Cayman Islands Company
Registration No. FC 026602

100762/180

LIBRA NO.2 LIMITED

Report and Financial Statements
30 September 2009

REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

REGISTERED OFFICE

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

SOLICITORS

Eversheds LLP
Kett House
Station Road
Cambridge CB1 2JY

BANKERS

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

AUDITORS

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2009

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

PRINCIPAL ACTIVITY

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

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

BUSINESS REVIEW

At 30 September 2009 the Group owned the freehold and long leasehold interests in 294 care homes, three residential properties and two sites valued at £817,545,000 The Market Valuation was £849,645,000 if the properties were sold as a business

RESULTS

The results of the Group for the years ended 30 September 2009 and 30 September 2008 are set out in the consolidated profit and loss account on page 9

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

	2009	2008	Increase/ (decrease)
Turnover	£71 7m	£70 3m	£1 4m
Operating profit excluding exceptional costs	£69 2m	£67 7m	£1 5m
Operating cash flow after interest	£(6 9)m	£(5 4)m	£(1 5)m
Shareholders' deficit	£579 9m	£438 7m	£141 2m

Group turnover for the year ended 30 September 2009 was £71 7m as compared to £70 3m for the preceding year This produced an increase in the Group turnover by £1 4m which principally due to a 2 5% rent uplift on the operators' leases

Operating profit excluding exceptional costs for the year ended 30 September 2009 is calculated as operating profit of £68 4m plus exceptional costs of £0 8m (2008 £66 6m plus £1 1m)

The effective improvement in operating profit before exceptional costs of £1 2m was primarily due to favourable group turnover variance in the current year

Operating cash flow after interest for the year ended 30 September 2009 is calculated as net cash inflow from operating activities of £66 7m less net cash outflow from returns on investment and servicing of finance of £73 6m (2008 £67 5m less £72 9m)

DIRECTORS' REPORT (continued)

RESULTS (Contınued)

Shareholders' deficıt has ıncreased from £438 7m at 30 September 2008 to £579 9m at 30 September 2009 The ıncreased amount of £141 2m ın shareholders' deficıt was due to the followıng

(a) the loss for the year of £64 0m due to the contınuıng net ınterest payable on bank debts (see note 7 of the financıal statements), and

(b) the declıne ın the property valuatıon of the Group portfolıo has contınued ın the year ended 30 September 2009 to £817 5m from £894 6 at 30 September 2008 The fall ın the Group property valuatıon was prımarıly due to the contınued ımpact of the current financıal crısıs

DIVIDENDS

The Company has declared and paıd a dıvıdend of £nıl for the year (2008 £nıl)

DIRECTORS

The followıng Dırectors served durıng the year

Dırectors	Date appointed	Date Resıgned
P H Thompson	6 November 2009	-
M J Grant	2 July 2009	6 November 2009
D C Nıcholson	-	2 July 2009
J M J M Jensen	19 December 2008	-
P V Taylor	-	19 December 2008

FINANCIAL RISK MANAGEMENT

The Dırectors have the overall responsıbılıtıes for the Group ın assessıng rısk and takıng approprıate actıon

Cash flow rısk
The Group used derıvatıve financıal ınstruments to reduce the exposure to ınterest rate movements ın lıne wıth the Group's rısk management polıcıes as approved by the Board of Dırectors The ınterest rate swap agreement was sıgned wıth Credıt Suısse on 15 January 2007 as dısclosed ın note 13 of the financıal statements The Group does not use derıvatıve financıal ınstruments for speculatıve purposes

Credıt rısk
Credıt rısk ıs attrıbutable to receıvables ın relatıon to rents receıvable from thırd party tenants

The Group has a concentratıon of credıt rısk as the major tenant ıs Southern Cross Healthcare Group Plc, however, thıs ıs mıtıgated by the large number of geographıcally dıverse homes and assocıated customers

Lıquıdıty rısk
In order to maıntaın lıquıdıty and to ensure that suffıcıent funds are avaılable for ongoıng operatıons and future developments, the Group has reserved £5 5m ın an ınterest bearıng cash reserve account and £0 3m ın capıtal expendıture reserve account at 30 September 2009

Prıce rısk
The Group has entered ınto a number of medıum-term rental agreements wıth ıts tenants whıch are subject to fixed annual prıce ıncreases

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT (Continued)

Price risk

The Group has entered into a number of medium-term rental agreements with its tenants which are subject to fixed annual price increases

