

NHP SECURITIES NO.3 LIMITED
Report and Financial Statements
30 September 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P V Taylor
D C Nicholson

SECRETARY

R Mortimer

REGISTERED OFFICE

25 Hanover Square
London
W1S 1JF

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 & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2007

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

PRINCIPAL ACTIVITIES

Up until 17 October 2005, the principal activity of the Company has been the purchase of freehold and long leasehold interests in predominantly modern, purpose-built care homes, which have been leased back to care home operators

The Company has ceased to receive overriding lease rents following the disposal of its residual interests in freehold and long leasehold properties to its group undertakings namely Libra CareCo CH2 PropCo Limited and Libra CH3 PropCo Limited on 17 October 2005

As of 17 October 2005 the company receives rental income from three residential buildings. The Directors intend to continue these activities in the forthcoming year

BUSINESS REVIEW

On 12 December 2006 Delta G-Co Limited and Starsign Limited, both incorporated and registered in the Isle of Man, jointly acquired 100% issued share capital of Libra No 2 Limited from the ultimate subsidiary undertakings of The Royal Bank of Scotland plc, Primemodern Limited and Libra No 1 Limited

The ultimate parent undertaking of Delta G-Co Limited and Starsign Limited is Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man

RESULTS

The results for the year ended 30 September 2007 are set out in the profit and loss account on page 8

DIVIDENDS

No dividends in respect of the year are proposed (2006 £nil)

DIRECTORS

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

		<u>Date Appointed</u>	<u>Date Resigned</u>
P Aubery	Executive Director	3 March 2006	12 December 2006
T V Castledine	Executive Director	3 March 2006	12 December 2006
S B Eighteen	Executive Director	3 March 2006	12 December 2006
A C Farnell	Executive Director	3 March 2006	12 December 2006
N S Moy	Executive Director	3 March 2006	12 December 2006
P V Taylor	Executive Director	12 December 2006	-
D C Nicholson	Executive Director	28 June 2007	-
R N Midmer	Executive Director	12 December 2006	28 June 2007

The current Directors of the Company are detailed on page 1

No Director has, or had, any interests in the shares of the Company. No Director holds a service contract with the Company and there is no Company share option scheme in existence

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

DIRECTORS' REPORT (Continued)

DEBT REFINANCING AND GOING CONCERN

At 30 September 2007, the Group had a bank loan of £1,172,000,000 secured on the Group's investment properties and freehold land and buildings. At 16 October 2008, the loan amounts remains outstanding. The maturity date of the loan is on 15 January 2009 (the original final maturity date) with an option to extend the loan to 15 January 2010 provided no default is outstanding at the original final maturity date. The breach of the covenant crystallises the loan on 15 January 2009. The failure to comply with these covenants has resulted in a default in the £70 million term loan facility.

The LTV test of 92.7% was met as at 30 September 2007, however, property values have fallen since that date and the Directors of the Company, who are also the directors of Libra No 3 Limited, a group undertakings and also the borrower to the bank loan, have been advised by their valuers, King Sturge, that they consider that as at 16 October 2008 the appropriate yield for the Group's property portfolio is 7.42%, and the value of the portfolio is c £930,000,000 after costs of 1.75%, on the basis of the properties being sold as a business, resulting in an LTV ratio of 126%.

As a result of this, and because of two other minor breaches (see note 1), which unless waived will mean that the loan will not be extended, the Directors have initiated discussions with Capmark Services UK Limited ('Capmark') as Servicer under the securitisation structure which operates alongside the bank loan. The Directors have offered to cooperate with Capmark to achieve a sensible negotiated reorganisation of the Group's affairs and a restructuring of its debts. Capmark has indicated that it is willing to consider a reorganisation and debt restructuring and has agreed to work with the Group towards a standstill agreement to allow the parties time to put these into effect. This is in the process of being negotiated. Given these circumstances, the Directors do not currently believe there is a risk that the Company will go into insolvent liquidation, although this could change if these negotiations were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern, and, therefore, that it 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 Company (specifically amounts due from group undertakings) would be written down to their recoverable value, provision made for any further liabilities that may arise and to reclassify non current assets and liabilities as current assets and liabilities. The financial statements do not include any adjustments that would result from the withdrawal of support from the Company's parent. At this time it is not practicable to quantify such adjustments. See further details in note 1 to the financial statements.

PAYMENTS TO CREDITORS

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms. The creditor days for the Company at 30 September 2007, calculated in accordance with the Companies Act 1985 are 37 (2006: 22).

