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Company Registration No. FC 026602

LIBRA NO 2 LIMITED

Report and Financial Statements
30 September 2012

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REPORT AND FINANCIAL STATEMENTS 2012

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REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen	Executive Director
P H Thompson	Non-executive Director

SECRETARY

Dominion Corporate Services Limited

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

SOLICITORS

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

White & Case LLP
5 Old Broad Street
London EC2N 1DW

BANKERS

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

The Royal Bank of Scotland PLC
36 St Andrew Square
Edinburgh EH2 2YB

AUDITOR

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2012

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 together with the operation by HC-One Limited ("HC-One"), a group undertaking of nursing and residential 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

On 31 October 2011 HC-On acquired the trade and certain assets of 247 care homes from Southern Cross Healthcare Plc, the Group's former principal tenant, of which it spent about £1 million in costs of acquisition A negative goodwill of £11,712,000 has arisen from this acquisition because of the distressed vendor, which is linked to the fixed assets being purchased at a conceded value Negative goodwill is being amortised over the useful lives of those assets Further acquisition details are found in note 11 HC-One commenced trading on 1 November 2011

HC-One is a leading care home operator in the UK providing nursing and residential care to more than 10,000 residents in over 240 care homes across UK During the period, HC-One has commenced a significant business turnaround, at all times being focused on the needs of residents and working to ensure that the residents receive the care they deserve HC-One stabilised the business of the care homes acquired from Southern Cross

At 30 September 2012 the Group owned the freehold and long leasehold interests in 293 care homes, two residential properties and three sites together valued at £515,923,000 (2011 294 care homes, three residential properties and two sites at £602,015,000) 236 care homes operated by HC-One were valued as individual operational entities on an existing use basis The remaining 57 care homes operated by third party operators continue to be valued on Market Value basis The property valuation at 30 September 2011was entirely based on Market Value basis

RESULTS

The results of the Group for the years ended 30 September 2012 and 30 September 2011 are set out in the consolidated profit and loss account on page 10

The key financial and operational performance indicators monitored by HC-One operating business include internal quality ratings, regulatory inspections, occupancy percentage, average weekly fees and costs per resident week Further details on the performances and key achievements of the operating business can be found in directors' report of the audited financial statements of HC-One Limited for the period ended 30 September 2012, which are publicly available

The other principal Key Performance Indicators (KPIs) used by the Group to measure its own performance are shown below

	2012	2011	Increase/ (decrease)
Turnover	£292 2m	£74 1m	£218 1m
Adjusted operating profit*	£34 9m	£72 0m	£(37 1m)
Operating cash flow after interest	£42 2m	£10 8m	£31 4m
Shareholders' deficit	£1,210 79m	£970 1m	£240 69m
Investment and operating properties at valuation	£515 9m	£602 0m	£(86 1m)

DIRECTORS' REPORT (continued)

RESULTS (Continued)

Group turnover for the year ended 30 September 2012 has increased by £218 1m principally due to the operating business acquired by HC-One

*Adjusted operating profit for the year ended 30 September 2012 is calculated as operating profit of £24 6m plus exceptional costs of £5 4m plus provision for permanent diminution in value of tangible fixed assets of £4 9m (2011 £71 2m less £0 3m plus £1 1m) The operating profit before exceptional costs and permanent diminution in value has declined principally due to depreciation charges on operating properties of £16 9m introduced during the current year (2011 £nil) and the administration expenses incurred by operating business acquired y HC-One

Operating cash flow after interest for the year ended 30 September 2012 is calculated as net cash inflow from operating activities of £58 5m less net cash outflow from returns on investment and servicing of finance of £16 3m (2011 £69 3m less £58 5m)

Shareholders' deficit has increased from £970 1m at 30 September 2011 to £1,210 79m at 30 September 2012 The increased amount of £240 69m in shareholders' deficit was due to the following

(a) the loss for the year of £174 91m, and

(b) the fall in the market value of the Group's properties by £86 1m to £515 9m as a result of the impact of the current financial crisis and the impact of the demise of Southern Cross on the nursing homes market

DIVIDENDS

The Company has declared and paid a dividend of £nil for the year (2011 £nil)

DIRECTORS

The following Directors served during the year

Directors
P H Thompson
J M J M Jensen

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 15 of the LIBRA No 2 Limited's 30 September 2012 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

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 face 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

On 31 October 2011 following the demise of Southern Cross Healthcare plc ('Southern Cross') (the Group's former principal tenant), the homes previously operated by Southern Cross were transferred to and became operated by HC-One Limited ('HC-One'), a group undertaking Accordingly, Jones Lang LaSalle's valuation approach to the HC-One properties at 30 September 2012 was different from their last accounts valuation at 30 September 2011, in that they have calculated the market value of the properties as operational entities having regard to their trading potential on an asset by asset basis The HC-One properties were transferred from investment properties and now valued as operating properties with an apportionment of their value between land and buildings

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 2012 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

As set out in note 16 to the financial statements, as at 30 September 2012, the Company (the "**Mezzanine Borrower**") had a term loan of £70 million (the "**Mezzanine Loan**") and LIBRA No 3 Limited (a subsidiary of the Company) (the "**Senior Borrower**") had a term loan of £1,172 million (the "**Senior Loan**") secured on the Group's freehold and long leasehold properties The Group has been in technical breach of its loan covenants since 15 December 2008 due to the fall in property values and the Directors of the Company have been in restructuring negotiations with its lenders since 28 November 2008 and have entered into a series of standstill agreements which suspend the rights of creditors with respect to the Senior Loan and the Mezzanine Loan to enforce their rights under the loan documents and related security On 14 January 2013, a further standstill agreement was put in place, expiring 12 April 2013

DIRECTORS' REPORT (continued)

GOING CONCERN (Continued)

The Group now controls both the property and the operations of over 240 care homes and can therefore 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 intend to continue to withhold amounts of rental from debt service albeit at a lower level than previously, to ensure that HC-One remains properly funded This would allow HC-One to stabilise its business and to complete a comprehensive programme of capital investment with a view to enhancing the value of the Group and improve future recoveries for the Group's lenders

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

On 12 February 2013 the Libra Group lenders have confirmed by a support letter that it is their intention to provide the Group with the funds it requires including, without limitation, reasonable (a) day-to-day operating costs and expenses,(b) restructuring and/or disposal costs, (c) other exceptional costs incurred in relation to the Disposal Options and/or the Potential Restructuring, and (d) ensuring that HC-One has sufficient funds to ensure continuity of care services at the homes and investment for the future in accordance with the HC-One business plan dated 18 October 2012 Based on this assumption, the Directors have prepared a forecast cash flow up to 30 September 2015 which -demonstrates that the Group remains cash positive throughout the period to that date