GOING CONCERN

As set out in note 13 to the financial statements, as at 30 September 2009, the Company (the "**Mezzanine Borrower**") had a term loan of £70 million (the "**Mezzanine Loan**") and Libra No 3 Limited (a subsidiary of the Mezzanine Borrower) (the "**Senior Borrower**") had a term loan of £1,172 million (the "**Senior Loan**") secured on the Group's investment properties and freehold land and buildings As at 10 February 2010, the loan amounts remain outstanding The original final maturity date of the Senior Loan was 15 January 2009 and of the Mezzanine Loan was 15 February 2009 (each, the "**original final maturity date**"), with an option to extend these loans to 15 January 2010 and 15 February 2010 respectively (each, the "**final maturity date**"), in each case provided (among other things) that no default was outstanding at the original final maturity date

However, a fall in property values in the period to 30 September 2008 and a further fall in the period to 15 December 2008 resulted in the breach of, among other things, the loan to value ('LTV') financial covenant with respect to the Senior Loan (resulting in an automatic cross-default with respect to the Mezzanine Loan) As a result, the Group was not in a position to extend the loans to the final maturity date Other breaches of the terms of the loan documents, chiefly concerning information covenants, also resulted in defaults with respect to the Senior Loan and the Mezzanine Loan

Since 28 November 2008 the Directors of the Company have been in ongoing discussions with Capita Asset Services (UK) Limited ("**Capita**") (formerly Capmark Services UK Limited), the special servicer to the Senior Loan under the securitisation structure (which operates on a back-to-back basis with the Senior Loan) and have entered into a series of standstill agreements which suspend the rights of the 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 2010 a further standstill agreement was put in place, expiring 14 April 2010

As at 30 September 2009, the Directors were advised by their valuers, King Sturge LLP, that the appropriate yield for the Portfolio was 8 34%, and the value of the Portfolio was £849 65 million after costs of 1 75%, valued on the basis of the properties being sold as a business The LTV ratio at that time was 150 55% Due to a continued fall in property values and the default interest charges, the Group was in a net liability position of £579 86 million as at 30 September 2009

In late 2009 Capita engaged King Sturge LLP with a view to obtaining an updated property valuation According to this valuation, as at 23 December 2009 the appropriate yield for the Group's portfolio was 8%, and the value of the portfolio had improved by £36 57 million to £886 22 million after costs of 1 75%, valued on the basis of the properties being sold as a business As of 15 January 2010 the LTV ratio is 143 59%

Since January 2009, the Directors have been relying on a confirmation from Capita that for so long as discussions with respect to a potential reorganisation of the affairs of the Group and a restructuring of its debt obligations (the "**Potential Restructuring**") are continuing, and on the understanding that such funds shall not be applied in contravention of the terms relating to the Senior Loan, it is the intention of the creditors with respect to the Senior Loan to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business (including, without limitation, (a) day to day operating costs and expenses, (b) restructuring costs, and (c) other exceptional costs incurred in relation to the Potential Restructuring) from the Senior Borrower's cash reserve account within a reasonable time upon request

DIRECTORS' REPORT (continued)

Given these circumstances, the Directors do not currently expect the Company 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

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

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 creditors' days for the Group at 30 September 2009, calculated in accordance with the Companies Act 1985 were 15 (2008 66) Creditor days for the Company at 30 September 2009 were nil (2008 nil)

EMPLOYMENT POLICY

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

THIRD PARTY INDEMNITY PROVISIONS

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

AUDITORS

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

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

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

J M J M Jensen
Director
Date 11 February 2010

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 the 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 which would apply if the Company was incorporated in Great Britain) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit and loss of the Group for that period In preparing these financial statements, the Directors have elected to

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

(b) make judgements and estimates that are reasonable and prudent,

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 applicable to the overseas companies They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' 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 2009, 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 26 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 236 of the Companies Act 1985 applicable for overseas companies Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, which would apply if the Company was incorporated in Great Britain) are set out in the Statement of Directors' Responsibilities

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and the Company's affairs as at 30 September 2009, and of the Group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 applicable for overseas companies, and
- the information given in the Directors' Report is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LIBRA NO.2 LIMITED (Continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, 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 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 (formerly 'Capmark 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 Company was unable to continue as a going concern

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date 11 February 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2009

