

LIBRA CARECO LIMITED
(formerly 'TBG CareCo Limited')
Report and Financial Statements
30 September 2006

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REPORT AND FINANCIAL STATEMENTS 2006

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DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2006

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

CHANGE OF NAME

The Company changed its name from 'TBG CareCo Limited' to 'Libra CareCo Limited' on 8 March 2006

PRINCIPAL ACTIVITY

The principal activity of the Group is the purchase and retention of freehold and long leasehold interests, in modern, purpose-built care homes

The principal activity of the Company is to act as a holding company, which conducts corporate activities on behalf of the Group. The Directors intend to continue these activities in the forthcoming year

BUSINESS REVIEW

Libra CareCo Offshore SuperHoldCo Limited (formerly 'TBG CareCo Offshore SuperHoldCo Limited') became the ultimate parent company on 14 October 2005

On 17 October 2005, Libra CareCo Limited, Libra CareCo CH2 PropCo Limited (formerly 'TBG CareCo CH2 PropCo Limited') and Libra CareCo CH3 PropCo Limited (formerly 'TBG CareCo CH3 PropCo Limited') had entered into a £327m facility agreement with Barclays Bank Plc, Citibank N A London, Prudential Finance (UK) Plc and The Royal Bank of Scotland plc as referred to in note 9 of the financial statements. On the same date, the Company entered into an interest rate swap contract for a notional value of £103m of which, £51.5m was with Barclays Bank Plc and £51.5m with Citibank N A London. The new interest swap contract had an original maturity date on 18 February 2010 and fixed interest rate at three month LIBOR of 4.708% per annum.

On 3 March 2006 Libra No 3 Limited, a subsidiary undertaking of The Royal Bank of Scotland plc acquired the entire issued share capital of Libra CareCo Offshore Superholdco Limited and any additional share capital, held outside Libra CareCo Offshore Superholdco Limited, in Libra CareCo Holdings Limited. The Royal Bank of Scotland plc became the ultimate parent company on that date.

Following the acquisition by Libra No 3 Limited, the term loan facility and the interest rate swap agreements were terminated accordingly. Libra No 3 Limited issued a loan note of £58.7m to the Company to enable it to repay its term loan and the payment of breakage fees for the termination of interest rate swap agreements.

On 12 December 2006 Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man acquired 100% of the issued share capital of Libra No 2 Limited, the immediate parent undertaking of Libra No 3 Limited from The Royal Bank of Scotland plc.

RESULTS

The result for the year to 30 September 2006 is set out in the profit and loss account on page 8.

DIVIDENDS

No dividends in respect of the year are proposed (2005 £nil)

DIRECTORS' REPORT

(Continued)

DIRECTORS

The following Directors of the Company who served during the year are

| | <u>Date Appointed</u> | <u>Date Resigned</u> |
|----------------|-----------------------|----------------------|
| P V Taylor | 12 December 2006 | - |
| R N Midmer | 12 December 2006 | - |
| T V Castledine | 3 March 2006 | 12 December 2006 |
| S B Eighteen | 3 March 2006 | 12 December 2006 |
| A C Farnell | 3 March 2006 | 12 December 2006 |
| N S Moy | 3 March 2006 | 12 December 2006 |
| C Rutter | - | 3 March 2006 |
| P H Scott | - | 3 March 2006 |
| G K Sizer | - | 3 March 2006 |
| W Colvin | - | 3 March 2006 |
| J Murphy | - | 3 March 2006 |

The current Directors of the Company are detailed on page 1

No Director has, or had, any interests in the shares of the Company. None of the Directors hold a service contract with the Company and there is no Company share option scheme in existence.

The Directors who served during the year and held shares in the former ultimate parent undertaking, Libra CareCo Holdings Limited are shown below

| | At 30 September 2005 |
|-----------|---|
| | Number of ordinary shares of 1p each |
| J Murphy | 878 |
| C Rutter | 754 |
| P H Scott | 2,403 |
| G K Sizer | 1,333 |
| W Colvin | 3,064 |
| Total | <u>8,432</u> |

The shares were fully disposed of following the direct and indirect acquisition by Libra No 3 Limited of the issued share capital of that company on 3 March 2006.

The following Directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc

| | At date of appointment on 3 March 2006 | At 30 September 2006 |
|----------------|---|-----------------------------|
| T V Castledine | 376 | 1,643 |
| S B Eighteen | 188 | 188 |
| A C Farnell | 15,277 | 12,506 |
| N S Moy | 338 | 1,507 |

DIRECTORS' REPORT**(Continued)****DIRECTORS (Continued)**

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following Directors of the Company and connected persons are

| | At date of appointment on 3 March 2006 | Granted during the period Options | Price (p) | Exercised during the period Options | Price (p) | At 30 September 2006 |
|----------------|--|---|-----------|---|-----------|----------------------------|
| T V Castledine | 5,444 | - | - | - | - | 5,444 |
| S B Eighteen | 17,268 | 13,499 | 1,852 | 150 | 1,240 | 30,617 |
| A C Farnell | - | - | - | - | - | - |
| N S Moy | 9,661 | - | - | - | - | 9,661 |

Other than as disclosed, none of the Directors in office at 30 September 2006 had other disclosable interests in the shares of any other group undertaking

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

PAYMENT POLICY AND PRACTICE

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms

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



R N Midmer
Date 30 March 2007

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, subject to any material departures disclosed and explained in the financial statements,
- (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 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 LIBRA CARECO LIMITED
(formerly 'TBG CareCo Limited')**

We have audited the financial statements of Libra CareCo Limited (formerly 'TBG CareCo Limited') for the year ended 30 September 2006, which comprise of the profit and loss account, the balance sheet and the related notes 1 to 16. 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 LIBRA CARECO LIMITED
(formerly 'TBG CareCo 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 2006 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

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
Date 30 March 2007

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2006

| | Notes | Year ended 30 September 2006 £ | Period from 25 November 2004 to 30 September 2005 £ |
|---|-------|---|---|
| Other administrative expenses | | (480,549) | (343,170) |
| Exceptional costs | 3 | (29,175) | (58,464) |
| Administrative expenses | 2 | (509,724) | (401,634) |
| OPERATING LOSS | | (509,724) | (401,634) |
| Net interest payable and similar charges | 4 | (21,560,654) | (38,799,667) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (22,070,378) | (39,201,301) |
| Tax on loss on ordinary activities | 5 | - | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR/PERIOD | | (22,070,378) | (39,201,301) |
| Retained loss brought forward | | (39,201,301) | - |
| Retained loss carried forward | | (61,271,679) | (39,201,301) |

Operating loss is wholly derived from continuing operations

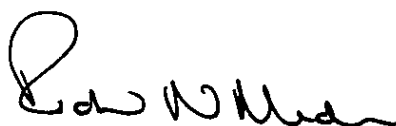
There are no recognised gains or losses for the current financial year or preceding period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

BALANCE SHEET
As at 30 September 2006

| | Note | £ | 2006 £ | £ | 2005 £ |
|--|------|----------------------|----------------------|----------------------|----------------------|
| FIXED ASSETS | | | | | |
| Investments | 6 | | 583,161,122 | | 582,142,822 |
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 1,856,988 | | 5,700,675 | |
| Cash at bank and in hand | | - | | 47,855,688 | |
| | | <u>1,856,988</u> | | <u>53,556,363</u> | |
| CREDITORS: amounts falling due within one year | 8 | <u>(494,987,318)</u> | | <u>(231,507,464)</u> | |
| NET CURRENT LIABILITIES | | | <u>(493,130,330)</u> | | <u>(177,951,101)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 90,030,792 | | 404,191,721 |
| CREDITORS: amounts falling due after more than one year | 9 | | <u>(151,300,571)</u> | | <u>(443,391,122)</u> |
| NET LIABILITIES | | | <u>(61,269,779)</u> | | <u>(39,199,401)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 1,900 | | 1,900 |
| Profit and loss account | | | <u>(61,271,679)</u> | | <u>(39,201,301)</u> |
| SHAREHOLDERS' DEFICIT | | | <u>(61,269,779)</u> | | <u>(39,199,401)</u> |

These financial statements were approved by the Board of Directors on 30 March 2007

Signed on behalf of the Board of Directors



R N Midmer
Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with all applicable United Kingdom accounting standards and in compliance with the Companies Act 1985. The particular accounting policies adopted are described below.

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

Exemption from consolidation

The Company is itself a subsidiary undertaking and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Taxation

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

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

Finance costs

Costs, which are incurred directly in connection with the raising of bank loans, are amortised over the life of the loan facility in accordance with Financial Reporting Standard No. 4, or are written off fully when the existing facility is cancelled.

Interest

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

Financial instruments

The Company uses interest rate swaps to help manage its interest rate risk. Amounts payable or receivable in respect of the interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Going concern

The parent company has undertaken to provide financial support to Libra CareCo Limited, if required. This support will extend for a period of not less than twelve months from the date these accounts are signed. The Directors therefore have prepared these financial statements on the going concern basis.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Cash flow statement

The directors have elected to take advantage of the exemption under FRS 1 not to prepare a cash flow statement as the financial statements of the intermediate parent company, Libra CareCo Offshore Superholdco Limited contain a consolidated cash flow statement and are publicly available.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

2. ADMINISTRATIVE EXPENSES

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

The Directors at year ended 30 September 2006 are executives of The Royal Bank of Scotland plc, the ultimate parent company. None of them received emoluments directly from the Company during the current year or preceding period

Other administrative expenses include

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|--|------------------------------------|--|
| | £ | £ |
| Group management fees | 440,992 | 319,650 |
| Auditors' remuneration | | |
| - Auditors' remuneration – audit of statutory accounts | 21,812 | 23,520 |
| - Tax services | 58,012 | 528,750 |

The amount in respect of taxation services relates to a new group structure for a new term loan facility. This amount was subsequently written off to 'finance costs' in note 4 (2005 capitalised under 'Investments' as noted in note 6)

3. EXCEPTIONAL COST

The following exceptional cost has been incurred or provided for and included in the administrative expenses

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|-----------------------------|------------------------------------|--|
| | £ | £ |
| Cost of abortive divestment | 29,175 | 58,464 |

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|--|------------------------------------|--|
| | £ | £ |
| Interest receivable on deposits | (250,119) | (236,255) |
| Interest receivable on loan notes to NHP Operations (York) Limited | (75,660) | - |
| Interest payable on bridge loans | 2,121,102 | 15,452,148 |
| Interest payable on loan from Libra No 3 Limited | 2,269,836 | - |
| Interest payable on loan notes from group undertaking | 9,935,802 | 13,173,121 |
| Interest payable – other | 2,410 | - |
| Finance costs * | 7,557,283 | 10,410,653 |
| | <u>21,560,654</u> | <u>38,799,667</u> |

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

4. NET INTEREST PAYABLE AND SIMILAR CHARGES (Continued)

* The finance costs include an amount of £265,871 (2005 £7,325,938) written off in respect of the capitalised facility costs of the bridge loan facility terminated on 17 October 2005 based on a shorter facility period than the original loan period following a replacement by a new facility agreement on that date. The new facility was terminated on 3 March 2006 resulting a further amount written off of £906,178. On the early termination of the two interest rate swap agreements entered into by the Company and its group undertakings, Libra CareCo CH3 PropCo Limited and Libra CareCo Limited on 17 October 2005, the Company paid total breakage fees of £6,081,991 and these amounts have been further included within finance costs.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

| | Year ended 30 September 2006 £ | Period from 25 November 2004 to 30 September 2005 £ |
|--|--------------------------------------|---|
| Corporation tax charge | - | - |
| Decrease in estimate of recoverable deferred tax asset | - | - |
| Total tax charge | - | - |
| Loss before tax | (22,070,378) | (39,201,301) |
| Tax on loss at standard rate of 30% | (6,621,113) | (11,760,390) |
| Factors affecting tax charge | | |
| Permanent differences | 8,753 | 17,539 |
| Increase in losses carried forward | - | 5,045,783 |
| Chargeable gains | - | 2,739,417 |
| Group relief for nil consideration | 6,612,360 | 3,957,651 |
| Current tax charge | - | - |

The tax credit for the current year is lower than that resulting from applying the standard rate of corporation tax due primarily to group relief surrendered for £nil consideration.