Given these circumstances along with other matters disclosed in note 1, the Directors do not currently expect the Company to go into insolvent liquidation but there is a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern, which casts the same doubt as to the Company's ability to continue as a going concern Nonetheless, at the present time, the Directors consider it appropriate to prepare the financial statements on the going concern basis See further details in note 1 to the financial statements

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 average creditors' days for the Group at 30 September 2012 were equivalent to 30 (2011 25) Creditor days for the Company at 30 September 2012 were nil (2011 nil), based on the average daily amount invoiced by suppliers during the year

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group and of the Company that the training, career development and promotion of disable persons should, as far as possible, be identical to that of their employees

EMPLOYMENT CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and of the Company This is achieved through formal and informal meetings and the weekly newsletters

POST BALANCE SHEET EVENTS

Events taking place after balance sheet date have been disclosed in note 28

CHARITABLE AMD POLITICAL CONTIBUTIONS

During the year the Group made charitable donation of £5,000, principally to local charities serving the communities in which the Group operates The Group and the Company made no political donations during the year

DIRECTORS' REPORT (continued)

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

AUDITOR

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

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is 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 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 expressed their willingness to continue in office as auditor 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

J M J M Jensen
Director
Date 27 February 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company Law requıres the Dırectors to prepare financıal statements for each financıal year Under that law the Dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under Company Law the Dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the Group and of the profit and loss of the Group for that perıod In preparıng these financıal statements, the Dırectors are requıred to

(a) select suıtable accountıng polıcıes and then apply them consıstently,

(b) make ȷudgements and accountıng estımates that are reasonable and prudent, and

(c) state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and

(d) prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The Dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the provısıons of the Companıes Act 2006 applıcable to overseas companıes They are also responsıble for safeguardıng the assets of the Company and of the Group and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LIBRA NO 2 LIMITED

We have audited the Group and Parent Company financial statements of LIBRA No 2 Limited (the 'Company') for the year ended 30 September 2012, which comprise the Consolidated Profit and Loss account, the Consolidated and Company 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 29 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 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 September 2012 and of the Group's 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 provisions of the Companies Act 2006 applicable to overseas companies

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 Group's and the Company's ability to continue as a going concern

The Group is in breach of the financial covenants in its loan agreement (as described in note 1) 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 Group's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LIBRA NO 2 LIMITED (Continued)

Opinion on other matter prescribed by the provision of the Companies Act 2006 applicable to overseas companies

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 provisions of the Companies Act 2006 applicable to overseas companies require us to report to you, if in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company 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

Deloitte LLP

Deloitte LLP
Chartered Accountants
London, United Kingdom
Date 27 February 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2012

	Notes	Existing operations £000	Acquisitions £000	2012 £000	2011 £000
TURNOVER	3	15,046	277,190	292,236	74,104
Cost of sales		-	(227,032)	(227,032)	-
Exceptional costs	5	-	(4,163)	(4,163)	-
Total costs of sales		-	(231,195)	(231, 195)	-
Gross profit		15,046	45,995	61,041	74,104
Provision for permanent diminution in value of properties		(4,851)	-	(4,851)	(1,098)
Administrative expenses / (income)					
- on-going		(1,628)	(11,743)	(13,371)	(2,151)
- property depreciation		-	(16,893)	(16,893)	-
- exceptional	5	(1,309)	-	(1,309)	353
Total administrative expenses		(7,788)	(28,636)	(36,424)	(2,896)
OPERATING PROFIT	3, 6	7,258	17,359	24,617	71,208
Costs of a fundamental restructuring of continuing operations	7	(2,525)	(2,683)	(5,208)	(4,042)
Net loss on sale of properties and other tangible fixed asset		(43)	-	(43)	-
Net interest payable and similar charges	8	(180,298)	-	(180,298)	(165,761)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(175,608)	14,676	(160,932)	(98,595)
Tax on loss on ordinary activities	9	(13,977)	-	(13,977)	-
LOSS FOR THE FINANCIAL YEAR	20	(189,585)	14,676	(174,909)	(98,595)

Results are derived wholly from continuing operations

The Company's subsidiary undertaking, HC-One Limited was incorporated on 20 July 2011 and commenced trading on 1 November 2011 The profit and loss account under 'Acquisitions' shows the trade for the eleven months to 30 September 2012

Inter-segment rental charges of £36,646,000 between the property business and the HC-One operating business for the period from 1 November 2011 (the date when HC-One commenced its trading) to 30 September 2012 have been excluded from the turnover of the property business (under existing operations) and the costs of sales of the HC-One operating business (under the acquisitions) respectively (see note 3 for further details)

Total depreciation on operating properties of £16,893,000 was charged to the profit and loss account for the current year (2011 £nil)

BALANCE SHEETS
at 30 September 2012

FIXED ASSETS	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
INTANGIBLE ASSETS					
Negative goodwill	11	(9,326)	-	-	-
TANGIBLE ASSETS					
Investment properties	12	71,615	601,475	-	-
Operating properties	12	444,308	540	-	-
Other fixed assets	12	26,246	12	-	-
		542,169	602,027	-	-
INVESTMENTS	13	-	-	-	-
TOTAL FIXED ASSETS		532,843	602,027	-	-
CURRENT ASSETS					
Debtors	14	21,515	506	125	125
Short-term deposits	15	41,976	27,757	-	-
Cash at bank and in hand	15	12,575	488	-	-
		76,066	28,751	125	125
CREDITORS· amounts falling due within one year	16	(1,803,111)	(1,600,856)	(412,927)	(331,947)
NET CURRENT LIABILITIES		(1,727,045)	(1,572,105)	(412,802)	(331,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,194,202)	(970,078)	(412,802)	(331,822)
CREDITORS: amounts falling due after more than one year	17	(982)	-	-	-
PROVISIONS FOR LIABILITIES	18	(15,601)	-	-	-
NET LIABILITIES		(1,210,785)	(970,078)	(412,802)	(331,822)
CAPITAL AND RESERVES					
Called up share capital	19	200	200	200	200
Revaluation reserve	20	(480,193)	(429,631)	-	-
Profit and loss account	20	(730,792)	(540,647)	(413,002)	(332,022)
SHAREHOLDERS' DEFICIT		(1,210,785)	(970,078)	(412,802)	(331,822)

These financial statements were approved and authorised for issue by the Board of Directors on 27 February 2013 The Company Registration number is FC026602