	Notes	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
TURNOVER AND GROSS PROFIT			
Continuing operations	3	71,726	70,344
Administrative expenses - ongoing		(2,521)	(2,626)
- exceptional	5	(814)	(1,141)
Total administrative expenses		(3,335)	(3,767)
OPERATING PROFIT	6	68,391	66,577
Net interest payable and similar charges	7	(132,444)	(111,546)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(64,053)	(44,969)
Tax on loss on ordinary activities	8	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND LOSS FOR THE FINANCIAL YEAR	17	(64,053)	(44,969)

Results are derived wholly from continuing operations

BALANCE SHEETS
at 30 September 2009

	Notes	Group 2009 £000	Group (Reclassified*) 2008 £000	Company 2009 £000	Company (Reclassified*) 2008 £000
TANGIBLE FIXED ASSETS					
Investment properties	10	816,962	894,025	-	-
Other fixed assets	10	583	600	-	-
		817,545	894,625	-	-
INVESTMENTS	11	-	-	-	-
TOTAL FIXED ASSETS		817,545	894,625	-	-
CURRENT ASSETS					
Debtors	12	2,584	4,032	124	124
Short-term deposits		17,892	23,440	-	-
Cash at bank and in hand		40	89	-	-
		20,516	27,561	124	124
CREDITORS: amounts falling due within one year	13	(1,417,922)	(1,360,130)	(211,947)	(171,920)
NET CURRENT LIABILITIES		(1,397,406)	(1,332,569)	(211,947)	(171,920)
TOTAL ASSETS LESS CURRENT LIABILITIES		(579,861)	(437,944)	(211,823)	(171,796)
PROVISION FOR LIABILITIES AND CHARGES	14	-	(792)	-	-
NET LIABILITIES		(579,861)	(438,736)	(211,823)	(171,796)
CAPITAL AND RESERVES					
Called up share capital	16	200	200	200	200
Revaluation reserve	17	(235,673)	(158,601)	-	-
Profit and loss account	17	(344,388)	(280,335)	(212,023)	(171,996)
TOTAL SHAREHOLDERS' DEFICIT		(579,861)	(438,736)	(211,823)	(171,796)

*See notes 2 and 13 for details on the reclassification

These financial statements were approved and authorised for issue by the Board of Directors on 11 February 2010

Signed on behalf of the Board of Directors

J M J M Jensen
Director

P H Thompson
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2009

	Note	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Net cash inflow from operating activities	19	66,743	67,551
Return on investments and servicing finance			
Interest paid		(73,999)	(73,986)
Other similar charges paid		(2)	(4)
Interest received		404	1,098
Net cash outflow from returns on investments and servicing of finance		**(73,597)**	**(72,892)**
Taxation			
Income tax paid		-	(101)
Corporation tax repaid / (paid)		1,257	(400)
Taxation repaid / (paid)		1,257	(501)
Equity dividends paid		-	(89,036)
Net cash outflow before use of liquid resources and financing		**(5,597)**	**(94,878)**
Management of liquid resources			
Short-term deposit withdrawal		5,548	5,528
Net cash outflow before financing activities		**(49)**	**(89,350)**
Financing			
Repaid of loans from / to Delta G-Co Limited and Starsign Limited		-	89,036
Net cash inflow from the issue of loans		-	89,036
Net cash inflow from financing activities		-	**89,036**
Decrease in cash in the year	20	(49)	(314)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2009

	Notes	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Loss for the year	17	(64,053)	(44,969)
Net deficit on revaluation of properties	17	(77,072)	(392,665)
Total recognised loss for the year		(141,125)	(437,634)

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 September 2009

	Notes	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Loss for the year	17	(64,053)	(44,969)
Dividend paid		-	(89,036)
Net deficit on revaluation of properties	17	(77,072)	(392,665)
Net decrease in shareholders' funds		(141,125)	(526,670)
Shareholders' (deficit) / funds at the beginning of year		(438,736)	87,934
Shareholders' deficit at end of year		(579,861)	(438,736)

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2009

	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Loss on ordinary activities before taxation	(64,053)	(44,969)
Historical cost loss on ordinary activities before taxation	(64,053)	(44,969)
Historical cost loss retained for the year	(64,053)	(44,969)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

