

Company Registration No. 3679340

Highfield Home Properties Limited

Report and Financial Statements

30 September 2004



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Highfield Home Properties Limited

Report and financial statements 2004

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Highfield Home Properties Limited

Report and financial statements 2004

Officers and professional advisers

Directors

Janette Malham
Pauline McKeever
John Murphy
Anthony Stein
Mark Wilson

Secretary

Sheila Kaul

Registered office

Block A, Upper Ground Floor
Dukes Court
Duke Street
Woking
GU21 5BH

Bankers

Bank of Scotland Plc
St Andrew Square
Edinburgh
EH2 2YR

Solicitors

Henderson Boyd Jackson
19 Ainslie Place
Edinburgh
EH3 6AU

Auditors

Deloitte & Touche LLP
London

Highfield Home Properties Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2004.

Results and dividends

The profit for the year, after taxation, amounted to £28,008 (2003: £726,350). The directors do not propose the payment of a dividend (2003: £nil).

Principal activity

The company's principal activity was the operation of care homes. The directors intend to continue this activity in the forthcoming year.

Review of the business and future developments

Reduced profit can be attributed primarily to an increase in the rent charge during the year.

Directors and their interests

The directors who served throughout the year (except as noted) were:

Kevin Groombridge (*resigned 4 August 2004*)

Janette Malham

Pauline McKeever

John Murphy

Anthony Stein

Mark Wilson

No director has 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.

John Murphy is a director of NHP Plc and his shareholdings are shown in the financial statements of that company. The interests of other directors serving at 30 September 2004 are shown in Note 23 to the financial statements.

Employee involvement and employment of disabled persons

The company is an equal opportunity employer committed to effect positive policies in recruitment, training and career development for staff members (and potential staff members) regardless of marital status, religion, colour, race, ethnic origin or disability. The company gives full consideration to applications by disabled persons where the recruitment of the job can be adequately fulfilled by a handicapped or disabled person.

Payment policy and practice

The company's policy is to fix payment terms when agreeing the terms of each transaction. It is the company's policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms.

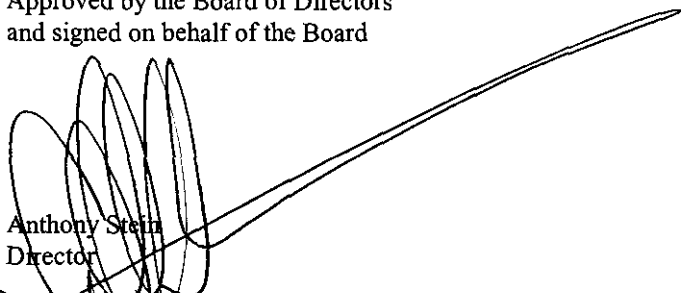
Highfield Home Properties Limited

Directors' report

Auditors

Deloitte & Touche LLP were appointed as the company's auditors during the year. A resolution to reappoint Deloitte & Touche LLP as auditors will be put to members at the next Annual General Meeting

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



Anthony Stein
Director

23 December 2004

Highfield Home Properties Limited

Statement of directors' responsibilities

United Kingdom 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;
- state whether applicable accounting standards have been followed; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Highfield Home Properties Limited

We have audited the financial statements of Highfield Home Properties Limited for the year ended 30 September 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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 235 of the Companies Act 1985. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


Basis of opinion

We conducted our audit in accordance with United Kingdom 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
23 December 2004

Highfield Home Properties Limited

Profit and loss account

Year ended 30 September 2004

	Note	2004 £	2003 £
Turnover	1, 2	38,954,454	39,011,643
Cost of sales		(23,585,025)	(24,348,233)
Gross profit		15,369,429	14,663,410
Administrative expenses		(15,271,289)	(13,918,245)
Operating profit	3	98,140	745,165
Interest receivable and similar income		18,985	974
Interest payable and similar charges	6	-	(19,789)
Profit on ordinary activities before taxation		117,125	726,350
Taxation	7	(89,117)	-
Profit on ordinary activities after taxation and for the financial year	15	28,008	726,350

All amounts relate to continuing operations.

