Company Registration No. 05555758

LIBRA CARECO CH2 PROPCO LIMITED

Report and Financial Statements
30 September 2013

REPORT AND FINANCIAL STATEMENTS 2013

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REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
P H Thompson

COMPANY SECRETARY

L Pang

REGISTERED OFFICE

Liberty House
222 Regent Street
London
W1B 5TR

BANKERS

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

SOLICITORS

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester M1 5ES

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements from the year ended 30 September 2013.

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.

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

DIRECTORS

The following Directors served throughout the year:

P H Thompson
J M J M Jensen

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

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

AUDITOR

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

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

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

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

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

J M J M Jensen
Director
Date: 4 February 2014
Liberty House
222 Regent Street
London W1B 5TR

STRATEGIC REPORT

BUSINESS REVIEW

At 30 September 2013 the 103 properties owned by the Company and operated by HC-One were valued as individual operational entities on existing use basis whereas the 17 properties leased to third party operators were continued to be valued on Market Rent basis.

At 30 September 2013 the Company owned 120 freehold and leasehold properties valued at £239,310,000 (2012: £230,324,000).

RESULTS

The results for the year ended 30 September 2013 are set out in the profit and loss account on page 10. The principal Key Performance Indicators (KPIs) used by the Company to measure its own performance are shown below:

	Year ended 30 September 2013	Year ended 30 September 2012	Increase / (Decrease)
Turnover	£20.8m	£20.8m	-
Loss before taxation	£12.3m	£17.7m	30.5%
Shareholders' deficit	£63.3m	£66.2m	4.4%
Tangible fixed assets at valuation	£239.3m	£230.3m	£9.0m

Turnover for the year ended 30 September 2013 has remained as same level as in previous year. During the year, the Company made provisions for the amounts due from group undertakings for total amounts of £26.4m (2012: £28.0m) and permanent diminution in value of tangible fixed assets of £0.01m (2012: £1.0m). The property valuation of the Company has increased by £9.0m to £239.3m mainly due to improvement in the valuation of operating properties managed by HC-One Limited.

DIVIDENDS

No dividends in respect of the year are proposed (2012: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company have the overall responsibilities for the Group and its subsidiaries in assessing risk and taking appropriate action, which the Company forms an integral part of. Accordingly, the Group risks and policies also apply to the Company.

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 as disclosed in note 16 of the LIBRA No 2 Limited's 30 September 2013 financial statements. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

The Group's principal assets are bank balances and cash, trade and other receivables and tangible fixed assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group based on previous experience and assessment of the current economic climates.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

STRATEGIC REPORT (Continued)

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group has continued to receive support from its lenders as disclosed in note 1 to the financial statements.

Price risk

The Group has entered into a number of medium-term rental agreements with its tenants which some tenants are subject to fixed annual price increases and the other tenants are linked to RPI.

The Group also faced uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One.

PROPERTY VALUATIONS

The Group's property portfolio is the largest component of its net asset value. The value of the Group's property portfolio is subject to the conditions prevailing in the property investment market, the general economic environment, and the growing pressure on the public sector spending. Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control.

At 30 September 2013 the investment properties are stated at market value as valued by Jones Lang LaSalle, a professionally qualified external valuers, whereas the operating properties have been valued as individual operational entities having regard to their trading potential, excluding head office costs.

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length. The current economic climate means that there have been few transactions involving the types of property owned by the Group. Jones Lang LaSalle commented in their valuation certificate as at 30 September 2013 that events in relation to the demise of Southern Cross at the end of 2011 and subsequent transfer of their homes to landlords and multiple operators including HC-One (in the case of the majority of this portfolio), the sale of Four Seasons Healthcare Group in 2012, a continuing lack of liquidity in the financial sector, together with austerity measures which were detrimentally affecting market sentiment were, in the opinion of Jones Lang LaSalle, likely to affect values going forward. As the market adjusts following these events, circumstances continue to change, and as such Jones Lang LaSalle were not able to accurately assess the medium/long term effect there will be on the market with the very limited investment transactional evidence available to them and therefore they applied their professional judgement.

GOING CONCERN

The Company is a guarantor for a loan entered into by another Group company and is also reliant on the Group to continue as a going concern due to its recurring losses and net current liability position. Nevertheless, the Group has been in technical breach of its loan covenants since 15 December 2008 due to the fall in property values and the Directors of the Company and of the Group have been in restructuring negotiations with its lenders since 28 November 2008 and have entered into a series of standstill agreements which suspend the rights of creditors with respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security. On 14 January 2014, a further standstill agreement was put in place, expiring 14 April 2014.

