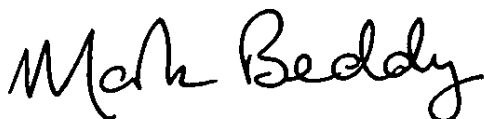
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires 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



Mark Beddy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Date 11 February 2010

NHP SECURITIES NO.3 LIMITED**PROFIT & LOSS ACCOUNT**
Year ended 30 September 2009

	Note	2009 £	2008 £
TURNOVER AND GROSS PROFIT	3	27,517	30,027
Other administrative expenses	4	<u>(23,294,516)</u>	<u>(525,416,174)</u>
OPERATING LOSS		<u>(23,266,999)</u>	<u>(525,386,147)</u>
Net interest receivable / (payable) and similar income / (charges)	5	<u>9,681,453</u>	<u>(1,563,150)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(13,585,546)</u>	<u>(526,949,297)</u>
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR	13	<u><u>(13,585,546)</u></u>	<u><u>(526,949,297)</u></u>

Results are derived wholly from continuing operations

NHP SECURITIES NO.3 LIMITED

BALANCE SHEET
30 September 2009

	Note	2009 £	2008 (Reclassified*) £
TANGIBLE FIXED ASSETS			
Land and buildings	7	535,000	550,000
INVESTMENTS			
	8	<u>1</u>	<u>1</u>
TOTAL FIXED ASSETS		<u>535,001</u>	<u>550,001</u>
CURRENT ASSETS			
Debtors			
- due within one year	9	834,646	836,132
Cash at bank and in hand		<u>216,708</u>	<u>327,439</u>
		1,051,354	1,163,571
CREDITORS amounts falling due within one year			
	10	<u>(200,931,616)</u>	<u>(187,466,658)</u>
NET CURRENT LIABILITIES		<u>(199,880,262)</u>	<u>(186,303,087)</u>
NET LIABILITIES		<u>(199,345,261)</u>	<u>(185,753,086)</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Revaluation reserve	13	(19,931)	(13,302)
Profit and loss account	13	<u>(199,325,332)</u>	<u>(185,739,786)</u>
SHAREHOLDERS' DEFICIT		<u>(199,345,261)</u>	<u>(185,753,086)</u>

*See notes 2 and 10 for details on the reclassification

These financial statements were approved and authorised for issue by the Board of Directors on 11 February 2010

Signed on behalf of the Board of Directors



J M J M Jensen
 Director



P H Thompson
 Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2009

	Note	2009 £	2008 £
Loss for the year		(13,585,546)	(526,949,297)
Net deficit on revaluation of property interests	13	<u>(6,629)</u>	<u>(25,580)</u>
Total recognised losses for the year		<u><u>(13,592,175)</u></u>	<u><u>(526,974,877)</u></u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 September 2009

	Note	2009 £	2008 £
Loss for the year		(13,585,546)	(526,949,297)
Dividend paid to equity holder		-	(65,000,000)
Net deficit on revaluation of property interests	13	<u>(6,629)</u>	<u>(25,580)</u>
Net decrease in shareholders' funds		<u>(13,592,175)</u>	<u>(591,974,877)</u>
Shareholders' (deficit) / funds at the beginning of the year		<u>(185,753,086)</u>	<u>406,221,791</u>
Shareholders' deficit at the end of the year		<u><u>(199,345,261)</u></u>	<u><u>(185,753,086)</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2009

	2009 £	2008 £
Loss on ordinary activities before taxation	<u>(13,585,546)</u>	<u>(526,949,297)</u>
Historical cost loss on ordinary activities before taxation	<u>(13,585,546)</u>	<u>(526,949,297)</u>
Historical cost loss retained for the year	<u><u>(13,585,546)</u></u>	<u><u>(526,949,297)</u></u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2009

1. GOING CONCERN

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

As at 30 September 2009, 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 10 February 2010, 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 28 November 2008 the Directors of the Company have been in ongoing discussions with Capita Asset Services (UK) Limited ("Capita") (formerly Capmark Services UK Limited), 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 14 January 2010 a further standstill agreement was put in place, expiring 14 April 2010.

