



NHP SECURITIES NO. 4 LIMITED
(formerly Legislator 1346 Limited)

Report and Financial Statements

30 September 1998



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	(appointed 13 October 1997)
W J Davies, ARICS	Estates Director	(appointed 13 October 1997)
D F Francis, FCA	Finance Director	(appointed 13 October 1997)
P H S Smith	Executive Director	(appointed 27 January 1998)

SECRETARY

A R Kilmartin, FCA

REGISTERED OFFICE

6 Broad Street Place
Blomfield Street
London EC2M 7JH

BANKERS

Bank of Scotland	National Westminster Bank PLC
Centrebank division	Norwich City Office
Teviot House	45 London Street
41 South Gyle Crescent	Norwich NR2 1HX
Edinburgh EH12 9BF	

SOLICITORS

Eversheds
Holland Court
The Close
Norwich NR1 4DX

VALUERS

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

AUDITORS

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

DIRECTORS' REPORT

The Directors have pleasure in presenting their first annual report and the audited financial statements for the period from the date of incorporation on 12 August 1997 to 30 September 1998.

PRINCIPAL ACTIVITY

The principal activity of the Company is the holding of a 50.01 per cent interest in the LLNHP Partnership. The principal activity of the LLNHP Partnership is the holding of freehold interests in modern purpose-built care homes which are leased back to established care home operators that have a proven ability, reputation and performance record.

BUSINESS REVIEW

NHP Securities No. 4 Limited (formerly Legislator 1346 Limited) 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.

On 27 October 1997 the Company formed the LLNHP Partnership together with Lend Lease NH Limited (formerly Lend Lease Homes Limited), the latter being a wholly owned subsidiary of Lend Lease Europe Holdings Limited, which in turn is a subsidiary of Lend Lease Corporation Limited, incorporated in Australia.

During the reporting period both partners have contributed capital to the LLNHP Partnership, in the agreed percentages, and the partnership has acquired care home properties from third parties.

RESULTS

The results for the period ended 30 September 1998 are set out in the consolidated profit and loss account on page 6.

DIVIDENDS

No dividends in respect of the period are proposed.

POST BALANCE SHEET EVENTS

Post balance sheet events are detailed in note 17.

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, and their dates of appointment, are detailed on page 1. M Pooley and D J Simmons served as Directors of the Company from 12 August 1997 to 13 October 1997.

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

The Directors' interest in the shares of the parent company are disclosed in that company's financial statements.

**DIRECTORS' REPORT****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. The cost of carrying out this review is not expected to be material.

AUDITORS

Deloitte & Touche were appointed in the period and 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, FCA
Secretary

9 June 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and of the profit or loss of the Group 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 Group 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 of the Group 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 Group 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. 4 LIMITED

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 10.

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 and the Group'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 affairs of the Company and the Group as at 30 September 1998 and of the profit of the Group for the period from 12 August 1997 to 30 September 1998 and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

9 June 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 30 September 1998

	Note	Period from 12 August 1997 to 30 September 1998 £
TURNOVER AND GROSS PROFIT	2	1,070,690
Operating expenses		(18,397)
OPERATING PROFIT	3	1,052,293
Net interest payable and similar charges	4	(800,033)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		252,260
Tax on profit on ordinary activities	5	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		252,260
Equity minority interest		(161,577)
PROFIT FOR THE FINANCIAL PERIOD		90,683
Dividends proposed	6	-
Retained profit for the financial period		90,683


Turnover and operating profit are wholly derived from continuing operations.

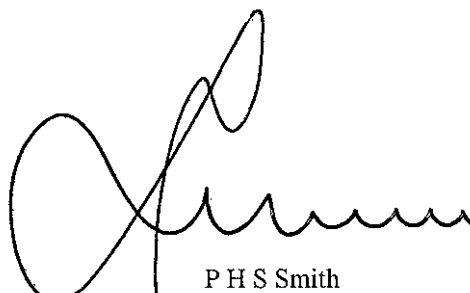

CONSOLIDATED BALANCE SHEET
30 September 1998

	Note	1998 £
TANGIBLE FIXED ASSETS		
Land and buildings	8	31,990,000
CURRENT ASSETS		
Debtors	10	89,972
Cash at bank and in hand		221,308
		311,280
CREDITORS: amounts falling due within one year	11	(305,349)
NET CURRENT ASSETS		5,931
TOTAL ASSETS LESS CURRENT LIABILITIES		31,995,931
CREDITORS: amounts falling due after more than one year	13	(24,475,117)
Equity minority interest		(5,111,865)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,408,949
CAPITAL AND RESERVES		
Called up share capital	14	2
Revaluation reserve	15	2,318,264
Profit and loss account	15	90,683
EQUITY SHAREHOLDERS' FUNDS		2,408,949

These financial statements were approved by the Board of Directors on 9 June 1999.