6. INVESTMENTS

| | Investments in subsidiary undertakings £ | Loan note to subsidiary undertaking £ | Total £ |
|----------------------|---|--|-------------|
| At 1 October 2005 | 582,142,822 | - | 582,142,822 |
| Addition | - | 1,018,300 | 1,018,300 |
| At 30 September 2006 | 582,142,822 | 1,018,300 | 583,161,122 |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

6. INVESTMENTS (continued)

Investments in subsidiary undertakings

The investment in NHP Limited, a company incorporated in Great Britain, was acquired on 18 February 2005 and comprises 100% of the issued share capital of that company

Shares in subsidiary undertakings

At 30 September 2006, the Company held investments directly or indirectly in the following principal subsidiary undertakings

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

* Held directly by Libra CareCo Limited

Loan note to subsidiary undertaking

As at 30 September 2006, a loan note of £1,018,300 was issued to NHP Operations (York) Limited, a subsidiary 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.

7. DEBTORS

| | 2006 £ | 2005 £ |
|---|------------------|------------------|
| Amount due from Southern Cross Healthcare Group Limited | - | 5,692,314 |
| Amounts due from group undertakings | 1,856,988 | - |
| Prepayments | - | 8,361 |
| | <u>1,856,988</u> | <u>5,700,675</u> |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 | 2005 |
|--|--------------------|--------------------|
| | £ | £ |
| Draw down from revolving credit facility | - | 1,590,000 |
| Amounts due to Libra No 3 Limited | 1,503,115 | - |
| Amounts due to group undertakings | 484,282,573 | 229,749,556 |
| Loan note interest payable to Libra CareCo Investments 2 Limited | 9,201,630 | 121,586 |
| Interest payable – bank loans | - | 40,442 |
| Accruals | - | 5,880 |
| | <u>494,987,318</u> | <u>231,507,464</u> |

Revolving credit facility

At 30 September 2005, £1,590,000 was drawn down from a £10,000,000 revolving credit facility granted on 29 November 2004, with original maturity date on 17 February 2010. The facility bears interest at LIBOR plus 2% per annum, and was part of the bridge facility agreement referred to in note 9. The Company cancelled the revolving facility following the acquisition by Libra No 3 Limited, a subsidiary undertaking of The Royal Bank of Scotland plc on 3 March 2006.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2006 | 2005 |
|---|--------------------|--------------------|
| | £ | £ |
| Bridge loans due between two and five years | - | 221,762,926 |
| Less Unamortised finance costs | - | (265,871) |
| Net bank loans | - | <u>221,497,055</u> |
| Subordinated loan notes due to Libra CareCo Investments 2 Limited | 92,629,161 | 221,894,067 |
| Loan note due to Libra No 3 Limited | 58,671,410 | - |
| | <u>151,300,571</u> | <u>443,391,122</u> |

Bridge loans

At 30 September 2005, £221,762,926 was fully drawn on the term loan facility within the bridge loan facility agreement dated 29 November 2004 (as amended on 29 September 2005). The original maturity date of the bridge loan facility was 17 February 2010 and bears interest at LIBOR plus 2%. The facility was secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. The facility had been subsequently cancelled following a replacement by a new facility agreement on 17 October 2005 as noted below.

In conjunction with two of the Company's group undertakings, namely Libra CareCo CH2 PropCo Limited and Libra CareCo CH3 PropCo Limited (collectively 'the borrowers'), a new facility for £327m, made up of a £325m term loan facility and £2m revolving credit facility, was granted to the borrowers by Barclays Bank Plc, Citibank N A London, Prudential Finance (UK) Plc and The Royal Bank of Scotland plc.

Libra CareCo Limited was granted £52,610,103 of the total term facility and £2,000,000 of the entire revolving credit facility. The original maturity date of the term facility was on 18 February 2010, whereas the maturity date of the revolving credit facility was on 18 February 2007. Both facilities bear interest at LIBOR plus 2% and were secured by a fixed and floating charge on the group assets and unlimited guarantee from its group undertakings.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Bridge loans (Continued)

On 29 November 2004, the Company entered into an interest rate swap agreement for £222m notional value of which £111m was with Barclays Bank Plc and £111m with Citibank N A London. The interest rate swap had the original maturity date on 18 February 2030 and fixed interest rate at three month LIBOR of 4.89% per annum. Libra CareCo CH2 PrpCo Limited and Libra CareCo CH3 PropCo Limited were subsequently included into this agreement.

On 17 October 2005, the Company together with Libra CareCo CH2 PrpCo Limited and Libra CareCo CH3 PropCo Limited, entered into a further interest rate swap contract for a notional value of £103m of which, £51.5m was with Barclays Bank Plc and £51.5m with Citibank N A London. The new interest swap contract had maturity date on 18 February 2010 and fixed interest rate at three month LIBOR of 4.708% per annum.

The intentions of the interest rate swap were to fix the interest rates on the term loan facility.

Following the acquisition by Libra No 3 Limited on 3 March 2006, the term loan facility and the two interest rate swap agreements were cancelled.

Subordinated loan notes

On 29 September 2005, Libra CareCo Investments 2 Limited assumed the original loan notes principal plus interest, totalling £221,894,067 issued by TBG CareCo UK Limited to the Company. TBG CareCo UK Limited was its former group undertaking. The subordinated loan notes have no fixed repayment dates and bear interest at 10% per annum. The loan notes were granted to finance part of the NHP Limited acquisition costs in February 2005. During the year, the Company repaid loan note of £129,264,906, leaving the remaining outstanding loan note of £92,629,161 at 30 September 2006.

On 3 March 2006 Libra No 3 Limited, an ultimate subsidiary undertaking of The Royal Bank of Scotland plc issued a loan note of £58,671,410 to the Company to enable the Company to repay its bridge loan and breakage fees incurred on termination of interest rate swap agreements. The loan note has no fixed repayment date and carry interest at LIBOR plus 2% per annum.

10. DEFERRED TAXATION

| | Provided 2006 £000 | Unprovided 2006 £000 | Provided 2005 £000 | Unprovided 2005 £000 |
|----------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| Loss carried forward | - | 3,604,224 | - | 5,045,783 |
| | - | 3,604,224 | - | 5,045,783 |

11. CALLED UP SHARE CAPITAL

| | 2006 | 2005 |
|---|-------|-------|
| | | £ |
| Authorised, called up, allotted and fully paid: 190,000 Ordinary Shares at 1p each | 1,900 | 1,900 |

12. MOVEMENT IN SHAREHOLDERS' DEFICIT

| | £ |
|----------------------------|--------------|
| At 1 October 2005 | (39,199,401) |
| Retained loss for the year | (22,070,378) |
| At 30 September 2006 | (61,269,779) |

NOTES TO THE ACCOUNTS**Year ended 30 September 2006****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 with Credit Suisse on 15 January 2007 as disclosed in note 14 (c)

14. POST BALANCE SHEET EVENTS

- a) On 12 December 2006 Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man acquired 100% issued share capital of Libra No 2 Limited, the immediate parent undertaking of Libra No 3 Limited from The Royal Bank of Scotland plc. Following the change on ownership, Mr P V Taylor and Mr R N Midmer have been appointed as Directors of the Company.
- b) The Company was one of the guarantors to a £1,106 million facility agreement entered into by Libra No 3 Limited and Libra No 2 Limited (together, the borrowers) with The Royal Bank of Scotland plc (the lender). The facility agreement was subsequently replaced by a new term loan facility agreement as has been disclosed in note 14 (c).
- c) The Company is one of the guarantors to a £1,172 million term loan facility agreement entered into by Libra No 3 Limited, as the borrower and Credit Suisse, as the lender on 15 January 2007.

15. RELATED PARTY TRANSACTIONS

- a) In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the Libra CareCo Offshore Superholdco Limited (previously within 'Libra Holdings Limited') group have not been disclosed in these financial statements.
- b) During the year to 30 September 2006, the Company was charged £2,269,836 loan interest by Libra No 3 Limited, a subsidiary undertaking of The Royal Bank of Scotland plc. At 30 September 2006, the principal loan of £58,671,410 and accrued interest of £1,448,931 remain outstanding. Other outstanding amount was £54,184. These transactions are disclosed in notes 4, 8 and 9 of these financial statements.

16. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra CareCo Investments 2 Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and controlling party at 30 September 2006 is The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. The Royal Bank of Scotland plc has an accounting period end of 31 December, as opposed to the Company's accounting year of 30 September, therefore the results of the Company are consolidated within Libra CareCo Offshore Superholdco Limited, its intermediate parent undertaking, a company incorporated and registered in the Cayman Islands. Libra CareCo Offshore Superholdco Limited is both the smallest and largest group including the Company for which consolidated accounts are prepared.

As of 12 December 2006, the new 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 of that company.

Copies of the Libra CareCo Offshore Superholdco Limited consolidated financial statements to 30 September 2006, which include the results of the Company, are available from NHP Group at Block A, Upper Ground Floor, Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

**LIBRA CARECO OFFSHORE SUPERHOLDCO LIMITED
(FORMERLY 'TBG CARECO OFFSHORE SUPERHOLDCO
LIMITED')**

**Report and Financial Statements
30 September 2006**

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 5296600

REPORT AND FINANCIAL STATEMENTS 2006

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REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

| | |
|-------------|--------------------|
| D Egghshaw | Executive Director |
| J Cullinane | Executive Director |
| D Boggess | Executive Director |

REGISTERED OFFICE

Walkers SPV Limited
Walker House
87 Mary Street
Cayman Islands
KY1 -9002

SOLICITORS

Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

BANKERS

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

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2006. Comparative figures are presented, under merger accounting principles for the period from 25 November 2004 to 30 September 2005.

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law which would apply if the Company was incorporated in Great Britain).

PRINCIPAL ACTIVITY

The principal activity of the Group is the purchase and retention of freehold and long leasehold interests, in modern, purpose-built care homes.

The principal activity of the Company is to act as a holding company, which conducts corporate activities on behalf of the Group. The Directors intend to continue these activities in the forthcoming year.

BUSINESS REVIEW

The Company was incorporated and registered in the Cayman Islands under the name of TBG CareCo Offshore Superholdco Limited on 13 October 2005. The name was subsequently changed to Libra CareCo Offshore Superholdco Limited on 6 March 2006.

On 14 October 2005 the Group carried out a corporate restructuring, including the introduction of this Company as the new parent company, to provide greater strategic and financial flexibility.

As part of the corporate restructuring on 14 October 2005, the funds managed by The Blackstone Group exchanged their holdings of 201,742 issued ordinary shares at £0.01 each in the previous parent company, Libra CareCo Holdings Limited (formerly 'TBG CareCo Holdings Limited') with the issued ordinary shares of Libra CareCo Offshore Equity Co Limited (formerly 'TBG CareCo Offshore Equity Co Limited') in the ratio of one Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each for each Libra CareCo Holdings Limited ordinary share of £0.01 each. The holdings owned by the funds managed by The Blackstone Group in Libra CareCo Offshore Equity Co Limited was subsequently rolled-over into the issued share capital of Libra CareCo Offshore TopCo Limited (formerly 'TBG CareCo Offshore TopCo Limited') in the ratio of one Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each. Following the completion of the roll-over into the issued share capital of Libra CareCo Offshore TopCo Limited, the holdings owned by the funds managed by The Blackstone Group were ultimately rolled-over into the issued share capital of Libra CareCo Offshore Superholdco Limited in the ratio of one Libra CareCo Offshore Superholdco Limited ordinary share of £0.01 each for each Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each.

On 17 October 2005 the Group entered into a £327.0 million bridge loan facility agreement with Barclays Bank Plc, Citibank N.A. London, Prudential Finance (UK) Plc and The Royal Bank of Scotland plc (collectively 'the lenders').

Using part of the draw down bridge loan facility, on 20 October 2005 the Group repaid Deep Discount Bonds the nominal value of which was £314.5 million for issue price plus rolled up interest of £129.3 million. £1.6 million of the management unsecured bonds were redeemed on 4 November 2005.

On 2 March 2006, the Group sold its 25.01% shareholdings in G. R. Patrick & Co Limited at a total cost of £25,000.

On 3 March 2006, holders of 5,848 ordinary shares in Libra CareCo Holdings Limited rolled over their shareholding into Libra CareCo Offshore Equity Co Limited in the ratio of one Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each for each Libra CareCo Holdings Limited ordinary share of £0.01 each.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Their shareholdings are further rolled over into Libra CareCo Offshore TopCo Limited in the ratio of one Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore Equity Co Limited ordinary shares of £0.01 each. Their shareholdings are ultimately rolled over to Libra CareCo Offshore Superholdco Limited in the ratio of one Libra CareCo Offshore Superholdco Limited ordinary shares of £0.01 each for each Libra CareCo Offshore TopCo Limited ordinary shares of £0.01 each.

