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Company Registration
No FC027928

NHP HOLDCO 2 LIMITED (formerly 'Libra CareCo TopCo Limited')

**Report and Financial Statements
Year ended 30 September 2013**

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REPORT AND FINANCIAL STATEMENTS 2013

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REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M J M Jensen
P H Thompson

SECRETARY

Crestbridge Corporate Services Limited (formerly 'Dominion Corporate Services Limited')

REGISTERED OFFICE

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

AUDITOR

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

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

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and accounting estimates that are reasonable and prudent,
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the provisions of the Companies Act 2006 applicable to 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NHP HOLDCO 2 LIMITED**

We have audited the financial statements of NHP Holdco 2 Limited for the year ended 30 September 2013, which comprise the Profit and Loss account, the Balance Sheet and the related Notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NHP HOLDCO 2 LIMITED (Continued)**

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £5,444 for the year ended 30 September 2013 and, as of that date, the Company's current liabilities exceeded its current assets by £44,529. Thus the Company is reliant on the Group to continue as a going concern.

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

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

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



Deloitte LLP
Chartered Accountants
London, United Kingdom
Date 4 February 2014

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Administrative expenses	3	(5,444)	(3,276)
OPERATING LOSS		(5,444)	(3,276)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,444)	(3,276)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year	10	(5,444)	(3,276)

Results are derived wholly from continuing operations

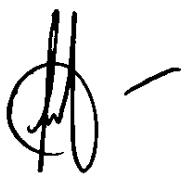
There are no recognised gains or losses for the current or preceding years other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

BALANCE SHEET
At 30 September 2013

	Notes	£	2013 £	£	2012 £
FIXED ASSETS					
Investments	5		-		-
CURRENT ASSETS					
Debtors	6	1,381		1,491	
CREDITORS: amounts falling due within one year	7	(45,910)		(40,576)	
NET CURRENT LIABILITIES			(44,529)		(39,085)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET LIABILITIES			(44,529)		(39,085)
CAPITAL AND RESERVES					
Called up share capital	9		2,076		2,076
Profit and loss account	10		(46,605)		(41,161)
SHAREHOLDERS' DEFICIT	11		(44,529)		(39,085)

These financial statements were approved and authorised for issue by the Board of Directors on 4 February 2014
The Company Registration number is FC027928

Signed on behalf of the Board of Directors



J M J M Jensen
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

1. GOING CONCERN

The Company is a guarantor for a term loan entered into by another company in a group of companies of LIBRA No 2 Limited, the Company's parent undertaking (the "Group")

The Group has been in breach of the covenants on its term loans since November 2008 and as at 30 September 2013 and at 4 February 2014 the term loan amounts remain outstanding (see note 16 for further details)

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

1. GOING CONCERN (Continued)

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

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

(b) restructuring and/or disposal costs,

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, and in accordance with Section 396 of the Overseas Companies Regulations 2012. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (as issued by ASB)

The particular accounting policies adopted are described below. They have been applied consistently throughout the current year and the preceding year

Exemption from consolidation

The Company has taken advantage of section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is itself a subsidiary undertaking of LIBRA No 2 Limited. These financial statements provide information about the Company as an individual undertaking and not about its group

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

2. ACCOUNTING POLICIES (Continued)

Taxation

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

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

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 impairment.

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 LIBRA No 2 Limited contain a consolidated cash flow statement and are obtainable from Companies House.

3. ADMINISTRATIVE EXPENSES

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

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

No audit fees have been charged to the profit and loss account. Fees payable to the Company's auditor for the audit of the Company's annual accounts were £1,000 for the current and preceding year and have been borne by NHP Management Limited, a group undertaking. The Company did not incur any non-audit fees during the year (30 September 2012: £nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Corporation tax	-	-
Loss before tax	(5,444)	(3,276)
Tax on loss at standard rate of 23.5% (2012: 24.5%)	(1,279)	(819)
Factors affecting tax charge		
Increase in loss carried forward	1,279	819
Current tax charge	-	-

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 tax losses carried forward

5. INVESTMENTS

	£
Cost	
At 1 October 2012 and 30 September 2013	2,077
Provision	
At 1 October 2012 and 30 September 2013	(2,077)
Net book value:	
At 30 September 2013	-
At 30 September 2012	-

At 30 September 2013, the Company held investments either directly or indirectly in the following principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Principal activity
NHP Holdco 3 Limited (formerly '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 *	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo CH2 PropCo Limited	United Kingdom	100%	Investment in care home properties
Libra CareCo Holdings Limited	United Kingdom	98.4%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 1 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties
Libra CareCo Investments 2 Limited	United Kingdom	100%	Investment company in group undertaking with investment in care home properties

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

5 INVESTMENTS (Continued)

Name	Country of incorporation	% Holdings	Principal activity
Libra CareCo Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Limited	United Kingdom	100%	Parent company of subsidiary undertakings with investment in care home properties
NHP Securities No 1 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 2 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 3 Limited	United Kingdom	100%	Investment in care home properties
NHP Securities No 4 Limited	United Kingdom	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 homes properties
NHP Securities No 9 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 Management Limited	United Kingdom	100%	Management of care home property portfolios
NHP Operations (York) Limited	United Kingdom	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
LLNH Limited	United Kingdom	100%	Partner in LLHNP Partnership
Ultima Holdings Limited**	United Kingdom	100%	Immediate parent company of Ultima Group Undertakings
Ultima Healthcare Limited**	United Kingdom	100%	Care home operator
Eton Hall Homes Limited**	United Kingdom	100%	Care home operator
Ultima Care Limited**	United Kingdom	100%	Care home operator
Platinum Healthcare Limited**	United Kingdom	100%	Care home operator

* held directly by NHP Holdco 2 Limited

All shares held are ordinary shares

**During the year, the Ultima sub-group of companies comprising Ultima Holdings Limited, Ultima Healthcare Limited, Eton Hall Homes Limited, Ultima Care Limited and Platinum Healthcare Limited went into a Members Voluntary Liquidation. The Joint Liquidators were appointed on 16 January 2013. The companies should be dissolved, three months from 9 January 2014.

6 DEBTORS

	2013	2012
	£	£
Prepayments	1,381	1,491

7 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Amount due to group undertakings	45,910	40,576

Amounts due to group undertakings are due on demand bearing no interest

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

8 DEFERRED TAXATION

	Provided		Unprovided	
	2013	2012	2013	2012
	£000	£000	£000	£000
Losses carried forward	-	-	(6,020)	(4,768)
	<u>-</u>	<u>-</u>	<u>(6,020)</u>	<u>(4,768)</u>

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 losses

9 CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Called up, allotted and fully paid:		
207,590 ordinary shares at £0.01 each	2,076	2,076
	<u>2,076</u>	<u>2,076</u>

10. PROFIT AND LOSS ACCOUNT

	2013	2012
	£	£
At 1 October	(41,161)	(37,885)
Loss for the financial year	(5,444)	(3,276)
	<u>(46,605)</u>	<u>(41,161)</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2013	2012
	£	£
At 1 October	(39,085)	(35,809)
Loss for the financial year	(5,444)	(3,276)
	<u>(44,529)</u>	<u>(39,085)</u>

12 CONTINGENT LIABILITIES AND GUARANTEES

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

13 POST BALANCE SHEET EVENT

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2013

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

No other related party transaction is noted

15. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is Libra CareCo Superholdco Limited, a company incorporated in the Cayman Islands

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

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

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