Signed on behalf of the Board of Directors


R J Ellert
Chief Executive


P H S Smith
Director


COMPANY BALANCE SHEET
30 September 1998

	Note	1998 £
INVESTMENT		
Capital invested in the LLNHP Partnership	9	<u>2,760,552</u>
CURRENT ASSETS		
Debtors	10	42,346
Cash at bank and in hand		<u>2</u>
NET CURRENT ASSETS		<u>42,348</u>
TOTAL ASSETS		<u>2,802,900</u>
CREDITORS: amounts falling due after more than one year	13	<u>(2,760,552)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>42,348</u></u>
CAPITAL AND RESERVES		
Called up share capital	14	2
Profit and loss account	15	<u>42,346</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>42,348</u></u>

These financial statements were approved by the Board of Directors on 9 June 1999.

Signed on behalf of the Board of Directors

R J Ellert
Chief Executive

P H S Smith
Director

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

	Period from 12 August 1997 to 30 September 1998 £
Profit for the period	90,683
Net surplus on revaluation of investment properties	2,318,264
	<hr/>
Total recognised gains for the financial period	2,408,947
	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Period ended 30 September 1998

	Period from 12 August 1997 to 30 September 1998 £
Retained profit for the period	90,683
New ordinary share capital subscribed	2
Net surplus on revaluation of investment properties	2,318,264
	<hr/>
Shareholders' funds at 30 September 1998	2,408,949
	<hr/>

NOTES TO THE ACCOUNTS
Period ended 30 September 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings, and in accordance with all applicable accounting standards. The particular accounting policies adopted are described below. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, land and buildings are not depreciated.

Basis of consolidation

The financial statements consolidate the financial statements of the Company and those of the LLNHP Partnership.

Valuation of land and buildings

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

Land and buildings represent freehold properties held for long term retention. In accordance with Statement of Standard Accounting Practice No. 19, these investment properties are valued annually by independent professional valuers at open market value, on an investment basis, subject to the Group'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 Group'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 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 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.

2. TURNOVER

Turnover comprises rental income earned from the Group's ordinary activities, which take place wholly within the United Kingdom.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
3. OPERATING EXPENSES

The Group had no employees during the period.

The Directors received no remuneration for their services as directors of the Company in respect of the period. Their remuneration is received from the parent company, NHP Plc, and is disclosed in that company's financial statements, except that P H S Smith is not a director of NHP Plc.

Operating profit is arrived at after charging:

	Period from 12 August 1997 to 30 September 1998 £
Group management fees	13,075
Audit fees	3,000
- audit fees	
- other fees	2,350
	<u>18,425</u>

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 12 August 1997 to 30 September 1998 £
Interest payable on bank loans	718,229
Interest payable to parent company	
in respect of loan notes	93,849
Finance costs (net)	1,498
Interest receivable on deposits	(13,613)
	<u>800,033</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no liability for mainstream corporation tax owing to the availability of capital allowances.

No deferred tax liability is recognised as this timing difference is not expected to reverse in the foreseeable future. A potential capital gains tax liability of £679,000 exists in relation to the surplus arising on the revaluation of land and buildings. It is not the Group's intention to sell these assets and therefore no deferred tax has been provided on the revaluation surplus.

6. DIVIDENDS

No dividends in respect of the period are proposed.

NOTES TO THE ACCOUNTS
Period ended 30 September 1998

7. PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Period from 12 August 1997 to 30 September 1998 £
Profit for the financial period	42,346

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

8. TANGIBLE FIXED ASSETS

Group

	Freehold investment properties £
Land and buildings	
At 12 August 1997	-
Additions at cost	27,354,400
Surplus on revaluation	4,635,600
At valuation at 30 September 1998	31,990,000

Land and buildings have been valued, at open market value, by DTZ Debenham Thorpe, International Property Advisers, as at 30 September 1998. The historical cost and net book value of the Group's investment properties at 30 September 1998 was £27,354,400.