Following the completion of shareholdings rolled over above, on the same date, Libra No. 3 Limited, a subsidiary undertaking of The Royal Bank of Scotland plc acquired 100% of the issued share capital of Libra CareCo Offshore Superholdco Limited and a minority interest of 3,411 ordinary shares of £0.01 each in Libra CareCo Holdings Limited. Libra No. 2 Limited became the ultimate parent company as of 3 March 2006.

At 30 September 2006, the Group owned 298 investment properties valued at £1,195.0 million (2005: 297 investment properties at £1,015.0 million).

On 17 November 2006, Care Homes No. 1 Limited, a group owned company, terminated its AAA rated Swap Deposit Agreement with General Re Financial Product Corporation which guaranteed to provide for the repayment of the £100 million Secured Notes at nominal value in April 2021. The terminated value was £54.5 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc on 17 November 2006 at compounded interest rate of 4.220140% per annum which is guaranteed to provide for the repayment of the £100 million of its Secured Notes at nominal value in April 2021. On the same date, Care Homes No. 2 Limited terminated its AAA rated Swap Deposit Agreement with General Re Financial Product Corporation which guaranteed to provide for the repayment of the £180 million Class A Secured Notes at nominal value in February 2023. The terminated value was £82.4 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc at compounded interest rate of 4.812011% per annum which is guaranteed to provide for the repayment of the £180 million Class A Secured Notes at nominal value in February 2023. Care Homes No. 3 Limited terminated its AAA rated Zero Coupon Notes issued by European Investment Bank which guaranteed to provide for the repayment of the £128 million Class A Secured Notes at nominal value in December 2028. The terminated value was £50.8 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc at compounded interest rate of 4.186857% per annum which is guaranteed to provide for the repayment of the £128 million Class A Secured Notes at nominal value in December 2028.

On 1 December 2006, NHP Securities No. 1 Limited, Libra CareCo CH2 PropCo Limited and Libra CareCo CH3 PropCo Limited acquired 100% of the issued share capital of Care Homes No. 1 Limited, Care Homes No. 2 Limited and Care Homes No. 3 Limited for price of £0.1 million, £0.4 million and £0.3 million respectively.

On 4 December 2006, Care Homes No. 1 Limited, Care Homes No. 2 Limited and Care Homes No. 3 Limited terminated their General Investment Deposit Contracts with The Royal Bank of Scotland plc, and the amounts received were £54.6 million, £82.6 million and £50.9 million respectively.

On 4 December 2006, Care Homes No. 1 Limited, Care Homes No. 2 Limited and Care Homes No. 3 Limited novated their Secured Notes to The Royal Bank of Scotland plc at market value of £138.4 million, £320.7 million and £261.0 million respectively.

On 12 December 2006, Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man, acquired a 100% issued share capital of Libra No. 2 Limited, the immediate parent undertaking of Libra No. 3 Limited from The Royal Bank of Scotland plc.

DIRECTORS' REPORT (continued)**RESULTS**

The results of the Group for the year ended 30 September 2006 are set out in the consolidated profit and loss account on page 10. The loss for the year before taxation is £21.2 million (2005 profit before taxation for the period from 24 November 2004 to 30 September 2005 of £30.6 million). The material change in the results of the Group was principally due to corporate restructuring as set out in the business review. Other movements in reserves are shown in note 21 of the financial statements.

The principal Key Performance Indicators (KPIs) used by the Group to measure its own performance are shown below. The accounting period for the Group for the previous period was from 25 November 2004 to 30 September 2005 but the comparative trading results included in the Group were effectively from 18 February 2005 following the acquisition of NHP Limited on that date.

Due to an insignificant percentage of issued share capital owned by the minority interest holders during the current year at 1.62% (2005 4.39%), the principal Key Performance Indicators have been presented as if the Group owned 100% of the issued share capital.

| | 2006 | 2005 | Increase/ (decrease) |
|---|---------|---------|-------------------------|
| Turnover | £66.6m | £46.7m | £19.9m |
| Operating profit excluding exceptional costs* | £64.6m | £44.2m | £20.4m |
| Operating cash flow after interest** | £(2.6m) | £20.0m | £(22.6) |
| Shareholders' funds# | £363.0m | £203.5m | £159.5m |

Group turnover for the year ended 30 September 2006 was £66.6m as compared to £46.7m for the preceding period ended 30 September 2005. Based on the fact that the prior accounting period was from 25 November 2004 to 30 September 2005 and the current accounting period is for the year ended 30 September 2006, the effective increase in Group turnover is £2.2m as opposed to £19.9m. The adjusted 2005 Group turnover of £64.4m is calculated as the 2005 Group turnover of £46.7m plus rent excluded in that period of £24.2m due to a short accounting period, less rent for homes sold in 2005 of £6.5m. This produced a favourable variance of 3.4%, which is calculated based on the adjusted 2005 Group turnover.

*Operating profit excluding exceptional costs for the year ended 30 September 2006 is calculated as operating profit of £56.7m plus exceptional costs of £7.9m (period ended 30 September 2005 £42.7m plus £1.5m).

The effective improvement in operating profit excluding exceptional costs is £5.5m as compared to £20.4m. This produced a favourable variance of 9.3%, which is calculated based on the adjusted 2005 operating profit excluding exceptional costs. The adjusted 2005 operating profit excluding exceptional costs of £59.1m is calculated as operating profit excluding exceptional costs of £44.2m plus rent excluded in that period of £24.2m due to a short accounting period, less rent for homes sold in 2005 of £6.5m and less operating costs excluded in that period of £2.8m. The favourable variance is primarily due to better cost control in the current year.

**Operating cash flow after interest for the year ended 30 September 2006 is calculated as net cash inflow from operating activities of £56.8m less net cash outflow from returns on investment and servicing of finance of £59.4m (period ended 30 September 2005 £61.0m less £41.0m).

During the year ended 30 September 2006 the Group incurred and paid one off financing costs on various facility agreements terminated following corporate restructuring as noted in notes 1 'Corporate Restructuring' and 9 'Net Interest Payable and Similar Charges' of the financial statements. The Directors anticipate an improvement in the results of the Group in future accounting periods, following the restructuring outlined in note 32 'Post Balance Sheet Events'.

DIRECTORS' REPORT (continued)

RESULTS (continued)

Shareholders funds (net of the share of minority interest holders) have increased from £203.5m at 30 September 2005 to £363.0m at 30 September 2006 principally due to the increase in the value of investment properties, which in turn is due to the third party tenants continued improvement to their profitability on NHP owned homes

DIVIDENDS

No dividends in respect of the year are proposed (period from 25 November 2004 to 30 September 2005 £nil)

DIRECTORS

The following Directors served throughout the period

| <u>Directors</u> | | <u>Date Appointed</u> |
|------------------|--------------------|-----------------------|
| D Egglisshaw | Executive Director | 13 October 2005 |
| J Cullinane | Executive Director | 13 October 2005 |
| D Bogges | Executive Director | 13 October 2005 |

No Director has, or had, any interests in the shares of the Company or of any subsidiary undertaking. None of the Directors hold a service contract with the Company or with any subsidiary undertakings. There is no Company share option scheme in existence.

None of the Directors has had any interests in the shares of the new ultimate parent company, Delta Commercial Property LP.

FINANCIAL RISK MANAGEMENT

The Directors have the overall responsibilities for the Group in assessing risk and taking appropriate action.

Cash flow risk

The Group used derivative financial instruments to reduce the exposure to interest rate movements in line with the Group's risk management policies as approved by the Board of Directors. The interest rate swap agreements were terminated on 3 March 2006. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

Credit risk is attributable to receivables in relation to rents receivable from third party tenants.

The Group has no significant concentration of credit risk, with exposure ultimately spread over a large number of third party tenants.

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group continues to receive its support from Libra No 3 Limited, its immediate parent undertaking.

PAYMENT TO CREDITORS

The Group's policy is to fix payment terms when agreeing the terms of each transaction. It is the Group'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's days for the Group at 30 September 2006, calculated in accordance with the Companies Act 1985 were 10 (2005: 18). Creditor days for the Company at 30 September 2006 were nil (2005: nil).

DIRECTORS' REPORT (continued)

EMPLOYMENT POLICY

The Group supports the principle of Equal Opportunities in employment and opposes all forms of unfair and unlawful discrimination. The Group's employment policies are designed to attract, retain and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion or disability.

THIRD PARTY INDEMNITY PROVISIONS

The Group 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.

AUDITORS

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

- 1) so far as the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself 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 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 Boggess
Director
Date 25 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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 which would apply if the company was incorporated in Great Britain) The financial statements are required by such law to give a true and fair view of the state of affairs of the company and of the Group and of the profit and loss of the Group for that period In preparing these financial statements, the Directors have elected 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, subject to any material departures disclosed and explained in the financial statements,
- (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 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LIBRA CARECO OFFSHORE SUPERHOLDCO LIMITED
(formerly 'TBG CARECO OFFSHORE SUPERHOLDCO LIMITED')**

We have audited the Group and individual company non-statutory financial statements of Libra Careco Offshore Superholdco Limited (formerly 'TBG Careco Offshore Superholdco Limited') (the 'Company') for the year ended 30 September 2006, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds, the consolidated note of historical cost profits and losses and the related notes 1 to 33 (all expressed in Pounds Sterling). These non-statutory financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the non-statutory financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law which would apply if the company was incorporated in Great Britain). They are also responsible for making available to us, as and when required, all the accounting records and all other relevant records and related information, including minutes of all management and shareholders' meetings.

Our responsibility is to audit the non-statutory financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you whether in our opinion the non-statutory financial statements are prepared in conformity with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law which would apply if the company was incorporated in Great Britain) and whether the information given in the Directors' Report is consistent with the non-statutory financial statements.

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 non-statutory financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the non-statutory 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 non-statutory 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 non-statutory financial statements.

Opinion

In our opinion

- the non-statutory financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 30 September 2006 and of its loss for the year then ended, in conformity with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law which would apply if the company was incorporated in Great Britain), and
- the information given in the Directors' Report is consistent with the non-statutory financial statements


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date. 26 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2006

| | | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|--|-------|--|---|
| | Notes | | |
| TURNOVER AND GROSS PROFIT | | | |
| Continuing operations | 3 | 66,565 | 46,717 |
| Administrative expenses - ongoing | | (1,956) | (2,546) |
| - exceptional | 5 | (7,882) | (1,489) |
| Total administrative expenses | | (9,838) | (4,035) |
| OPERATING PROFIT | | | |
| Continuing operations | 6 | 56,727 | 42,682 |
| Share of associated undertaking's operating profit | 7 | 31 | 23 |
| Total operating profit | | 56,758 | 42,705 |
| (Loss)/Profit on disposal of tangible fixed assets | | (158) | 41,098 |
| Net loss on disposal of investments | 8 | (562) | (144) |
| Net interest payable and similar charges | 9 | (77,226) | (53,086) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (21,188) | 30,573 |
| Tax on (loss)/profit on ordinary activities | 10 | (411) | (200) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION - | | (21,599) | 30,373 |
| Equity minority interests | 19 | 369 | (1,333) |
| PROFIT FOR THE FINANCIAL YEAR/PERIOD | | (21,230) | 29,040 |
| Dividend payable | | - | - |
| RETAINED (LOSS)/PROFIT TRANSFERRED TO RESERVES | 21 | (21,230) | 29,040 |

Results are derived wholly from continuing operations

During the year, the Group carried out a corporate restructuring including the introduction of this Company as the new parent undertaking. The profit and loss account has been prepared using merger accounting and is presented on a pro forma basis as if the new parent undertaking has been in existence throughout both the current year and the preceding period. Further information is given in note 1 of these financial statements.


