

Company Number: 3679340



# **HIGHFIELD HOME PROPERTIES LIMITED**

## **ANNUAL REPORT**

**YEAR ENDED 30 SEPTEMBER 2003**

**PKF**

# HIGHFIELD HOME PROPERTIES LIMITED

## COMPANY INFORMATION

<b>Directors</b>	Kevin Groombridge Janette Malham Pauline McKeever John Murphy Anthony Stein Mark Wilson
<b>Secretary</b>	Sheila Kaul
<b>Company Number</b>	3679340
<b>Registered Office</b>	Block A, Upper Ground Floor Dukes Court Dukes Street Woking GU21 5BH
<b>Auditors</b>	PKF 17 Rothesay Place Edinburgh EH3 7SQ
<b>Solicitors</b>	Henderson Boyd Jackson 19 Ainslie Place Edinburgh EH3 6AU
<b>Bankers</b>	Bank of Scotland Plc St Andrew Square Edinburgh EH2 2YR

# HIGHFIELD HOME PROPERTIES LIMITED

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*The following pages do not form part of the statutory accounts:*

DETAILED PROFIT AND LOSS ACCOUNT

# **HIGHFIELD HOME PROPERTIES LIMITED**

## **DIRECTORS' REPORT YEAR ENDED 30 SEPTEMBER 2003**

The directors submit their report and the financial statements for the year ended 30 September 2003.

### **Results and dividends**

The profit for the year, after taxation, amounted to **£726,350** (2002 - £375,938).

### **Principal activity**

The company's principal activity was the operation of care homes. The directors intend to continue these activities in the current year.

### **Review of the business and future developments**

The company generated a profit of £726,350 for the year compared with a profit of £375,938 for the prior year. This improvement can largely be attributed to increased fee levels and a more focused approach to the day to day operational costs such as staff costs, agency and direct costs. It is anticipated that some of this improvement will be eroded as a result of minimum wage increases in October however it is anticipated that these should be compensated for when fee levels are reviewed in April 2004. During the year 7 homes were transferred to a related company. There are no plans to increase the number of homes operated in the foreseeable future.

### **Directors**

The directors who served during the year were:

Kevin Groombridge  
Martin Joyce (resigned 30 May 2003)  
Anthony Joyce (resigned 6 December 2002)  
Janette Malham (appointed 5 June 2003)  
Pauline McKeever (appointed 17 July 2003)  
John Murphy (appointed 30 January 2003)  
Anthony Stein (appointed 5 June 2003)  
Mark Wilson (appointed 5 June 2003)

Details of the directors share options in the parent company, NHP Plc, are disclosed in note 21.

John Murphy holds 14,705 shares in the parent company.

### **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.

# **HIGHFIELD HOME PROPERTIES LIMITED**

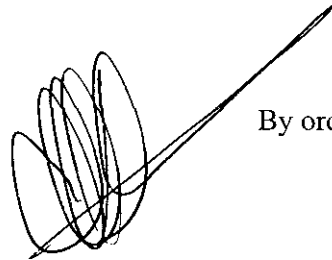
## **DIRECTORS' REPORT (continued) YEAR ENDED 30 SEPTEMBER 2003**

### **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. The creditors days for the company, calculated in accordance with the Companies Act 1985, are 16 (2002: 28).

### **Auditors**

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

A handwritten signature in black ink, consisting of several overlapping loops and a long, sweeping tail that extends towards the right.

By order of the board

**Anthony Stein**  
Director

## **HIGHFIELD HOME PROPERTIES LIMITED**

### **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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**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 2003 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

## INDEPENDENT AUDITORS' REPORT (continued)

### 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PKF**

Registered Auditors

Edinburgh, UK

Date 8 December 2003



**HIGHFIELD HOME PROPERTIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 SEPTEMBER 2003**

	Notes	2003 £	2002 £
<b>TURNOVER</b>	2	<b>39,011,643</b>	37,564,859
Cost of sales		<u>(24,025,035)</u>	<u>(23,645,046)</u>
<b>GROSS PROFIT</b>		<b>14,986,608</b>	13,919,813
Administrative expenses		<u>(14,241,443)</u>	<u>(13,520,388)</u>
<b>OPERATING PROFIT</b>	3	<b>745,165</b>	399,425
Interest receivable and similar income		974	4,027
Interest payable and similar charges	5	<u>(19,789)</u>	<u>(27,514)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>726,350</b></u>	<u><b>375,938</b></u>