DIRECTORS' REPORT (Continued)

AUDITORS

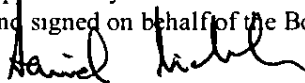
In the case of each of the persons who are Directors of the Company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) 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 to make themselves aware of any relevant audit information (as defined) 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

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



D C Nicholson
Director
Date 17 October 2008

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). The financial statements are required by law to 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,
- (c) state whether applicable UK Accounting Standards have been followed, and
- (d) prepared 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 disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 2007, which comprise of 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. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NHP SECURITIES NO.3 LIMITED (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Emphasis of matter – Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern

The Company is a guarantor for a loan agreement entered into by another group company. The group is in breach of the financial covenants in its loan agreement (as described in note 1). The Directors are in discussions with Capmark Services UK Limited regarding a resolution of the breach. However, the outcome of these discussions and the timing of their conclusion is uncertain.

These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the financial statements on the going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

Date 17 October 2008

PROFIT & LOSS ACCOUNT
Year ended 30 September 2007

	Note	2007 £	2006 £
TURNOVER AND GROSS PROFIT	2	29,760	909,974
Other administrative expenses	3	(76,564)	(218,681)
OPERATING (LOSS)/PROFIT		(46,804)	691,293
Loss on disposal of properties, overriding leases and fixed assets		-	(135,426)
Net interest payable and similar charges	4	(1,784,924)	(3,707,705)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,831,728)	(3,151,838)
Tax credit/(charge) on loss on ordinary activities	5	428,632	(223,705)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR	13	(1,403,096)	(3,375,543)

Turnover and operating (loss)/profit is wholly derived from continuing operations

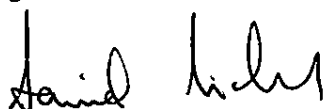
There are no recognised gains or losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented

BALANCE SHEET
30 September 2007

	Note	2007 £	2006 £
TANGIBLE FIXED ASSETS			
Land and buildings	6	585,000	605,112
INVESTMENTS	7	153,692,701	153,682,801
TOTAL FIXED ASSETS		<u>154,277,701</u>	<u>154,287,913</u>
CURRENT ASSETS			
Debtors			
- due within one year	8	18,260,000	6,394,589
- due after more than one year	8	521,423,880	485,592,215
Cash at bank and in hand		13,781	296,225
		<u>539,697,661</u>	<u>492,283,029</u>
CREDITORS: amounts falling due within one year	9	<u>(115,208,993)</u>	<u>(66,392,417)</u>
NET CURRENT ASSETS		<u>424,488,668</u>	<u>425,890,612</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		578,766,369	580,178,525
CREDITORS: amounts falling due after more than one year	11	<u>(172,544,578)</u>	<u>(172,544,578)</u>
NET ASSETS		<u><u>406,221,791</u></u>	<u><u>407,633,947</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Revaluation reserve	13	12,278	21,338
Profit and loss account	13	<u>406,209,511</u>	<u>407,612,607</u>
SHAREHOLDERS' FUNDS		<u><u>406,221,791</u></u>	<u><u>407,633,947</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 17 October 2008

Signed on behalf of the Board of Directors



D C Nicholson
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2007

	Note	2007 £	2006 £
Loss for the year		(1,403,096)	(3,375,543)
Net deficit on revaluation of property interests	13	<u>(9,060)</u>	<u>-</u>
Total recognised gains and losses for the year		<u><u>(1,412,156)</u></u>	<u><u>(3,375,543)</u></u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 September 2007

	Note	2007 £	2006 £
Loss for the year		(1,403,096)	(3,375,543)
Net deficit on revaluation of property interests	13	<u>(9,060)</u>	<u>-</u>
Net decrease in shareholders' funds		(1,412,156)	(3,375,543)
Shareholders' surplus at the beginning of the year		<u>407,633,947</u>	<u>411,009,490</u>
Shareholders' surplus at the end of the year		<u><u>406,221,791</u></u>	<u><u>407,633,947</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2007

	2007 £	2006 £
Loss on ordinary activities before taxation	(1,831,728)	(3,151,838)
Realisation of net valuation gains on disposal of property interests	<u>-</u>	<u>270,415,682</u>
Historical cost (loss)/profit on ordinary activities before taxation	<u>(1,831,728)</u>	<u>267,263,844</u>
Historical cost (loss)/profit retained for the year	<u><u>(1,403,096)</u></u>	<u><u>267,040,139</u></u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

1. ACCOUNTING POLICIES

Basis of accounting – Going concern

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

At 30 September 2007, the Group had a bank loan of £1,172,000,000 secured on the Group's investment properties and freehold land and buildings. At 16 October 2008, the loan amount remains outstanding. Libra No 2 Limited, the Company's ultimate parent company declared a dividend on 27 November 2007 of £89,035,586 with the result that the Group is now in a net liability position. Under the terms of its bank loan, the Group has to comply with a number of financial covenants, of which the two most material are a Loan to Value ('LTV') covenant and an Interest Cover Ratio ('ICR') covenant. The failure to comply with these covenants has resulted in a default in the £70 million term loan facility.

