Company Registration No. 05555758

LIBRA CARECO CH2 PROPCO LIMITED

Report and Financial Statements
30 September 2008

REPORT AND FINANCIAL STATEMENTS 2008

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REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
D C Nicholson

REGISTERED OFFICE

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London
W1S 1JF

BANKERS

Barclays Bank Plc
South East Corporate Banking Centre
P.O. Box 112
Horsham
West Sussex RH12 1YQ

SOLICITORS

Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

AUDITORS

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements from the year ended 30 September 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company is the holding of freehold and long leasehold interests in predominantly modern, purpose-built care homes, the overriding leasehold interests of which have been sold to Care Homes No.2 (Cayman) Limited (formerly "Care Homes No.2 Limited").

The Directors intend to continue this activity in the forthcoming year.

BUSINESS REVIEW

At 30 September 2008 the Company owned 124 freehold and leasehold investment properties valued at £398,651,000 (2007: £576,738,000).

RESULTS

The results for the year ended 30 September 2008 are set out in the profit and loss account on page 8. The principal Key Performance Indicators (KPIs) used by the Company to measure its own performance are shown below:

	Year ended 30 September 2008	Year ended 30 September 2007	Increase / (Decrease)
Turnover	£30.5m	£27.4m	11.3%
(Loss) / profit before	£(37.3m)	£9.8m	(480.6)%
Shareholders funds	£134.8m	£350.2m	(61.5)%

Turnover for the year ended 30 September 2008 had increased by 11.3% mainly due to higher overriding rent received from group undertaking. During the year, the Company made provisions for the amounts due from group undertakings for total amounts of £51.0m. In conjunction with the fall in the Market Value of the Company's investment properties by £178.1 million to £398.7 million as at 30 September 2008 as a result of the impact of the current financial crisis on asset values, these cause the reduction in the shareholders' funds at 30 September 2008.

DIVIDENDS

No dividends in respect of the year are proposed (2007: £nil).

DIRECTORS

The following Directors served throughout the year except as noted:

	Date appointed	Date Resigned
P V Taylor	-	19 December 2008
D C Nicholson	-	-
J M J M Jensen	19 December 2008	-

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

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

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

DIRECTORS' REPORT

(Continued)

FINANCIAL RISK MANAGEMENT

The Company's financial instruments primarily comprise debtors and creditors with group undertakings arising directly from its operations.

There is no significant risk arising directly from the Company's financial instruments. The Directors managed the risks for the Libra Group which set out below:

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 agreement was signed with Credit Suisse on 15 January 2007. 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 concentration of credit risk as the major tenant is Southern Cross Healthcare Group Plc; however, this is mitigated by the large number of geographically diverse homes and associated customes.

All tenants have their rents paid up to date.

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group has reserved £11.2m in an interest bearing cash reserve account and £0.3m in capital expenditure reserve account at 30 September 2008.

GOING CONCERN

At 30 September 2008, the Group had bank loans of £1,172m (the 'Senior loan') and £70m (the 'Term Loan Facility') secured on the Group's investment properties and freehold land and buildings.

As at 29 September 2008, the portfolio was valued by King Sturge LLP at £929,776,000 (assuming costs of 1.75%). This results in a loan to value ratio of 126%, which puts the senior loan in breach of its Loan to Value ('LTV') covenant of 92.7%. There are also a number of breaches of other covenants to the loan, which mainly relate to the provision of information. Further, in the light of deteriorating conditions in the real estate investment market, another valuation was commissioned which shows that as at 15 December 2008 the value of the portfolio had dropped to £863,304,000 (assuming costs of 1.75%). This further diminution has not been reflected in the financial statements.

In addition, at 15 January 2009, the loan amounts remained outstanding. The maturity date of the senior loan was 15 January 2009 (the original final maturity date) with an option to extend the loan to 15 January 2010 provided no default was outstanding at the original final maturity date. This failure to repay on the maturity date was an event of default which meant that the loan became instanty repayable.

