

4556634

HEALTHCARE PROPERTIES (OXFORD) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2003



HEALTHCARE PROPERTIES (OXFORD) LIMITED
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FOR THE PERIOD ENDED 31 DECEMBER 2003

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HEALTHCARE PROPERTIES (OXFORD) LIMITED
COMPANY INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2003

Directors	Dr. iur V Lanfranconi	(Appointed 8 October 2002)
	Dr. D.Srinivas	(Appointed 8 October 2002)
	Mr. R. Beney	(Appointed 8 October 2002)
Secretary	Mr. R Borg	
Company number	4556634	
Registered Office	56 Green Street London W1K 6RY	
Auditors	PricewaterhouseCoopers CI National Westminster House Le Truchot St Peter Port Guernsey GY1 4ND	
Bankers	Bank of Scotland Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB	

HEALTHCARE PROPERTIES (OXFORD) LIMITED
DIRECTOR'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2003

The directors present their report and the audited financial statements to the members for the year ended 31 December 2003.

The company was incorporated on 8 October 2002.

Principal activities and review of the business

The principal activity of the company is that of an investment company.

Results and dividends

The results for the period are set out on page 4

Directors

The following directors have held office since 8 October 2002.

Dr. iur V Lanfranconi	(Appointed 8 October 2002)
Dr. D. Srinivas	(Appointed 8 October 2002)
Mr. R. Beney	(Appointed 8 October 2002)

Directors' interests

The following directors' interests in the shares of the company were as stated below:

Ordinary Shares of £1 each
December 31, 2003

Dr. iur V Lanfranconi	nil
Dr. D. Srinivas	nil
Mr. R. Beney	nil

Auditors

PricewaterhouseCoopers were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

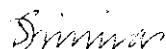
Director's responsibilities

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue 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.

On behalf of the board



Dr. D. Srinivas

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHCARE PROPERTIES (OXFORD) LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers CI
Chartered Accountants
Guernsey
Channel Islands

7 October 2004

HEALTHCARE PROPERTIES (OXFORD) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2003

	Notes	Period ended December 2003 £
Rent receivable	1, 2	772,000
Administrative expenses		(453,996)
Operating profit	3	<u>318,004</u>
Investment income	4	5,955,337
Other interest receivable and similar income		4,107
Permanent diminution in value of investments	5	(6,027,467)
Interest payable and similar charges	6	(357,714)
Loss on ordinary activities before taxation		<u>(107,733)</u>
Tax on loss of ordinary activities	7	-
Loss on ordinary activities after taxation	14	<u><u>(107,733)</u></u>

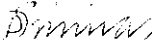
There is no difference between the profit for the year as stated above and its historical cost equivalent.

The Notes on pages 7 to 12 form part of these financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2003

	Notes	£	2003 £
Fixed assets			
Investment Property	8		8,671,785
Investments	9		857,476
			<u>9,529,261</u>
Current assets			
Debtors	10	83,750	
Cash at Bank and in hand		13,617	
		<u>97,367</u>	
Creditors: amounts falling due within one year	11	(716,139)	
Net current liabilities			<u>(618,772)</u>
Total assets less current liabilities			8,910,489
Creditors: amounts falling due after more than one year	12		(7,468,484)
			<u>1,442,005</u>
Capital and reserves			
Called up share capital	13		1
Revaluation reserve	14		1,549,737
Profit and loss account	14		(107,733)
Shareholders' funds - equity interests	15		<u>1,442,005</u>

The financial statements on pages 4 to 12 were approved by the board of directors on 4 October 2004.


Dr. D. Srinivas
Director


R Beney
Director

The Notes on pages 7 to 12 form part of these financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 2003

		8 OCTOBER 2002 TO 31 DECEMBER 2003
	Notes	£
Loss for the financial period		(107,733)
Unrealised surplus on revaluation of properties	8	1,549,737
Total recognised gains relating to the period		<u>1,442,004</u>

The Notes on pages 7 to 12 form part of these financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

1 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified to include investment properties at valuation, and in accordance with applicable United Kingdom accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Rental Income

Rental income is accounted for on an actual basis in accordance with UITF28 whereby benefits to lessees, in the form of rent free periods and other incentives are treated as reductions in the overall return on the leases rather than being accounted for in the periods to which they relate. Operating lease incentives are recognised on a straight line basis over the shorter of the lease term or the period up to the initial rent review date. The total rent receivable under a lease in which the lessees have received incentives are recognised on a straight line basis over the shorter of the entire term of lease or the period from the lease inception to the date of the first rent review and not from the date that the rents become payable. As a result until rentals paid under a lease actually exceed the rent accrued on a straight line basis over the relevant period, the Company shall recognise accrued rents receivable in the Profit and Loss Account. The corresponding asset is reflected in current assets in the Balance Sheet.

Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Investment properties

The investment properties are stated at open market value. Increases in the carrying value of investment properties are credited to the revaluation reserve in shareholders equity. Decreases that offset previous increases of the same investment property are charged against the revaluation reserve. All other decreases are charged to the profit and loss account.