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 220 care homes. HC-One has established a market leading reputation and developed a recognisable brand for the provision of high quality care in the UK. HC-One is now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 220 care homes.

STRATEGIC REPORT (Continued)

GOING CONCERN (Continued)

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements.

As at 4 February 2014, the Group has provided a total amount of £68 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013 and a further inter-company loan of £8 million in December 2013.

The Group now controls both the properties and the operations of over 220 care homes and has therefore taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations.

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded.

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through supporting the care home operations at HC-One.

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*).

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*).

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process.

Workstreams with respect to the Sale Process are on-going.

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet; without limitation, reasonable:

(a) day-to-day operating costs and expenses;

(b) restructuring and/or disposal costs;

(c) other exceptional costs incurred in relation to the Disposal Options and/or Potential Restructuring; and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013 and 15 January 2014.

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date.

STRATEGIC REPORT (Continued)

GOING CONCERN (Continued)

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed.

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a going concern basis.

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

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 15 to the financial statements.

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

J M J M Jensen
Director
Date: 4 February 2014
Liberty House
222 Regent Street
London W1B 5TR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and accounting estimates that are reasonable and prudent;

(c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LIBRA CARECO CH2 PROPCO LIMITED

We have audited the financial statements of Libra CareCo CH2 PropCo Limited for the year ended 30 September 2013, which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' (Deficit) / Funds, the Note of Historical Cost Profits and Losses and the related Notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LIBRA CARECO CH2 PROPCO LIMITED (Continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £12,331,307 for the year ended 30 September 2013 and, as of that date, the Company's current liabilities exceeded its current assets by £297,637,453. Thus the Company is reliant on the Group to continue as a going concern.

The Group is in breach of the financial covenants in its loan agreement (as described in note 16 of the LIBRA No 2 Limited's 30 September 2013 financial statements). The Directors are in discussion with Capita Asset Services (UK) Limited regarding a resolution of the breach. However, the outcome of these discussions and the timing of their conclusion are uncertain.

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Beddy

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

Date: 4 February 2014

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £	Year ended 30 September 2012 £
TURNOVER AND GROSS PROFIT	3	20,763,456	20,759,112
Provision for permanent diminution in value of tangible fixed assets		(22,762)	(970,614)
Administrative expenses	4	(32,134,933)	(36,294,608)
Total administrative expenses		(32,157,695)	(37,265,222)
OPERATING LOSS		(11,394,239)	(16,506,110)
Profit on sale of tangible fixed assets		41,918	404,084
Net interest payable and similar charges	5	(940,397)	(1,615,770)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(12,292,718)	(17,717,796)
Tax on loss on ordinary activities	6	(38,589)	(4,979,901)
Loss on ordinary activities after taxation and loss for the financial year	13	(12,331,307)	(22,697,697)

Results are derived wholly from continuing operations.

BALANCE SHEET
30 September 2013

	Notes	2013	2013	2012	2012
		£	£	£	£
TANGIBLE FIXED ASSETS					
Investment properties	7		12,505,000		15,315,000
Operating properties	7		226,805,000		215,009,000
			239,310,000		230,324,000
Investments	8		-		-
CURRENT ASSETS					
Debtors	9	-		808	
		-		808	
CREDITORS: amounts falling due within one year	10	(297,637,453)		(291,582,453)	
NET CURRENT LIABILITIES			(297,637,453)		(291,581,645)
TOTAL ASSETS LESS CURRENT LIABILITIES			(58,327,453)		(61,257,645)
PROVISION FOR LIABILITIES	11		(5,018,490)		(4,979,901)
NET LIABILITIES			(63,345,943)		(66,237,546)
CAPITAL AND RESERVES					
Called up share capital	12		1		1
Capital contribution reserve	13		238,557,517		238,557,517
Revaluation reserve	13		(193,131,945)		(212,410,169)
Profit and loss account	13		(108,771,516)		(92,384,895)
SHAREHOLDERS' DEFICIT			(63,345,943)		(66,237,546)

These financial statements were approved and authorised for issue by the Board of Directors on 4 February 2014.
The Company Registration number is 05555758.