1. GOING CONCERN

As at 30 September 2009, Libra No 2 Limited (the "**Mezzanine Borrower**") had a term loan of £70 million (the "**Mezzanine Loan**") and Libra No 3 Limited (a subsidiary of the Mezzanine Borrower) (the "**Senior Borrower**") had a term loan of £1,172 million (the "**Senior Loan**") secured on the investment properties and freehold land and buildings (the "**Portfolio**") of the Mezzanine Borrower and its subsidiaries (the "**Group**") As at 10 February 2010, the loan amounts remain outstanding The original final maturity date of the Senior Loan was 15 January 2009 and of the Mezzanine Loan was 15 February 2009 (each, the "**original final maturity date**"), with an option to extend these loans to 15 January 2010 and 15 February 2010 respectively (each, the "**final maturity date**"), in each case provided (among other things) that no default was outstanding at the original final maturity date

However, a fall in property values in the period to 30 September 2008 and a further fall in the period to 15 December 2008 resulted in the breach of, among other things, the loan to value ('LTV') financial covenant with respect to the Senior Loan (resulting in an automatic cross-default with respect to the Mezzanine Loan) As a result, the Group was not in a position to extend the loans to the final maturity date Other breaches of the terms of the loan documents, chiefly concerning information covenants, also resulted in defaults with respect to the Senior Loan and the Mezzanine Loan

Under the terms of the respective loan documents, the Senior Borrower was required to make repayment of the Senior Loan on 15 January 2009 and the Mezzanine Borrower was required to make repayment of the Mezzanine Loan on 15 February 2009 These repayments were not made As a result, the respective borrowers have become liable for an additional 2% default interest with respect to the overdue amounts The default interest amounts have contributed to a breach of the interest cover ratio ('ICR') financial covenant in relation to the Senior Loan (resulting in an automatic cross-default with respect to the Mezzanine Loan)

Since 28 November 2008 the Directors of the Company have been in ongoing discussions with Capita Asset Services (UK) Limited ("**Capita**") (formerly Capmark Services UK Limited), the special servicer to the Senior Loan under the securitisation structure (which operates on a back-to-back basis with the Senior Loan) and have entered into a series of standstill agreements which suspend the rights of the 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 2010 a further standstill agreement was put in place, expiring 14 April 2010

As at 30 September 2009, the Directors were advised by their valuers, King Sturge LLP, that the appropriate yield for the Portfolio was 8 34%, and the value of the Portfolio was £849 65 million after costs of 1 75%, valued on the basis of the properties being sold as a business The LTV ratio at that time was 150 55% Due to a continued fall in property values and the default interest charges, the Group was in a net liability position of £579 86 million as at 30 September 2009

In late 2009 Capita engaged King Sturge LLP with a view to obtaining an updated property valuation According to this valuation, as at 23 December 2009 the appropriate yield for the Group's portfolio was 8%, and the value of the portfolio had improved by £36 57 million to £886 22 million after costs of 1 75%, valued on the basis of the properties being sold as a business As of 15 January 2010 the LTV ratio is 143 59%

In order for the Group to continue to trade as a going concern, the Directors of each of the entities in the Group need to be satisfied that they will continue to be able to meet their operating costs and expenses as they fall due The Directors have prepared cash flow forecasts covering the period to 28 February 2011 which indicate that there is a shortfall in the operational cash flow of the Company during that period The cash flow forecasts also indicate that the ICR test will continue not to be met throughout the testing period

Since January 2009, the Directors have been relying on a confirmation from Capita that for so long as discussions with respect to a potential reorganisation of the affairs of the Group and a restructuring of its debt obligations (the "**Potential Restructuring**") are continuing, and on the understanding that such funds shall not be applied in contravention of the terms relating to the Senior Loan, it is the intention of the creditors with respect to the Senior Loan to provide the Group with the funds it requires to make payments falling due as a consequence of the Group carrying on its business (including, without limitation, (a) day to day operating costs and expenses, (b) restructuring costs, and (c) other exceptional costs incurred in relation to the Potential Restructuring) from the Senior Borrower's cash reserve account within a reasonable time upon request

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

1. GOING CONCERN (Continued)

Given these circumstances, the Directors do not currently expect the Company 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

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

2. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year, except that certain comparative figures have been reclassified to provide clearer comparability (see notes 13)

Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties and land and buildings, and in accordance with all applicable United Kingdom law and accounting standards The consolidated financial statements incorporate the financial statement of the Company and its subsidiary undertakings for the year ended 30 September 2009