The Directors of the Company, who are also the directors of Libra No 3 Limited, a group undertaking and also the borrower to the bank loan, have prepared cash flow forecasts throughout the life of the loan until the last covenant testing date, which is 15 October 2009, which show that the Group can meet its day to day cash needs including the payment of loan interest, even though the ICR covenant is not met towards the end of the testing period.

The Directors have also considered the LTV test, and note that this had been met as at 30 September 2007. However, property values have fallen since that date and the Directors have been advised by their valuers, King Sturge, that they consider that as at 16 October 2008 the appropriate yield for the Group's property portfolio is 7.42%, and the value of the portfolio is c. £931,000,000 after costs of 1.75%, on the basis of the properties being sold as a business, resulting in an LTV ratio of 126%.

This breaches the LTV covenant which is set at 92.7%, and Libra No 3 Limited will not therefore be in a position to extend the loan as at 15 January 2009 unless this breach, and two other minor breaches which remain unremedied, are waived. The two minor breaches include the change of accounting reference date for the subsidiaries incorporated in the United Kingdom and the non-delivery of the audited financial statements within 150 days from the accounting period end. The effect of the breach is that the loan becomes immediately repayable as at 15 January 2009.

The Directors of the Company have initiated discussions with Capmark Services UK Limited ('Capmark') as Servicer under the securitisation structure which operates alongside the bank loan and have offered to cooperate with it to achieve a sensible negotiated reorganisation of the Group's affairs and a restructuring of its debts. Capmark has indicated that it is willing to consider a reorganisation and debt restructuring and has agreed to work with the Group towards a standstill agreement to allow the parties time to put these into effect. This is in the process of being negotiated. Given these circumstances, the Directors do not currently believe there is a risk that the Company will go into insolvent liquidation, although this could change if these negotiations were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern, and, therefore, that it 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 Company (specifically amounts due from group undertakings) would be written down to their recoverable value, provision made for any further liabilities that may arise and to reclassify non current assets and liabilities as current assets and liabilities. The financial statements do not include any adjustments that would result from the withdrawal of support from the Company's parent. At this time it is not practicable to quantify such adjustments.

Except as noted above, 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 compliance with the Companies Act 1985 and applicable United Kingdom accounting standards.

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

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

1. ACCOUNTING POLICIES (Continued)

Exemption from consolidation

The Company has not prepared consolidated financial statements as it is a subsidiary of a company incorporated in the Cayman Islands, Libra No 2 Limited, (previously within "Libra CareCo Offshore Superholdco Limited) which prepares consolidated financial statements under UK GAAP. These financial statements provide information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represent amounts receivable on overriding lease rents and 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

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 (previously within Libra CareCo Offshore Superholdco Limited), which are available from the registered office.

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

2. 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

	2007 £	2006 £
Rental income - Southern Cross Healthcare Group Limited	29,644	17,112
Commissions and fees received	116	1,890
Overriding lease rents received from		
Care Homes No 2 Limited	-	531,374
Care Homes No 3 Limited	-	359,598
	<u>29,760</u>	<u>909,974</u>

The Company has ceased to receive overriding lease rents following the disposal of its residual interests in freehold and long leasehold properties to its group undertakings namely Libra CareCo CH2 PropCo Limited and Libra CH3 PropCo Limited on 17 October 2005

3. ADMINISTRATIVE EXPENSES

The Company had no employees during the current or preceding year

None of the Directors received emoluments directly from the Company during the current or preceding year. R N Midmer, a director who served during the year received his emolument from the Company's subsidiary undertaking, NHP Management Limited

Administrative expenses include

	2007 £	2006 £
Group management fees	50,964	397,374
Depreciation	11,052	11,052
Write back of receivership costs provision (net)	-	(174,437)
Auditors remuneration - audit services	<u>13,668</u>	<u>15,829</u>

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable to NHP Limited on subordinated loan notes	(13,859,923)	(13,859,922)
Interest payable - other	-	(7,070)
Finance costs	(113)	(950)
Interest receivable on loan notes		
Care Homes No 2 Limited	185,293	185,184
Care Homes No 3 Limited	1,573,539	1,573,539
NHP Limited	-	255,438
Group undertakings	10,288,098	8,037,373
Interest receivable on deposits	<u>28,182</u>	<u>108,703</u>
	<u>(1,784,924)</u>	<u>(3,707,705)</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
Corporation tax credit		
Current year	-	-
Prior year	428,632	642,352
	428,632	642,352
Deferred tax credit/(charge)	-	(866,057)
Total tax credit/(charge)	428,632	(223,705)
Loss before tax	(1,831,728)	(3,151,838)
Tax on loss at standard rate of 30% (2006 30%)	(549,518)	(945,551)
Factors affecting tax charge		
Permanent differences	3,315	31,772
Group relief for nil consideration	546,203	913,779
Current tax charge	-	-

