



**NHP SECURITIES NO.1 LIMITED**  
**(formerly NHP SECURITIES NO.1 PLC)**

**Report and Financial Statements**

**30 September 1998**

**Deloitte & Touche**  
**Hill House**  
**1 Little New Street**  
**London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1998**

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## **REPORT AND FINANCIAL STATEMENTS 1998**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R J Ellert	Chairman/Chief Executive
W J Davies, ARICS	Estates Director
D F Francis, FCA	Finance Director
P H S Smith	Executive Director

#### **SECRETARY**

A R Kilmartin, FCA

#### **REGISTERED OFFICE**

6 Broad Street Place  
Blomfield Street  
London EC2M 7JH

#### **BANKERS**

Bank of Scotland	National Westminster Bank PLC
Commercial Banking Services	Norwich City Office
Telford House	45 London Street
3 Mid New Cultins	Norwich NR2 1HX
Edinburgh EH11 4DH	

#### **SOLICITORS**

Eversheds  
Holland Court  
The Close  
Norwich NR1 4DX

#### **AUDITORS**

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

#### **VALUERS**

DTZ Debenham Thorpe  
3-5 Swallow Place  
London W1A 4NA

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 30 September 1998.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is the holding of freehold interests in predominantly modern, purpose-built care homes, the overriding leasehold interests in which have been sold to Care Homes No.1 Limited.

### **BUSINESS REVIEW**

NHP Securities No.1 Limited (formerly NHP Securities No.1 PLC) is a wholly owned subsidiary of NHP Plc (formerly Nursing Home Properties PLC) which is the only listed UK property investment group specialising in the purchase and leaseback of modern purpose-built care homes to established care home operators. The residual interest in a single care home was disposed of, for no consideration, in June 1998.

### **RESULTS**

The results for the year to 30 September 1998 are set out in the profit and loss account on page 6.

### **DIVIDENDS**

The Company has declared dividends of £1,445,860 (1997 - £398,225) which amounts to £28.9172 (1997 - £7.9645) per share, payable to the parent company, NHP Plc. No further dividends in respect of the year are proposed.

### **POST BALANCE SHEET EVENTS**

On 9 March 1999 the Company was re-registered under the Companies Act 1985 as a private company. On the same date its name was changed to NHP Securities No.1 Limited.

### **GOING CONCERN**

The Directors, having made appropriate enquiries are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### **DIRECTORS**

The Directors who were in office at 30 September 1998 are set out below. All served throughout the year with the exception of Mr P H S Smith who was appointed on 27 January 1998.

R J Ellert	
W J Davies	
D F Francis	
P H S Smith	
A Bergbaum	(resigned 21 December 1998)
Sir Colin Walker	(resigned 21 December 1998)
D G Hargrave	(resigned 21 December 1998)
D F Benson	(resigned 21 December 1998)
C H W Robson	(resigned 21 December 1998)

No Director had any interest in the shares of the Company. No Director holds a service contract with the Company and there is no Company share option scheme in existence.

## **DIRECTORS' REPORT**

### **DIRECTORS (continued)**

Except for the interests of Mr P H S Smith, the Directors' interests in the shares of the parent company are disclosed in that company's financial statements. Mr P H S Smith was granted 10,000 shares during the year under the NHP Executive Share Option Scheme and 8,125 shares under the NHP Plc Savings Related Share Option Scheme.

### **PAYMENTS TO CREDITORS**

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers according to the agreed terms and conditions, provided that the supplier has complied with those terms. The number of days in creditors for the Company at 30 September 1998 is nil (1997: 26), as the company has no trade creditors at 30 September 1998.

### **YEAR 2000**

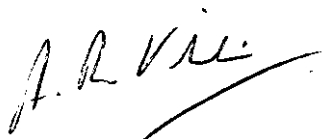
The Directors have appointed a committee led by the company secretary to examine the issues associated with computer-based equipment and the Year 2000.