Signed on behalf of the Board of Directors

J M J M Jensen
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2012

	Notes	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Net cash inflow from operating activities	22	58,490	69,276
Return on investments and servicing finance			
Interest paid		(16,484)	(54,408)
Other similar charges paid		(1)	(4,100)
Interest received		190	19
Net cash outflow from returns on investments and servicing of finance		**(16,295)**	**(58,489)**
Taxation			
Corporation tax received		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(17,474)	-
Proceeds on disposal of tangible fixed assets		2,611	-
Net cash outflow from investing activities		(14,863)	-
Acquisitions and disposals			
Operating business acquisition	11	(1,026)	-
Net cash inflow before use of liquid resources and financing		**26,306**	**10,787**
Management of liquid resources			
Short-term deposit withdrawal		(14,219)	(10,473)
Increase in cash in the year	24	12,087	314

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2012

	Notes	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Loss for the year	20	(174,909)	(98,595)
Net deficit on revaluation of properties	20	(65,798)	(192,771)
Total recognised loss for the year		(240,707)	(291,366)

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
Year ended 30 September 2012

	Notes	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Loss for the year	20	(174,909)	(98,595)
Net deficit on revaluation of properties	20	(65,798)	(192,771)
Net decrease in shareholders' funds		(240,707)	(291,366)
Shareholders' deficit at the beginning of year		(970,078)	(678,712)
Shareholders' deficit at end of year		(1,210,785)	(970,078)

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2012

		Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Loss on ordinary activities before taxation	20	(160,932)	(98,595)
Realisation of property revaluation losses of previous years		(15,236)	(4,793)
Historical cost loss on ordinary activities before taxation		(176,168)	(103,388)
Historical cost loss retained for the year		(174,909)	(103,388)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

1. GOING CONCERN

The Group has been in breach of the covenants on its term loans since November 2008 and as at 30 September 2012 and at 27 February 2013 the term loan amounts remain outstanding (see note 15 for further details) Since November 2008 the term loans have been under a series of standstill agreements and on 14 January 2013 a further standstill agreement was put in place, expiring on 12 April 2013

During the year, HC-One Limited ("HC-One"), a new subsidiary undertaking of the Group was formed to operate care homes On 31 October 2011 HC-One took over the operation of 247 care homes owned by the Group through assignment of the operating leases from Southern Cross Healthcare Group plc ("Southern Cross") following the conclusion of its restructuring process (the *Southern Cross Restructuring*)

In order to protect the Group's investment and ensure funds were available to underwrite a substantial investment programme in its care homes to maintain and improve the quality of care in them, the Directors of the Company and of the Group have retained some of the rental income monies received from the Group's tenants during 2011 and 2012 through a series of non-full interest payments (which had been acknowledged in the standstill agreements) to the Group's lenders This has enabled the Group to provide a total amount of £55 million to HC-One by way of capital contribution of £5 million and inter-company loans of £25 million in October 2011 and a further inter-company loan of £25 million in December 2012

The Group now controls both the property and the operations of over 240 care homes and can therefore 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 intend to continue to withhold amounts of rental from debt service albeit at a lower level than previously, to ensure that HC-One remains properly funded This would allow HC-One to stabilise its business and to complete a comprehensive programme of capital investment with a view to enhancing the value of the Group and improve 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

The discussions with respect to restructuring the term loan of the Company and of the Group with its lenders are on-going (the *Potential Restructuring*)

The Directors of the Group and of the Company and Capita continue to explore methods to maximise recoveries to the lenders, including the sale of the whole or part of the Group and/or properties (the *Disposal Options*)

On 12 February 2013 the Libra Group lenders have confirmed by a support letter that it is their intention to provide the Group with the funds it requires including, without limitation, reasonable (a) day-to-day operating costs and expenses, (b) restructuring and/or disposal costs, (c) other exceptional costs incurred in relation to the Disposal Options and/or the Potential Restructuring, and (d) ensuring that HC-One has sufficient funds to ensure continuity of care services at the homes and investment for the future in accordance with the HC-One business plan dated 18 October 2012 Based on this assumption, the Directors have prepared a forecast cash flow up to 30 September 2015 which -demonstrates that the Group remains cash positive throughout the period to that date

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

2. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of tangible fixed assets, and in accordance with Section 406 of the Overseas Companies Regulations 2011 The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (as issued by ASB) The financial statements have been audited in accordance with International Standards on Auditing (UK and Ireland)

The consolidated financial statements incorporate the financial statement of the Company and its subsidiary undertakings for the year ended 30 September 2012, except the results for the operating business acquired during the year represents the trade for the eleven months to 30 September 2012

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed

Acquisitions are accounted for under the acquisition method

Intangible fixed assets – Negative goodwill

Negative goodwill, which represents the excess of the fair value of the identifiable assets and liabilities acquired over the costs of an acquisition, is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation Negative goodwill in excess of the fair value of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit

Tangible fixed assets

Tangible fixed assets are stated at cost or 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

Investment properties

Investment properties are revalued annually Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account

Depreciation is not provided in respect of freehold investment properties or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years The Directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for Investment Properties' 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 Under the terms of the Group's leases, freehold and long leasehold investment properties are required to be maintained to a high standard by its tenants

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

2. ACCOUNTING POLICIES (Continued)

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 Group to a third party tenant were assigned to HC-One Limited, a wholly owned subsidiary of the Company 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 No 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

Other fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all other fixed assets are rates calculated to write off the cost less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Short term leasehold, buildings and grounds	- shorter of the term of the lease, or useful economic life of the asset
Fixtures and fitting and equipment	- 3 to 5 years
Motor vehicles	- 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount

Investments

Investments held by the Company as fixed assets are revalued to the amounts of the underlying net assets of the individual subsidiaries Any surplus or deficit arising on revaluation is transferred to the revaluation reserve whilst any provision for impairment is charged to the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

2. ACCOUNTING POLICIES (Continued)

Taxation

Current tax, including UK corporation tax and foreign 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

Turnover

Turnover earned from the ordinary activities of the Group, which is stated net of value added tax, take place wholly within the United Kingdom Rental income from third party operators includes a base pavement rent plus an additional turnover rent element calculated and recognised at the end of each individual lease anniversary year Turnover of the operating business represents fee income receivable from care services provided Turnover is recognised in the period in which the Group obtain the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year The Group recognises turnover when the amount can be reliably measured and when there is a right to consideration Turnover is recorded at the value of consideration due

Cost of sales

Cost of sales includes £4,163,000 of additional costs incurred during the year, relating to improving the quality and operational performance of several underperforming homes These costs principally related to home payroll costs and catch up maintenance costs These costs are not anticipated to continue into the next financial year In addition, depreciation charges on other fixed assets of £4,898,000 and amortisation of negative goodwill of £2,386,000 were included within costs of sales