There were no recognised gains or losses for the current or preceding year other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

Highfield Home Properties Limited

Balance sheet 30 September 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	1,330,330	1,098,996
Investments	9	1,061,044	1
		<u>2,391,374</u>	<u>1,098,997</u>
Current assets			
Debtors	10	13,453,617	7,574,406
Cash at bank and in hand		37,701	97,020
		<u>13,491,318</u>	<u>7,671,426</u>
Creditors: amounts falling due within one year	11	<u>(15,295,680)</u>	<u>(8,300,536)</u>
Net current liabilities		<u>(1,804,362)</u>	<u>(629,110)</u>
Total assets less current liabilities		587,012	469,887
Provision for liabilities and charges	13	<u>(89,117)</u>	<u>-</u>
Net assets		<u>497,895</u>	<u>469,887</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	497,893	469,885
Total equity shareholders' funds	16	<u>497,895</u>	<u>469,887</u>

These financial statements were approved by the Board of Directors on 23 December 2004.

Signed on behalf of the Board of Directors

Anthony Stein
Director

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

1. Accounting policies

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. The particular accounting policies adopted, which are consistent with those applied in the prior year, are described below.

Exemption from consolidation

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

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company.

Depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, in equal annual instalments over their expected useful lives on the following bases:

Fixtures, fittings, tools and equipment	3 -7 years
Motor vehicles	5 years

Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on an accruals basis over the lease term.

Investments

Investments are stated at cost less provision for any impairment.

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.

FRS19 requires full provision for 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. The standard requires that deferred tax is not recognised in respect of gains and losses unless the company has entered into a binding agreement to sell the assets and the gains and losses are 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.

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 and are publicly available.

Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

2. Turnover

Turnover is attributable to one class of business. All turnover arose within the United Kingdom.

3. Operating profit

	2004 £	2003 £
Operating profit is arrived at after charging		
Depreciation of tangible fixed assets:		
owned assets	271,401	300,349
held under finance lease or hire purchase contracts	-	22,500
Audit fees	21,494	12,925
Operating lease rentals: land and buildings		
Care Homes No.1 Limited	230,568	181,138
Care Homes No.2 Limited	611,745	637,326
Care Homes No.3 Limited	8,558,268	7,484,095
other group undertakings	287,941	402,878
(Gain)/loss on sale of fixed assets	(2,083)	4,130

4. Directors' emoluments

John Murphy is an executive director of NHP Plc, the ultimate parent company. He received his emoluments from that company during the year. Details can be found in the consolidated financial statements of NHP Plc.

All other directors are executives of other group undertakings, and it is not practical to allocate their emoluments in respect of their services to individual group undertakings. All other directors emoluments are disclosed in the financial statements of Highfield Care Plc.

5. Staff costs

Staff costs, excluding directors were as follows:

	2004 £	2003 £
Wages and salaries	19,031,768	19,438,873
Social security costs	1,508,724	1,251,746
Other pension costs	65,974	33,428
	<u>20,606,466</u>	<u>20,724,047</u>

The average monthly number of employees, excluding directors during the year was:

	No.	No.
Nursing staff	<u>1,461</u>	<u>1,531</u>

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

6. Interest payable and similar charges

	2004 £	2003 £
Bank overdraft	-	18,629
Finance charges under finance lease and hire purchase contracts	-	1,160
	<u>-</u>	<u>19,789</u>

The interest charge is disclosed in the financial statements of a fellow subsidiary, Highfield Care Plc.

7. Taxation

Analysis of charge in year

	2004 £	2003 £
Current taxation: UK corporation tax @ 30% (2003: 30%)	-	-
Deferred taxation	(89,117)	-
	<u>(89,117)</u>	<u>-</u>

The tax assessed for the year is lower than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>117,125</u>	<u>726,350</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003 – 30%)	35,138	217,905
Effects of:		
Capital allowances in excess of depreciation	(20,847)	(27,543)
Utilisation of group relief	(48,215)	(205,362)
Permanent differences	<u>33,924</u>	<u>15,000</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

Highfield Home Properties Limited

Notes to the accounts Year ended 30 September 2004

8. Tangible fixed assets

	Motor vehicles £	Fixtures , fittings, tools and equipment £	Total £
Cost			
At 1 October 2003	418,238	1,549,007	1,967,245
Assets transferred to fellow subsidiary	(71,457)	-	(71,457)
Additions	81,301	458,108	539,409
Disposals	(68,190)	-	(68,190)
At 30 September 2004	359,892	2,007,115	2,367,007
Depreciation			
At 1 October 2003	238,229	630,053	868,282
Depreciation transferred to fellow subsidiary	(61,730)	-	(61,730)
Charge for the year	41,866	229,535	271,401
Disposals	(41,276)	-	(41,276)
At 30 September 2004	177,056	859,588	1,036,677
Net book value			
At 30 September 2004	182,803	1,147,527	1,330,330
At 30 September 2003	180,009	918,954	1,098,963

9. Fixed asset investments

	£
Shares in subsidiary undertakings	
At 1 October 2003	1
Acquisition of Abbeycourt Care Limited	1,061,043
At 30 September 2004	1,061,044

Investments comprise an investment in a subsidiary company, Highfield Home Properties (Perth) Limited, a company incorporated in Great Britain, comprising a holding of 100% of its issued ordinary capital and on 1 April 2004, a further investment in a subsidiary company, Abbeycourt Care Limited, a company incorporated in Great Britain, comprising a holding of 100% of its issued ordinary share capital.