Enquiries have been made of all the Company's tenant operators requesting confirmation that all relevant Year 2000 issues have been addressed and resolved, including specific confirmation that the operators have sought similar assurances from the relevant Local Authorities which place residents and pay their fees. The cost of carrying out this work in relation to the Year 2000 is not expected to be material.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



A R Kilmartin

Secretary

22 April 1999

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which 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. 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.



## AUDITORS' REPORT

### TO THE MEMBERS OF NHP SECURITIES NO.1 LIMITED (formerly NHP SECURITIES NO.1 PLC)

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 9.

#### Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards 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.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

22 April 1999

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 1998**

	Note	1998 £	1997 £
<b>TURNOVER AND GROSS PROFIT</b>	2	2,696,577	4,538,967
Exceptional items	3	395,058	399,271
Other operating expenses	4	(191,699)	(217,814)
Total operating expenses		203,359	181,457
<b>OPERATING PROFIT</b>		2,899,936	4,720,424
Loss on disposal of fixed assets		(720,829)	-
Profit on ordinary activities before interest		2,179,107	4,720,424
Net interest payable and similar charges	5	(976,566)	(4,072,199)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,202,541	648,225
Tax on profit on ordinary activities	6	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,202,541	648,225
Equity dividends payable	7	(1,445,860)	(398,225)
<b>Retained (loss)/profit for the financial year</b>		(243,319)	250,000

Turnover and operating profit are wholly derived from continuing operations.

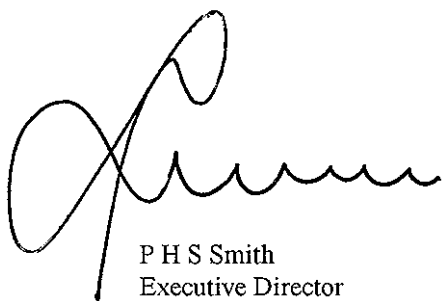


**BALANCE SHEET**  
**30 September 1998**

	Note	£	1998 £	£	1997 £
<b>TANGIBLE FIXED ASSETS</b>					
Land and buildings	8		12,317,071		11,981,126
<b>CURRENT ASSETS</b>					
Debtors	9	403,854		708,926	
Cash at bank and in hand		<u>77,601</u>		<u>181,005</u>	
		481,455		889,931	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(81,676)</u>		<u>(560,888)</u>	
<b>NET CURRENT ASSETS</b>			<u>399,779</u>		<u>329,043</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			12,716,850		12,310,169
<b>CREDITORS: amounts falling due after more than one year</b>	12		<u>(11,802,982)</u>		<u>(11,152,982)</u>
<b>NET ASSETS</b>			<u>913,868</u>		<u>1,157,187</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		50,000		50,000
Revenue reserve	14		857,187		857,187
Profit and loss account	14		<u>6,681</u>		<u>250,000</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>913,868</u>		<u>1,157,187</u>

These financial statements were approved by the Board of Directors on 22 April 1999.

Signed on behalf of the Board of Directors

  
P H S Smith  
Executive Director

  
D F Francis  
Finance Director

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 September 1998**

	1998 £	1997 £
Profit for the year	1,202,541	648,225
Deficit on revaluation of land and buildings	-	(336,073)
Total recognised gains for the year	<u>1,202,541</u>	<u>312,152</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 30 September 1998**

	1998 £	1997 £
Profit for the year	1,202,541	648,225
Equity dividends paid	(1,445,860)	(398,225)
Retained (loss)/profit for the year	(243,319)	250,000
Net deficit on revaluation of land and buildings	-	(336,073)
Net decrease in shareholders' funds	(243,319)	(86,073)
Shareholders' funds at 1 October	<u>1,157,187</u>	<u>1,243,260</u>
Shareholders' funds at 30 September	<u>913,868</u>	<u>1,157,187</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, land and buildings are not depreciated.

**Valuation of properties**

The cost of land and buildings is their purchase cost, together with any incidental costs of acquisition.

Land and buildings represent residual interests in investment properties. Investment properties represent freehold properties held for long term retention, which are subject to overriding leases granted. In accordance with Statement of Standard Accounting Practice No. 19, investment properties are valued annually by independent professional valuers at open market value, on an investment basis, subject to the Company's leases. The aggregate revaluation surplus or deficit is transferred to the revaluation reserve whilst any permanent diminution in value is charged to the profit and loss account.

