

NHP SECURITIES NO.3 LIMITED

Report and Financial Statements

30 September 2011

SATURDAY



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COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	7
Balance sheet	8
Statement of total recognised gains and losses	9
Reconciliation of movements in shareholders' deficit	9
Notes to the financial statements	10

REPORT AND FINANCIAL STATEMENTS 2011

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
Eversheds House
70 Great Bridgewater Street
Manchester M1 5ES

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2011

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 2011, 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 2011 are set out in the profit and loss account on page 7

DIVIDENDS

During the year, the Company declared and paid a dividend of £nil (2010 £nil)

DIRECTORS

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

	<u>Date Appointed</u>
P H Thompson	6 November 2010
J M J M Jensen	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 and is also reliant on the Group to continue as a going concern due to its recurring losses and net current liability position. Nevertheless, the Group has been in technical breach of its loan covenants since 15 December 2008 due to the fall in property values and the Directors of the Company have been in restructuring negotiations with its lenders since 28 November 2008 and have entered into a series of standstill agreements which suspend the rights of creditors in respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 13 January 2012, a further standstill agreement was put in place, expiring 13 April 2012.

Given these circumstances along with other matters disclosed in note 1, the Directors do not currently expect the Company to go into insolvent liquidation but 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. Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis. See further details in note 1 to the financial statements.

DIRECTORS' REPORT

(Continued)

AUDITOR

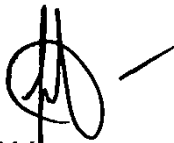
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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 auditor 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 diagonal line extending from the bottom right of the signature.

J M J M Jensen
Director
Date 17 February 2012
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 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 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 AUDITOR'S 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 2011, which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Deficit and the related Notes 1 to 16. 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 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 AUDITOR'S 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 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 incurred a net loss of £13,172,021 for the year ended 30 September 2011 and, as of that date, the Company's current liabilities exceeded its current assets by £228,735,031. 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 14 of the LIBRA No 2 Limited 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.

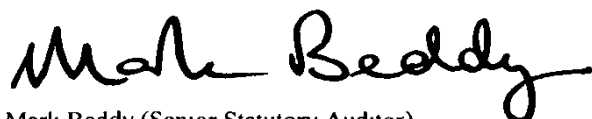
Opinion on other matter prescribed by the Companies Act 2006

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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



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

Date 17 February 2012

NHP SECURITIES NO.3 LIMITED**PROFIT & LOSS ACCOUNT**
Year ended 30 September 2011

	Notes	2011 £	2010 £
TURNOVER AND GROSS PROFIT	3	22,281	24,050
Other administrative expenses	4	<u>(17,933,163)</u>	<u>(19,623,660)</u>
OPERATING LOSS		(17,910,882)	(19,599,610)
Amount written off investment		(1)	-
Net interest receivable and similar income	5	<u>4,738,862</u>	<u>3,899,076</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(13,172,021)	(15,700,534)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR	12	<u>(13,172,021)</u>	<u>(15,700,534)</u>

Results are derived wholly from continuing operations

NHP SECURITIES NO.3 LIMITED

**BALANCE SHEET
at 30 September 2011**

	Notes	2011	2010
		£	£
TANGIBLE FIXED ASSETS			
Land and buildings	7	540,000	540,000
INVESTMENTS			
	8	-	1
TOTAL FIXED ASSETS		540,000	540,001
CURRENT ASSETS			
Debtors			
- due within one year	9	9,658	6,400
Cash at bank and in hand		331,392	107,084
		341,050	113,484
CREDITORS: amounts falling due within one year			
	10	(229,076,081)	(215,685,388)
NET CURRENT LIABILITIES		(228,735,031)	(215,571,904)
NET LIABILITIES		(228,195,031)	(215,031,903)
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Revaluation reserve	12	2,854	(6,039)
Profit and loss account	12	(228,197,887)	(215,025,866)
SHAREHOLDERS' DEFICIT		(228,195,031)	(215,031,903)

These financial statements were approved and authorised for issue by the Board of Directors on 17 February 2012
The Company Registration number is 3287957

The financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime

Signed on behalf of the Board of Directors



J M J M Jensen
Director

NHP SECURITIES NO.3 LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2011

	Note	2011 £	2010 £
Loss for the year		(13,172,021)	(15,700,534)
Net surplus on revaluation of property interests	12	<u>8,893</u>	<u>13,892</u>
Total recognised losses for the year		<u>(13,163,128)</u>	<u>(15,686,642)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Year ended 30 September 2011

	Note	2011 £	2010 £
Loss for the year		(13,172,021)	(15,700,534)
Net surplus on revaluation of property interests	12	<u>8,893</u>	<u>13,892</u>
Net decrease in shareholders' deficit		(13,163,128)	(15,686,642)
Shareholders' deficit funds at the beginning of the year		<u>(215,031,903)</u>	<u>(199,345,261)</u>
Shareholders' deficit at the end of the year		<u>(228,195,031)</u>	<u>(215,031,903)</u>

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

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 accounting standards.

The accounting policies have been followed consistently during the current and previous year.

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 401 of the Companies Act 2006. These financial statements provide information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represents amounts receivable on rental accommodation due in the normal course of business, net of Value Added Tax. The Company recognises turnover when the amount can be reliably measured.

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

Investments

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

Taxation

Current 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2011

2. ACCOUNTING POLICIES (Continued)

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

	2011 £	2010 £
Rental income - Southern Cross Healthcare Group Limited	22,229	23,996
Commissions and fees received	52	54
	<u>22,281</u>	<u>24,050</u>

4. ADMINISTRATIVE EXPENSES

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

Administrative expenses include

	2011 £	2010 £
Group management fees	100,464	68,868
Depreciation on land and building	8,893	8,892
Reversal of impairment provision	(309,151)	(357,627)
Provision for doubtful debts – group undertakings*	18,222,770	19,881,706
Fees payable to the Company's auditor for the audit of the annual accounts	7,200	9,143
Tax adviser fees payable to the Company's auditor	6,000	10,200
	<u>18,935,186</u>	<u>19,955,836</u>

*Provision for doubtful debts totalled £18,222,770 was in respect of other amounts owed by group undertakings during the year (30 September 2010 £19,881,706)

The Company did not incur any non-audit fees during the year (30 September 2010 £nil)

5. NET INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £	2010 £
Interest payable to NIIP Limited on subordinated loan notes	(13,292,318)	(13,292,320)
Finance income / (costs)	4	(64)
Interest receivable on bank deposits	184	202
Interest receivable - other	-	74,959
Interest receivable on loan notes to group undertakings	18,030,992	17,116,299
	<u>4,738,862</u>	<u>3,899,076</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2011

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2011 £	2010 £
Corporation tax credit		
Current year	-	-
Prior year	-	-
	<u>-</u>	<u>-</u>
Total tax credit	<u>-</u>	<u>-</u>
Loss before tax	(13,172,021)	(15,700,534)
Tax on loss at standard rate of 27% (2010 28%)	(3,556,445)	(4,396,150)
Factors affecting tax charge		
Non taxable income	(441,994)	-
Non-deductible provisions	4,920,147	5,466,742
Depreciation in excess of capital allowances	2,401	2,490
Group relief for nil consideration	(924,109)	(1,073,082)
	<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 certain expenditure being disallowable for tax purposes

7 TANGIBLE FIXED ASSETS

Cost or Valuation	Land and buildings £
At 1 October 2010	540,000
Surplus on revaluation of properties (see note 12)	-
	<u>540,000</u>
At 30 September 2011	<u>540,000</u>
Depreciation	
At 1 October 2010	-
Charge	(8,893)
Transfer to revaluation reserve (see note 12)	8,893
	<u>-</u>
At 30 September 2011	<u>-</u>
Net book value at 30 September 2011	<u>540,000</u>
Net book value at 30 September 2010	<u>540,000</u>

Land and buildings are stated at market value as at 30 September 2011 as valued by professionally qualified external valuers. The land and buildings were valued by Jones Lang LaSalle, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. In their valuation report, Jones Lang LaSalle have confirmed that the opinions and values stated therein represent their objective view as at 30 September 2011.