Signed on behalf of the Board of Directors

J M J M Jensen
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Loss for the year	13	(12,331,307)	(22,697,697)
Net surplus / (deficit) on revaluation of tangible fixed assets	13	15,222,910	(25,582,001)
Total recognised gains/ (losses) for the year		2,891,603	(48,279,698)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Loss for the year	13	(12,331,307)	(22,697,697)
Net surplus / (deficit) on revaluation of tangible fixed assets	13	15,222,910	(25,582,001)
Net increase / (decrease) in shareholders' funds		2,891,603	(48,279,698)
Shareholders' deficit at the beginning of year		(66,237,546)	(17,957,848)
Shareholders' deficit at the end of year		(63,345,943)	(66,237,546)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Loss on ordinary activities before taxation		(12,331,307)	(17,717,796)
Realisation of property revaluation losses of previous years	13	(4,055,314)	(5,772,154)
Historical cost loss on ordinary activities before taxation		(16,386,621)	(23,489,950)
Historical cost loss retained for the year		(12,331,307)	(22,697,697)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

1. GOING CONCERN

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

The Group has been in breach of the covenants on its term loans since November 2008 and as at 30 September 2013 and at 4 February 2014 the term loan amounts remain outstanding (see note 16 of the LIBRA No 2 Limited's 30 September 2013 financial statements for further details).

Since November 2008 the term loans have been subject to a series of standstill agreements and on 14 January 2014 a further standstill agreement was put in place, expiring on 14 April 2014.

Following the assignment on 31 October 2011 of operating leases from Southern Cross Healthcare Group plc ("Southern Cross") to HC-One Limited ("HC-One"), a subsidiary undertaking established by the Group, the Group now controls both the properties and the operations of over 220 care homes. HC-One has established a market leading reputation and developed a recognisable brand for the provision of high quality care in the UK. HC-One is now the third largest care home operator in the UK, providing nursing and residential care to more than 10,000 residents in over 220 care homes.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through the care home operations at HC-One. Therefore, in order to protect the Group's investment and ensure funds were available to underwrite an investment programme in the care homes operated by HC-One with a view to maintaining and improving the quality of care provided by them, the Group has taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations. Accordingly, the Directors of the Company and of the Group have continued to retain some of the rental income monies received from the Group's tenants and the operating profits (before NHP rent) of HC-One during the year through a series of partial interest payments to the Group's lenders. These non-full interest payments have been acknowledged in the standstill agreements.

As at 4 February 2014, the Group has provided a total amount of £68 million to HC-One. These funds have been made available to HC-One by way of a capital contribution of £5 million and inter-company loans of £25 million in October 2011, inter-company loan of £25 million in December 2012, inter-company loan of £5 million in July 2013 and a further inter-company loan of £8 million in December 2013.

The Group now controls both the properties and the operations of over 220 care homes and has therefore taken action to ensure that HC-One is able to operate those homes without the burden of uneconomic rent obligations.

Whilst the Group must resolve its outstanding debts in the medium term, the Directors of the Company and of the Group have advised Capita Asset Services (UK) Limited ('Capita'), the Servicer and the Special Servicer to the Senior Loan that the Group intends to continue to withhold amounts of rental income and the operating profits (before NHP rent) of HC-One from debt service, to ensure that HC-One remains properly funded.

This will enable HC-One to continue its implementation of a comprehensive programme of capital investment with a view to enhancing the value of the Group and improving future recoveries for the Group's lenders.

In the opinion of the Directors of the Company and of the Group, the long-term value of the Group will only be achieved through supporting the care home operations at HC-One.

In July 2013 following the stabilisation of the trading performance and financial position of HC-One, Ernst & Young LLP('EY') was appointed to undertake a review of certain options available to the Group and to Capita with a view to maximising recoveries for the Group's lenders (the *Potential Restructuring*).

EY's review recommended that the Group explores a variety of exit strategies, including the sale of the whole or part of the Group and/or its properties (the *Disposal Options*).

The Group and Capita have decided to pursue a possible sale of the Group (the *Sale Process*) in September 2013. In this regard they have appointed Deutsche Bank to act as financial adviser in connection with the Sale Process.

Workstreams with respect to the Sale Process are on-going.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

1. GOING CONCERN (Continued)

On 20 December 2013 the Group's lenders represented by Capita confirmed in a support letter that it is their current intention to enable the Group to retain the funds it requires to meet; without limitation, reasonable:

(a) day-to-day operating costs and expenses;

(b) restructuring and/or disposal costs;

(c) other exceptional costs incurred in relation to the Disposal Options and/or Potential Restructuring; and

(d) funds to ensure that HC-One can provide continuity of care services at the homes operated by it and for investment in the homes in accordance with the HC-One business plan dated 18 October 2012 as updated on 13 December 2013 and 15 January 2014.