As at 30 September 2009, the Directors were advised by their valuers, King Sturge LLP, that the appropriate yield for the Portfolio was 8.34%, and the value of the Portfolio was £849.65 million after costs of 1.75%, valued on the basis of the properties being sold as a business. The LTV ratio at that time was 150.55%. Due to a continued fall in property values and the default interest charges, the Group was in a net liability position of £579.86 million as at 30 September 2009.

In late 2009 Capita engaged King Sturge LLP with a view to obtaining an updated property valuation. According to this valuation, as at 23 December 2009 the appropriate yield for the Group's portfolio was 8%, and the value of the portfolio had improved by £36.57 million to £886.22 million after costs of 1.75%, valued on the basis of the properties being sold as a business. As of 15 January 2010 the LTV ratio is 143.59%.

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 28 February 2011 which indicate that there is a shortfall in the operational cash flow of the Company during that period. The cash flow forecasts also indicate that the ICR test will continue not to be met throughout the testing period.

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

1. GOING CONCERN (Continued)

Since January 2009, the Directors have been relying on a confirmation from Capita that for so long as discussions with respect to a potential reorganisation of the affairs of the Group and a restructuring of its debt obligations (the "Potential Restructuring") are continuing, and on the understanding that 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 costs, and (c) other exceptional costs incurred in relation to 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 Company 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.

Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on a going concern basis. In the event that a going concern basis should become inappropriate, the assets of the Group 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.

2 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of the other fixed assets. The particular accounting policies adopted are described below. The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

The accounting policies have been followed consistently during the current and previous year, except that certain comparative figures have been reclassified to provide clearer comparability (see note 10).

Exemption from consolidation

The Company is itself a subsidiary undertaking of Libra No 2 Limited, a company incorporated and registered in the Cayman Islands, and the Company is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements provide information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represent amounts receivable on rental accommodation due in the normal course of business.

Other fixed assets – land and buildings

The residential properties are held to provide accommodation to care employees of Southern Cross Healthcare Group Limited, a care home operator.

Depreciation

Land and buildings are depreciated in equal instalments over the estimated useful economic lives of each category of asset. The amount of depreciation, the calculation of which is based on the valuation less estimated residual value, is charged to the profit and loss account with an appropriate adjustment made to the revaluation reserve by the transfer of a sum from the revaluation reserve to the profit and loss account. The estimated useful economic lives are as follows:

Freehold land	no depreciation
Freehold buildings	50 years

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

2. ACCOUNTING POLICIES (Continued)

Investments

Investments held as fixed assets are stated at cost less provision for impairment

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.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis

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, which is stated net of value added tax, comprises the following from the Company's ordinary activities, which take place wholly within the United Kingdom

	2009	2008
	£	£
Rental income - Southern Cross Healthcare Group Limited	27,464	29,950
Commissions and fees received	53	77
	<u>27,517</u>	<u>30,027</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

4. ADMINISTRATIVE EXPENSES

Administrative expenses include

	2009	2008
	£	£
Group management fees	63,675	87,371
Depreciation on land and building	8,371	9,420
Provision for doubtful debts – group undertakings	23,184,204	525,277,838
Fees payable to the Company’s auditors for the audit of the annual accounts	9,113	17,765
Tax adviser fees payable to the Company’s auditors		
- tax compliance services	9,053	10,000
- other services*	21,188	25,850
	<u> </u>	<u> </u>

* This amount relates to tax advice provided on the tax enquiry made by the HM Revenue and Custom for the year ended 30 September 2005