As a result, the Directors of the Company commenced discussions with the loan Special Servicer, Capmark Services UK Limited ('Capmark'), about how best to resolve this situation. On 25 November 2008 a standstill agreement was put in place until 14 January 2009, and then further extended by all parties to 14 April 2009, which suspends the ability of Capmark and others to exercise their rights in relation to certain specified events of default. This allows the Group time in which to negotiate a solution to the problem of the breached covenants without threat of foreclosure.

The £70m term loan facility is also in breach as a result of the above. The lenders of this loan have also entered into the standstill agreement and have thus suspended their ability to exercise any rights they may have.

DIRECTORS' REPORT

(Continued)

GOING CONCERN (Continued)

There is a provision in the standstill agreement for a Chief Restructuring Officer to be appointed to the board of the Group, whose role would be to represent the Company and Libra No. 3 Limited, its subsidiary undertaking, in its negotiations between the lenders and the Special Servicer. The Chief Restructuring Officer was appointed on 19 December 2008.

Further, the Directors have received an undertaking from Capmark that the cash flow required to operate the Group until the refinancing has been concluded will be forthcoming. The undertaking states that it is the intention of the Senior Creditors to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business, including without limitation (a) day-to-day operating costs; (b) restructuring costs; and (c) other exceptional costs incurred in relation to the Potential Restructuring.

Given these circumstances, the Directors do not currently believe there is a risk that the Group will go into insolvent liquidation, although this could change if the negotiations envisaged by the standstill agreement were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis. In the event that a going concern basis should become inappropriate, the assets of the Group would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments. See further details in note 1 to the financial statements.

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

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

D C Nicholson
Director
Date: 20 January 2009

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; and

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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 CH2 PROPCO LIMITED

We have audited the financial statements of Libra CareCo CH2 PropCo Limited for the year ended 30 September 2008, which comprise of the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and the related notes 1 to 20. 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 thefinancial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LIBRA CARECO CH2 PROPCO 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 2008 and of its loss for the year ended 30 September 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going concern

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

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

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

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

Date: 20 January 2009

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2008

	Notes	Year ended 30 September 2008 £	Year ended 30 September 2007 £
TURNOVER AND GROSS PROFIT	3	30,503,913	27,443,798
Administrative expenses	4	(51,254,589)	(255,659)
Exceptional costs	5	(724,938)	-
Amounts written off investments	9	(382,224)	-
Total administrative expenses		(52,361,751)	(255,659)
OPERATING (LOSS) / PROFIT		(21,857,838)	27,188,139
Net interest payable and similar charges	6	(15,481,586)	(17,367,399)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(37,339,424)	9,820,740
Tax on (loss) / profit on ordinary activities	7	-	-
(Loss) / Profit on ordinary activities after taxation and retained (loss) / profit for the financial year	16	(37,339,424)	9,820,740

Results are derived wholly from continuing operations.

BALANCE SHEET
30 September 2008

	Notes	£	2008 £	£	2007 £
TANGIBLE FIXED ASSETS					
Investment properties	8		398,651,000		576,738,000
Investments	9		-		20,099,678
CURRENT ASSETS					
Debtors	10	17,297		8,140,441	
CREDITORS: amounts falling due within one year	11	(34,393,135)		(25,771,332)	
NET CURRENT LIABILITIES			(33,375,838)		(17,630,891)
TOTAL ASSETS LESS CURRENT LIABILITIES			364,275,162		579,206,787
CREDITORS: amounts falling due after more than one year	12		(228,996,580)		(228,996,580)
PROVISION FOR LIABILITIES AND CHARGES	13		(494,799)		-
NET ASSETS			134,783,783		350,210,207
CAPITAL AND RESERVES					
Called up share capital	15		1		1
Capital contribution reserve	16		238,557,517		238,557,517
Revaluation reserve	16		(64,751,597)		113,335,403
Profit and loss account	16		(39,022,138)		(1,682,714)
SHAREHOLDERS' FUNDS			134,783,783		350,210,207

These financial statements were approved and authorised for issue by the Board of Directors on 20 January 2009.