During its latest financial year Highfield Home Properties (Perth) Limited made a profit after tax of £114,956 (2003: £208,477) and at the end of that year the aggregate of its capital and reserves was £169,170 (2003: £54,214).

For the 6 months to 30 September 2004 Abbeycourt Care Limited made a loss after tax of £173,664 (2003: £169,051 profit for the year ended 31 March 2004) and at the end of that period, the aggregate of its capital and reserves was £1,477,317 (2003: £327,014).

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

10. Debtors

	2004 £	2003 £
Due within one year		
Trade debtors	2,645,498	1,872,695
Amounts due from group undertakings	9,016,755	3,958,449
Other debtors	295,738	21,732
Prepayments and accrued income	214,892	440,796
	<u>12,172,883</u>	<u>6,293,672</u>
Due after one year		
Other debtors	1,280,734	1,280,734
	<u>13,453,617</u>	<u>7,574,406</u>

11. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	724,709	732,644
Trade creditors	207	282,881
Amounts owed to group undertakings	7,770,068	2,226,975
Amounts owed to Care Homes No. 1 Limited	73,083	23,383
Amounts owed to Care Homes No. 2 Limited	229,278	81,695
Amounts owed to Care Homes No. 3 Limited	2,876,726	905,253
Amounts owed to NHP Securities No. 3 Limited	1,020,500	-
Other tax and social security	233,848	318,012
Net obligations under finance lease and hire purchase contracts (note 12)	-	438
Other creditors	2,367,261	3,729,255
	<u>15,295,680</u>	<u>8,300,535</u>

On 1 April 2004 a loan note of £1,020,500 was issued by NHP Securities No.3 Limited, a wholly owned subsidiary of NHP Plc, to the company enabling it to acquire 100% of the issued share capital of the Abbeycourt Care Limited. The loan note has no fixed term of repayment and bears interest at rate of 9.25% per annum.

The company's bank accounts form part of a wider agreement with the company's bankers, Barclay's Bank plc. This agreement offsets debit and credit balances in the determination of interest payable. The companies covered under this agreement are;

Highfield Care Homes Ltd, Highfield Care Homes No. 2 Ltd, Highfield Care Centres Ltd, Highfield Healthcare Centres Ltd, Highfield Cymru Ltd, Highfield Home Properties Ltd, Highfield Operations Ltd

The company's bank accounts form part of a wider agreement with the company's bankers, Bank of Scotland. This agreement offsets debit and credit balances in the determination of interest payable. The companies covered under this agreement are;

Highfield Operations Ltd, Highfield Care Centres Ltd, Highfield Holdings Ltd, Highfield Home Properties Ltd, Highfield Operations No.2 Ltd.

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

12. Finance leases

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2004 £	2003 £
Within one year	-	438

Finance lease and hire purchase creditors are secured on the assets concerned.

13. Provisions for liabilities and charges

The amounts of deferred tax provided in the accounts are:

	2004 £	2003 £
At 1 October	-	-
Charge to profit and loss account	89,117	-
At 30 September	89,117	-

Deferred tax is analysed as follows:

	Provided		Not provided	
	2004 £	2003 £	2004 £	2003 £
Capital allowances in excess of depreciation	89,117	-	-	(17,747)

14. Share capital

	2004 £	2003 £
Authorised:		
At 1 October 2003 and 30 September 2004		
1000 (2003:1000) Ordinary shares of £1 each	1,000	1,000

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

	2004 No.	2003 No.	2004 £	2003 £
Called up, allotted and fully paid:				
At 1 October 2003 and 30 September 2004				
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
15. Reserves				
				£
Profit and loss account				
At 1 October 2003				469,885
Profit for the year				28,008
				<u>497,893</u>
At 30 September 2004				<u>497,893</u>
16. Shareholders' funds				
			2004 £	2003 £
Shareholders' funds/(deficit) at 1 October			469,887	(256,463)
Profit for the year			28,008	726,350
			<u>497,895</u>	<u>469,887</u>
Shareholders' funds at 30 September			<u>497,895</u>	<u>469,887</u>
17. Capital commitments				
At 30 September 2004 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately £30,927 (2003 £nil).				