Exceptional costs

The Group separately presents certain items as exceptional on the face of the profit and loss account Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve reader's understanding of the financial information Further information is given in note 5

Finance costs

Costs which are incurred directly in connection with the raising of borrowings are amortised at a constant rate over the term of the loan facility in accordance with FRS 4 'Capital Instruments'

Interest

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange for sterling ruling at the dates of the transactions All monetary assets and liabilities in foreign currencies are expressed in sterling at the year-end rates Gains and losses arising from the movements in exchange rates during the period are dealt with in the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

2. ACCOUNTING POLICIES (Continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the lower of fair value at acquisition or at the present value of minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant rate of interest on the outstanding obligation

Rental paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such basis No asset is recognised on the Group or the Company's balance sheet

Pension

The Group operates a stakeholder pension scheme which is managed by the Group and funds are invested on the employees' behalf This pension scheme is accounted for as a defined contribution pension scheme and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

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

Redeemable Preference Shares

Redeemable preference shares are classified according to the substance of the contractual arrangements entered into

Bank loans

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs

3 SEGMENT INFORMATION

Below is the segment information by class of business All operations are carried out in the United Kingdom therefore all turnover is generated wholly within the United Kingdom Turnover to third parties by destination is not materially different from turnover to third parties by origin

	Property business £000	HC-One operating business £000	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Turnover				
Total sales	51,738	277,190	328,928	74,104
Inter-segment sales	(36,646)	-	(36,646)	-
Unallocated sales	-	-	(46)	-
Sales to third parties	15,046	277,190	292,236	74,104
Costs of sales				
Total costs of sales	-	(267,641)	(267,641)	-
Inter-segment costs of sales	-	36,646	36,446	-
Unallocated costs of sales	-	-	(200)	-
Costs of Sales to third parties	-	(231,195)	(231,195)	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

3. SEGMENT INFORMATION

(Continued)

	Property business £000	HC-One operating business £000	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Segment gross profit	15,046	45,995	61,041	74,104
Administrative expenses				
Provision for permanent diminution in value of properties	(4,851)	-	(4,851)	(1,098)
Administrative expenses				
- on-going	(1,628)	(11,729)	(13,357)	(2,151)
- property depreciation	-	(16,893)	(16,893)	
- exceptional	(1,309)	-	(1,309)	353
Unallocated administrative expenses	-	-	(14)	-
Segment administrative expenses	(7,788)	(28,622)	(36,424)	(2,896)
Operating profit	7,258	17,359	24,617	71,208
Exceptional items reported after operating profit	(2,525)	(2,683)	(5,208)	(4,042)
Loss on sale of tangible fixed assets	(43)	-	(43)	-
Total net interest payable and similar charges	(179,272)	(1,026)	(180,298)	(165,761)
Inter-segment interest	(1,176)	1,176	-	-
Segment net interest payable and similar charges	(180,448)	150	(180,298)	(165,761)
Loss on ordinary activities before taxation			(160,932)	(98,595)
Net liabilities				
Total net liabilities	(1,200,535)	(889)	(1,201,424)	(970,078)
Inter-segment net liabilities	(31,510)	31,510	-	-
Unallocated net liabilities	-	-	(9,361)	
Segment net liabilities	(1,232,045)	30,621	(1,210,785)	(970,078)

Given that HC-One operating business commenced its operation on 1 November 2011, there are no comparative segment information for HC-One operating business therefore the 30 September 2011 comparative figures only represent and relate to the property business

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

4. STAFF COSTS

The aggregate staff costs (excluding executive Director) were as follows

Group	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Wages and salaries	173,867	339
Social security costs	11,186	43
Other pension costs	321	23
	185,374	405

Average number of employees (excluding executive Director): Group	Year ended 30 September 2012 No.	Year ended 30 September 2011 No.
Administrative	1,046	3
Care staff	13,946	-
	14,992	3

J M J M Jensen is an executive director of the Company and the Group He is a Chief Restructuring Officer of the Group J M J M Jensen's services to the Company and LIBRA No 3 Limited and their subsidiary undertakings are provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £382,000 (2011 £612,000) were incurred for the year ended 30 September 2012 The total fees amount is included in the total administrative expenses

P H Thompson is a non-executive director of the Company and of the Group P H Thompson's services are also provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £89,000 were incurred for the year ended September 2012 (2011 £217,000) The total fees amount is included in the total administrative expenses

Company

There are no staff costs incurred by the Company during the current or the preceding year All employees are employed by NHP Management Limited and by HC-One Limited, the Company's group undertakings

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

5. EXCEPTIONAL (COSTS) / INCOME

The following exceptional costs have been incurred or provided for and are included in cost of sales

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Restructuring costs	(4,163)	-

Restructuring costs of £4,163,000 have been incurred by HC-One Limited following the launch of the Company's operation 1 November 2011

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

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Restructuring expenses	(100)	-
Bad and doubtful debts – third party tenant	(1,209)	(59)
Tenant receivership support costs refunded	-	412
	(1,309)	353

6. OPERATING PROFIT

Group operating profit is arrived after charging

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Depreciation of tangible fixed assets		
- owned assets*	21,769	19
- leased assets	31	-
Amortisation of negative goodwill	(2,386)	-
Impairment of fixed assets	287	-
Management fees	3,008	-
Operating lease rentals - buildings	550	53
Bad and doubtful debts	1,209	59
The analysis of auditor's remuneration is as follows		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	12
Fees payable to the Company's auditor for the audit of the Group's annual accounts	100	100
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to regulations	151	56
- Corporate finance services	32	379
- Tax services	79	90
	637	637

*included property depreciation of £16,893,000 for the year ended 30 September 2012 (2011 £nil)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

7 COSTS OF A FUNDAMENTAL RESTRUCTURING OF CONTINUING OPERATIONS

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Costs of a fundamental restructurıng of contınuıng operatıons	(1,994)	(4,042)
Closure costs	(3,214)	-
	(5,208)	(4,042)

Costs of a fundamental restructurıng of contınuıng operations

The costs of a fundamental restructurıng of contınuıng operatıons arose ın respect of the Group's partıcıpatıon ın the Southern Cross Healthcare Group Plc, the Group's former prıncıpal tenant's restructurıng whıch would help to stabılıse the busıness of the homes transferred from Southern Cross followıng the demıse of that company at end of 2011 The restructurıng ın Southern Cross wıthout the partıcıpatıon of ıts prıncıpal landlords of whıch the Group was one, would have led to an uncontrolled outcome for the Group, whıch would have had a materıal effect on the nature and focus of the Group's operatıons goıng forward