Signed on behalf of the Board of Directors

D C Nicholson
Director

J M J M Jensen
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2008

	Note	Year ended 30 September 2008 £	Year ended 30 September 2007 £
(Loss) / Profit for the year	16	(37,339,424)	9,820,740
Net (deficit) / surplus on revaluation of land and buildings	16	(178,087,000)	123,884,020
Total recognised (losses) and gains for the year		(215,426,424)	133,704,760

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'FUNDS
Year ended 30 September 2008

	Note	Year ended 30 September 2008 £	Year ended 30 September 2007 £
(Loss) / Profit for the year	16	(37,339,424)	9,820,740
Capital contribution from group undertaking	16	-	238,557,517
Net (deficit) / surplus on revaluation of land and buildings	16	(178,087,000)	123,884,020
Net (decrease) / increase in shareholders' funds		(215,426,424)	372,262,277
Shareholders' funds / (deficit) at the beginning of year		350,210,207	(22,052,070)
Shareholders' funds at the end of year		134,783,783	350,210,207

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2008

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Profit on ordinary activities before taxation	(37,339,424)	9,820,740
Historical cost profit on ordinary activities before taxation	(37,339,424)	9,820,740
Historical cost profit retained for the year	(37,339,424)	9,820,740

NOTES TO THE ACCOUNTS

Year ended 30 September 2008

1. GOING CONCERN

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

At 30 September 2008, the Group had bank loans of £1,172 million (the 'Senior Loan') and £70 million (the 'Term Loan Facility') secured on the Group's investment properties and freehold land and buildings. At 16 January 2009, the loan amounts remain outstanding. The maturity date of the senior loan was 15 January 2009 (the original final maturity date) with an option to extend the loan to 15 January 2010 provided no default is outstanding at the original final maturity date.

Libra No. 2 Limited, the Company's ultimate parent company declared a dividend on 27 November 2007 of £89,035,586, and there was a deficit on the revaluation of properties of £392,665,000 in the year ended 30 September 2008. As a result, the Group is now in a net liability position.

Under the terms of the Senior Loan, the Group has to comply with a number of financial covenants, of which the two most material are a Loan to Value ('LTV') covenant and an Interest Cover Ratio ('ICR') covenant. Further, in order for the Group to continue to trade as a going concern, the Directors of each of the entities in the Group need to be satisfied that they will continue to be able to meet their operating costs and expenses as they fall due.

The Directors of the Company, who are also the directors of Libra No. 3 Limited, a group undertaking and also the borrower to the bank loan, have prepared have prepared cash flow forecasts covering the period to 31 March 2010 which show that there is a shortfall in the operational cash flow of the Company in the period. However, the Directors have received an undertaking from Capmark Services UK Limited ('Capmark'), the Special Servicer to the Senior Loan, that the cash flow required to operate the Group will be forthcoming whilst discussions with respect to the Potential Restructuring are continuing. The cash flow forecasts also indicate that the ICR test will not be met throughout the testing period. The undertaking states that it is the intention of the Senior Creditors to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business, including without limitation (a) day-to-day operating costs and expenses; (b) restructuring costs; and (c) other exceptional costs incurred in relation to the Potential Restructuring.

The Directors have also considered the LTV test, and note that this was not met as at 30 September 2008. The Directors have been advised by their valuers, King Sturge LLP, that they consider that as at 29 September 2008 the appropriate yield for the Group's property portfolio is 7.42%, and the value of the portfolio is £929,767,000 after costs of 1.75%, on the basis of the properties being sold as a business, resulting in an LTV ratio of 126%.