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2011 and have considered that no permanent diminution is required on the land and buildings.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2011

8. INVESTMENTS

	At 30 September 2010 £	Additions £	Repayments £	At 30 September 2011 £
Shares in subsidiary undertaking				
At cost or valuation				
Ultima Holdings Limited	1	(1)	-	1
Subordinated loan notes investment in				
Libra 3 Limited	5,500,000	-	-	5,500,000
Care Homes No 2 Limited	2,086,034	1,982	-	2,088,016
Care Homes No 3 Limited	23,841,468	-	-	23,841,468
NHP Operations (York) Limited	1,437,095	-	(311,134)	1,125,961
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
	483,092,753	1,982	(311,134)	482,783,601
Provision for impairment	(483,092,753)	(1,983)	311,134	(482,783,602)
Total	1	(1)	-	-

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 2011 (2010 £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 2011, 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 FINANCIAL STATEMENTS
Year ended 30 September 2011

8 INVESTMENTS (Continued)

Shares in subsidiary undertaking (Continued)

Subordinated loan notes investment

£2,088,233 (2010 £2,084,336) of the loan notes were owed from Care Homes No 2 (Cayman) Limited. The loan notes are repayable on 2 January 2026 and also bear interest at 8.91% per annum. The investment in the loan notes in Care Homes No 2 (Cayman) Limited has been written down in full as its current liabilities exceeded its current assets by £142,560,288 as at 30 September 2011.

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 investment in the loan notes in Care Homes No 3 Limited has been written down in full as its current liabilities exceeded its current assets by £135,043,658 as at 30 September 2011.

The loan notes of £1,125,961 (2010 £1,437,095) were owed from 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 investment in the loan notes in NHP Operations (York) Limited has been written down in full as its current liabilities exceeded its current assets by £4,213,450 as at 30 September 2011.

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. The investment in the loan notes in Libra CareCo CH2 PropCo Limited has been written down in full as its current liabilities exceeded its current assets by £284,462,848 as at 30 September 2011, equally for the investment in the loan notes in Libra CareCo CH3 PropCo Limited, where its current liabilities exceeded its current assets by £214,086,147 as at 30 September 2011.

On 3 March 2006, a loan note of £5,500,000 was issued by 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. The investment in the loan notes in LIBRA No 3 Limited has been written down in full as its current liabilities exceeded its current assets by £1,734,844,121 as at 30 September 2011.

On 28 September 2010, a loan note of £330,414,624 for prior advances was 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. The investment in the loan notes in Libra CareCo Limited has been written down in full as its current liabilities exceeded its current assets by £600,773,190 as at 30 September 2011.

The Company and all its group undertakings are guarantors to a £1,172 million term loan facility agreement entered by LIBRA No 3 Limited, a group undertaking with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007. As disclosed in note 1, since November 2008, the Senior Loan has been under a series of standstill agreements.

NHP SECURITIES NO.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2011

9. DEBTORS

	2011	2010
	£	£
Amounts falling due within one year		
Other debtors#	9,658	6,400
	9,658	6,400
	9,658	6,400

The amounts presented in the balance sheet are net of allowances for doubtful receivable

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£	£
Loan notes due to NHP Limited	163,084,558	163,084,558
Amounts owed to group undertakings	17,312,721	17,208,346
Interest on loan notes payable to NHP Limited, a group undertaking	48,672,802	35,380,484
Accruals and deferred income	6,000	12,000
	229,076,081	215,685,388
	229,076,081	215,685,388

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 (2010: 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.

Amounts owed to group undertakings

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

11. CALLED UP SHARE CAPITAL

	2011	2010
	£	£
Called up, allotted and fully paid:		
2 ordinary shares at £1 each	2	2
	2	2
	2	2

12. RESERVES

	Revaluation reserve	Profit and loss account
	£	£
At 1 October 2010	(6,039)	(215,025,866)
Net surplus on revaluation of land and building	8,893	-
Loss for the year	-	(13,172,021)
	2,854	(228,197,887)
At 30 September 2011	2,854	(228,197,887)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2011

13. 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.

14. 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.

15. 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 14 for further details.

c) No other related party transaction is noted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

16. 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 2011, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