LIBRA CARECO OFFSHORE SUPERHOLDCO LIMITED

BALANCE SHEETS at 30 September 2006

| | Notes | Group 30 September 2006 £000 | Group 30 September 2005 £000 | Company 30 September 2006 £000 |
|--|--------|------------------------------------|------------------------------------|--------------------------------------|
| TANGIBLE FIXED ASSETS | | | | |
| Investment properties | 12 | 1,195,000 | 1,015,000 | - |
| Other fixed assets | 12 | 755 | 5,116 | - |
| | | <u>1,195,755</u> | <u>1,020,116</u> | - |
| INVESTMENTS | 13 | 178,554 | 180,281 | 2 |
| TOTAL FIXED ASSETS | | <u>1,374,309</u> | <u>1,200,397</u> | <u>2</u> |
| CURRENT ASSETS | | | | |
| Debtors | 14 | 7,278 | 8,730 | 2 |
| Short term investments | 15 | 16,499 | 17,545 | - |
| Cash at bank and in hand | | 452 | 48,030 | - |
| | | <u>24,229</u> | <u>74,305</u> | <u>2</u> |
| CREDITORS: amounts falling due within one year | 16 | <u>(16,309)</u> | <u>(21,382)</u> | <u>(3,795)</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>7,920</u> | <u>52,923</u> | <u>(3,793)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,382,229</u> | <u>1,253,320</u> | <u>(3,791)</u> |
| CREDITORS: amounts falling due after more than one year | 17 | <u>(1,015,177)</u> | <u>(1,040,507)</u> | - |
| Equity minority interests | 19 | <u>(4,098)</u> | <u>(9,342)</u> | - |
| NET ASSETS/(LIABILITIES) | | <u>362,954</u> | <u>203,471</u> | <u>(3,791)</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 20, 22 | 2 | 2 | 2 |
| Revaluation reserve | 21, 22 | 354,531 | 174,429 | - |
| Profit and loss account | 21, 22 | 8,421 | 29,040 | (3,793) |
| TOTAL SHAREHOLDERS' FUNDS/(DEFICIT) | | <u>362,954</u> | <u>203,471</u> | <u>(3,791)</u> |

These financial statements were approved by the Board of Directors on 25 April 2007

Signed on behalf of the Board of Directors


D Boggess
Director


J Cullinane
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2006

| | Note | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|------|--|---|
| Net cash inflow from operating activities | 23 | 56,795 | 60,959 |
| Return on investments and servicing finance | | | |
| Interest paid | | (61,049) | (42,485) |
| Other similar charges paid (net) | | (25) | (394) |
| Interest received | | 1,703 | 1,836 |
| Dividends received | | - | 27 |
| Net cash outflow from returns on investments and servicing of finance | | (59,371) | (41,016) |
| Taxation | | | |
| Corporation tax paid | | (2,962) | (1,181) |
| Capital expenditure and financial investments | | | |
| Purchase of tangible fixed assets | | (2,131) | (18,528) |
| Proceeds on disposal of fixed asset properties (net of disposal costs) | | (135) | 182,648 |
| Proceeds on disposal of other fixed assets | | 15 | 95 |
| Net cash (outflow)/inflow from investing activities | | (2,251) | 164,215 |
| Acquisitions and disposals | | | |
| Net cash acquired with NHP Limited | | - | 3,961 |
| Acquisition of NHP Limited | | - | (582,143) |
| Proceeds on disposal of business held for resale (net of disposal costs) | | - | 41,381 |
| Net costs on disposal of investments (net of disposal costs) | | (40) | (144) |
| Net cash outflow from acquisitions and disposals | | (40) | (536,945) |
| Net cash outflow before use of liquid resources and financing | | (7,829) | (353,968) |
| Management of liquid resources | | | |
| Short term deposit investment (net) | | 1,046 | 4,073 |
| Financing | | | |
| Loan notes | | | |
| Repaid/(Issued) of loan notes by/(to) Southern Cross Healthcare Group Limited | | 9,499 | (9,499) |
| Issue of loan notes by Libra No 3 Limited | | 405,791 | - |
| Issue of loan notes by Southern Cross Healthcare Group Limited group | | - | 29,800 |
| Loan note repaid to Southern Cross Healthcare Group Limited group | | - | (29,800) |
| Net cash inflow/(outflow) from the issue of loan notes | | 415,290 | (9,499) |
| Equity | | | |
| Issue of ordinary shares | | - | 2 |
| Net cash inflow from equity financing | | - | 2 |
| Net cash inflow/(outflow) from financing activities carried forward | | 415,290 | (9,497) |

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2006

| | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|--|---|
| Net cash inflow/(outflow) from financing activities brought forward | 415,290 | (9,497) |
| External loans | | |
| Bridging loans drawn down | 325,000 | 390,000 |
| Bridging loans repaid | (546,763) | (168,237) |
| Less Financing costs | (20,546) | (10,710) |
| Net cash (outflow)/inflow from bridging loan finance | (242,309) | 211,053 |
| Revolving credit drawn down | 1,228 | 2,750 |
| Revolving credit repaid | (2,818) | (1,160) |
| Net cash (outflow)/inflow of revolving credit finance | (1,590) | 1,590 |
| Deep discount bonds issued | - | 196,606 |
| Deep discount bonds repaid | (193,947) | (2,659) |
| Less Financing costs | (15,595) | (1,812) |
| Net cash (outflow)/inflow from deep discount bonds | (209,542) | 192,135 |
| Unsecured bonds issued | - | 2,581 |
| Unsecured bonds repaid | (2,581) | - |
| Net cash (outflow)/inflow from financing activities | (40,732) | 397,862 |
| (Decrease)/Increase in cash in the year/period | 24 (47,515) | 47,967 |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Year ended 30 September 2006**

| | Notes | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|-------|--|---|
| (Loss)/Profit for the year/period | 21 | (21,230) | 29,040 |
| Net surplus on revaluation of properties | 21 | 175,049 | 174,429 |
| Total recognised gains and losses for the year/period | | <u>153,819</u> | <u>203,469</u> |

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**Year ended 30 September 2006**

| | Notes | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|-------|--|---|
| Retained (loss)/profit for the year/period | 21 | (21,230) | 29,040 |
| Issue of share capital | | - | 2 |
| Net surplus on revaluation of properties | 21 | 175,049 | 174,429 |
| Net increase in shareholders' funds | | <u>153,819</u> | <u>203,471</u> |
| Net increase following a reduction in minority interests' shareholding | 19 | 5,664 | - |
| Shareholders' funds at the beginning of year/period | | <u>203,471</u> | <u>-</u> |
| Shareholders' funds at end of year/period | | <u>362,954</u> | <u>203,471</u> |

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES**Year ended 30 September 2006**

| | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|--|---|
| (Loss)/profit on ordinary activities before taxation | <u>(21,188)</u> | <u>30,573</u> |
| Historical cost (loss)/profit on ordinary activities before taxation | <u>(21,188)</u> | <u>30,573</u> |
| Historical cost (loss)/profit retained for the year/period | <u>(21,230)</u> | <u>29,040</u> |

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

1. Corporate restructuring

During the year the Group carried out a corporate restructuring including the introduction of a new parent company, Libra CareCo Offshore Superholdco Limited, incorporated on 13 October 2005. Libra CareCo Offshore Superholdco Limited indirectly acquired a 98.4% issued share capital of the former parent company, Libra CareCo Holdings Limited. The exchange is in the ratio of one Libra CareCo Offshore Superholdco Limited ordinary shares of £0.01 each for each Libra CareCo Holdings Limited ordinary shares of £0.01 each.

On the basis that the acquisition was a share for share exchange and the restructuring represented a change in identity of the parent company rather than an acquisition of a business, the Directors have considered that merger accounting is more appropriate to present a true and fair view of the state of affairs of the Group and of its results.

2. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with all applicable United Kingdom law and accounting standards. The consolidated financial statements incorporate the financial statement of the Company and its subsidiary undertakings for the year ended 30 September 2006 and the comparative figures are for the period from 25 November 2004 to 30 September 2005 on the basis set out in note 1. A summary of principal accounting policies, all of which have been applied consistently during the current year and the previous period, is set out below.

Basis of consolidation

The financial statements consolidate the financial statements of the Company and its subsidiaries, together with those of Care Homes No 1 Limited ('Care Homes 1'), Care Homes No 2 Limited ('Care Homes 2') and Care Homes No 3 Limited ('Care Homes 3'). Care Homes 1, Care Homes 2 and Care Homes 3 are not subsidiary undertakings of the Group, however, by reason of contractual arrangement between the Group and Care Homes 1, Care Homes 2 and Care Homes 3, under FRS 5 'Reporting the Substance of Transactions', the financial statements of Care Homes 1, Care Homes 2 and Care Homes 3 are required to be consolidated as part of the Group. Summaries of the financial statements of Care Homes 1, Care Homes 2 and Care Homes 3 are disclosed in notes 27 to 29 of the financial statements.

Turnover

Turnover comprises the value of goods and services provided and is attributable to the principal activity of the Group.

Valuation of land and building

Investment properties

The cost of investment properties is purchase cost, any incidental costs of acquisition and the cost of capital improvements. Investment properties represent freehold and long leasehold properties held for long term retention. In accordance with SSAP No 19 'Accounting for Investment Properties', these investment properties are valued by the Directors on a portfolio basis at Market Value. In previous period, qualified external valuers valued investment properties. The aggregate revaluation surplus or deficit is transferred to the revaluation reserve whilst any permanent diminution in value is charged to the profit and loss account.

Other fixed assets – land and buildings

The residential properties are held to provide accommodation to care employees of Southern Cross Healthcare Group Limited and are recorded at cost at 30 September 2006.

Capital expenditure on the investment properties portfolio assets

Capital expenditure incurred on a leased care home, which improves the physical condition above the level required in the lease and which enhances the property's value, is capitalised. Otherwise such capital expenditure is charged to the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

2. ACCOUNTING POLICIES (continued)

Valuation of land and building (continued)

Care homes under construction

Assets in the course of construction are carried in the accounts at cost. The costs of construction include the costs of financing the construction and other costs that are directly attributable to bringing the asset into working condition for its intended use. Capitalisation of finance and other costs normally cease at the date of registration of the home. On the completion date of registration of the care home on 2 March 2006, the total costs of construction were reclassified to 'investment property'.

The purchase cost of land whereby the development works were undertaken was reclassified to 'investment property'.

Depreciation

In accordance with SSAP No 19, no depreciation is provided in respect of investment properties. Under the terms of the Group's leases, freehold and long leasehold properties are required to be maintained to a high standard by its tenants.

The fact that no depreciation is provided in respect of the investment properties is a departure from the requirements of the Companies Act 1985, which requires all fixed assets to be depreciated over their effective useful lives. However, such properties are not held for consumption, but for investment, and the Directors consider that systematic depreciation would be inappropriate and would not give a true and fair view. The accounting policy adopted and departure from the Companies Act 1985 are therefore necessary for the accounts to give a true and fair view. Depreciation is one of the factors reflected in the annual revaluation, and amounts, which might otherwise have been charged, cannot be separately identified or quantified.

Land and buildings within other fixed assets are depreciated in equal instalments over the estimated useful lives of each category of asset. The amount of depreciation, the calculation of which is based on cost less estimated residual value, is charged to the profit and loss account. The estimated useful lives are as follows:

| | |
|---------------|-----------------|
| Freehold land | no depreciation |
|---------------|-----------------|

| | |
|-------------------|----------|
| Freehold building | 50 years |
|-------------------|----------|

Other fixed assets are stated at cost less depreciation, which is provided at rates calculated to write off the cost in equal amounts over their anticipated useful lives as follows:

| | |
|------------------------------|---------------------------|
| Short leasehold improvements | remaining period of lease |
|------------------------------|---------------------------|

| | |
|-------------------------------|---------|
| Office equipment and fixtures | 5 years |
|-------------------------------|---------|

| | |
|----------------|---------|
| Motor vehicles | 5 years |
|----------------|---------|

| | |
|-------------------------------|----------------------------------|
| Care homes under construction | no depreciation until completion |
|-------------------------------|----------------------------------|

Investments and disposals

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

The profit or loss on disposal of investments arising from the difference between the carrying amount of the investment and the proceeds of sale was charged to the profit and loss account at the date of disposal.

Business held for resale

In accordance with FRS 7 'Fair values in Acquisition Accounting', the Group's investment in Highfield Care group, acquired through the acquisition of NHP Limited was held exclusively with a view to subsequent resale. Therefore, the investment is separately disclosed as business held for resale and recorded as a current asset on the acquisition balance sheet of NHP Limited. The value attributed to Highfield Care group was fair value, based on the net proceeds received from the subsequent resale. The results of Highfield Care group during the period of ownerships from 18 February 2005 to 8 April 2005 have been excluded from the consolidated financial statements.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

2. ACCOUNTING POLICIES (continued)

Deferred taxation

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.

Secured Notes

The amount paid for the secured notes acquired from NHP Limited is recorded at cost. The unwinding of fair value adjustment of secured notes, the calculation of which is based on cost less redemption amount, is charged to the profit and loss account at a constant rate over the lives of the secured notes.

Finance costs

Costs which are incurred directly in connection with the raising of bank loans, secured notes, deep discount bonds or unsecured bonds are amortised at a constant rate over the lives of the loan facility, secured notes, deep discount or unsecured notes in accordance with FRS 4 'Capital Instruments'. The cost is written off fully when the existing facility is cancelled.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis. Interest on Deposit Swap Agreement and Zero Coupon Bonds is capitalised on a monthly basis over their respective lives. Discount on secured notes, being interest paid in advance, are amortised over the lives of the secured notes. Discount on deep discount bonds, being the accrued interest, was capitalised on an annual basis over the lives of the deep discount bonds. Interest on unsecured bonds was accrued on a monthly basis over the lives of the unsecured bonds.

