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LIBRA CARECO SUPERHOLDCO LIMITED

Report and Financial Statements
Year ended 30 September 2008

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REPORT AND FINANCIAL STATEMENTS 2008

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REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen	Executive Director
D C Nicholson	Executive Director

SECRETARY

Dominion Corporate Services Limited

REGISTERED OFFICE

c/o Maples Corporate Services Limited
P O Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

AUDITORS

Deloitte LLP
Chartered Accountants
London

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law which would apply if the Company was incorporated in Great Britain). The financial statements are required by such law to give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company 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; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

LIBRA CARECO SUPERHOLDCO LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LIBRA CARECO SUPERHOLDCO LIMITED

We have audited the financial statements of Libra CareCo SuperholdCo Limited for the year ended 30 September 2008, which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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report is made solely to the Company's members, as a body, in accordance with section 236 of the Companies Act 1985 as originally enacted.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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 applicable for overseas companies.

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.

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LIBRA CARECO SUPERHOLDCO LIMITED (Continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; applicable for overseas companies.

Emphasis of matter – Going concern

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

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

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



Deloitte LLP
Chartered Accountants and Registered Auditors
London
Date: 20 January 2009

LIBRA CARECO SUPERHOLDCO LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 September 2008

	Notes	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Administrative expenses	3	(3,749)	(7,545)
Exceptional income	4	-	35,000
Amounts written off investments	6	(2,077)	-
OPERATING (LOSS) / PROFIT		(5,826)	27,455
(LOSS) / PROFIT BEFORE TAXATION		(5,826)	27,455
Tax on (loss) / profit on ordinary activities	5	-	-
(Loss) / Profit for the financial year	11	(5,826)	27,455

Results are derived wholly from continuing operations.

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

LIBRA CARECO SUPERHOLDCO LIMITED

BALANCE SHEET At 30 September 2008

	Notes	£	2008 £	£	2007 £
FIXED ASSETS					
Investments	6		-		2,077
CURRENT ASSETS					
Debtors	7	1,460		2,552	
CREDITORS: amounts falling due within one year	8	<u>(3,771,307)</u>		<u>(3,768,650)</u>	
NET CURRENT LIABILITIES			<u>(3,769,847)</u>		<u>(3,766,098)</u>
NET LIABILITIES			<u>(3,769,847)</u>		<u>(3,764,021)</u>
CAPITAL AND RESERVES					
Called up share capital	10		2,076		2,076
Profit and loss account	11		<u>(3,771,923)</u>		<u>(3,766,097)</u>
SHAREHOLDERS' DEFICIT	12		<u>(3,769,847)</u>		<u>(3,764,021)</u>

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

Signed on behalf of the Board of Directors



D C Nicholson
Director



J M M Jensen
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

1. GOING CONCERN

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS
Year ended 30 September 2008

2. ACCOUNTING POLICIES

Basis of accounting

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

Exemption from consolidation

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

Taxation

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

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange 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.

Investments

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

Cash flow statement

The directors have elected to take advantage of the exemption under FRS 1 not to prepare a cash flow statement as the financial statements of the ultimate parent company contain a consolidated cash flow statement.

3. ADMINISTRATIVE EXPENSES

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

None of the Directors at year end received emoluments from the Company in the current or preceding year.

The audit fees of £1,000 for the current and preceding year have been borne by NHP Management Limited, a group undertaking.

4. EXCEPTIONAL INCOME

The exceptional income of £nil (2007: £35,000) is a write back of a provision for legal fees relating from a previous period.

LIBRA CARECO SUPERHOLDCO LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2008

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

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Corporation tax	-	-
(Loss) / Profit before tax	(5,826)	27,455
Tax on (loss) / profit at standard rate of 29% (2007: 30%)	(1,690)	8,237
Factors affecting tax charge:		
Non taxable income	-	(9,049)
Non-deductible expenditure	6	-
Impairment of investments	603	-
Increase in loss carried forward	1,081	812
Current tax charge	-	-

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

6. INVESTMENTS

	£
Cost	
At 1 October 2007 and 30 September 2008	2,077
Provision	
At 1 October 2007	-
Provision for the year	(2,077)
At 30 September 2008	(2,077)
Net book value:	
At 30 September 2008	-
At 30 September 2007	2,077

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

Name	Country of incorporation	% Holdings	Principal activity
Libra CareCo TopCo Limited*	Cayman Islands	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Equity Co	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 SUPERHOLDCO LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2008

6. INVESTMENTS (Continued)

Name	Country of incorporation	% Holdings	Principal activity
Libra CareCo Holdings Limited	Great Britain	98.4%	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.6 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No.8 Limited	Jersey	100%	Investment in care homes 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 overriding leases of 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 overriding leases of 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 homes properties
Care Homes No. 2 (Cayman) Limited	Cayman Islands	100%	Investment in care homes properties
Care Homes No. 3 Limited	Cayman Islands	100%	Investment in care homes 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

* shares directly held by Libra CareCo Superholdco Limited
All shares held are ordinary shares.