On this basis, the Directors of the Company and of the Group have prepared a forecast cash flow up to 30 June 2015 which demonstrates that the Group will remain cash positive throughout the period to that date.

Given these circumstances, the Directors of the Company and of the Group do not currently expect the Group to go into insolvent liquidation, although this position could change if the current standstill agreement were to be terminated or not renewed.

Given the above, there is material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore indicates that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, at the present time, the Directors of the Company and of the Group consider it appropriate to prepare the Group and the Company financial statements on a going concern basis.

In the event that the going concern basis should become inappropriate, the assets of the Group and the Company would be written down to their recoverable value and provision made for any further liabilities that may arise. At this time it is not practicable to quantify such adjustments.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of tangible fixed assets, and in accordance with all applicable United Kingdom accounting standards; except that, as explained below, investment properties are not depreciated.

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

Turnover

Turnover represents amounts receivable on overriding lease rents during the year, excluding Value Added Tax. The Company recognises the amount of turnover in accordance with the Overriding Lease Agreement when there is a right to consideration. Turnover is recorded at the value of consideration due.

Tangible fixed assets

Tangible fixed assets are stated at valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

2. ACCOUNTING POLICIES (Continued)

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 19 'Accounting for Investment Properties', these investment properties are valued by Jones Lang LaSalle, the qualified external valuers on an 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.

Operating properties

Individual freehold and leasehold properties other than investment properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

On 1 November 2011, the lease agreements of the investment properties leased by the Company to a third party tenant were assigned to HC-One Limited, a wholly owned subsidiary of LIBRA No 2 Limited and since then have been operated by that company. Accordingly, these tangible fixed assets were reclassified as operating properties from investment properties at the then existing use value. Operating properties are valued annually at the balance sheet date on existing use basis by Jones Lang LaSalle.

Depreciation

In accordance with SSAP 19, no depreciation is provided in respect of investment properties. Under the terms of the lease, freehold property is required to be maintained to a high standard by its tenant.

The fact that no depreciation is provided in respect of the investment properties is a departure from the statutory accounting rules, which requires all fixed assets to be depreciated over their effective useful lives. However, such property is 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 2006 is 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.

Operating properties are depreciated in equal annual instalments over the estimated useful lives of each category of asset. The estimated useful economic lives are as follows:

Freehold buildings	30 years

The useful economic lives of the freehold building, which relate to the freehold buildings of the Group operated by HC-One operating business, has been estimated as 30 years from the date these properties have become owner occupied.

Exemption from consolidation

The Company is itself a subsidiary undertaking of LIBRA No 2 Limited, a company incorporated and registered in the Cayman Islands, and the Company is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements provide information about the Company as an individual undertaking and not about its group.

Investment

Fixed asset investment is stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

2. ACCOUNTING POLICIES (Continued)

Taxation

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

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

Interest

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

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

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Overriding lease rents received from group undertaking	20,763,456	20,759,112

4. ADMINISTRATIVE EXPENSES

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

None of the Directors received emoluments in relation to their services to the Company during the current or preceding year. Directors' emoluments have been borne by NHP Management Limited, a group undertaking during the current and preceding year.

Administrative expenses include:

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Management fees from NHP Management Limited, a group undertaking	216,815	166,492
Net provision for doubtful debts – group undertakings*	26,449,877	28,018,076
Depreciation of operating properties	5,271,996	7,848,385
Fees payable to the Company's auditor for the audit of the Company's annual accounts	24,000	24,000
Tax adviser fees payable to the Company's auditor	6,000	6,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

4. ADMINISTRATIVE EXPENSES (Continued)

*Provision for doubtful debts include a total of £20,763,456 for the investment in subordinated loan notes and £5,686,421 in respect of other amounts owed by group undertakings (30 September 2012: £20,759,112 and £7,258,964 respectively).