Leased assets

Rental paid under operating leases are charged to the profit and loss account on an accrual basis over the life of the lease.

Pension

The Group contributes to the personal pensions of their staff (including Directors) at rates of 10% to 20% of basic salary, which is charged to the profit and loss account as incurred.

A stakeholder pension scheme exists for all staff of the Libra CareCo Offshore Superholdco Limited Group.

Financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements in line with the Group's risk management policies. The Group does not enter into derivative financial instruments for speculative purposes. Amounts payable or receivable in respect of the interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

3. TURNOVER AND GROSS PROFIT

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

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|---------------------------------|---------------------------------|--|
| | £000 | £000 |
| Pavement rent | 65,476 | 44,926 |
| Turnover rent | 981 | 1,703 |
| Commissions and fees receivable | 108 | 88 |
| | <u>66,565</u> | <u>46,717</u> |

4. STAFF COSTS

The aggregate payroll costs were as follows

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|--------------------------------|---------------------------------|--|
| | £000 | £000 |
| Group | | |
| Wages and salaries | 1,443 | 1,240 |
| Termination payments* - cash | 294 | 1,110 |
| - non cash | 1 | 101 |
| Social security costs ** | 184 | 180 |
| Pension – defined contribution | 274 | 116 |
| | <u>2,196</u> | <u>2,747</u> |

* Termination payments in respect of the Group's restructuring following the acquisition in 2005 of NHP Limited (formerly NHP Plc) have been disclosed under note 5 'Exceptional costs'

** Includes social security costs incurred on termination payments of £8,000 (period ended 30 September 2005 £118,000)

All the current Directors receive their emoluments from Walkers SPV Limited, who in turn has a corporate services agreement signed with the Company and the Group for the provision of directors and secretarial services. The total fees charged for these services to the Group for the current year were £14,000 (2005 £14,000). The fees charged to the Company for the current year were £4,667 (2005 £4,667).

Company

There are no staff costs incurred by the Company during the current year or in the preceding period. All staff costs have been borne by NHP Management Limited, a group undertaking.

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|--|------------------------------------|--|
| | No. | No. |
| Average number of employees (including Directors): | | |
| Group | | |
| Administrative | <u>12</u> | <u>19</u> |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

5. EXCEPTIONAL COSTS

The following exceptional costs have been incurred or provided for and are included in total administrative expenses

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|-------------------------------|---------------------------------|--|
| | £000 | £000 |
| Termination payments* | 195 | 1,329 |
| Loyalty payment to employees* | 869 | 102 |
| Group restructuring costs* | 6,509 | - |
| Cost of abortive deals | 309 | 58 |
| | <u>7,882</u> | <u>1,489</u> |
| Tax effect | nil | nil |

* All costs incurred are related to various corporate restructuring activities

6. OPERATING PROFIT

Group operating profit is arrived after charging

| | Year ended 30 September 2006 | Period from 25 November 2004 to 30 September 2005 |
|---|---------------------------------|--|
| | £000 | £000 |
| Depreciation of other fixed assets | 45 | 50 |
| Operating lease rentals - buildings | 137 | 85 |
| Auditors' remuneration (including VAT) | | |
| - Auditors' remuneration - Group audit | 119 | 105 |
| - Company audit | 20 | 15 |
| - Auditing accounts of subsidiaries pursuant to regulations | 9 | 7 |
| - Tax services | 118 | 72 |
| - Other services* | 5 | - |

* relate to VAT advisory services

In addition to the above, the following amounts have been paid to the Group auditors in respect of the stated group taxation services for the year ended 30 September 2006

(a) £300,000 was incurred in respect of tax opinion given on a group restructuring including the introduction of new parent undertakings. This amount is reported within 'Exceptional costs' in note 5

(b) £358,373 (including VAT) was incurred in respect of tax opinion given on a new refinancing undertaken by new corporate entities. This amount is reported within bank 'finance costs' in note 9

The amounts (including VAT) paid to the Group auditors in respect of group taxation services for the year ended 30 September 2005 is as follows

(a) £353,000 was incurred in respect of the sale of investment in Southern Cross EquityCo Limited. This amount had been set off against the loss on disposal of investment referred to in note 8

(b) £840,000 was incurred in respect of the sale of investments in Highfield Care group. This amount had been set off against the proceeds received from the business held for resale

(c) £275,000 was incurred in respect of the sale of properties. This amount had been set off against the profit on disposal of tangible fixed assets

(d) Libra CareCo Limited (formerly 'TBG CareCo Limited') incurred £529,000 in respect of the NHP acquisition. This amount had been capitalised in the acquisition costs of that company

NOTES TO THE ACCOUNTS**Year ended 30 September 2006****7 SHARE OF ASSOCIATED UNDERTAKING'S OPERATING PROFIT**

| | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|--|--|---|
| Share of associated undertaking's operating profit | <u>31</u> | <u>23</u> |

8. NET LOSS ON DISPOSAL OF INVESTMENTS

| | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---------------------------------|--|---|
| Group | | |
| Loss on disposal of investments | <u>562</u> | <u>144</u> |

On 2 March 2006 NHP Limited sold its 25.01% shareholding in G R Patrick & Co Limited, the principal activity of which was that of an insurance brokerage specialising in healthcare

On 6 May 2005, Libra CareCo Investments 1 Limited (formerly 'TBG CareCo Investments 1 Limited') disposed of a 30% shareholding in Southern Cross EquityCo Limited

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

9. NET INTEREST PAYABLE AND SIMILAR CHARGES

| | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|---|--|
| Group | | |
| <u>Interest receivable</u> | | |
| Interest receivable on deposits | 1,152 | 911 |
| Interest receivable - loan to Southern Cross Healthcare Group Limited group | 255 | 235 |
| Interest receivable - outstanding sales ledger balances of Southern Cross Healthcare Group Limited group | - | 675 |
| Other interest receivable | 166 | 153 |
| Interest receivable from Deposit Swap Agreements and Zero Coupon Notes | 8,258 | 5,046 |
| Unwinding of fair value adjustment of secured notes | 3,829 | 2,359 |
| Associates | | |
| Interest receivable | 7 | 18 |
| | <u>13,667</u> | <u>9,397</u> |
| <u>Interest payable:</u> | | |
| Interest payable on bank loans | (9,100) | (15,452) |
| Interest payable on secured notes | (37,347) | (22,958) |
| Interest payable on non-secured bonds | (27) | (117) |
| Interest payable - loan from Southern Cross Healthcare Group Limited group | - | (425) |
| Interest payable - loan from Libra No 3 Limited | (15,699) | - |
| Other interest payable | (258) | (1) |
| Amortisation of discount and issue costs on deep discount bonds | (5,311) | (12,392) |
| Amortisation of discount and issue costs on secured notes | (1,134) | (719) |
| Finance costs * | (22,014) | (10,412) |
| Associates | | |
| Interest payable | (3) | (7) |
| | <u>(90,893)</u> | <u>(62,483)</u> |
| Net interest payable and similar charges | <u>(77,226)</u> | <u>(53,086)</u> |

* Finance costs include an amount of £266,000 (2005 £7,326,000) charged to the profit and loss account based on a change in facility period following a replacement of an old facility with a new facility agreement dated 17 October 2005. The new facility was terminated on 3 March 2006 resulting a further amount written off of £6,260,000 (2005 £nil). The Group was required to pay £14,646,000 (2005 £nil) breakage fees on early termination of the two interest rate swap agreements on 17 October 2005. This amount has further been included within finance costs.

LIBRA CARECO OFFSHORE SUPERHOLDCO LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

10 TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

| Group | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|--|---|--|
| Corporation tax | - | 104 |
| Income tax | 344 | 151 |
| Current tax charge | 344 | 255 |
| Share of associate's tax | - | 29 |
| Total current tax charge | 344 | 284 |
| Deferred tax charge/(credit) | 84 | (84) |
| Total current tax charge - Income tax - prior years | 428 (17) | 200 - |
| Total tax charge on profit on ordinary activities | 411 | 200 |
| Effective tax rate | - | 1% |

| Reconciliation of current tax charge | Year ended 30 September 2006 £000 | Period from 25 November 2004 to 30 September 2005 £000 |
|---|---|--|
| (Loss)/Profit on ordinary activities before taxation | (21,188) | 30,573 |
| Tax on (loss)/profit at standard rate of 30% | (6,357) | 9,172 |
| Factors affecting the change | | |
| Non-taxable income | (3,044) | - |
| Non deductible expenses | 2,885 | - |
| Capital allowances for period in excess of depreciation | (2,246) | (2,127) |
| Loss/(Profit) on disposals | 206 | (12,286) |
| Chargeable gains | 310 | 1,956 |
| Utilisation of brought forward losses | (171) | (842) |
| Permanent timing differences | - | (354) |
| Differences in tax rate | (903) | (280) |
| Increase in losses carried forward | 9,664 | 5,045 |
| Group tax charge for the current year/period | 344 | 284 |

11. PARENT COMPANY PROFIT AND LOSS ACCOUNT

| | Year ended 30 September 2006 £000 |
|--|---|
| Loss for the financial year, including dividends from subsidiary undertakings, after taxation | (3,793) |

The Company has taken the advantage of section 230 of the Companies Act 1985 and consequently a profit and loss account for the Company alone is not presented

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

12. TANGIBLE FIXED ASSETS

| Investment properties | Freehold investment properties | Long leasehold investment properties | Total |
|--|--------------------------------------|---|------------------|
| Group | £000 | £000 | £000 |
| Cost or valuation | | | |
| At 1 October 2005 | 989,259 | 25,741 | 1,015,000 |
| Adjustments – on acquisition of NHP Limited in prior period * | (2,001) | - | (2,001) |
| Additions at cost | 588 | 10 | 598 |
| Reclassification from other fixed assets 'care homes under construction' | 5,565 | - | 5,565 |
| Net surplus on revaluation | | | |
| - attributable to the Group | 169,634 | 5,415 | 175,049 |
| - attributable to minority interests | 765 | 24 | 789 |
| At 30 September 2006 | <u>1,163,810</u> | <u>31,190</u> | <u>1,195,000</u> |

*relate to the restatement of net assets acquired from NHP Limited at 18 February 2005 in accordance with FRS 7 'Acquisition accounting'

The notional apportionment of value between freehold investment properties and long leasehold investment properties has been calculated by the Directors according to the ratios of the pavement rents of the underlying assets

Investment properties were valued at 30 September 2006 by the Directors (2005 Gerald Eve, National Property Advisors) on the basis of Market Value on a portfolio basis in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

12. TANGIBLE FIXED ASSETS (Continued)

| Other fixed assets | | | | | | |
|--|---|--|---|------------------------------------|---|-----------------------|
| | Freehold Land and buildings £000 | Short leasehold improvements £000 | Office equipment, fixtures and fittings £000 | Motor vehicles £000 | Care homes under construction £000 | Total £000 |
| Group | | | | | | |
| Cost or valuation | | | | | | |
| At 1 October 2005 | 742 | 3 | 80 | 62 | 4,279 | 5,166 |
| Reclassification from accumulated depreciation | - | - | - | 16 | - | 16 |
| Adjustments | - | - | - | (1) | - | (1) |
| Additions at cost | - | - | 1 | - | 1,286 | 1,288 |
| Disposals | - | - | (47) | (62) | - | (109) |
| Reclassification to investment properties at cost | - | - | - | - | (5,565) | (5,565) |
| At 30 September 2006 | 742 | 3 | 34 | 15 | - | 794 |
| Accumulated depreciation | | | | | | |
| At 1 October 2005 | (6) | - | (20) | (24) | - | (50) |
| Reclassification to cost | - | - | - | (16) | - | (16) |
| Adjustments | - | - | - | (3) | - | (3) |
| Charge for the year | (11) | (1) | (23) | (10) | - | (45) |
| Disposals | - | - | 36 | 39 | - | 75 |
| At 30 September 2006 | (17) | (1) | (7) | 14 | - | (3) |
| Net book value | | | | | | |
| At 30 September 2006 | 725 | 2 | 27 | 1 | - | 754 |
| At 30 September 2005 | 736 | 3 | 60 | 38 | 4,279 | 5,116 |

The costs of care home under construction incurred were in respect of the development of an 80 bed care home. The costs of construction include a retention amount of £42,000 (2005 £70,000). The capitalised interest for the year ended 30 September 2006 was £120,000 (2005 £133,000). At the date of registration of the care home on 1 March 2006 the costs of construction were transferred to investment property.