This breaches the LTV covenant which is set at 92.7%, and the Group was not therefore in a position to obtain the extension of the loan as at 15 January 2009 unless this breach, and other breaches chiefly concerning information covenants which remain unremedied, had been waived. The effect of these breaches was that the loan became immediately repayable as at 15 January 2009. The failure to comply with these covenants has also resulted in a default in the £70million term loan facility.

However, the Directors of the Company have initiated discussions with Capmark under the securitisation structure which operates alongside the bank loan and have entered into a standstill agreement which suspends the rights and remedies of the loan servicer against specified breaches of the loan until 14 April 2009.

Given these circumstances, the Directors do not currently believe there is a risk that the Company will go into insolvent liquidation, although this could change if the negotiations for which the standstill agreement allows were to fail. Given the above, there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis. In the event that a going concern basis should become inappropriate, the assets of the Group would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with all applicable accounting standards.

The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

The accounting policies have been followed consistently during the currentand preceding year.

Turnover

Turnover represents amounts receivable on overriding lease rents due in the normal course of business.

Valuation of properties

Investment properties

The cost of investment properties is purchase cost, together with any incidental costs of acquisition and subsequent capital additions at cost.

Investment properties represent freehold properties held for long-term retention. In accordance with SSAP No.19 'Accounting for Investment Properties', these investment properties are valued by King Sturge LLP, the qualified external valuers on am individual property basis at Market Value in the current and previous year. 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.

Depreciation

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of investment properties. Under the terms of the Company's leases such properties are required to be maintained to a high standard by the tenants.

This treatment 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 is therefore necessary for the accounts to give a true and fair view. Depreciation is one of the factors reflected in the annual revaluation; any amounts, which might otherwise have been charged, cannot be separately identified or quantified.

Exemption from consolidation

The Company has taken the exemption under Section 228A of the Companies Act 1985 not prepared consolidated financial statements as it is a subsidiary of a company incorporated in the Cayman Islands, Libra No. 2 Limited, which prepares consolidated financial statements under UK GAAP. These financial statements provide information about the Company as an individual undertaking and not about its group.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

2. ACCOUNTING POLICIES (continued)

Taxation

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

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

Interest

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

Cash flow statement

As the Company is a wholly owned subsidiary, it has taken exemption under the terms of Financial Reporting Standard 1 (revised 1996) 'Cash flow statements' from preparing cash flow statement, as it is included in the consolidated financial statements of Libra No. 2 Limited, which are publicly available.

3. TURNOVER AND GROSS PROFIT

Turnover comprises the following earned from the Company's ordinary activities which take place wholly within the United Kingdom:

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Overriding lease rents received from group undertaking	30,503,913	27,443,798

4. ADMINISTRATIVE EXPENSES

The Company had no employees during the currentor preceding year.

None of the Directors received emoluments directly from theCompany during the currentor preceding year.

Administrative expenses include:

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Management fees from NHP Management Limited, a group undertaking	261,181	233,226
Provision for doubtful debts – group undertakings	50,966,408	-
Fees payable to the Company's auditors for the audit of the annual accounts	21,000	13,707
Tax advisor fees payable to the Company's auditors	6,000	-

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

5. EXCEPTIONAL COST

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

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Tenant's receivership support costs	724,938	-
	724,938	-

During the year, a tenant went into receivership. The Company has givenits financial support by way of working capital so that the operations of the care homes can continue operating as normal.