**Depreciation**

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of investment properties. Under the terms of the Company's leases, freehold properties are required to be maintained to a high standard by the tenants.

This treatment is a departure from the requirements of the Companies Act 1985 which requires all fixed assets to be depreciated over their effective useful lives. However, such properties are not held for consumption but for investment and the Directors consider that systematic depreciation would be inappropriate and would not give a true and fair view. The accounting policy adopted and departure from the Companies Act 1985 is therefore necessary for the accounts to give a true and fair view. Depreciation is one of the factors reflected in the annual revaluation and amounts which might otherwise have been charged cannot be separately identified or quantified.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Finance costs**

Costs, which are incurred directly in connection with the raising of bank loans, are amortised over the life of the loan facility in accordance with Financial Reporting Standard No. 4.

**Interest**

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

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**2. TURNOVER AND GROSS PROFIT**

Turnover comprises the following earned from the Company's ordinary activities, which take place wholly within the United Kingdom:

	1998 £	1997 £
Rental income	-	3,874,928
Commissions and fees received	-	17,070
Overriding lease rents received from Care Homes No.1 Limited	2,696,577	646,969
	<u>2,696,577</u>	<u>4,538,967</u>

**3. EXCEPTIONAL ITEMS**

	1998 £	1997 £
Write down of fixed assets	-	(4,100,729)
Net surplus on revaluation, being reversal of write down of fixed assets	395,058	-
Loan notes forgiven by parent company	-	4,500,000
	<u>395,058</u>	<u>399,271</u>

During the year ended 30 September 1997 NHP Securities No.1 Limited (formerly NHP Securities No.1 PLC) sold overriding leases in respect of investment properties to Care Homes No.1 Limited. GVA Grimley advised that, as at 30 September 1997, the aggregate value of the retained interests in these properties had reduced, as the combined value of the separate interests of NHP Securities No.1 Limited and Care Homes No.1 Limited was less than the value of those interests if they were vested only in NHP Securities No.1 Limited. This reduction in value was reflected as a write off of fixed assets of £4,100,729 which was charged to the profit and loss account in 1997. This charge was covered by the parent company's forgiveness of £4,500,000 of loan notes. The valuation of the retained interests at 30 September 1998, by DTZ Debenham Thorpe, has resulted in a partial reversal of this charge amounting to £395,098.

**4. OTHER OPERATING EXPENSES**

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

The directors are executives of the holding company NHP Plc and subsidiary companies: NHP Securities No.1 Limited, NHP Securities No.2 Limited, NHP Securities No.3 Limited and NHP Management Limited.

The directors received total emoluments of £895,270 from NHP Plc during the year but it is not practicable to allocate this between their services of the above mentioned companies.

In addition, four of the directors are accruing benefits under the NHP Plc pension scheme which is a money purchase scheme. During the year, pension contributions were £104,075.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**4. OTHER OPERATING EXPENSES (Continued)**

Other operating expenses include:

	1998 £	1997 £
Group management fees	160,200	203,000
Audit fees - audit services	3,000	13,000
- other	-	10,000
	<u>163,200</u>	<u>226,000</u>

**5. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
Interest receivable on deposits	10,989	60,010
Interest payable on bank loans, now repaid	-	(1,346,152)
Interest payable to parent company in respect of loan notes	(987,057)	(2,307,929)
Other interest payable	(242)	-
Finance costs	(256)	(478,128)
	<u>(976,566)</u>	<u>(4,072,199)</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

There is no tax charge for the year or preceding year owing to the availability of capital allowances.

No deferred tax liability is recognised on the timing differences arising on capital allowances as this timing difference is not expected to reverse in the foreseeable future. A potential capital gains tax liability of £2,652,000 exists in relation to the surplus arising on the revaluation of land and buildings. It is not the Company's intention to sell the freehold or long leasehold interests and therefore no deferred tax has been provided on the revaluation surplus.