Capital commitments

The Group had no capital commitments at 30 September 1998.

9. INVESTMENT

	1998 £
Capital invested in the LLNHP Partnership	2,760,552

The Company's investment in the LLNHP Partnership represents 50.01% of the total capital contribution made by the two partners. Capital is invested in the partnership on a pari passu basis, but is restricted to a total combined contribution of £6 million. Partnership profits are shared between the partners in accordance with the provisions of the Partnership Deed dated 27 October 1997.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
10. DEBTORS

	Group 1998 £	Company 1998 £
Other debtors	168	-
Amounts owed by parent undertaking	42,346	42,346
Prepayments and accrued income	47,458	-
	<u>89,972</u>	<u>42,346</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1998 £
Trade creditors	48,763
Amounts owed to fellow subsidiary	16,075
Accrued interest payable on bank loan	87,151
Accruals and deferred income	153,360
	<u>305,349</u>

12. DEFERRED TAXATION

	Provided 1998 £	Group Unprovided 1998 £
Capital allowances in excess of depreciation	-	96,000
Revaluation of investment properties	-	679,000
Losses created by capital allowances	-	(65,000)
	<u>-</u>	<u>710,000</u>


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1998 £	Company 1998 £
Bank loans due between two and five years	22,080,000	-
Less: unamortised finance costs	(365,435)	-
	<u>21,714,565</u>	<u>-</u>
Subordinated loan notes due to parent company	2,760,552	2,760,552
	<u>24,475,117</u>	<u>2,760,552</u>

Bank loans

Bank loans maturing after more than one year at 30 September 1998 comprise the following separate loan facilities:

A £45 million revolving credit facility from a syndicate led by the Bank of Scotland, which matures on 27 January 2003 (see note 17). The loan bears interest at LIBOR plus 1.0% and is secured by a first charge on the investment properties of the LLNHP Partnership, together with a floating charge over the assets of the Company.

The amount drawn down at 30 September 1998 was as follows:

	£'000
Bank of Scotland	6,900
Wurttembergische Hypothekenbank Aktiengesellschaft	6,900
Halifax Plc	6,900
	<u>20,700</u>

A £3 million unsecured revolving credit facility from Barclays Bank PLC guaranteed by Lend Lease Corporation Limited. The loan bears interest at LIBOR plus 0.2% and matures on the 17 January 2003.

The amount drawn down at 30 September 1998 was as follows:

Barclays Bank PLC	1,380
Total bank loans drawn down at 30 September 1998	<u>22,080</u>

At 30 September 1998 the Group held hedging instruments fixing a total of £45 million at an average rate of 6.483% until 3 February 2003 (see note 17).

Subordinated loan notes

The subordinated loan notes, which represent the consideration payable for financing of asset purchases, have no fixed repayment dates and bear interest at 8.5% per annum.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
14. CALLED UP SHARE CAPITAL

	1998 £
Authorised:	
100 ordinary shares at £1 each	100
Called up, allotted and fully paid:	
2 ordinary shares at £1 each	2

15. RESERVES

	Revaluation reserve £	Profit and loss account £
Group		
Net surplus on revaluation of investment properties	4,635,600	-
Revaluation attributable to minority interest	(2,317,336)	-
Retained profit for the period	-	90,683
At 30 September 1998	2,318,264	90,683
Company		
Retained profit for the period		42,346
At 30 September 1998		42,346

16. CONTINGENT LIABILITIES

The Company has granted a floating charge over its assets to secure the £45 million revolving credit facility from the syndicate led by the Bank of Scotland.

17. POST BALANCE SHEET EVENTS

On 4 June 1999 the Group entered into an agreement to terminate its hedging instruments with effect from 18 June 1999 at a total cost of £888,700. No provision has been made for this cost in these financial statements.

On 4 June 1999 the Group gave formal notice to the Bank of Scotland syndicate of its decision to cancel £22.5 million of its £45 million bank facility, the cancellation to be effective from 14 June 1999.

18. 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.

19. 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.



NOTES TO THE ACCOUNTS
Period ended 30 September 1998

20. ULTIMATE PARENT COMPANY

The immediate parent and ultimate controlling company is NHP Plc (formerly Nursing Homes Properties 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.