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Interest receivable on loan notes to group undertaking	5,084,303	5,788,474
Interest payable on loan notes from group undertakings	(6,024,700)	(7,404,214)
Finance costs	-	(30)
	(940,397)	(1,615,770)

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Corporation tax charge	-	-
Deferred tax charge	(38,589)	(4,979,901)
Total tax charge	(38,589)	(4,979,901)
Loss before tax	(12,292,718)	(17,717,796)
Tax on loss at standard rate of 23.5% (2012: 24.5%)	(2,888,789)	(4,429,449)
Factors affecting tax charge:		
Non deductible provisions	6,215,722	7,004,519
Impairment of investments	5,349	242,653
Decrease in value of property interest	-	-
Profit on disposal	(9,851)	(101,021)
Depreciation in excess of capital allowances	1,238,919	1,962,096
Group relief for nil consideration	(4,561,350)	(4,678,798)
Current corporation tax charge	-	-

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax due to certain expenditure being disallowable for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

7. TANGIBLE FIXED ASSETS

Investment properties

	Freehold Investment properties £
At valuation 30 September 2012	15,315,000
Net deficit on revaluation, transferred to revaluation reserve (note 13)	(2,265,000)
Provision for permanent diminution in value (net)	(95,000)
Disposals	(450,000)
At valuation 30 September 2013	12,505,000

Investment properties are stated at market value as at 30 September 2013 as valued by professionally qualified external valuers. The Group's properties were valued by Jones Lang LaSalle, Chartered Surveyors a member of the Royal Institution of Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. In their valuation report, Jones Lang LaSalle have stated that the opinions and values stated therein represent their objective view as at 30 September 2013.

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2013 and are of the opinion that there is a net deficit of £95,000 (2012: £350,000) on the investment properties in respect of the closure homes which represents a permanent fall in value, which has consequently been charged in the profit and loss account.

The historical cost of the Company's freehold and long leasehold investment properties at 30 September 2013 was £12,383,000 (2012: £13,459,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

7. **TANGIBLE FIXED ASSETS (Continued)**

Operating properties	**Freehold land and buildings £**	**Long leasehold land and buildings £**	**Total £**
At valuation:			
At 1 October 2012	165,594,000	49,415,000	215,009,000
Disposal	(500,000)	-	(500,000)
Net surplus on revaluation, transferred to revaluation reserve (note 13)	10,068,762	2,155,000	12,223,762
Write back of provision for permanent diminution in value	72,238	-	72,238
At valuation 30 September 2013	175,235,000	51,570,000	226,805,000
Depreciation			
At 1 October 2012	-	-	-
Depreciation charge	(4,029,575)	(1,242,421)	(5,271,996)
Disposal	7,848	-	7,848
Net surplus on revaluation, transferred to revaluation reserve (note 13)	4,021,727	1,242,421	5,264,148
At valuation 30 September 2013	-	-	-
Net book value at 30 September 2013	175,235,000	51,570,000	226,805,000
Net book value at 30 September 2012	165,594,000	49,415,000	215,009,000

At 30 September 2013 the operating properties have been valued by Jones Lang LaSalle as individual operational entities having regard to their trading potential, excluding head office costs.

The Group's property portfolio is valued in compliance with International Valuation Standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable open market transactions at arm's length. The current economic climate means that there have been few transactions involving the types of property owned by the Group. The Company's valuers, Jones Lang LaSalle commented in their valuation certificate as at 30 September 2013 that events in relation to the demise of Southern Cross at the end of 2011 and subsequent transfer of their homes to landlords and multiple operators including HC-One (in the case of the majority of this portfolio), the sale of Four Seasons Healthcare Group in 2012, a continuing lack of liquidity in the financial sector, together with austerity measures which were detrimentally affecting market sentiment were, in the opinion of Jones Lang LaSalle, likely to affect values going forward. As the market adjusts following these events, circumstances continue to change, and as such Jones Lang LaSalle were not able to accurately assess the medium/long term effect there will be on the market with the very limited investment transactional evidence available to them and therefore they applied their professional judgement.

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2013 and have considered that a write back of permanent diminution in value of £72,238 (2012: write off of £620,614) is required on the operating properties in respect of closure homes, which has consequently charged in the profit and loss account.

The historical cost of the Company's freehold and long leasehold operating properties at 30 September 2013 was £231,977,000 (2012: £233,216,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

8. INVESTMENTS

	Share in subsidiary undertaking £	Subordinated loan notes investment in subsidiary undertaking £	Total £
Cost			
At 1 October 2012	382,224	164,526,440	164,908,664
Additions	-	20,763,456	20,763,456
At 30 September 2013	382,224	185,289,896	185,672,120
Provision			
At 1 October 2012	(382,224)	(164,526,440)	(165,908,664)
Provision in the current year	-	(20,763,456)	(20,763,456)
At 30 September 2013	(382,224)	(185,289,896)	(185,672,120)
Net book value			
At 30 September 2013	-	-	-
At 30 September 2012	-	-	-

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.