5. NET INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR INCOME / (CHARGES)

	2009	2008
	£	£
Interest payable to NHP Limited on subordinated loan notes	(13,292,318)	(13,476,866)
Finance costs	(109)	(60)
Interest receivable on bank deposits	512	45,145
Interest receivable on loan notes to group undertakings	22,973,368	11,868,631
	<u> </u>	<u> </u>
	<u>9,681,453</u>	<u>(1,563,150)</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2009 £	2008 £
Corporation tax credit		
Current year	-	-
Prior year	-	-
	<u>-</u>	<u>-</u>
Total tax credit	<u>-</u>	<u>-</u>
Loss before tax	(13,585,546)	(526,949,297)
Tax on loss at standard rate of 28% (2008 29%)	(3,803,953)	(152,815,296)
Factors affecting tax charge		
Non-deductible expenditure	-	2,731
Non-deductible provisions	6,491,577	152,330,574
Depreciation in excess of capital allowances	2,344	-
Utilisation of brought forward losses		
Increase in loss carried forward	(975,160)	481,991
Group relief for nil consideration	(1,714,808)	-
	<u>-</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

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

7. TANGIBLE FIXED ASSETS

	Land and buildings £
Cost or Valuation	
At 1 October 2008	550,000
Deficit on revaluation of properties	(15,000)
	<u>535,000</u>
At 30 September 2009	<u>535,000</u>
Depreciation	
At 1 October 2008	-
Charge	(8,371)
Transfer to revaluation reserve	8,371
	<u>-</u>
At 30 September 2009	<u>-</u>
Net book value at 30 September 2009	<u>535,000</u>
Net book value at 30 September 2008	<u>550,000</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

8. INVESTMENTS

	At 30 September 2008 £	Reclassification £	Additions £	Repayments £	At 30 September 2009 £
Shares in subsidiary undertaking At cost or valuation					
Ultima Holdings Limited	1	-	-	-	1
Subordinated loan notes investment in					
Libra 3 Limited	5,500,000	-	-	-	5,500,000
Care Homes No 2 Limited	2,082,662	-	1,674	-	2,084,336
Care Homes No 3 Limited	23,841,468	-	-	-	23,841,468
NHP Operations (York) Limited	2,118,890	-	-	(322,470)	1,796,420
Libra CareCo CH2 PropCo Limited	72,106,107	-	-	-	72,106,107
Libra CareCo CH3 PropCo Limited	47,707,425	-	-	-	47,707,425
Libra CareCo Ltd **	-	330,414,624	-	-	330,414,624
	<u>153,356,552</u>	<u>330,414,624</u>	<u>1,674</u>	<u>(322,470)</u>	<u>483,450,380</u>
Provision for doubtful debts	(153,356,552)	(330,414,624)	(1,674)	322,470	(483,450,380)
Total	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

Shares in subsidiary undertaking

The Company holds 100% of the issued ordinary share capital of Ultima Holdings Limited, a company incorporated in Great Britain. Ultima Holdings Limited and its subsidiary undertakings have not traded during the current or preceding year. Previously they were trading as nursing and residential care homes.

The Company has invested in 13,970,000 'C' Ordinary Shares in Ultima Holdings Limited which were retained at a £nil value at 30 September 2009 (2008: £nil). The shares carry no voting rights. Ultima Holdings Limited and its subsidiary undertakings have not traded during the current or preceding year. Previously they were trading as nursing and residential care homes.

At 30 September 2009, the Company held investments in the following principal subsidiary undertakings:

Name	Country of incorporation	% Holdings	Principal activity
Ultima Holdings Limited *	Great Britain	100%	Immediate parent company of Ultima Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Previously, a care home operator, now dormant
Eton Hall Homes Limited	Great Britain	100%	Previously, a care home operator, now dormant
Ultima Care Limited	Great Britain	100%	Previously, a care home operator, now dormant
Platinum Healthcare Limited	Great Britain	100%	Previously, a care home operator, now dormant

* held directly by NHP Securities No 3 Limited

All shares held are ordinary shares

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

8. INVESTMENTS (Continued)

Subordinated loan notes investment

£2,084,336 (2008 £2,082,662) of the loan notes were issued to Care Homes No 2 Limited. The loan notes are repayable on 2 January 2026 and also bear interest at 8.91% per annum.

The loan notes of £23,841,468 due by Care Homes No 3 Limited, which represent the consideration payable for the financing of overriding leases, have no fixed repayment dates and bear interest at 6.60% per annum.