**7. EQUITY DIVIDENDS PAYABLE**

	1998 £	1997 £
Dividends payable of £28.9172 (1997 - £7.9645) per ordinary share	<u>1,445,860</u>	<u>398,225</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**8. TANGIBLE FIXED ASSETS**

	<b>Freehold investment properties £</b>
<b>Land and buildings</b>	
Residual interests at valuation 1 October 1997	11,981,126
Additions at cost	661,716
Disposals	(720,829)
Net surplus on revaluation (Note 3)	395,058
	<hr/>
Residual interests at valuation 30 September 1998	12,317,071
	<hr/>

Residual interests in investment properties have been valued, at open market value, by DTZ Debenham Thorpe, at 30 September 1998 (1 October 1997 – GVA Grimley). The historical cost of land and buildings is £15,646,850 (1997 - £16,081,855).

At 30 September 1998 the Company had no contracted capital commitments (1997 - nil).

**9. DEBTORS**

	<b>1998 £</b>	<b>1997 £</b>
Amounts due from parent company	42,800	-
Amount due from Care Homes No.1 Limited	361,054	646,969
Amounts due from fellow subsidiary companies	-	28,401
Other debtors	-	7,820
Prepayments and accrued income	-	25,736
	<hr/>	<hr/>
	403,854	708,926
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**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1998 £</b>	<b>1997 £</b>
Trade creditors	-	52,466
Amounts owed to parent company	-	281,472
Amounts owed to fellow subsidiary companies	81,676	148,756
Accruals and deferred income	-	78,194
	<hr/>	<hr/>
	81,676	560,888
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**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**11. DEFERRED TAXATION**

	<b>Provided</b>		<b>Unprovided</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Capital allowances in excess of depreciation	-	-	631,519	2,180,000
Revaluation of investment properties	-	-	2,652,000	2,548,000
Losses created by capital allowances	-	-	(377,216)	(193,000)
	<u>-</u>	<u>-</u>	<u>2,906,303</u>	<u>4,535,000</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Subordinated loan notes due to parent company	<u>11,802,982</u>	<u>11,152,982</u>

The subordinated loan notes, which represent the consideration payable for assets transferred from group companies, have no fixed repayment dates and bear interest at 8.5% (1997 – 10%) per annum.

**13. CALLED UP SHARE CAPITAL**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Authorised, allotted called up and fully paid: 50,000 ordinary shares at £1 each	<u>50,000</u>	<u>50,000</u>

**14. RESERVES**

	<b>Revenue reserve</b>	<b>Profit and Loss Account</b>
	<b>£</b>	<b>£</b>
Opening balance at 1 October 1997	857,187	250,000
Loss for the year	-	(243,319)
Closing balance at 30 September 1998	<u>857,187</u>	<u>6,681</u>

**15. GUARANTEE**

NHP Plc has issued a guarantee in favour of Care Homes No.1 Limited of performance by the Company of its obligations arising in respect of the overriding leases and associated documents.

**16. CASH FLOW STATEMENT**

As a wholly owned subsidiary of NHP Plc, whose consolidated group accounts contain a cash flow statement, the Company takes advantage of the exemption from the requirement to produce a cash flow statement.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**17. RELATED PARTY TRANSACTIONS**

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the NHP Plc group have not been disclosed in these financial statements. Although Care Homes No.1 Limited has been consolidated as part of that group by reason of contractual arrangements with NHP Plc, it is not a subsidiary of that company, and therefore the exemption under Financial Reporting Standard No 8 "Related Party Disclosures" cannot be applied for transactions with Care Homes No.1 Limited. These transactions, which are disclosed in notes 2,3,9 and 15 of these financial statements, comprise the granting of overriding leases over freehold properties, and the receipt of overriding lease rents in connection with these properties.

**18. ULTIMATE PARENT COMPANY**

The immediate parent and ultimate controlling company is NHP Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group consolidated financial statements, which include the results of the Company, are available from the Company Secretary, 6 Broad Street Place, Blomfield Street, London EC2M 7JH.