6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Interest receivable on loan notes to group undertaking	(2,629,211)	(343,135)
Interest payable on loan notes from group undertakings	18,110,794	17,710,447
Finance costs	3	87
	15,481,586	17,367,399

7. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Corporation tax	-	-
Total tax charge	-	-
(Loss) / Profit before tax	(37,339,424)	9,820,740
Tax on (loss) / profit at standard rate of 29% (2007: 30%)	(10,828,433)	2,946,222
Factors affecting tax charge:		
Capital allowances in excess of depreciation	-	(1,298,098)
Impairment of investments	110,845	-
Non deductible provisions	14,780,258	
Brought forward losses utilised	(469,649)	(1,648,124)
Group relief for nil consideration	(3,593,021)	-
Current tax charge for the year	-	-

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax principally because certain items of expenditure are not deductible for tax purposes.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

8. TANGIBLE FIXED ASSETS

Investment properties

	Freehold investment properties £	Long leasehold investment properties £	Total £
At valuation 30 September 2007	470,379,000	106,359,000	576,738,000
Deficit on revaluation, transferred to revaluation reserve (note 16)	(147,072,000)	(31,015,000)	(178,087,000)
At valuation 30 September 2008	323,307,000	75,344,000	398,651,000

Investment properties were valued at 30 September 2008 by King Sturge LLP, the qualified external valuers (2007: King Sturge) on the basis of Market Value on an individual property basis in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors.

The Directors have reviewed King Sturge LLP's valuation at 30 September 2008 and have considered that no permanent diminution is required on the investment properties.

9. INVESTMENTS

	Share in subsidiary undertaking £	Subordinated loan notes to subsidiary undertaking £	Total £
Cost			
At 1 October 2007	382,224	19,717,454	20,099,678
Additions	-	30,503,912	30,503,912
At 30 September 2008	382,224	50,221,366	50,603,590
Provision			
At 1 October 2007	-	-	-
Provision in the current year	(382,224)	(50,221,366)	(50,603,590)
At 30 September 2008	(382,224)	(50,221,366)	(50,603,590)
Net book value			
At 30 September 2008	-	-	-
At 30 September 2007	382,224	19,717,454	20,099,678

Shares in Subsidiary undertaking

On 1 December 2006, NHP Securities No. 1 Limited purchased the entire issued share capital of Care Homes No. 2 (Cayman) Limited, a company incorporated in the Cayman Islands. The principal activity of Care Homes No. 2 (Cayman) Limited is the investment in overriding leases acquired from the Company.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

9. **INVESTMENTS (Continued)**

At 30 September 2008, the Company held investments either directly or indirectly in the following principal subsidiary undertakings:

Name	Country of incorporation	% Holdings	Principal activity
Care Homes No.2 (Cayman) Limited *	Cayman Islands	100%	Investment in care homes properties
NHP Securities No.5 Limited	Jersey	100%	Investment in care home properties
NHP Securities No.8 Limited	Jersey	100%	Investment in care homes properties

* held directly by Libra CareCo CH2 PropCo Limited.

All shares held are ordinary shares.

Summarised below are the financial information of the subsidiary undertakings:

	Capital and Reserve at 30 September 2008 £	Loss for the year ended 30 September 2008 £
Care Homes No.2 (Cayman) Limited	(61,000,604)	(50,954,493)
NHP Securities No.5 Limited	-	(19,903)
NHP Securities No.8 Limited	-	(16,262)

Subordinated Loan notes to subsidiary undertaking

At 30 September 2008 a loan note of £50,221,366 (2007: £19,717,454) was issued to Care Homes No.2 (Cayman) Limited, a group undertaking. The loan note has no fixed repayment date and bear interest of LIBOR plus 2% per annum.

10. **DEBTORS**

	2008 £	2007 £
Loan interest receivable from group undertaking	-	343,135
Amount due from group undertakings	-	7,783,008
Other debtors	17,297	14,298
Deferred tax debtor	-	-
	17,297	8,140,441

11. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008 £	2007 £
Loan interest payable to group undertakings*	28,614,148	10,503,353
Amounts owed to group undertakings	5,771,807	15,264,971
Other creditors	1,180	3,008
Accruals	6,000	-
	34,393,135	25,771,332

* The nature and repayment terms are disclosed in note 12.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

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

	2008 £	2007 £
Loan notes due to NHP Securities No. 3 Limited	72,106,107	72,106,107
Loan notes due to Libra No. 3 Limited	156,890,473	156,890,473
	228,996,580	228,996,580

On 17 October 2005 NHP Securities No.3 Limited, a group undertaking issued a loan note of £72,106,107 to the Company, which represents part of the consideration payable for assets transferred. The loan note has no fixed repayment date and carries loan interest at LIBOR plus 2% per annum.