Closure costs

On 31October 2012, HC-One Lımıted took on the assıgnment of the operatıng leases from Southern Cross Subsequently, the Group undertook a full revıew of the HC-One portfolıo Followıng thıs revıew, the Group took the decısıon to close nıne of ıts care homes ın addıtıon to the sıx homes closed by Southern Cross As a result of these, a charge for closure costs and future operatıng losses of £3,214,000 has been recognısed ın the year Of thıs £1,590,000 has been utılısed ın the year wıth the remaınıng £1,624,000 to be utılısed wıthın one year See note 17 for further detaıls

8. NET INTEREST PAYABLE AND SIMILAR CHARGES

Group	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
<u>**Interest receıvable**</u>		
Interest receıvable on bank deposıts	189	18
Other ınterest receıvable	1	1
	190	19
<u>**Interest payable:**</u>		
Interest payable on bank loans*	(171,143)	(152,989)
Fınance lease ınterest	(2)	-
Interest payable – shareholders loans	(276)	(275)
Interest payable on accrued dıvıdend of preference shares	(3,816)	(3,182)
Dıvıdends – redeemable preference shares	(5,247)	(5,232)
Fınance costs	(4)	(4,102)
	(180,488)	(165,780)
Net ınterest payable and sımılar charges	(180,298)	(165,761)

*On 15 January 2009 the Group faıled to repay the £1,172 mıllıon term loan of the Senıor Facılıty Agreement and on 15 February 2009 the Company also faıled to repay the £70 mıllıon term loan Default ınterest amounts of £27,765,000 were charged on the overdue amounts and have been ıncluded wıthın the ınterest payable on bank loans for the year ended 30 September 2012 (2011 £26,549,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

9. TAX ON LOSS ON ORDINARY ACTIVITIES

Group	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Corporation tax	-	-
Deferred tax charge	(13,977)	-
Total tax charge	(13,977)	-
Effective tax rate	-	-
Reconciliation of current tax charge		
Loss on ordinary activities before taxation	(160,932)	(98,595)
Tax on loss at standard rate of 25% (2011 28%)	(40,233)	(26,621)
Factors affecting the change		
Non deductible expenses	3,692	3,031
Decrease in value of property interests		-
Depreciation in excess of capital allowances	4,597	5
Non-taxable income	(97)	-
Loss on tangible fixed assets	10	-
Investment written off	1,213	303
Utilisation of brought forward losses	(21)	(52)
Increase in losses carried forward	30,839	23,334
Group tax charge for the current year	-	-

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax due to an increase in losses carried forward

10. PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Year ended 30 September 2012 £000	Year ended 30 September 2011 £000
Loss for the financial year, including after taxation	(80,980)	(68,423)

The Company has taken the advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company alone is not presented

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

11 INTANGIBLE FIXED ASSETS

Negative Goodwill and acquisition

Group

	£'000
Cost	
At 30 September 2011	-
Acquired	(11,712)
At 30 September 2012	(11,712)
Accumulated amortisation	
At 30 September 2011	-
Credit for the year	2,386
At 30 September 2012	2,386
Net book value	
At 30 September 2012	**(9,326)**
At 30 September 2011	-

On 31 October 2011 HC-One Limited, the Company's subsidiary undertaking acquired the trade and certain assets of 247 care homes from Southern Cross Healthcare Plc for £1,026,000 The following table sets out the book value of the identifiable assets and liabilities acquired along with their provisional assessment of fair values

	Book value £000	Impairment £000	Other adjustments £000	Fair value to the Group £000
Tangible fixed assets	26,742	(12,447)	-	14,295
Other	-	-	(1,557)	(1,557)
Net assets	26,742	(12,447)	(1,557)	12,738
Satisfied by				
Cash consideration and costs of acquisition				1,026
Negative goodwill				(11,712)

During the year, HC-One has conducted an impairment review This review has resulted in the carrying value of fixed assets acquired from Southern Cross Healthcare Plc being impaired by £12,447,000

In addition, HC-One's review resulted in a provision of £10,137,000 for a number of leases deemed onerous with the property business However, such provision amount has been reversed at Group consolidation

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

12. TANGIBLE FIXED ASSETS

Investment properties	Freehold investment properties	Long leasehold investment properties	Total
Group	**£000**	**£000**	**£000**
At valuation:			
At 30 September 2011	584,485	16,990	601,475
Reclassification of investment properties to operating properties	(506,450)	(11,070)	(517,520)
Disposals	(1,780)	-	(1,780)
Net deficit on revaluation (see note)	(7,670)	(1,460)	(9,130)
Provision for permanent diminution in value	(1,430)	-	(1,430)
At 30 September 2012	67,155	4,460	71,615

Investment properties are stated at market value as at 30 September 2012 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 2012

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2012 and are of the opinion that there is a deficit of £1,430,000 (2011 £3,098,000) on closed homes which represents a permanent fall in value, which has consequently been charged in the profit and loss account

The Market Value of the investment properties valued by Jones Lang LaSalle was £74,320,000 if the individual properties were valued as separate businesses at 30 September 2012 (2011 £624,640,000)

The historical cost of the Group's freehold and long leasehold investment properties at 30 September 2012 was £65,934,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

12. TANGIBLE FIXED ASSETS (Continued)

Operating properties	Freehold land and buildings £000	Long leasehold land and buildings £000	Total £000
Group			
At valuation			
At 30 September 2011	540	-	540
Reclassification of investment properties to operating properties	506,450	11,070	517,520
Additions at cost	4,102	-	4,102
Disposals	(875)	-	(875)
Net deficit on revaluation (see note 20)	(71,178)	(2,381)	(73,559)
Provision for permanent diminution in value	(3,420)	-	(3,420)
At 30 September 2012	435,619	8,689	444,308
Accumulated depreciation			
At 30 September 2011	-	-	-
Depreciation charge	(16,521)	(372)	(16,893)
Disposals	2	-	2
Net deficit on revaluation (see note 20)	16,519	372	16,891
At 30 September 2012	-	-	-
Net book value			
At 30 September 2012	435,619	8,689	444,308
At 30 September 2011	540	-	540

Operating properties were transferred from investment properties on 1 November 2011 based on their existing use values as at that date and their transfer values were apportioned between land and buildings in order to calculate the depreciation charge of buildings for the year