6. TANGIBLE FIXED ASSETS

	Land and buildings £
Cost or Valuation	
At 1 October 2006	626,302
Net deficit on revaluation of properties	(41,302)
At 30 September 2007	585,000
Depreciation	
At 1 October 2006	(21,190)
Charge	(11,052)
Transfer to revaluation reserve	32,242
At 30 September 2007	-
Net book value at 30 September 2007	585,000
Net book value at 30 September 2006	605,112

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

7 INVESTMENTS

	At 30 September 2006 £	Additions £	Disposals £	At 30 September 2007 £
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	2,079,748	1,368	-	2,081,116
Care Homes No 3 Limited	23,841,468	-	-	23,841,468
NHP Operations (York) Limited	2,448,052	8,532	-	2,456,584
Libra CareCo CH2 PropCo Limited	72,106,107	-	-	72,106,107
Libra CareCo CH3 PropCo Limited	47,707,425	-	-	47,707,425
	153,682,800	9,900	-	153,692,700
Total	153,682,801	9 900	-	153,692,701

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 2007 (2006: £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 2007, 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 2007

7. INVESTMENTS (Continued)

Summarised below are the financial information of the subsidiary undertakings

	Capital and Reserve at 30 September 2007 £	Profit / (Loss) for the year ended 30 September 2007 £
Ultima Holdings Limited	324,838	552
Ultima Healthcare Limited	4,688,125	61
Eton Hall Homes Limited	25,857	-
Ultima Care Limited	(5,306,986)	(29)
Platinum Healthcare Limited	111,649	(6)

Subordinated loan notes investment

£2,081,116 (2006 £2,079,748) 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 £2,456,584 (2006 £2,448,052) 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.

Subordinated loan notes investment (Continued)

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.

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

8. DEBTORS

	2007	2006
	£	£
Amounts falling due within one year		
Trade debtors – other	-	17,213
Other debtors	4,609	4,609
Corporation tax debtor	428,632	597,353
Loan note interest receivable from		
Care Homes No 2 Limited	624,830	440,905
Care Homes No 3 Limited	2,518,390	944,852
Group undertakings	14,676,664	4,388,565
Prepayments and accrued income	6,875	1,092
	<u>18,260,000</u>	<u>6,394,589</u>
Amounts falling due after more than one year		
Amounts due by group undertakings	510,217,185	485,592,215
Amount due by Libra No 3 Limited	11,206,695	-
	<u>521,423,880</u>	<u>485,592,215</u>

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Other creditors	28,669	-
Amounts owed to group undertakings	48,135,099	13,207,045
Interest on loan notes payable to NHP Limited	67,035,295	53,175,372
Accruals and deferred income	9,930	10,000
	<u>115,208,993</u>	<u>66,392,417</u>

10. DEFERRED TAXATION

	Provided		Unprovided	
	2007	2006	2007	2006
	£	£	£	£
Accelerated capital allowances	-	-	-	-
Revaluation of investment properties	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2007

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£	£
Loan notes due to NHP Limited	172,544,578	172,544,578
	<u>172,544,578</u>	<u>172,544,578</u>

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 (2006: 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.

12 CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised		
100 ordinary shares at £1 each	100	100
	<u> </u>	<u> </u>
Called up, allotted and fully paid		
2 ordinary shares at £1 each	2	2
	<u> </u>	<u> </u>

13 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 October 2006	21,338	407,612,607
Net deficit on revaluation of land and building	(9,060)	-
Loss for the year	-	(1,403,096)
	<u>12,278</u>	<u>406,209,511</u>
At 30 September 2007		

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 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. CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were ultimately transferred by way of novation to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

15. 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 (previously within "Libra CareCo Offshore Superholdco Limited" group) have not been disclosed in these financial statements.

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

16. POST BALANCE SHEET EVENTS

a) By way of deed of assignment of debts, on 28 January 2008 the Company has assigned a debt amount of £145 million due by Libra CareCo Limited, a group undertaking to NHP Limited, its immediate parent undertaking £65 million was used to set off the dividend payable by the Company to NHP Limited as disclosed in note 16 (b) and the remaining amount of £80 million was to reduce the existing loan notes owed to NHP Limited

b) On 28 January 2008 NHPS3 declared and paid dividends of £65 million to the Company

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. In the opinion of the Directors, there is no ultimate controlling party in that company

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 2007, which include the results of the Company, are available from Libra Group at 25 Hanover Square, London, W1S 1JF