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

18. Operating lease commitments

As at 30 September 2004 the company was committed to the following annual payments under operating leases:

	2004 £	2003 £
Land and buildings		
Expiring after 5 years	<u>8,152,754</u>	<u>7,628,151</u>

19. Transactions with related parties

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures" transactions with other undertakings within NHP Plc group have not been disclosed in these financial statements. Although Care Homes No.1 Limited, Care Homes No.2 Limited and Care Homes No.3 Limited have been consolidated as part of that group by reason of contractual arrangements with NHP Plc, they are not subsidiaries 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, Care Homes No.2 Limited and Care Homes No.3 Limited. These transactions, which are disclosed in notes 3 and 11 of these financial statements, comprise the lease agreements and the payment of operating lease rentals in connection with the care homes operated by the company.

20. Pensions costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions made by the company to the scheme during the year amounted to £65,974 (2003: £33,428).

21. Parent undertakings and controlling parties

The ultimate parent and controlling company is NHP Plc, a company incorporated in Great Britain and registered in England and Wales. NHP Plc is the only company to prepare consolidated accounts and copies of the group consolidated financial statements which include the results of the company, are available from the Company Secretary, Block A, Upper Ground Floor, Dukes Court, Duke Street, Woking GU21 5BH.

The immediate parent company is Highfield Holdings Limited.

22. Post balance sheet events

On 29 November 2004, TBG CareCo Limited, a company formed at the request of the Blackstone Funds, announced a formal offer to acquire the entire issued and to be issued share capital of NHP Plc, the ultimate parent company.

On 3 December 2004, the company acquired 100% of the issued share capital of Nightingale Private Nursing Home Limited ("Nightingale") for a gross consideration of £1.85 million. The principal asset of Nightingale is a 48 bed care home located in Northern Ireland

On 3 December 2004, the company acquired 100% of the issued share capital of Dunlarg Home Limited ("Dunlarg") for a gross consideration of £1.25 million, which excludes bank debt acquired of £0.75 million. The principal asset of Dunlarg is a 58 bed care home located in Northern Ireland.

Highfield Home Properties Limited

Notes to the accounts

Year ended 30 September 2004

23. Share options

The share options of the directors, who are not directors of NHP Plc, are set out below:

	Scheme (see below)	At 1 October 2003 £	Granted	Exercised	At 30 September 2004 £	Exercise price	Date from which exercisable
A K Stein	1	7,093	-	-	7,093	89	01.08.2008
	2	83,300	-	-	83,300	36	13.10.2004
	3	343,488	-	171,744	171,744	35	14.09.2004
	3	46,950	-	-	46,950	82	01.10.2005
	4	10,700	-	10,700	-	126	18.01.2003
K Groombridge	1	10,300	-	-	10,300*	89	01.08.2006
	2	83,300	-	-	83,300*	36	13.10.2004
	3	343,488	-	343,488	-	35	09.10.2005
	3	97,560	-	80,860	16,700*	82	01.10.2005
M Wilson	1	10,300	-	-	10,300	89	01.08.2006
	2	29,268	-	-	29,268	102	08.02.2006
	3	118,811	-	-	118,811	101	08.02.2006
P McKeever	2	40,200	-	-	40,200	74	26.07.2005
	3	7,190	-	-	7,190	69	26.07.2005
	3	45,628	-	-	45,628	120	28.08.2006
J Malham	1	10,300	-	-	10,300	89	01.08.2006
	2	29,268	-	-	29,268	102	08.02.2006
	3	217,821	-	-	217,821	101	08.02.2006

*Kevin Groombridge left the company on 4 August 2004 and exercised his options 4,510 on 15.11.2004 to the extent of his savings, and lapsed 5,790 options. The remaining options were either sold or exercised on 20 December 2004.

None of the directors, except John Murphy, hold shares in the holding company or any of the other group companies.

Schemes:

1. NHP Plc 1998 Inland Approved Savings Related Share Option Scheme
2. NHP Plc 2001 Inland Revenue Approved Executive Share Option Scheme
3. NHP Plc 2001 Unapproved Executive Share Option Scheme
4. NHP Plc 1998 Executive Share Option Scheme