At 30 September 2006 the Company had contracted capital commitments not completed or accrued of £nil (2005 £1,325,000).

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

13. INVESTMENTS

| Group | Care Homes 1 Deposit Swap Agreement £000 | Care Homes 2 Deposit Swap Agreement £000 | Care Homes 3 Zero Coupon Notes £000 | Investment in associated undertaking £000 | Loan notes to related group undertaking £000 | Total £000 |
|--|---|---|--|--|---|---------------|
| At 1 October 2005 | 47,920 | 79,270 | 43,106 | 486 | 9,499 | 180,281 |
| Accumulated compound interest for the year | 2,331 | 3,862 | 2,065 | - | - | 8,258 |
| Retained profit for the period from 1 October 2005 to 2 March 2006 | - | - | - | 37 | - | 37 |
| Cost of exercised Call Option | - | - | - | 15 | - | 15 |
| Disposal | - | - | - | (538) | (9,499) | (10,037) |
| At 30 September 2006 | 50,251 | 83,132 | 45,171 | - | - | 178,554 |

Care Homes Deposit Swap Agreements and Zero Coupon Notes

Care Homes 1 Deposit Swap Agreement

The Deposit Swap Agreement of £50.25 million represents the premium paid by Care Homes 1 Limited of £46.49 million in respect of an AAA rated Deposit Swap Agreement with General Re Financial Products Corporation, which together with accumulated interest of £3.76 million, guarantees to provide for the repayment of £121.80 million (or £100.0 million at nominal value) Class A1 and Class A2 Secured Notes in 2021. The mark to market valuation of the Deposit Swap Agreement at 30 September 2006 is disclosed in note 27.

On 17 November 2006, Care Homes 1 terminated its AAA rated Swap Deposit Agreement with General Re Financial Product Corporation at terminated value of £54.48 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc on 17 November 2006 at compounded interest rate of 4.220140% per annum, which guaranteed to provide for the repayment of the £121.80 million (the nominal value of which is £100.0 million) Secured Notes in April 2021.

On 4 December 2006 Care Homes 1 terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received an amount of £54.59 million. The entire amount has been utilised towards the repayment of the Secured Notes on 4 December 2006 as disclosed in note 32 (k).

Care Homes 2 Deposit Swap Agreement

The Deposit Swap Agreement of £83.13 million represents the premium paid by Care Homes 2 of £76.95 million in respect of an AAA rated Deposit Swap Agreement with General Re Financial Products Corporation, which together with accumulated interest of £6.18 million, guarantees to provide for the repayment of £193.21 million (the nominal value of which is £180.0 million) Class A Secured Notes in 2023. The mark to market valuation of the Deposit Swap Agreement at 30 September 2006 is disclosed in note 28.

On 17 November 2006, Care Homes 2 terminated its AAA rated Swap Deposit Agreement with General Re Financial Product Corporation at terminated value of £82.37 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc on 17 November 2006 at compounded interest rate of 4.812011% per annum, which guaranteed to provide for the repayment of the £193.21 million (the nominal value of which is £128.0 million) Class A Secured Notes in February 2023.

On 4 December 2006 Care Homes 2 terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received amount of £82.55 million. The entire amount has been utilised towards the repayment of the Secured Notes on 4 December 2006 as disclosed in note 32 (k).

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

13. INVESTMENTS (continued)

Care Homes Deposit Swap Agreements and Zero Coupon Notes (Continued)

Care Homes 3 Zero Coupon Notes

The Zero Coupon Notes of £45.17 million represents the consideration paid by Care Homes 3 of £41.81 million in respect of AAA rate Zero Coupon Notes issued by European Investment Bank, which together with accumulated interest of £3.36 million, guarantee to provide for the repayment of £146.91 million (or £128.0 million at nominal value) Class A Secured Notes in 2028. The mark to market valuation of the Zero Coupon Notes at 30 September 2006 is disclosed in note 29.

On 17 November 2006, Care Homes 3 terminated its AAA rated Zero Coupon Notes issued by European Investment Bank at terminated value of £50.79 million. The full amount was deposited in a General Investment Deposit Contract with The Royal Bank of Scotland plc on 17 November 2006 at compounded interest rate of 4.186857% per annum, which guaranteed to provide for the repayment of the £146.91 million (or £128.0 million at nominal value) Class A Secured Notes in December 2028.

On 4 December 2006 Care Homes 3 terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received amount of £50.89 million. The entire amount has been utilised towards the repayment of the Secured Notes on 4 December 2006 as disclosed in note 32 (k).

Investment in associated undertaking

G R Patrick & Co Limited represents a 25.01% shareholding in that company, the principal activity of which was that of an insurance brokerage specialising in healthcare.

The Company exercised the Call Option to purchase the 310 and 15,201 option shares for a price of £15,000 from the two directors of G R Patrick & Co Limited, thereby increased its shareholding of the Company from 9.50% at 30 September 2005 to 25.01% on 1 December 2005.

On 2 March 2006, the Company disposed of the entire 25.01% shareholding in G R Patrick & Co Limited for £25,000.

Loan notes to related group undertaking

A loan note of £9,499,000 was issued to Southern Cross Investments No 2 Limited, a care home operator who was formerly a related group undertaking ultimately owned by the funds administered by The Blackstone Group. The loan was to enable that company to repay amounts owed to Care Homes 1, Care Homes 2 and Care Homes 3 Limited. The loan notes bear interest at base rate plus 2% per annum.

Following the acquisition by The Royal Bank of Scotland plc of 100% of the issued share capital of Libra CareCo Offshore Superholdco Limited from the funds administered by The Blackstone Group, the loan notes were fully repaid on 3 March 2006.

Company

| | 2006 £000 |
|--|--------------|
| At 13 October 2005 | - |
| Shares in Libra CareCo Offshore TopCo Limited (formerly 'TBG CareCo Offshore TopCo Limited') | 2 |
| Shares in Libra CareCo CH3 PropCo HoldCo Limited (formerly 'TBG CareCo CH3 PropCo HoldCo Limited') | - |
| At 30 September 2006 | <u>2</u> |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

13. INVESTMENTS (continued)

At 30 September 2006, the Company held investments either directly or indirectly in the following subsidiary undertakings

| <u>Name</u> | <u>Country of incorporation</u> | <u>% Holdings</u> | <u>Principal activity</u> |
|--|-------------------------------------|-----------------------|--|
| Subsidiary undertakings | | | |
| Libra CareCo Offshore TopCo Limited (formerly 'TBG CareCo Offshore TopCo Limited')* | Cayman Islands | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo Offshore Equity Co Limited (formerly 'TBG CareCo Offshore Equity Co Limited') | Cayman Islands | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo CH2 PropCo HoldCo Limited (formerly 'Libra CareCo CH2 PropCo HoldCo Limited') | Great Britain | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo CH2 PropCo Limited (formerly 'Libra CareCo CH2 PropCo Limited') | Great Britain | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo CH3 PropCo HoldCo Limited (formerly 'Libra CareCo CH3 PropCo HoldCo Limited') | Great Britain | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo CH3 PropCo Limited (formerly 'Libra CareCo CH3 PropCo Limited') | Great Britain | 100% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo Holdings Limited (formerly 'TBG CareCo Holdings Limited') | Great Britain | 98.4% | Investment company in group undertaking with investment in care homes properties |
| Libra CareCo Investments 1 Limited (formerly 'TBG CareCo Investments 1 Limited') | Great Britain | 100% | Parent company of Libra Investments 2 Limited |
| Libra CareCo Investments 2 Limited (formerly 'TBG CareCo Investments 2 Limited') | Great Britain | 100% | Parent company of Libra CareCo Limited and Libra GuaranteeCo Limited |
| Libra GuaranteeCo Limited (formerly 'TBG GuaranteeCo Limited') | Great Britain | 100% | Investment company in group undertaking with investment in care home properties |
| Libra CareCo Limited (formerly 'TBG CareCo Limited') | Great Britain | 100% | Parent company of NHP Limited Parent company of subsidiary undertakings with investment in care home properties |
| NHP Limited | Great Britain | 100% | Investment in care home properties |
| NHP Securities No 1 Limited | Great Britain | 100% | Investment in care home properties |
| NHP Securities No 2 Limited | Great Britain | 100% | Investment in care home properties |
| NHP Securities No 3 Limited | Great Britain | 100% | Investment in care home properties |
| NHP Securities No 4 Limited | Great Britain | 100% | Partner in LLNHP Partnership |
| NHP Securities No 6 Limited | Great Britain | 100% | Investment in care home properties |
| NHP Securities No 9 Limited | Jersey | 100% | Investment in overriding leases of care home properties |
| NHP Securities No 11 Limited | Jersey | 100% | Parent company of NHP Securities No 9 Limited |
| NHP Management Limited | Great Britain | 100% | Management of care home property portfolios |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

13. INVESTMENTS (continued)

Subsidiary undertakings (Continued)

| <u>Name</u> | <u>Country of incorporation</u> | <u>% Holdings</u> | <u>Principal activity</u> |
|-------------------------------|-------------------------------------|-----------------------|---|
| NHP Operations (York) Limited | Great Britain | 100% | Care home property development |
| LLNH Limited | Great Britain | 100% | Partner in LLHNP Partnership |
| Ultima Holdings Limited | Great Britain | 100% | Immediate parent company of Ultima Group undertakings |
| Ultima Healthcare Limited | Great Britain | 100% | Care home operator |
| Eton Hall Homes Limited | Great Britain | 100% | Care home operator |
| Ultima Care Limited | Great Britain | 100% | Care home operator |
| Platinum Healthcare Limited | Great Britain | 100% | Care home operator |

* held directly by Libra CareCo Offshore Superholdco Limited All others are held indirectly by the subsidiaries of Libra CareCo Offshore Superholdco Limited

On 1 December 2006, the following acquisitions took place

- NHP Securities No 1 Limited acquired 100% of the issued share capital of Care Homes No 1 Limited, a company incorporated and registered in the Cayman Islands,
- Libra CareCo CH2 PropCo Limited acquired 100% of the issued share capital of Care Homes No 2 Limited, a company incorporated and registered in the Cayman Islands Care Homes No 2 Limited has in turn owned 100% issued 'A' and 'B' ordinary shares of £1 each in NHP Securities No 5 Limited and NHP Securities No 8 Limited,
- Libra CareCo CH3 PropCo Limited acquired 100% of the issued share capital of Care Homes No 3 Limited, a company incorporated and registered in the Cayman Islands Care Homes No 3 Limited has in turn owned 100% issued 'A' and 'B' ordinary shares of £1 each in NHP Securities No 10 Limited and 100% issued share capital of NHP Securities No 12 Limited

14. DEBTORS

| <u>Group</u> | <u>2006 £000</u> | <u>2005 £000</u> |
|---|----------------------|--------------------------|
| Trade debtors | 105 | 72 |
| Other debtors | 20 | 92 |
| Corporation tax | 1,441 | 45 |
| Deferred tax asset (note 18) | - | 84 |
| Amount due from Libra No 3 Limited | 5,500 | - |
| Amount due from Southern Cross Healthcare Group Limited group | - | 6,487 |
| Prepayments and accrued income | 212 | 1,950 |
| | <u>7,278</u> | <u>8,730</u> |
| <u>Company</u> | | <u>2006 £000</u> |
| Prepayments and accrued income | | 2 |

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

15. SHORT TERM INVESTMENTS

| | 2006 | 2005 |
|--|---------------|---------------|
| Group | £000 | £000 |
| Short term deposits held by Care Homes 1 | 7,869 | 7,830 |
| Short term deposits held by Care Homes 2 | 2,630 | 3,915 |
| Short term deposits held by Care Homes 3 | 6,000 | 5,800 |
| | <u>16,499</u> | <u>17,545</u> |

At 30 September 2006 £3,644,000 of the short term deposits in Care Homes 1 was reserved to meet interest and other liabilities. The remainder of the short term deposits in Care Homes 1, 2 and 3 were required to meet short term interest on Secured Notes. As of 4 December 2006, the reserved amount was no longer required following the novation of Secured Notes on that date (see note 32 (k)).