On 3 March 2006 Libra No. 3 Limited, an intermediate parent undertaking issued a loan note of £156,890,473 to the Company to enable it 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 carries interest at LIBOR plus 2% per annum.

13. PROVISION FOR LIABILITIES AND CHARGES

	At 1 October 2007 £	Cost incurred in the year £	Profit and loss account £	At 30 September 2008 £
Tenant's receivership support costs	-	(230,139)	724,938	494,799

As at 30 September 2008, the Group has incurred and accrued total commitments of £792,000 in relation to a tenant's receivership support costs, of which £650,000 was paid in the period from 1 October to 9 January 2009. The Company shared £494,799 of the total costs incurred. The Group is anticipated to settle the remaining amount of £142,000 by the end of February 2009, subject to the leases of the care homes in receivership are successfully assigned to a new tenant by that time. The Group is not expecting any re-imbursement from the receivers.

14. DEFERRED TAXATION

	2008		2007	
	Provided	Unprovided	Provided	Unprovided
Deferred taxation	£	£	£	£
Accelerated capital allowances	-	(2,089,076)	-	(877,518)
Revaluation of investment properties	-	36,032,352	-	85,896,712
Losses carried forward	-	-	-	(1,075,307)
	-	33,943,276	-	83,943,887

A deferred tax asset has not been recognised on accelerated capital allowances, as it is considered more likely than not that there will be insufficient taxable profits in the future against which the capital allowances may be utilised.

The deferred tax liability on the potential capital gain arising in relation to the revalued freeholds of £36,032,352 (2007: £85,896,712) is not recognised as the Company has no intention to sell these properties at this time and there is no binding agreement.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

15. SHARE CAPITAL

	2008 £	2007 £
Authorised:		
100 ordinary shares at £1 each	100	100
Called up, allotted and fully paid:		
1 ordinary shares of £1 each	1	1

16. RESERVES

	Capital contribution reserve* £	Revaluation Reserve £	Profit and loss account £
At 1 October 2007	238,557,517	113,335,403	(1,682,714)
Deficit on revaluation of investment properties	-	(178,087,000)	-
Loss for the year	-	-	(37,339,424)
At 30 September 2008	238,557,517	(64,751,597)	(39,022,138)

* The Company has no obligation to repay these amounts nor to provide any consideration for receiving them.

17. CONTINGENT LIABILITIES AND GUARANTEES

The Company is one of the guarantors to a £1,172 million term loan facility agreement entered into by Libra No. 3 Limited with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007. The facility is secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were ultimately transferred by way of novation to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

18. POST BALANCE SHEET EVENT

On 25 November 2008 a standstill agreement was put in place until 14 January 2009 and later extended until 14 April 2009, which suspends the ability of Capmark, the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Company time to negotiate a solution to the problem of the breached covenants without threat of foreclosure. See further details in note 1 to the financial statements.

19. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other undertakings within the Libra No.2 Limited group have not been disclosed in these financial statements.

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

20. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra CareCo CH2 PropCo Holdco Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate and parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man. In the opinion of the Directors, there is no ultimate controlling party in that company.

The results of the Company are consolidated within Libra No. 2 Limited, its intermediate parent undertaking, a company incorporated and registered in the Cayman Islands. Libra No. 2 Limited is both the smallest and largest group including the Company for which consolidated accounts are prepared.

Copies of the Libra No. 2 Limited group consolidated financial statements to 30 September 2008, which include the results of the Company, are available from Libra Group at, 25 Hanover Square, London, W1S 1JF.