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

# HIGHFIELD HOME PROPERTIES LIMITED

## BALANCE SHEET 30 SEPTEMBER 2003

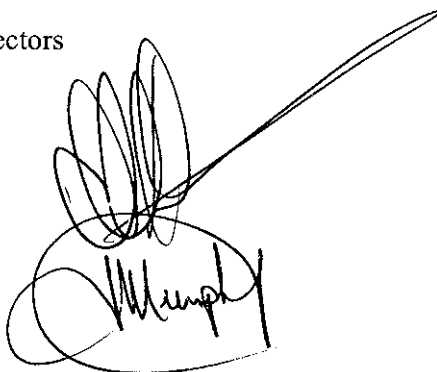
	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible	7	1,098,996	751,000
Investments	8	1	1
		<u>1,098,997</u>	<u>751,001</u>
<b>CURRENT ASSETS</b>			
Debtors	9	7,574,406	6,246,921
Cash at bank and in hand		97,020	619,714
		<u>7,671,426</u>	<u>6,866,635</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(8,300,536)</u>	<u>(7,841,863)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(629,110)</u>	<u>(975,228)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>469,887</u>	<u>(224,227)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	<u>-</u>	<u>(32,236)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u><u>469,887</u></u>	<u><u>(256,463)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2	2
Profit and loss account	15	469,885	(256,465)
<b>SHAREHOLDERS' FUNDS</b>	16	<u><u>469,887</u></u>	<u><u>(256,463)</u></u>

The financial statements were approved by the board on 5 DECEMBER 2003

Signed on behalf of the board of directors

Anthony Stein Director

John Murphy Director



**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Included within debtors are amounts of £3,958,449 (2002 - £1,425,050) which are due from fellow subsidiaries of NHP Plc, the ultimate parent company. The recoverability of these debts is dependent on the continued support of NHP Plc. The directors have received a letter of support from NHP Plc and consider that this support will continue for the foreseeable future and accordingly the accounts have been prepared on the going concern basis. The financial statements do not include any adjustment that would arise from the withdrawal of this support.

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.

The directors have elected to take advantage of the exemption under FRS1 not to prepare a cashflow statement as the financial statements of the parent company contain a consolidated cashflow statement and are publicly available.

**(b) Turnover**

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

**(c) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant, machinery, fixtures and fittings	20 % straight line
Motor vehicles	25 % straight line

**(d) 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 a straight line basis over the lease term.

**(e) Investments**

Investments are stated at cost.

**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**1 ACCOUNTING POLICIES (continued)**

**(f) Deferred taxation**

FRS19 has been adopted in this accounting period. 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.

**(g) 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.

**2 TURNOVER**

Turnover is attributable to one class of business.

All turnover arose within the United Kingdom.

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	2003 £	2002 £
Depreciation of tangible fixed assets:		
- owned by the company	300,349	227,135
- held under finance lease or hire purchase contracts	22,500	37,334
Audit fees	12,925	12,925
Operating lease rentals:		
Land and buildings	8,705,437	8,071,200
	<u>8,705,437</u>	<u>8,071,200</u>

No directors received any emoluments (2002 - £NIL).

**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**4 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	2003	2002
	£	£
Wages and salaries	19,438,873	18,533,836
Social security costs	1,251,746	975,634
Other pension costs	33,428	958
	<u>20,724,047</u>	<u>19,510,428</u>

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

	No	No
Nursing home staff	<u>1,531</u>	<u>1,583</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2003	2002
	£	£
Bank overdraft	18,629	17,292
Finance charges under finance lease and hire purchase contracts	1,160	10,222
	<u>19,789</u>	<u>27,514</u>

**6 TAXATION**

**(b) Factors affecting the tax charge for the year**

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:

	2003	2002
	£	£
Profit on ordinary activities before tax	<u>726,350</u>	<u>375,938</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2002: 30%)	217,905	112,781
Effects of:		
Capital allowances in excess of depreciation	(27,543)	-
Depreciation in excess of capital allowances	-	15,000
Utilisation of losses brought forward	-	(106,781)
Utilisation of group relief	(205,362)	(20,000)
Permanent differences	15,000	(1,000)
Current tax charge for the year	<u>-</u>	<u>-</u>

**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**7 TANGIBLE FIXED ASSETS**

	Motor vehicles £	Plant & machinery fixtures & fittings £	Total £
<b>Cost</b>			
At 1 October 2002	449,093	1,065,001	1,514,094
Additions	190,928	639,870	830,798
Disposals	(221,783)	(155,864)	(377,647)
At 30 September 2003	<u>418,238</u>	<u>1,549,007</u>	<u>1,967,245</u>
<b>Depreciation</b>			
At 1 October 2002	333,131	429,963	763,094
Charge for year	72,549	250,300	322,849
On disposals	(167,451)	(50,243)	(217,694)
At 30 September 2003	<u>238,229</u>	<u>630,020</u>	<u>868,249</u>
<b>Net book amount</b>			
At 30 September 2003	<u>180,009</u>	<u>918,987</u>	<u>1,098,996</u>
At 30 September 2002	<u>115,962</u>	<u>635,038</u>	<u>751,000</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2003 £	2002 £
Plant & machinery, fixtures & fittings	-	59,060
Motor vehicles	-	90,276
	<u>-</u>	<u>149,336</u>

**8 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 October 2002 and 30 September 2003	<u>1</u>

**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**8 FIXED ASSET INVESTMENTS (continued)**

Investments include an investment in a subsidiary Highfield Home Properties (Perth) Limited, a company incorporated in Great Britain, comprising a holding of 100% of its issued ordinary capital.