16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 | 2005 |
|---|---------------|---------------|
| Group | £000 | £000 |
| Revolving credit facility draw down (see below) | - | 1,590 |
| Bank overdrafts | - | 63 |
| Interest payable – secured notes | 9,836 | 9,753 |
| Interest payable – bank loans | - | 41 |
| Interest payable – Libra No 3 Limited | 1,449 | - |
| Other creditors | 163 | 2,370 |
| Taxation and social security | 28 | 154 |
| Corporation tax | 2 | 1,549 |
| Income tax | 113 | 1,713 |
| Amounts due to Libra No 3 Limited | 4,007 | - |
| Amount due to Southern Cross Healthcare Group Limited group | - | 971 |
| Accruals and deferred income | 711 | 3,178 |
| | <u>16,309</u> | <u>21,382</u> |

At 30 September 2005, £1,590,000 was drawn down on the £10 million revolving credit facility entered into with Barclays Bank PLC and Citibank N A. London on 29 November 2004 (as amended on 29 September 2005). This loan was due to mature on 17 February 2010 and bears interest at LIBOR plus 2% per annum. The revolving credit facility had been replaced with a £2 million facility within a new £327 million facility agreement dated 17 October 2005. The maturity of the revolving facility was on 17 February 2007 and bears interest rate at LIBOR plus 2% per annum. Following the acquisition by Libra No 3 Limited, a subsidiary undertaking of The Royal Bank of Scotland plc on 3 March 2006, the revolving facility was cancelled.

| | 2006 |
|---|--------------|
| Company | £000 |
| Amounts due to Libra No 3 Limited | 3,780 |
| Amounts due to other group undertakings | 15 |
| | <u>3,795</u> |

NOTES TO THE ACCOUNTS
Year ended 30 September 2006

17. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| Group | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| Bridging loans due between two and five years | - | 221,763 |
| Less Unamortised finance costs | - | (266) |
| | - | 221,497 |
| Class A1 Secured 8% Notes due 2021 | 78,648 | 78,648 |
| Class A2 Secured 8.5% Notes due 2021 | 43,152 | 43,152 |
| Unwinding of fair value adjustment | (2,202) | (839) |
| Less Unamortised issue costs | (1,741) | (1,862) |
| Unamortised discount on issue | (466) | (498) |
| Net Secured Notes – Care Homes 1 | 117,391 | 118,601 |
| Class A Secured 5.75% Notes due 2023 | 193,212 | 193,212 |
| Class M Secured 6.65% Notes due 2005 | 67,152 | 67,152 |
| Class B Secured 7.65% Notes due 2025 | 28,192 | 28,192 |
| Unwinding of fair value adjustment | (1,668) | (636) |
| Less Unamortised issue costs | (5,124) | (5,436) |
| Unamortised discount on issue | (361) | (384) |
| Net Secured Notes – Care Homes 2 | 281,403 | 282,100 |
| Class A Secured 6.125% Notes due 2028 | 146,905 | 146,905 |
| Class M Secured 7.125% Notes due 2030 | 51,370 | 51,370 |
| Class B Secured 8.25% Notes due 2030 | 29,933 | 29,933 |
| Unwinding of fair value adjustment | (2,318) | (884) |
| Less Unamortised issue costs | (13,335) | (13,922) |
| Unamortised discount on issue | (1,963) | (2,022) |
| Net Secured Notes – Care Homes 3 | 210,592 | 211,380 |
| Deep Discount Bonds 10% due 2015 | - | 503,199 |
| Less Unamortised issue costs | - | (1,697) |
| Unamortised discount on issue | - | (297,271) |
| Net Deep Discount Bonds | - | 204,231 |
| Unsecured bonds 10% due 2015 | - | 2,581 |
| Rolled up interest | - | 117 |
| Unsecured bonds | - | 2,698 |
| Loan notes due to Libra No 3 Limited | 405,791 | - |
| | 1,015,177 | 1,040,507 |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Bridging loans

At 30 September 2005, a £221,763,000 bridging loan was fully drawn on the term loan facility within the bridging loan facility agreement dated 29 November 2004 (as amended on 29 September 2005), entered into with Barclays Bank Plc and Citibank N A London. The bridging loan was due to mature on 17 February 2010 and bears interest at LIBOR plus 2%. The facility was secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. The facility had been subsequently cancelled following a replacement by a new facility agreement on 17 October 2005. The new facility agreement was for £327 million, which made up of a £325 million term loan and £2 million revolving credit facility entered into with Barclays Bank Plc, Citibank N A London, Prudential Finance (UK) Plc and The Royal Bank of Scotland plc.

On 3 March 2006 the Group cancelled the entire facility of £327 million following the acquisition by Libra No 3 Limited.

The Group entered into an interest rate swap agreement for £222 million notional value of which, £111m was with Barclays Bank PLC and £111m with Citibank N A London. The interest rate swap had a maturity date on 18 February 2030 and fixed interest rate at 3 month LIBOR of 4.89% per annum.

On 17 October 2005, the Group entered into a further interest rate swap contract for a notional value of £103m of which, £51.5m was with Barclays Bank Plc and £51.5m with Citibank N A London. The new interest swap contract had a maturity date on 18 February 2010 and fixed interest rate at three month LIBOR of 4.708% per annum.

The intentions of the interest rate swaps were to fix the interest rates on the term loan facility.

On 3 March 2006, the Group cancelled all the interest rate swap agreements following the acquisition by Libra No 3 Limited.

Secured Notes

The Care Homes 1 Secured Notes are non-recourse to the Company and its group undertakings, and were secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Deposit Swap Agreement with General Re Financial Products Corporation, which at 30 September 2006 amounted to £50,251,000 including accrued interest (see note 13), and over the cash and short term investment balances, which at 30 September 2006 amounted to £7,869,000.

On 4 December 2006, the Care Homes 1 redeemed the entire £121,800,000 Secured Notes, due 9 April 2021 at market value of £138,404,000 as disclosed in note 32 (k).

The Care Homes 2 Secured Notes are non-recourse to the Company and its group undertakings, and were secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Deposit Swap Agreement with General Re Financial Products Corporation, which at 30 September 2006 amounted to £83,132,000 including accrued interest (see note 13), and over the cash and short term investment balances, which at 30 September 2006 amounted to £2,630,000.

On 4 December 2006, Care Homes 2 redeemed the entire £288,556,000 Secured Notes due 15 February 2003 and 15 February 2025 at market value of £320,712,000 as disclosed in note 32 (k).

The Care Homes 3 Secured Notes are non-recourse to the Company and its group undertakings, and were secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Zero Coupon Notes with European Investment Bank, which at 30 September 2006 amounted to £45,171,000 including accrued interest (see note 13), and over the cash and short term investment balances, which at 30 September 2006 amounted to £6,000,000.

On 4 December 2006, Care Homes 3 redeemed the entire £228,208,000 Secured Notes due 15 December 2028 and 15 December 2030 at market value of £260,971,000 as disclosed in note 32 (k).

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Deep Discount Bonds

The deep discount bonds 10% 2015 were unconditional unsecured debt and rank pari passu among themselves

As at 30 September 2006, the deep discount bonds held by funds administered by The Blackstone Group at nominal value were redeemed as follows

| | At 1 October 2005 | Repayment | At September 2006 |
|-----------------------------|-------------------|------------------|-------------------|
| | £000 | £000 | £000 |
| BCP (Cayman) IV LP | 254,265 | (254,265) | - |
| BCP (Cayman) IV A LP | 4,028 | (4,028) | - |
| BFI (Cayman) IV A LP | 11,971 | (11,971) | - |
| BPP (Cayman) IV LP | 700 | (700) | - |
| BREP (Alberta) IV LP | 30,010 | (30,010) | - |
| BREP (Alberta) IV TE 1 LP | 10,652 | (10,652) | - |
| BREP (Alberta) IV TE 2 LP | 19,290 | (19,290) | - |
| BREP (Alberta) IV TE 3 A LP | 17,231 | (17,231) | - |
| BREP (Alberta) IV F LP | 10,492 | (10,492) | - |
| BREH (Alberta) IV LP | 5,218 | (5,218) | - |
| BREP International IE LP | 65,263 | (65,263) | - |
| BREP International IC LP | 30,673 | (30,673) | - |
| BREP International ID LP | 36,008 | (36,008) | - |
| BREH International A LP | 5,718 | (5,718) | - |
| BREH International B LP | 1,680 | (1,680) | - |
| | <u>503,199</u> | <u>(503,199)</u> | <u>-</u> |

On 20 October 2005 £314,518,000 deep discount bonds at nominal value were redeemed and the remaining deep discount bonds at nominal value of £188,681,301 were redeemed on 3 March 2006, the date of acquisition by Libra No 3 Limited

Unamortised issue costs were written off fully following the redemption

Unsecured bonds

The unsecured bonds were issued to management for £1,925,000 and £656,000 on 8 April 2005 and 19 May 2005 respectively. The maturity date of the unsecured bonds was 10 years from the date of issue and they bear interest at 10% per annum

On 4 November 2005, £1,285,000 and £408,000 of the unsecured notes issued on 8 April 2005 and 19 May 2005 were redeemed respectively. The remaining outstanding amount was redeemed from a loan from Libra No 3 Limited on 3 March 2006

18. DEFERRED TAXATION

| Group | Provided | | Unprovided | |
|--|----------|-----------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Accelerated depreciation over capital allowances | - | 84 | 300 | - |
| Losses | - | - | 14,030 | - |
| Short term timing differences | - | - | - | 5,045 |
| Revaluation of investment properties | - | - | (119,526) | (120,315) |
| | <u>-</u> | <u>84</u> | <u>(105,196)</u> | <u>(115,270)</u> |

NOTES TO THE ACCOUNTS**Year ended 30 September 2006****18. DEFERRED TAXATION (continued)**

The value of assets qualifying for capital allowances to be used in the calculation of deferred tax is an apportionment of the total portfolio value

The deferred tax liability on the potential capital gain arising in relation to the revalued freeholds of £119,526,000 (2005 £120,315,000) is not recognised as the Group has no intention to sell these properties at this time and there is no binding agreement to dispose of them

Company

There is no provided or unprovided deferred tax in respect of the Company

19. MINORITY INTEREST

| | 2006 |
|--|--------------|
| | £000 |
| Group | |
| At 1 October 2005 | 9,342 |
| Loss on ordinary activities after taxation | (369) |
| Net surplus on revaluation of properties | 789 |
| Disposals* (see note 21) | (5,664) |
| | <u>4,098</u> |

* relates to a reduction in the shareholding in Libra CareCo Holdings Limited, the former parent company from 4.39% to 1.62% from 3 March 2006

20. CALLED UP SHARE CAPITAL

| | 2006 | 2005 |
|---|-------------|-------------|
| | £000 | £000 |
| Company | | |
| Authorised | | |
| 2,500,000 ordinary shares at 1 p each | <u>25</u> | <u>25</u> |
| Called, allotted and fully paid: | | |
| 207,589 ordinary shares at 1p each | <u>2</u> | <u>2</u> |

Authorised and issued share capital is shown on a pro forma basis for 2005

Pursuant to the First Rollover Agreement on 14 October 2005 Libra CareCo Equity Co Limited issued 201,741 ordinary shares at £0.01 each to the funds held by The Blackstone Group in exchange of their entire holding of shares in Libra CareCo Holdings Limited, in the ratio of one Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each for each Libra CareCo Holdings Limited ordinary share of £0.01 each. Immediately following the completion of the First Rollover Agreement, the funds held by The Blackstone Group agreed to exchange their entire holding of shares in Libra CareCo Offshore Equity Co Limited for shares in Libra CareCo Offshore TopCo Limited in the ratio of one Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each. This agreement is set out in the Second Rollover Agreement.