At 30 September 2013, 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.

Subordinated Loan notes investment in subsidiary undertaking

At 30 September 2013 a loan note of £185,289,896 (2012: £164,526,440) was invested in Care Homes No.2 (Cayman) Limited, a group undertaking. The loan note has no fixed repayment date and bears interest of LIBOR plus 2% per annum.

The investment in the loan notes in Care Homes No.2 (Cayman) Limited has been written down in full as its current liabilities exceeded its current assets by £202,769,748 at 30 September 2013. Furthermore, Care Homes No.2 (Cayman) Limited is one of the guarantors to a £1,172 million term loan facility agreement entered into by LIBRA No 3 Limited, a group undertaking with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007. As disclosed in note 1, since November 2008, the Senior Loan has been under a series of standstill agreements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

9. DEBTORS

	2013	2012
	£	£
Other debtors	-	808
	-	808

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Loan notes due to group undertakings	228,996,580	228,996,580
Loan interest payable to group undertakings	63,393,108	57,400,774
Amounts owed to group undertakings	5,200,800	5,111,010
Creditors	40,965	64,670
Accruals	6,000	9,419
	297,637,453	291,582,453

Loan notes due to group undertakings

On 17 October 2005, the Company issued a loan note of £72,106,107 to NHP Securities No.3 Limited, a group undertaking, 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, the Company issued a loan note of £156,890,473 to LIBRA No 3 Limited, an intermediate parent undertaking 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.

Amounts owed to group undertakings

These amounts are due on demand bearing no interest.

11. DEFERRED TAXATION

	2013		2012	
	Provided	Unprovided	Provided	Unprovided
Deferred taxation	£	£	£	£
Accelerated capital allowances	5,018,490	-	4,979,901	-
Revaluation of investment properties	-	(2,151,746)	-	(3,530,091)
	5,018,490	(2,151,746)	4,979,901	(3,530,091)

Movement in deferred tax:	£
At 1 October 2012	4,979,901
Charge to profit and loss account	38,589
At valuation 30 September 2013	5,018,490

A deferred tax liability of £5,018,490 has been recognised on timing differences relating to accelerated capital allowances.

No deferred tax asset has been recognised on the potential capital loss arising on the revalued freeholds.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

12. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Called up, allotted and fully paid:		
1 ordinary shares of £1 each	1	1

13. RESERVE

	Capital contribution reserve* £	Revaluation Reserve £	Profit and loss account £
At 1 October 2012	238,557,517	(212,410,169)	(92,384,895)
Net surplus on revaluation of tangible fixed assets	-	15,222,910	-
Realisation of property revaluation losses of previous years	-	4,055,314	(4,055,314)
Loss for the year	-	-	(12,331,307)
At 30 September 2013	238,557,517	(193,131,945)	(108,771,516)

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

14. CONTINGENT LIABILITIES AND GUARANTEES

The Company is one of the guarantors to a £1,172 million term loan facility agreement entered into by LIBRA No 3 Limited, a group undertaking with CS Funding 1 Limited, a group undertaking of Credit Suisse on 15 January 2007. The facility is secured by a fixed and floating charge on group assets and unlimited guarantee from its group undertakings. On 4 April 2007 CS Funding 1 Limited's rights and obligations under the £1,172 million term loan agreement were assigned to Libra NHP (2007) Limited, who in turn assigned £638 million to Titan Europe 2007-1 (NHP) Limited on 24 May 2007.

15. POST BALANCE SHEET EVENT

On 14 January 2014 a standstill agreement was put in place until 14 April 2014 which suspends the ability of Capita Asset Services (UK) Limited, the loan servicer to exercise its rights in relation to certain specified events of default. Also, it allows the Group time to negotiate a solution to the problem of the breached covenants without threat of foreclosure.

16. 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.

No other related party transaction is noted.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

17. PARENT UNDERTAKINGS

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

The ultimate parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man.

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

Copies of the LIBRA No 2 Limited group consolidated financial statements to 30 September 2013, which include the results of the Company, are available from the Companies House at Crown Way, Cardiff, Wales CF14 3UZ.