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

Turnover

Turnover represents amount receivable for goods and services provided and are attributable to the principal activity of the Group Rental income includes a base pavement rent plus an additional turnover rent element calculated and recognised at the end of each individual lease anniversary year

Valuation of land and building

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 ACCOUNTS
Year ended 30 September 2009

2. ACCOUNTING POLICIES (Continued)

Other fixed assets – land and buildings

Freehold land and buildings (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 (or 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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves 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 The estimated useful lives are as follows

Freehold land	no depreciation
Freehold building	50 years

Capital expenditure on the investment properties portfolio assets

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

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

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

Finance costs

Costs which are incurred directly in connection with the raising of bank loans are amortised at a constant rate over the lives 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 Interest on Deposit Swap Agreements, Zero Coupon Bonds and Guaranteed Investment Contract was capitalised on a monthly basis over their respective lives Discount on secured notes, being interest paid in advance, were amortised over the lives of the secured notes or had been written off when the secured notes were redeemed

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

2. ACCOUNTING POLICIES (Continued)

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

Leased assets

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

Pension

The Group contributes to the defined contribution pension schemes of their staff, which is charged to the profit and loss account as incurred

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. TURNOVER AND GROSS PROFIT

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

	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Pavement rent	70,800	69,169
Turnover rent	749	1,002
Commissions and fees receivable	177	173
	71,726	70,344

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

4. STAFF COSTS

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

Group	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Wages and salaries	223	316
Social security costs	26	39
Pension – defined contribution	22	28
	271	383

J M J M Jensen is an executive director of the Company and the Group On 19 December 2008, the Company and Libra No 3 Limited, its subsidiary undertaking, have entered into an engagement letter with Aaronite Partners Limited ('Aaronite'), where J M J M Jensen is an employee Aaronite has agreed to make available J M J M Jensen's services to the Company and Libra No 3 Limited and their subsidiary undertakings Total fees of £285,000 were incurred for the period from 19 December 2008 to 30 September 2009 This amount is not disclosed within the staff costs but it 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, a group undertaking

Average number of employees (excluding executive Director): Group	Year ended 30 September 2009 No.	Year ended 30 September 2008 No.
Administrative	3	4

5 EXCEPTIONAL COSTS

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

	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Restructuring expenses	354	-
Office lease assignment costs	291	-
Tenant receivership support costs	169	1,141
	814	1,141

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

6. OPERATING PROFIT

Group operating profit is arrived after charging

	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Depreciation of other fixed assets	8	10
Operating lease rentals - buildings	15	137
Provision for bad and doubtful debts	1,044	860
Auditors' remuneration		
- Group audit – current year	160	154
- Company audit	12	12
- Auditing accounts of subsidiaries pursuant to regulations	5	10
- Corporate finance services	94	-
- Tax services*	382	302
	653	478

* The tax fees include amounts of £218,000 (2008 £176,000) payable to the Group's auditors in respect of the tax services provided on the 2004 and 2005 tax returns enquiry made by the HM Revenue and Custom

7. NET INTEREST PAYABLE AND SIMILAR CHARGES

Group	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Interest receivable		
Interest receivable on deposits	192	1,095
Other interest receivable	28	188
	220	1,283
Interest payable.		
Interest payable on bank loans**	(122,999)	(98,261)
Interest payable – shareholders loans	(275)	(276)
Interest payable on accrued dividend of preference shares	(1,936)	(1,308)
Dividends – redeemable preference shares	(5,232)	(5,236)
Other interest payable	-	(5)
Finance costs	(2,222)	(7,743)
	(132,664)	(112,829)
Net interest payable and similar charges	(132,444)	(111,546)

** 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 Default interest amounts of £18,192,000 were charged on the overdue amounts and have been included within the interest payable on bank loans (2008 £nil)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

8. TAX ON LOSS ON ORDINARY ACTIVITIES

Group	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Corporation tax	-	-
Income tax	-	-
Current tax charge	-	-
Deferred tax charge	-	-
Total tax charge on loss on ordinary activities	-	-
Effective tax rate	-	-
Reconciliation of current tax charge		
Loss on ordinary activities before taxation	(64,053)	(44,969)
Tax on loss at standard rate of 28% (2008 29%)	(17,935)	(13,041)
Factors affecting the change		
Non deductible expenses	1,476	1,548
Capital allowances for period in excess of depreciation	2	3
Utilisation of brought forward losses	(1,087)	(1,186)
Increase in losses carried forward	17,544	12,676
Group tax charge for the current year	-	-