Immediately following the completion of the Second Rollover Agreement, the funds held by The Blackstone Group agreed to exchange their entire holding of shares in Libra CareCo Offshore TopCo Limited for shares in Libra CareCo Offshore SuperholdCo Limited in the ratio of one Libra CareCo Offshore SuperholdCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each. This agreement is set out in the Third Rollover Agreement.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

20. CALLED UP SHARE CAPITAL (Continued)

Pursuant to the First Rollover Agreement on 3 March 2006, minority interest holders of 5,848 ordinary shares of £0.01 each in Libra CareCo Holdings Limited agreed to exchange their holdings for shares in Libra CareCo Offshore Equity Co Limited ordinary shares in the ratio of one Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each for each Libra CareCo Holdings Limited ordinary share of £0.01 each

Immediately following the completion of the First Rollover Agreement, the minority interest holders agreed to exchange their entire holding of shares in Libra CareCo Offshore Equity Co Limited for shares in Libra CareCo Offshore TopCo Limited in the ratio of one Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore Equity Co Limited ordinary share of £0.01 each. This agreement is set out in the Second Rollover Agreement. A Third Rollover Agreement is effected upon completion of the Second Rollover Agreement whereby the minority interest holders agreed to exchange their entire holding of shares in Libra CareCo Offshore TopCo Limited for shares in Libra CareCo Offshore SuperholdCo Limited in the ratio of one Libra CareCo Offshore SuperholdCo Limited ordinary share of £0.01 each for each Libra CareCo Offshore TopCo Limited ordinary share of £0.01 each

On 3 March 2006, Libra No. 3 Limited acquired the entire issued 207,589 ordinary shares of £0.01 each of the Company and the remaining issued 3,411 ordinary shares of £0.01 each of Libra CareCo Holdings Limited

21. RESERVES

| Group | Revaluation reserve £000 | Profit and loss account £000 |
|---|--------------------------------|---------------------------------------|
| At 1 October 2005 | 174,429 | 29,040 |
| Net increase following a reduction in minority interests' shareholding | 5,053 | 611 |
| Net surplus on revaluation of properties | 175,049 | - |
| Retained loss for the year | - | (21,230) |
| At 30 September 2006 | 354,531 | 8,421 |

22. MOVEMENT IN SHAREHOLDERS' DEFICIT

| Company | 2005 £000 |
|------------------------------|--------------|
| At 13 October 2005 | - |
| Issue of share capital | 2 |
| Retained loss for the period | (3,793) |
| At 30 September 2006 | (3,791) |

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Operating profit | 56,758 | 42,705 |
| Share of associated undertaking's operating profit | (31) | (23) |
| Depreciation of other fixed assets | 45 | 50 |
| Decrease in debtors | 1,129 | 25,421 |
| Decrease in creditors | (1,106) | (7,194) |
| Net cash inflow from operating activities | 56,795 | 60,959 |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

24. ANALYSIS OF CHANGES IN NET DEBT

| Group | At 30 September 2005 £000 | Cash flow £000 | Non-cash changes* £000 | At 30 September 2006 £000 |
|--|------------------------------------|-------------------|------------------------------|------------------------------------|
| Cash at bank and in hand | 48,030 | (47,578) | - | 452 |
| Bank overdraft | (63) | 63 | - | - |
| Net cash at bank and in hand | 47,967 | (47,515) | - | 452 |
| Short term investments | 17,545 | (1,046) | - | 16,499 |
| Loan notes to Southern Cross Healthcare Group Limited | 9,499 | (9,499) | - | - |
| Loan notes from Libra No 3 Limited | - | (405,791) | - | (405,791) |
| Revolving credit facility draw down | (1,590) | 1,590 | - | - |
| Bridging loans due after one year | (221,497) | 242,309 | (20,812) | - |
| Secured Notes (net of unamortised issue and discount costs) | (612,081) | - | 2,695 | (609,386) |
| Deep Discount Bonds (net of unamortised issue and discount costs) | (204,231) | 209,542 | (5,311) | - |
| Unsecured bonds | (2,698) | 2,581 | 117 | - |
| | <u>(967,086)</u> | <u>(7,829)</u> | <u>(23,311)</u> | <u>(998,226)</u> |

* Non-cash changes relate to financing costs

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2006 £000 | 2005 £000 |
|--|------------------|------------------|
| (Decrease)/Increase in cash during the period | (47,515) | 47,967 |
| Net cash outflow/(inflow) from debt financing activities | 456,022 | (407,359) |
| Net cash (inflow)/outflow from the issue on loan notes | (415,290) | 9,499 |
| Net cash inflow from management of liquid resources | (1,046) | (4,073) |
| Changes in net debt resulting from cash flows | (7,829) | (353,966) |
| Debts acquired with NHP Limited | - | (613,721) |
| Short term deposit investment acquired with NHP Limited | - | 21,618 |
| Non-cash changes in net debt | (23,311) | (21,017) |
| Net debt at the beginning of year | (967,086) | - |
| Net debt at the end of the year/period | <u>(998,226)</u> | <u>(967,086)</u> |

26. OPERATING LEASE COMMITMENTS

The Group had the following annual commitments under non-cancellable operating leases

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Office lease – expiring after more than five years | <u>137</u> | <u>137</u> |

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

27. DISCLOSURES RELATING TO CARE HOMES 1

A summary of the financial statements of Care Homes 1 for the year ended 30 September 2006 and for the period from 18 February 2005 to 30 September 2005, which have been included in the financial statements of the Group, is as follows

| Care Homes 1 | At 30 September 2006 £000 | At 30 September 2005 £000 |
|--|--|---|
| Balance sheet | | |
| Fixed asset investments | | |
| Overriding lease premiums, net of amortisation | 47,352 | 50,610 |
| Deposit Swap Agreement, including accumulated compound interest | 50,251 | 47,920 |
| Net current assets | 3,500 | 3,490 |
| Creditors amount falling due after more than one year | | |
| Class A1 and A2 Secured Notes, net of unamortized issue costs and discount | (117,391) | (118,601) |
| Shareholders' deficit | (16,288) | (16,581) |
| | Year ended 30 September 2006 £000 | Period from 18 February 2005 to 30 September 2005 £000 |
| Profit and loss account | | |
| Turnover and gross profit | 16,690 | 7,986 |
| Net operating costs | (12,031) | (5,215) |
| Net interest payable and similar charges | (4,367) | (2,595) |
| Profit for the year/ period | 292 | 176 |
| Cash flow statement | | |
| Net cash inflow from operating activities | 8,163 | 4,884 |
| Servicing of finance – interest paid on Secured Notes | (8,200) | (4,100) |
| Management of liquid resources – short term deposit withdrawal/(placement) | 39 | (708) |
| Investment in overriding lease | - | (972) |
| Proceeds on disposal of overriding lease | - | 895 |
| Increase/(Decrease) in cash in the year/period | 2 | (1) |

The summary of financial statements disclosed above is prepared in accordance with the accounting principles generally accepted in the UK (UK GAAP). The financial statements of Care Homes 1 are prepared under accounting principles generally accepted in the United States (US GAAP) under which the Deposit Swap Agreement is valued in those accounts at £50,925,000, on a mark-to-market basis.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

28. DISCLOSURES RELATING TO CARE HOMES 2

A summary of the financial statements of Care Homes 2 for the year ended 30 September 2006 and for the period from 18 February 2005 to 30 September 2005, which have been included in the financial statements of the Group, is as follows

| Care Homes 2 | At 30 September 2006 £000 | At 30 September 2005 £000 |
|--|--|---|
| Balance sheet | | |
| Fixed asset investments | | |
| Overriding lease premiums, net of amortisation | 138,959 | 147,139 |
| Deposit Swap Agreement, including accumulated compound interest | 83,132 | 79,270 |
| Net current liabilities | (2,094) | (2,094) |
| Creditors, amount falling due after more than one year | | |
| Class A1 and A2 Secured Notes, net of unamortized issue costs and discount | (281,403) | (282,100) |
| Shareholders' deficit | (61,406) | (57,785) |
| | | |
| | Year ended 30 September 2006 £000 | Period from 18 February 2005 to 30 September 2005 £000 |
| Profit and loss account | | |
| Turnover and gross profit | 41,732 | 17,987 |
| Net operating costs | (33,124) | (13,192) |
| Net interest payable and similar charges | (11,898) | (6,987) |
| Taxation | (326) | (248) |
| Loss for the year/period | (3,616) | (2,440) |
| | | |
| Cash flow statement | | |
| Net cash inflow from operating activities | 14,993 | 10,557 |
| Servicing of finance – interest paid on Secured Notes | (16,252) | (16,252) |
| Management of liquid resources – short term deposit withdrawal | 1,285 | 5,685 |
| Increase/(Decrease) in cash in the year/period | 26 | (10) |

The summary of financial statements disclosed above is prepared in accordance with the accounting principles generally accepted in the UK (UK GAAP). The financial statements of Care Homes 2 are prepared under accounting principles generally accepted in the United States (US GAAP) under which the Deposit Swap Agreement is valued in those accounts at £85,057,000, on a mark-to-market basis.

NOTES TO THE ACCOUNTS**Year ended 30 September 2006****31. RELATED PARTY TRANSACTIONS**

During the year ended 30 September 2006 (2005 £nil), the Group was charged £15,699,000 loan interest by Libra No 3 Limited, the immediate parent company. At 30 September 2006, the principal loan amounts of £405,791,000 and interest of £1,449,000 remain outstanding. Other outstanding amount due to Libra No 3 Limited was £4,007,000. These transactions are disclosed in notes 9, 14, 16 and 17 of these financial statements.

32. POST BALANCE SHEET EVENTS

- a) On 17 November 2006 Care Homes 1 terminated its AAA Swap Deposit Agreement with General Re Financial Products Corporation, which guaranteed to provide for the repayment of the £128.10 million Secured Notes in April 2021. The terminated value was £54.48 million. The full amount was deposited in a General Investment Deposit Contract ('GIC') with The Royal Bank of Scotland plc, as its capacity as a GIC provider on 17 November 2006 at compounded interest rate of 4.220140% per annum, which was guaranteed to provide for the repayment of the £128.10 million (the nominal value of which is £100.0 million) Secured Notes in April 2021.
- a) On 17 November 2006 Care Homes 2 terminated its AAA Swap Deposit Agreement with General Re Financial Products Corporation, which guaranteed to provide for the repayment of the £193.21 million Class A Secured Notes in February 2023. The terminated value was £82.37 million. The full amount was deposited in a General Investment Deposit Contract ('GIC') with The Royal Bank of Scotland plc, as its capacity as a GIC provider on 17 November 2006 at compounded interest rate of 4.812011% per annum, which was guaranteed to provide for the repayment of the £193.21 million (the nominal value of which is £180.0 million) Class A Secured Notes in February 2023.
- c) On 17 November 2006 Care Homes 3 terminated its AAA Zero Coupon Notes issued by European Investment Bank, which guaranteed to provide for the repayment of the £149.91 million Class A Secured Notes in December 2028. The terminated value was £50.79 million. The full amount was deposited in a General Investment Deposit Contract ('GIC') with The Royal Bank of Scotland plc, as its capacity as a GIC provider on 17 November 2006 at compounded interest rate of 4.186857% per annum, which was guaranteed to provide for the repayment of the £149.91 million (the nominal value of which is £128 million) Class A Secured Notes in December 2028.
- d) On 1 December 2006 Care Homes 2 acquired both NHP Securities No 5 Limited and NHP Securities No 8 Limited's issued 2,000 'B' ordinary shares of £1 each for cash. On the same date, Care Homes 3 acquired the entire issued 2,000 'B' ordinary shares of £1 each of NHP Securities No 10 Limited.
- e) On 1 December 2006, NHP Securities No 1 Limited became the legal owner of the issued shares in Care Homes 1.
- f) On 1 December 2006, Libra CareCo CH2 PropCo Limited became the legal owner of the issued shares in Care Homes 2.
- g) On 1 December 2006, Libra CareCo CH3 PropCo Limited became the legal owner of the issued shares in Care Homes 3.
- h) On 4 December 2006, Care Homes 1 terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received an amount of £54.59 million.
- i) On 4 December 2006, Care Homes terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received an amount of £82.55 million.
- j) On 4 December 2006, Care Homes 3 terminated its General Investment Deposit Contract with The Royal Bank of Scotland plc and received an amount of £50.89 million.
- k) On 4 December 2006, Care Homes 1, Care Homes 2 and Care Homes 3 redeemed their Secured Notes at market value of £138.41 million, £320.71 million and £260.97 million respectively.

NOTES TO THE ACCOUNTS

Year ended 30 September 2006

32. POST BALANCE SHEET EVENTS (Continued)

- l) On 12 December 2006, Delta Commercial Property LP, a limited partnership incorporated in the Isle of Man, acquired 100% of the issued share capital of Libra No 2 Limited, the immediate parent undertaking of Libra No 3 Limited
- m) The Group were guarantors to a £1,106 million facility agreement entered into by Libra No 3 Limited and Libra No 2 Limited (together, the borrowers) with The Royal Bank of Scotland plc (the lender) The facility agreement was subsequently replaced by a new term loan facility agreement as disclosed in note 32 (n)
- n) The Group are guarantors to a £1,172 million term loan facility agreement entered into by Libra No 3 Limited, as the borrower and Credit Suisse, as the lender on 15 January 2007

33. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Libra No 3 Limited, a company incorporated and registered in the Cayman Islands The ultimate parent undertaking and controlling party at 30 September 2006 is The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland The Royal Bank of Scotland plc and Libra No 3 Limited have an accounting period end of 31 December, as opposed to the Company's accounting year of 30 September, therefore the results of the Group are not consolidated within its immediate parent undertaking or ultimate parent undertaking.

As of 12 December 2006, the new ultimate 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 of that company

Copies of the Group's consolidated financial statements to 30 September 2006, which include the results of the Company, are available from NHP Group at Block A, Upper Ground Floor, Dukes Court, Duke Street, Woking, Surrey GU21 5BH