On 31 October 2011 following the demise of Southern Cross Healthcare Plc ('Southern Cross') (the Group's former principal tenant), the homes previously operated by Southern Cross were transferred to and became operated by HC-One Limited ('HC-One'), a group undertaking Accordingly, Jones Lang LaSalle's valuation approach to the HC-One properties at 30 September 2012 was different from their last accounts valuation at 30 September 2011, in that they have calculated the market value of the properties 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 2012 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

12. TANGIBLE FIXED ASSETS (Continued)

Operating properties (Continued)

The Directors have reviewed Jones Lang LaSalle's valuation at 30 September 2012 and have considered that there is a net deficit of £3,420,000 (2011 £nil) permanent diminution in value is required on the operating properties in respect of closed homes, which has consequently charged in the profit and loss account

The historical cost of the Group's freehold and long leasehold operating properties at 30 September 2012 was £498,300,000

Other fixed assets

Group	Short term leasehold improvements, buildings and grounds £000	Fixtures, fittings & equipment £000	Motor Vehicles £000	Total £000
Cost				
At 30 September 2011	-	30	-	30
Acquired	3,981	10,300	14	14,295
Additions	-	15,930	1,203	17,133
At 30 September 2012	3,981	26,260	1,217	31,458
Accumulated depreciation				
At 30 September 2011	-	(18)	-	(18)
Charge for the year	(147)	(4,723)	(37)	(4,907)
Impairment	(287)	-	-	(287)
At 30 September 2012	(434)	(4,741)	(37)	(5,212)
Net book value				
At 30 September 2012	**3,547**	**21,519**	**1,180**	**26,246**
At 30 September 2011	-	-	12	12

Leased assets included above

Net book value:				
At 30 September 2012			**1,167**	**1,167**
At 30 September 2011	-	-	-	-

On the acquisition of fixed assets from Southern Cross Healthcare Plc, the Group carried out an impairment review which resulted in the fixed assets being written down on acquisition by £12,447,000 (see note 11) A further impairment of £287,000 has been recognised relating to additions in the period

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

13. INVESTMENTS

Company

	Shares in LIBRA No 3 Limited £'000
At Cost or valuation	
At 30 September 2011 and 30 September 2012	77,339
Provision	
At 30 September 2011 and 30 September 2012	(77,339)
Net book value	
At 30 September 2012	-
At 30 September 2011	-

At 30 September 2012, the Company held investments either directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
LIBRA No 3 Limited*	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Superholdco Limited	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo TopCo Limited	Cayman Islands	100%	Investment company in group undertaking with Investment in care home properties
Libra CareCo Equity Co Limited	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Holdco Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Limited	Great Britain	100%	Investment in care home properties
Libra CareCo CH3 PropCo Holdco Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH3 PropCo Limited	Great Britain	100%	Investment in care home properties
Libra CareCo Holdings Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra GuaranteeCo Limited	Great Britain	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Limited	Great Britain	100%	Parent company of subsidiary undertakings with investment in care home properties
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 5 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 8 Limited	Jersey	100%	Investment in care home properties

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

13. INVESTMENTS (continued)

Name	Country of incorporation	% Holdings	Principal activity
NHP Securities No 9 Limited	Jersey	100%	Investment in overriding leases of care home properties
NHP Securities No 10 Limited	Jersey	100%	Investment in care home properties
NHP Securities No 11 Limited	Jersey	100%	Parent company of NHP Securities No 9 Limited
NHP Securities No 12 Limited	Jersey	100%	Investment in care home properties
NHP Management Limited	Great Britain	100%	Management of care home property portfolios
NHP Operations (York) Limited	Great Britain	100%	Care home property development
Care Homes No 1 Limited	Cayman Islands	100%	Investment in care home properties
Care Homes No 2 (Cayman) Limited	Cayman Islands	100%	Investment in care home properties
Care Homes No 3 Limited	Cayman Islands	100%	Investment in care home properties
LLNH Limited	Great Britain	100%	Partner in LLHNP Partnership
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
Libra Intermediate Holdco Limited	Jersey	100%	Investment company in care home operating Company
HC-One Limited	Great Britain	100%	Care home operator

* 100% held directly by Libra No 2 Limited All others are held indirectly by the subsidiaries of LIBRA No 3 Limited

Shares held are ordinary shares except Libra No 2 Limited further held 100% issued 12% cumulative redeemable preference share capital of LIBRA No 3 Limited

14. DEBTORS

Group	2012 £000	2011 £000
Amount falling due within one year		
Trade debtors	17,811	-
Other debtors	2,108	145
Prepayments and accrued income	1,596	361
	21,515	506

Company	2012 £000	2011 £000
Amounts due by Delta G-Co Limited and Starsign Limited	123	123
Prepayment	2	2
	125	125

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

15. SHORT-TERM DEPOSITS AND CASH AT BANK AND IN HAND

Group	2012 £000	2011 £000
Short-term deposits		
Short-term deposits	41,976	27,757
Cash at bank and in hand		
Cash at bank and in hand	12,575	488

In order to protect the Group's investment and ensure funds were available to underwrite a substantial investment programme in its care homes to maintain and improve the quality of care in them, during 2011 and 2012 the Directors of the Company and of the Group have retained some of the rental income monies received from the Group's tenants through a series of non-full interest payments (which had been acknowledged in the standstill agreements) to the Libra Group lenders See further details in note 1

The Libra lenders have confirmed by a support letter that it is their intention to provide the Group with sufficient funds it requires (see further details in note 1) The Libra lenders have further confirmed that they will not make demand under the guarantee provided by HC-One Limited or enforce any of the security interest granted by HC-One with respect to the Senior Loan at any time prior to 28 February 2014 Furthermore, under the terms and conditions of the inter-company loan agreements between the property business and HC-One, the property business is not entitled to repayments of total loans of £50 million to HC-One before the maturity date of 31 December 2015

16. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2012 £000	2011 £000
Bank loan	1,172,000	1,172,000
Bank loan	70,000	70,000
Cumulative interest capitalised	222,661	157,340
	292,661	227,340
12% Cumulative redeemable 43,600,557 preference shares at £0 01 each	436	436
Premium arising from the issue of 43,600,557 preference shares	43,164	43,164
	43,600	43,600
Trade creditors	6,212	-
Interest payable on bank loan *	199,997	110,652
Interest payable on accrued dividend of preference shares	13,591	9,775
Dividend payable on preference shares	34,449	29,203
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Other amounts due to Delta G-Co Limited and Starsign Limited	1,149	1,149
Loan interest payable to Delta G-Co Limited and Starsign Limited	1,599	1,323
Finance lease	207	722
Other creditors	5,670	-
Taxation and social security	2,892	10
Accruals and deferred income	24,494	492
	1,803,111	1,600,856