There is no tax charge for the period This is higher than would be expected from applying the standard rate of tax to the loss for the year due to an increase in tax losses carried forward

9. PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Loss for the financial year, including dividends from subsidiary undertakings, after taxation	(40,027)	(149,410)

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

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

10 TANGIBLE FIXED ASSETS

Investment properties

Group	Freehold investment properties £000	Long leasehold investment properties £000	Total £000
Cost or valuation			
At 30 September 2008	870,662	23,363	894,025
Deficit on revaluation	(75,000)	(2,063)	(77,063)
At 30 September 2009	795,662	21,300	816,962

Investment properties represent properties held for long-term retention King Sturge LLP, International Property Advisors, has valued the investment properties at 30 September 2009 (2008 King Sturge) at Market Value on an individual property basis in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors In their report, King Sturge LLP, note that, whilst not qualifying their opinion of value, recent events in the financial sector are likely to affect market values going forward As these events are so recent, the independent valuers have applied their professional judgement in assessing the effect on the market at the date of valuation

The Market Valuation of the investment properties valued by King Sturge LLP was £849,062,000 if the properties were sold as a business at 30 September 2009 (2008 £929,176,000)

Other fixed assets

Group	Freehold Land and buildings £000
Cost or valuation	
At 30 September 2008	600
Deficit on revaluation	(17)
At 30 September 2009	583
Accumulated depreciation	
At 30 September 2008	-
Charge for the year	(8)
Transferred to revaluation reserve	8
At 30 September 2009	-
Net book value	
At 30 September 2009	583
At 30 September 2008	600

The Market Valuation of the other fixed assets valued by King Sturge LLP was £583,000 if the other fixed assets were sold as a business at 30 September 2009 (2008 £600,000)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

11. INVESTMENTS

Company

	Shares Libra No. 3 Limited £'000
At Cost or valuation	
At 30 September 2008 and 30 September 2009	77,339
Provision	
At 30 September 2008 and 30 September 2009	(77,339)
Net book value	
At 30 September 2009	-
At 30 September 2008	-

At 30 September 2009, 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

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

11. INVESTMENTS (continued)

Name	Country of incorporation	% Holdings	Principal activity
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 6 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No 8 Limited	Jersey	100%	Investment in care home properties
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 Holdings Limited	Great Britain	100%	Immediate parent company of Ultima Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Care home operator
Eton Hall Homes Limited	Great Britain	100%	Care home operator
Ultima Care Limited	Great Britain	100%	Care home operator
Platinum Healthcare Limited	Great Britain	100%	Care home operator

* 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

12 DEBTORS

Group	2009 £000	2008 £000
Other debtors	346	204
Corporation tax	2,038	3,295
Prepayments and accrued income	200	533
	2,584	4,032

Company	2009 £000	2008 £000
Other debtors		-
Amounts due by Delta G-Co Limited and Starsign Limited	123	123
Prepayment	1	1
	124	124

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2009 £000	2008 (Reclassified*) £000
Bank loan	1,172,000	1,172,000
Less Unamortised finance costs	-	(2,019)
	1,172,000	1,169,981
Bank loan	70,000	70,000
Cumulative interest capitalised	61,382	32,106
Less Unamortised finance costs	-	(201)
	131,382	101,905
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
Interest payable on bank loan **	41,211	21,487
Interest payable on accrued dividend of preference shares	4,030	2,094
Dividend payable on preference shares	18,739	13,507
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Other amounts due to Delta G-Co Limited and Starsign Limited	1,026	1,026
Loan interest payable to Delta G-Co Limited and Starsign Limited	772	497
Other creditors	167	773
Taxation and social security	8	10
Accruals and deferred income	397	660
	1,417,922	1,360,130

** 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 Default interest amounts of £18,192,000 were charged on the overdue amounts and have been included within the interest payable on bank loans (2008 £nil)

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 is on 15 January 2009 with an option to extend the loan to 15 January 2010 provided no default is 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 2009 the £1,172 million term loan remains outstanding Further details are disclosed in note 1 of the financial statements

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Bank Loans (Continued)