The loan notes of £1,796,420 (2008 £2,118,890) were issued to NHP Operations (York) Limited, a group undertaking to enable that company to finance its care home development. The loan notes have no fixed repayment date and bear interest at 9.25% per annum.

The loan notes of £72,106,107 and £47,707,425 due by Libra CareCo CH2 PropCo Limited and Libra CareCo CH3 PropCo Limited respectively have no fixed repayment dates and bear interest at daily 12 month LIBOR plus 2%. The loan notes were issued to finance part consideration for the purchase of the interests in freehold and long leasehold residual properties.

On 3 March 2006, a loan note of £5,500,000 (the amount was previously reported under 'Debtors') was issued to Libra No 3 Limited to enable that company to repay cash to the preference shares holders of Libra No 2 Limited, the intermediate parent undertaking of the Company. The loan note has no fixed repayment date and bears interest at LIBOR plus 2% per annum.

**On 28 September 2009, a loan note of £330,414,624 (the amount was previously reported under 'Debtors' and had been fully provided for in previous year) for prior advances made to Libra CareCo Limited, a group undertaking which enabled it to repay bank and inter-company debts. The interest rate charged was at LIBOR plus 2% per annum, repayable on demand.

9 DEBTORS

	2009	2008
	£	£
Amounts falling due within one year		
Other debtors	6,014	7,500
Corporation tax debtor	828,632	828,632
	<u>834,646</u>	<u>836,132</u>

10. CREDITORS· AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	Reclassified* £
Loan notes due to NHP Limited	163,084,558	163,084,558
Other creditors	1,925	25,975
Amounts owed to group undertakings	15,751,219	15,539,379
Interest on loan notes payable to NHP Limited, a group undertaking	22,088,164	8,795,846
Accruals and deferred income	5,750	20,900
	<u>200,931,616</u>	<u>187,466,658</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Loan notes

Since 1997 NHP Limited has transferred proceeds from equity issues in consideration of loan notes to enable the Company to finance asset acquisitions. The loan notes of £140,289,814 have no fixed repayment dates and bear interest at 8.5% per annum (2008: 8.5%). In 2002, following a Rights Issue by NHP Limited, the Company issued a further £32,254,764 of subordinated loan notes, bearing interest at 6.0% per annum, in consideration of a further transfer of funds. These loan notes have no fixed repayment date. An amount of £9,460,020 was repaid in previous year. The loan notes were previously classified under 'creditors: amounts falling due after more than one year'.

Amounts owed to group undertakings

Amounts owed to group undertakings have no repayment date and are due on demand bearing no interest.

11. DEFERRED TAXATION

	Provided		Unprovided	
	2009	2008	2009	2008
	£	£	£	£
Accelerated capital allowances	-	-	-	-
Revaluation of investment properties	-	-	-	-
Losses c/f	-	-	-	(460,331)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(460,331)</u>

12. SHARE CAPITAL

	2009	2008
	£	£
Authorised:		
100 ordinary shares at £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid:		
2 ordinary shares at £1 each	<u>2</u>	<u>2</u>

13. RESERVES

	Revaluation reserve	Profit and loss account
	£	£
At 1 October 2008	(13,302)	(185,739,786)
Deficit on revaluation of land and building	(6,629)	-
Loss for the year	-	(13,585,546)
At 30 September 2009	<u>(19,931)</u>	<u>199,325,332</u>

**NOTES TO THE ACCOUNTS
Year ended 30 September 2009**

14. 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. See further details in note 1 to the financial statements.

15. POST BALANCE SHEET EVENT

On 20 October 2009 a standstill agreement was put in place until 14 January 2010, later extended to 14 April 2010 which suspends the ability of Capita Asset Services UK Limited (formerly 'Capmark Services UK Limited'), the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Company 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.

16. 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.

17. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is NHP 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.

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 2009, which include the results of the Company, are available from Libra Group at Liberty House, 222 Regent Street, London W1B 5TR.