**9 DEBTORS**

	2003 £	2002 £
<b>Due within one year</b>		
Trade debtors	1,872,695	3,102,865
Amounts due from group undertakings	3,958,449	1,425,050
Other debtors	21,732	80,793
Prepayments & accrued income	440,796	357,479
	<u>6,293,672</u>	<u>4,966,187</u>
<b>Due after one year</b>		
Other debtors	1,280,734	1,280,734
	<u>7,574,406</u>	<u>6,246,921</u>

**10 CREDITORS**

	2003 £	2002 £
<b>Amounts falling due within one year</b>		
Bank overdraft	732,644	477,124
Trade creditors	282,881	620,524
Amounts owed to group undertakings	3,237,306	2,814,513
Other tax and social security	318,012	659,223
Net obligations under finance lease and hire purchase contracts(note 12)	438	25,389
Other creditors	3,729,255	3,245,090
	<u>8,300,536</u>	<u>7,841,863</u>

Amounts owed to the ultimate parent company, NHP Plc, of £181,978 (2002- £6,255) is secured by a fixed and floating charge over the assets of the company.

**11 CREDITORS**

	2003 £	2002 £
<b>Amounts falling due after more than one year</b>		
Other creditors	-	32,236
	<u>-</u>	<u>32,236</u>

**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**12 FINANCE LEASES**

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

	2003	2002
	£	£
Within one year	438	25,389

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

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred tax is analysed as follows:

	Provided		Not provided	
	2003	2002	2003	2002
	£	£	£	£
Capital allowances	-	-	(17,747)	(55,112)

**14 SHARE CAPITAL**

	Authorised	Allotted, called up and fully paid	
	£	No	£
At 1 October 2002 and 30 September 2003			
Ordinary shares of £1 each	1,000	2	2

**15 RESERVES**

Profit and loss account	£
At 1 October 2002	(256,465)
Profit for the year	726,350
At 30 September 2003	469,885

**16 SHAREHOLDERS' FUNDS**

	2003	2002
	£	£
Shareholders' funds at 1 October 2002	(256,463)	(632,401)
Profit for the year	726,350	375,938
Shareholders' funds at 30 September 2003	469,887	(256,463)



**HIGHFIELD HOME PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 2003**

**17 OTHER COMMITMENTS**

At 30 September 2003 the company had annual commitments under operating leases as follows:

	2003	Other 2002
	£	£
<b>Expiry date:</b>		
After more than five years	<u>7,628,151</u>	<u>8,269,119</u>

**18 TRANSACTIONS WITH RELATED PARTIES**

Advantage has been taken under Financial Reporting Standard 8 which allows the company not to make disclosures regarding transactions with members of the NHP Plc group of companies as it is a wholly owned subsidiary.

**19 PENSION 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 **£33,428** (2002 - £958).

**20 PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

As at 30 September 2003 the directors regarded NHP Plc, a company quoted on the London Stock Exchange which is incorporated in the United Kingdom, as the company's parent undertaking. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

# HIGHFIELD HOME PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003

### 21 SHARE OPTIONS

The directors who served during the year and their share options in the ultimate parent company, NHP Plc, are shown below:

	Scheme (see below)	At 01/10/2002	Granted	Exercised	At 01/09/2003	Exercise Price	Date from which exercisable
J Murphy	1	-	10,300	-	10,300	89.80p	01.08.2006
	2	-	31,250	-	31,250	96.00p	10.12.2005
	3	-	718,232	-	718,232	90.50p	10.12.2005
	3	-	211,600	-	211,600	120.50p	28.08.2006
A K Stein	1	-	7,093	-	7,093	89.80p	01.08.2008
	2	83,300	-	-	83,300	38.50p	13.10.2004
	3	343,488	-	-	343,488	35.00p	14.09.2004
	3	46,950	-	-	46,950	82.00p	01.10.2005
	4	10,700	-	-	10,700	135.00p	18.01.2003
K Groombridge	1	-	10,300	-	10,300	89.80p	01.08.2006
	2	83,300	-	-	83,300	38.50p	13.10.2004
	3	343,488	-	-	343,488	35.00p	09.10.2004
	3	97,960	-	-	97,960	82.00p	01.10.2005
Mark Wilson	1	-	10,300	-	10,300	89.80p	01.08.2006
	2	29,268	-	-	29,268	102.50p	08.02.2006
	3	118,811	-	-	118,811	101.00p	08.02.2006
P McKeever	1	-	-	-	-	-	-
	2	40,200	-	-	40,200	74.50p	26.07.2005
	3	7,190	-	-	7,190	69.00p	26.07.2005
	3	-	45,643	-	45,643	120.50p	28.08.2006
J Malham	1	-	10,300	-	10,300	89.80p	01.08.2006
	2	-	29,268	-	29,268	102.50p	08.02.2006
	3	-	217,821	-	217,821	101.00p	08.02.2006
Anthony Joyce	1	-	-	-	-	-	-
	2	62,500	-	62,500	-	48.00p	17.01.2003
	3	686,000	-	686,000	-	43.00p	17.01.2003
Martin Joyce	1	-	-	-	-	-	-
	2	67,000	-	67,000	-	44.75p	20.08.2003
	3	736,352	-	736,352	-	40.00p	20.08.2003
	3	237,800	-	237,800	-	82.00p	20.08.2003

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