Libra No 3 Limited has entered into a 10 year interest rate swap agreement with Credit Suisse for notional amount of £1,172 million, split into a 3 year from 15 January 2007 to 15 January 2010, and a forward 7 year from 15 January 2010 to 15 January 2017 It fixes the interest rate at 4 813% per annum Mark to market valuation at 30 September 2009 was of £107 15 million out-of-money (2008 £23 94 million in-the-money) 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 is on 15 February 2009 with an option to extend the loan to 15 February 2010 provided no default is 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 will be capitalised and added to the principal loan amount At 30 September 2009 the £70 million term loan remains outstanding and the capitalised interest amount was £61,382,000 (2008 32,106,000) Further details are disclosed in note 1 of the financial statements

***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 The 12% cumulative redeemable preference shares were previously classified under 'creditors amounts falling due after more than one year', however should have been recorded as 'creditors amounts falling due within one year' therefore reclassified

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

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Company	2009 £000	2008 (Reclassified*) £000
Bank loan	70,000	70,000
Cumulative interest capitalised	61,382	32,106
Less Unamortised finance costs	-	(201)
	131,382	101,905
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	8,766	5,673
Interest payable on accrued dividend of preference shares	4,030	2,094
Dividend payable on preference shares	18,739	13,507
Loan from Delta G-Co Limited and Starsign Limited	4,590	4,590
Amounts due to group undertakings	36	33
Loan interest payable to Delta G-Co Limited and Starsign Limited	772	497
Other creditors	15	-
Accruals	17	21
	211,947	171,920

14. PROVISION FOR LIABILITIES AND CHARGES

	At 30 September 2008 £000	Cost incurred in the year £000	Profit and loss account £000	At 30 September 2009 £000
Tenant's receivership support costs	792	(961)	169	-

As at 30 September 2009, the Group has incurred total commitments of £nil (2008 £792,000) in relation to a tenant's receivership support costs The care homes in the receivership were fully assigned during the year

15. DEFERRED TAXATION

Group	Provided 2009 £000	Provided 2008 £000	Unprovided 2009 £000	Unprovided 2008 £000
Deferred tax asset / (liability)				
Accelerated depreciation over capital allowances	-	-	2,394	2,394
Losses carried forward	-	-	60,091	33,249
Revaluation of investment properties	-	-	(58,342)	(79,899)
	-	-	4,143	(44,256)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

15. DEFERRED TAXATION (Continued)

No deferred tax asset has been recognised in respect of the losses carried forward or accelerated capital allowances as it is uncertain whether the group will have sufficient taxable profits in the future to utilise the losses

The deferred tax liability on the potential capital gain arising in relation to the revalued freeholds of £58,342,000 (2008 £79,899,000) is not recognised as the Group has no intention to sell these properties at this time and there is no binding agreement to dispose of them

Company	Provided		Unprovided	
	2009	2008	2009	2008
	£000	£000	£000	£000
Losses carried forward	-	-	13,167	4,334
	-	-	13,167	4,334

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

16. SHARE CAPITAL

Company	£000
Authorised	
200,000 ordinary shares at £1 each	200
100,000,000 preference shares at 0 01 each	1,000
At 30 September 2008 and 2009	1,200
Called, allotted and fully paid:	
200,000 ordinary shares at £1 each	200
At 30 September 2008 and 2009	200

The redeemable preference shares are presented as a liability (see note 13) and accordingly are excluded from called up share capital in the balance sheet

17. RESERVES

Group	Revaluation reserve £000	Profit and loss account £000
At 30 September 2008	(158,601)	(280,335)
Deficit on revaluation of properties (note 10)	(77,072)	-
Loss for the year	-	(64,053)
At 30 September 2009	(235,673)	(344,388)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

17. RESERVES (Continued)

	Profit and loss account £000
Company	
At 30 September 2008	(171,996)
Loss for the year	(40,027)
At 30 September 2009	(212,023)

18. MOVEMENT IN SHAREHOLDERS' DEFICIT

Company	£000
At 30 September 2008	(171,796)
Loss for the year	(40,027)
At 30 September 2009	(211,823)

19 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2009 £000	2008 £000
Operating profit	68,391	66,577
Depreciation of other fixed assets	9	10
Increase / (Decrease) in debtors	7	(196)
(Decrease) / Increase in creditors	(872)	368
(Decrease) / Increase in provision	(792)	792
Net cash inflow from operating activities	66,743	67,551