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

* On 15 January 2009 the Group has failed to repay the £1,172 million term loan of the Senior Facility Agreement and on 15 February 2009 the Company has also failed to repay the £70 million term loan As at 30 September 2012, default interest amounts of £103,347,000 (2011 £72,506,000) were charged on the overdue amounts and have been included within the interest payable on bank loans

Bank Loans

On 15 January 2007 a £1,172 million loan was fully drawn on a Senior Facility Agreement dated 15 January 2007 entered into by LIBRA No 3 Limited, a group undertaking with CS Funding 1 Limited, a group undertaking of Credit Suisse, London Branch The original maturity date of the loan was on 15 January 2009 with an option to extend the loan to 15 January 2010, the final maturity date, provided no default was outstanding at the original final maturity date The loan bears interest at LIBOR plus margin plus mandatory cost The facility was 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

At 30 September 2012 the £1,172 million term loan remains outstanding

LIBRA No 3 Limited has entered into a 10 year interest rate swap agreement with Credit Suisse for a notional amount of £1,172 million, split into a three year from 15 January 2007 to 15 January 2012, and a forward seven year from 15 January 2011 to 15 January 2017 It fixes the interest rate at 4 813% per annum The three year interest rate swap agreement matured on 15 January 2010 Mark to market valuation on the seven year interest rate swap agreement at 30 September 2012 was of £210 14 million out-of-money (2011 £207 25 million) This valuation does not reflect any adjustments in respect of the credit risk of the Company and the Group as, due to the circumstances set out in note 1, it is neither practicable nor meaningful to quantify the effect of any such adjustments

On 15 January 2007 a further £70 million loan was fully drawn on a term loan facility agreement dated 15 January 2007 entered into by the Company and Credit Suisse The original maturity date of the loan was on 15 February 2009 with an option to extend the loan to 15 February 2010, the final maturity date, provided no default was outstanding at the original final maturity date The loan bears interest at fixed rate of 26% per annum plus the applicable mandatory cost Interest payable on each interest payment date 15 January, 15 April, 15 July and 15 October is capitalised and added to the principal loan amount At 30 September 2012 the £70 million term loan remains outstanding and the capitalised interest amount was £222,661,000 (2011 £157,340,000)

The impact of the financial crisis in 2008 was a decline in the Group property valuation, which led to a breach of the loan to value ('LTV') financial covenant in respect to the £1,172 million term loan (resulting in an automatic cross-default with respect to the £70 million term loan) As a result, LIBRA No 3 Limited was required to make repayment of the £1,172 million term loan on the original maturity date on 15 January 2009 and the Company was required to make repayment to the term loan of £70 million on 15 February 2009 The Company and the Group were not in a position to make repayments and therefore its lenders have imposed an additional 2% default interest with respect to the overdue amounts The default interest amounts have led to a breach of the interest cover ratio ('ICR') financial covenant to the £1,172 million term loan (resulting in an automatic cross-default with respect to the £70 million term loan)

Since November 2008, the Group has entered into a series of standstill agreements which suspend the rights of creditors to enforce their rights under the loan documents and related security, whilst discussions with respect to restructuring the term loan of the Company and of the Group with its lenders are on-going On 14 January 2013 by way of a Standstill Agreement, the term loan has been extended with a maturity date on 12 April 2013

As at 30 September 2012 the Group continues to be in breach of its LTV and ICR financial covenants

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

12% cumulative redeemable preference shares

Preference shares are 12% cumulative redeemable preference shares with a nominal value of £0 01 each but issued at a premium of £0 99 per share on 2 March 2006 The preference shareholders shall not be entitled to vote at a general meeting of the Company unless the business of the meeting includes the consideration of a resolution for winding up the Company or for a reduction in the capital of the Company, or the purchase of any shares other than preference shares or any resolution directly or indirectly modifying or varying any of the special rights, privileges or restrictions attached to the preference shares, in which case the preference shareholders shall be entitled to vote in respect of such resolution The preference dividend is accrued on daily basis at a rate of £0 12 per annum on each preference share and it is payable on redemption of the preference shares by its shareholders or the date falling 20 years from the date on which the preference shares are issued on 2 March 2006, whichever is the earlier The preference dividend interest is accrued based on the accrued daily but unpaid preference dividend at a rate of 12% per annum Preference dividend interest is payable on the preference dividend payment date above

Loan notes due to Delta G-Co Limited and Starsign Limited

On 13 December 2006 loan notes of £249,000 and £4,341,000 were issued by Delta G-Co Limited and Starsign Limited, the joint shareholders of the Company to finance part of the group restructuring costs in December 2006 The loans have no fixed repayment dates and carry interest at fixed rate of 6% per annum The loan note interest is payable at the repayment date of the loan notes

Company	2012 £000	2011 £000
Bank loan	70,000	70,000
Cumulative interest capitalised	222,661	157,340
Less Unamortised finance costs	-	-
	292,661	227,340
12% Cumulative redeemable 43,600,557 preference shares at £0 01 each	436	436
Premium arising from the issue of 43,600,557 preference shares	43,164	43,164
Interest payable on bank loan	17,575	11,522
Interest payable on accrued dividend of preference shares	13,591	9,775
Dividend payable on preference shares	34,449	29,203
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Loan from subsidiary undertaking	4,100	4,100
Amounts due to group undertakings	744	476
Loan interest payable to Delta G-Co Limited and Starsign Limited	1,599	1,323
Accruals	18	18
	412,927	331,947

Loan from subsidiary undertaking

Loan notes of £4,100,000 were issued by LIBRA No 3 Limited on 20 January 2011 The loan notes have no repayment dates and bear interest at LIBOR plus 1 75% per annum

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2012 £000	2011 £000
Finance leases	982	-

	2012 £000	2011 £000
Finance leases		
Future minimum payments under finance leases are as follows		
Between one and two years	207	-
Between two and five years	775	-
After five years	-	-
	982	-
Within one year	207	-
	1,189	-

18. PROVISIONS FOR LIABILITIES

DEFERRED TAXATION

Group	Provided 2012 £000	Provided 2011 £000	Unprovided 2012 £000	Unprovided 2011 £000
Deferred tax asset / (liability)				
Accelerated capital allowances	(13,977)	-	471	2,147
Losses carried forward	-	-	113,544	92,392
Revaluation of properties	-	-	8,392	1,543
	(13,977)	-	122,407	96,082