LIBRA CARECO SUPERHOLDCO LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2008

6. INVESTMENTS (Continued)

Summarised below are the financial information of the subsidiary undertakings:

	Capital and Reserve at 30 September 2008 £	Profit / (Loss) for the year ended 30 September 2008 £
Libra CareCo TopCo Limited	(24,665)	(5,695)
Libra CareCo Equity Co Limited	(306,861)	(287,856)
Libra CareCo CH2 PropCo Holdco Limited	1	-
Libra CareCo CH2 PropCo Limited	134,783,783	(37,339,424)
Libra CareCo CH3 PropCo Holdco Limited	1	-
Libra CareCo CH3 PropCo Limited	114,168,422	(27,687,313)
Libra CareCo Holdings Limited	-	(2,110)
Libra CareCo Investments 1 Limited	(96,109,498)	(200,048,288)
Libra CareCo Investments 2 Limited	(14,858,600)	(111,121,126)
Libra GuaranteeCo Limited	(493)	(58,216)
Libra CareCo Limited	(529,027,238)	(454,024,614)
NHP Limited	2,258,231	(156,143,789)
NHP Securities No.1 Limited	104,206,234	(21,174,060)
NHP Securities No.2 Limited	51,887,777	(5,913,555)
NHP Securities No.3 Limited	(185,753,086)	(526,949,297)
NHP Securities No.4 Limited	2	-
NHP Securities No.5 Limited	-	(19,903)
NHP Securities No.6 Limited	31	-
NHP Securities No.8 Limited	-	(16,262)
NHP Securities No.9 Limited	-	(15,124)
NHP Securities No.10 Limited	-	(9,768)
NHP Securities No.11 Limited	(10,000)	(13,120)
NHP Securities No.12 Limited	-	(6,131)
NHP Management Limited	(3,683,596)	(3,753,871)
NHP Operations (York) Limited	490,294	26,838
LLNH Limited	1,000	-
Care Homes No. 1 Limited	(25,882,909)	(24,958,871)
Care Homes No.2 (Cayman) Limited	(61,000,604)	(50,954,493)
Care Homes No.3 Limited	(70,348,064)	(40,418,598)
Ultima Holdings Limited	324,869	31
Ultima Healthcare Limited	4,688,137	12
Eton Hall Homes Limited	25,857	-
Ultima Care Limited	(5,306,971)	15
Platinum Healthcare Limited	111,635	(14)

7. DEBTORS

	2008 £	2007 £
Prepayments	1,460	2,552

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Amount due to group undertakings	3,771,307	3,768,650

LIBRA CARECO SUPERHOLDCO LIMITED

NOTES TO THE ACCOUNTS Year ended 30 September 2008

9. DEFERRED TAXATION

	Provided		Unprovided	
	2008	2007	2008	2007
	£000	£000	£000	£000
Losses carried forward	-	-	(1,802)	(758)
	<u>-</u>	<u>-</u>	<u>(1,802)</u>	<u>(758)</u>

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

10. SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
2,500,000 ordinary shares at £0.01 each	<u>25,000</u>	<u>25,000</u>
Called up, allotted and fully paid:		
207,589 ordinary shares at £0.01 each	<u>2,076</u>	<u>2,076</u>

11. RESERVES

	£
Profit and loss account	
At 30 September 2007	(3,766,097)
Retained loss for the year	<u>(5,826)</u>
At 30 September 2008	<u>(3,771,923)</u>

12. MOVEMENT IN SHAREHOLDERS' DEFICIT

	£
At 30 September 2007	(3,764,021)
Retained loss for the year	<u>(5,826)</u>
At 30 September 2008	<u>(3,769,847)</u>

13. CONTINGENT LIABILITIES AND GUARANTEES

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

14. RELATED PARTY TRANSACTIONS

The exemption under Financial Reporting Standard No.8 "Related Party Disclosures" has been taken and consequently, transactions with other undertakings within the Libra No.2 Limited group have not been disclosed in these financial statements.

NOTES TO THE ACCOUNTS

Year ended 30 September 2008

15. POST BALANCE SHEET EVENT

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

16. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra No.3 Limited, a company incorporated in the Cayman Islands.

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

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

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