20. ANALYSIS OF CHANGES IN NET DEBT

Group	At 30 September 2008 £000	Cash flow £000	Non-cash changes £000	At 30 September 2009 £000
Cash at bank and in hand	89	(49)	-	40
Net cash at bank and in hand	89	(49)	-	40
Short term deposit investments	23,440	(5,548)	-	17,892
Bank loans due within one year	(1,271,886)	-	(31,496)	(1,303,382)
Loan from Delta G-Co Limited and Starsign Limited	(4,590)	-	-	(4,590)
Preference shares	(43,600)	-	-	(43,600)
	(1,296,547)	(5,597)	(31,496)	(1,333,640)

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

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

	2009 £000	2008 £000
Decrease in cash during the year	(49)	(314)
Net cash inflow from the issue on loan notes	-	(89,036)
Net cash inflow from management of liquid resources	(5,548)	(5,528)
Changes in net debt resulting from cash flows	(5,597)	(94,878)
Non-cash changes in net debt	(31,496)	(30,476)
Net debt at the beginning of year	(1,296,547)	(1,171,193)
Net debt at the end of the year	(1,333,640)	(1,296,547)

22. OPERATING LEASE COMMITMENTS

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

	2009 £000	2008 £000
Office lease – expiring within one year	-	15

On 28 October 2008, the Company assigned the office lease at Dukes Court, Duke Street, Woking, Surrey to Petrofac Engineering Limited Originally, the lease had an unexpired term until November 2012

23. 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 13 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 See further details in note 1 to the financial statements

24 RELATED PARTY TRANSACTIONS

(a) Delta Commercial Property LP is the common ultimate parent undertaking of the Company and Four Seasons Health Care Limited ('FSHC'), one of the Group's tenants During the year, the Group received total rental income of £3,021,080 (2008 £2,947,000) from FSHC The entire amount was fully paid at 30 September 2009 (2008 £nil)

(b) J M J M Jensen is an executive director of the Company and the Group On 19 December 2008, the Company and Libra No 3 Limited, its subsidiary undertaking, have entered into an engagement letter with Aaronite Partners Limited ('Aaronite'), where J M J M Jensen is an employee Aaronite has agreed to make available J M J M Jensen's services to the Company and Libra No 3 Limited and their subsidiary undertakings Total fees amount of £285,000 was incurred for the period from 19 December 2008 to 30 September 2009 As at 30 September 2009 the amount £78,000 remained outstanding £30,000 was settled by NHP Management Limited, the Company's subsidiary undertaking on 9 October 2009

(c) M J Grant was a non-executive director of the Company and the Group for the period from 2 July to 6 November 2009 On 2 July 2009, the Company and Libra No 3 Limited have entered into an engagement letter with Aaronite Partners Limited, where M J Grant is an employee Aaronite has agreed to make available the services of M J Grant to the Company and Libra No 3 Limited and their subsidiary undertakings Total fees paid were £27,000 and as at 30 September 2009 the outstanding amount is £nil

NOTES TO THE ACCOUNTS
Year ended 30 September 2009

24. RELATED PARTY TRANSACTIONS (Continued)

(d) P H Thompson has been appointed as a non-executive director of the Company and Libra No 3 Limited on 6 November 2009 The Company and Libra No 3 Limited have entered into an engagement letter with The Aaronite Partners LLP ('Aaronite Parners') whereby Aaronite Partners would make available P H Thompson's services to the Company and Libra No 3 Limited and their subsidiary undertakings J M J M Jensen and P H Thompson are partners of Aaronite Partners No fees were due for the year ended 30 September 2009

25. POST BALANCE SHEET EVENTS

(a) On 20 October 2009 a standstill agreement was put in place until 14 January 2010, later extended to 14 April 2010 which suspends the ability of Capita Asset Services (UK) Limited (formerly 'Capmark Services UK Limited'), the loan servicer to exercise its rights in relation to certain specified events of default Also, it allows the Company time to negotiate a solution to the problem of the breached covenants without threat of foreclosure See further details in note 1 to the financial statements

(b) On 6 November 2009 P H Thompson has been appointed to replace M J Grant as a non-executive director of the Company and the Group

(c) On 13 January 2010 Libra Group offices have been relocated to Liberty House, 222 Regent Street, London W1B 5TR

26. ULTIMATE PARENT COMPANY AND THE CONTROLLING PARTY

Libra No 2 Limited is jointly owned by Delta G-Co Limited and Starsign Limited in equal share 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

Copies of Libra No 2 Limited consolidated financial statements to 30 September 2009 are available from Libra Group at Liberty House, 222 Regent Street, London W1B 5TR