A deferred tax liability of £13,977,000 has been recognised on timing differences relating to accelerated capital allowances If tax losses are generated in the future at the current level, the reversal of these timing differences is likely to be sheltered by these tax losses and therefore, in practice, a tax liability is unlikely to arise

No deferred tax asset has been recognised in respect of the losses carried forward at the balance sheet date as it is uncertain whether the Group will have sufficient taxable profits in the future to utilise the losses of £113,544,000

	Deferred taxation £000	Closure costs £000	Total £000
At 30 September 2011	-	-	-
Charged to profit and loss account	(13,977)	(3,214)	(17,191)
Less Utilisation of provision	-	1,590	1,590
At 30 September 2012	(13,977)	(1,624)	(15,601)

Following the Group's decision to close nine care homes and the six homes closed by Southern Cross, provisions totalling £3,214,000 have been made in respect of closure costs Of this £1,590,000 was utilised in the period with the remainder of £1,624,000 expected to be fully utilised within one year

As disclosed in note 11, HC-One made a provision of £10,137,000 for a number of leases deemed onerous with the property business Such amount has been reversed at Group consolidation

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

18. PROVISIONS FOR LIABILITIES (Continued)

Company	Provided 2012 £000	Provided 2011 £000	Unprovided 2012 £000	Unprovided 2011 £000
Losses carried forward	-	-	(46,604)	(41,017)
	-	-	(46,604)	(41,017)

No deferred tax asset has been recognised in respect of the losses carried forward as it is considered that it is uncertain whether there will be sufficient taxable profits in the future to utilise the losses

19. CALLED-UP SHARE CAPITAL

Company	£000
Called, allotted and fully paid:	
200,000 ordinary shares at £1 each	200
At 30 September 2011 and 2012	200

The redeemable preference shares are presented as a liability (see note 16) and accordingly are excluded from called up share capital in the balance sheet

20. RESERVES

	Revaluation reserve £000	Profit and loss account £000
Group		
At 30 September 2011	(429,631)	(540,647)
Net deficit on revaluation of tangible fixed assets (note 12)	(65,798)	-
Realisation of property revaluation losses of previous years	15,236	(15,236)
Loss for the year	-	(174,909)
At 30 September 2012	(480,193)	(730,792)

	Profit and loss account £000
Company	
At 30 September 2011	(332,022)
Loss for the year	(80,980)
At 30 September 2012	(413,002)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	£000
Company	
At 30 September 2011	(331,822)
Loss for the year	(80,980)
At 30 September 2012	(412,802)

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2012 £000	2011 £000
Operating profit	24,617	71,208
Depreciation of other fixed assets	21,800	19
Amortisation of negative goodwill	(2,386)	-
Impairment of tangible fixed assets	287	-
Provision for permanent diminution in value of investment properties	4,851	3,098
Costs of a fundamental restructuring of continuing operations	(2,525)	(4,042)
(Increase) / Decrease in debtors	(21,008)	535
Increase in creditors	33,913	458
Decrease in provisions	(1,059)	-
Net cash inflow from operating activities	58,490	69,276

23. ANALYSIS OF CHANGES IN NET DEBT

Group	At 30 September 2011 £000	Cash flow £000	Non-cash changes* £000	At 30 September 2012 £000
Cash at bank and in hand	488	12,087	-	12,575
Net cash at bank and in hand	488	12,087	-	12,575
Short term deposit investments	27,757	14,219	-	41,976
Bank loans due within one year	(1,399,340)	-	(65,321)	(1,464,661)
Loan from Delta G-Co Limited and Starsign Limited	(4,590)	-	-	(4,590)
Preference shares	(43,600)	-	-	(43,600)
	(1,419,285)	26,306	(65,321)	(1,458,300)

* Non-cash changes relate to the rolling of regular interest on a £70m term loan

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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

	2012 £000	2011 £000
Increase in cash during the year	12,087	314
Net cash outflow / (inflow) from management of liquid resources	14,219	10,473
Changes in net debt resulting from cash flows	26,306	10,787
Non-cash changes in net debt*	(65,321)	(50,623)
Net debt at the beginning of year	(1,419,285)	(1,379,449)
Net debt at the end of the year	(1,458,300)	(1,419,285)

*Non-cash changes in net debt relate to the rolling of regular interest on a £70m term loan

25. FINANCIAL COMMITMENTS

At 30 September 2012 the Group had capital commitments as follows

	2012 £000	2011 £000
Contracted for but not provided for		
- finance lease entered into	5,108	-

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

	2012 £000	2011 £000
Office lease – expiring within one year	54	54
Motor vehicle leases	137	-
	191	54

26. CONTINGENT LIABILITIES AND GUARANTEES

LIBRA No 3 Limited and all its subsidiary undertakings are 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 as disclosed in note 15 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

27. RELATED PARTY TRANSACTIONS

(a) J M J M Jensen is an executive director of the Company and the Group He is a Chief Restructuring Officer of the Group J M J M Jensen's services to the Company and LIBRA No 3 Limited and their subsidiary undertakings are provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £382,000 (2011 £612,000) were incurred for the year ended 30 September 2012 The total fees amount is included in the total administrative expenses As at 30 September 2012 the amount £28,000 remained outstanding but the full amount was settled on 12 October 2012

(b) P H Thompson is a non-executive director of the Company and of the Group P H Thompson's services are also provided via a contract with The Aaronite Partnership LLP in which he is a partner Total fees (including VAT) of £89,000 were incurred for the year ended September 2012 (2011 £217,000) The total fees amount is included in the total administrative expenses As at 30 September 2012 the amount £11,000 remained outstanding but the full amount was settled on 12 October 2012

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

27 RELATED PARTY TRANSACTIONS (Continued)

(c) At 30 September 2012 the Company and the Group have total loans due to Delta G-Co Limited and Starsign Limited, the Company's shareholders Interest payable on the loans was £276,000 for the year ended 30 September 2012 (2011 £275,000) Further details on the loans can be found in note 15 to the financial statements

28. POST BALANCE SHEET EVENTS

On 14 January 2013 a standstill agreement was put in place until 12 April 2013 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

29. ULTIMATE PARENT UNDERTAKINGS

LIBRA No 2 Limited is jointly owned by Delta G-Co Limited and Starsign Limited in equal shares The two corporate shareholders were incorporated and registered in the Isle of Man The ultimate parent undertaking is Delta Commercial Property LP, a limited partnership incorporated and registered in the Isle of Man LIBRA No 2 Limited is the smallest and largest group the consolidated financial statements are drawn up

Copies of LIBRA No 2 Limited consolidated financial statements to 30 September 2012 are available from the Companies House at Crown Way, Cardiff, Wales CF14 3US