On disposal, the difference between the net disposal proceeds and carrying amount is charged or credited to the profit and loss account. Amounts in revaluation reserve relating to the investment are transferred to retained earnings.

Acquisition and disposal of properties are considered to have taken place where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract and legal completion has taken place subsequently.

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of freehold properties or leasehold properties which have unexpired terms in excess of twenty years.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Cash flow statement

Under Financial Reporting Standard No 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement due to its size.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

2 TURNOVER

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom

3 OPERATING PROFIT

2003
£

Operating profit is stated after charging:
Auditor's remuneration

10,000

4 INVESTMENT INCOME

2003
£

Income from shares in group undertaking

5,955,337

5 PERMANENT DIMINUTION IN VALUE OF INVESTMENT

2003
£

Amounts written off investment in subsidiary
- permanent diminution in value

6,027,467

6 INTEREST PAYABLE AND SIMILAR CHARGES

2003
£

On bank loans and overdrafts
On loans repayable after 5 years

6,797
350,917

357,714

7 TAXATION

Current tax charge

nil

Factors affecting the tax charge for the period

Loss on ordinary activities before taxation

(107,733)

Loss on ordinary activities before taxation multiplied by standard rate
of UK corporation tax of 0.00% (2002:0.00%)
Effects of :

nil

Current tax charge

nil

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

8 INVESTMENT PROPERTY	2003
	£
Additions	7,122,048
Unrealised surplus on revaluation of Property	1,549,737
At 31 December 2003	<u>8,671,785</u>

The valuation of the property was made at 31 March 2004 by Colliers CRE, Chartered Surveyors and International Property Consultants, on an investment value basis. On a historical cost basis, the properties would be included at an original cost of £ 7,122,048. As disclosed in note 12, the company has created a fixed charge over the properties.

9 INVESTMENTS	2003
	£
Additions	<u>6,884,943</u>
As at 31 December 2003	<u>6,884,943</u>
Provisions for permanent diminution in value	
Charge for the period	<u>6,027,467</u>
As at 31 December 2003	<u>6,027,467</u>
Net book value	
At 31 December 2003	<u>857,476</u>

The Company received the freehold property and business in the Manor House Nursing Home from its subsidiary via an Agreement and Assignment dated 10 December 2002. The consideration payable for the transfer was £6,950,000. No cash was paid, but an adjustment was made to the inter-company account. The subsidiary did not have any other net assets. Accordingly, the Company wrote down the investment in its subsidiary to the aggregate of the share capital and share premium account as a permanent diminution in value.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or	Shares held
Cost or valuation	incorporation	
		Class
		%
Subsidiary undertakings		
Manor House Nursing Home Limited	England	Ordinary 100
Other significant interests		
Manor House Nursing Home (Merton) Limited	England	Preference 100

The aggregate amount of capital and reserves and the results of the subsidiary undertaking for the last relevant financial year was as follows:

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

9 INVESTMENTS (continued)

	Capital and reserves 2003 £	Loss for the year 2003 £
The Manor House Nursing Home Limited At 31 December 2003	482,476	(5,959,965)

The cost of Investments amounting to £6,884,943 is made up of:

i) £6,509,943 representing 11,500 Ordinary A shares of 1p and 300 Ordinary B shares of 1p each in The Manor House Nursing Home Limited.

ii) £375,000 representing 375,000 preference shares of £1 each in Manor House Nursing Home (Merton) Limited.

The net book value of £857,476 at 31 December 2003 is therefore made up of investment of £482,476 in The Manor House Nursing Home Limited and £375,000 in Manor House Nursing Home (Merton) Limited.

During the period, Healthcare Properties (Oxford) Limited received £772,000 in rental income and business fees income from Manor House Nursing Home (Merton) Limited under the terms of a long term lease.

10 DEBTORS	2003 £
Other debtors	83,750

11 CREDITORS: amounts falling due within one year	2003 £
Amounts owed to subsidiary undertakings	663,539
Other creditors	292
Accruals and deferred income	52,308
	716,139

Amounts owed to group companies were £343,467 to The Manor House Nursing Home Limited, £184,320 to USI Healthcare Investment Company Limited and £135,752 to USI Group Holdings Limited. These balances are repayable on demand.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

12 CREDITORS: amounts falling due after more than one year	2003
	£
	5,250,000
Bank loans	2,218,484
Other loans	
	<u>7,468,484</u>

The Company entered into a facility agreement dated 10 December 2002 in the amount of £5,250,000 with the Bank of Scotland. The facility is repayable over twenty years and, by execution of an interest rate swap agreement, the interest rate is fixed for the duration of the facility. The loan may be repaid prior to maturity in accordance with the terms of the facility agreement. The company issued a debenture to the bank in respect of all assets of the Company.

The Company borrowed £2,218,484 on 10 December 2002 from its immediate holding company, Healthcare Properties (Ashlea) Limited which is repayable with the permission of the Bank of Scotland. This loan is unsecured and interest free.

13 SHARE CAPITAL	2003
	£
Authorised	100
100 Ordinary shares of £1 each	
	<u>1</u>
Allotted, called up and fully paid	
1 Ordinary shares of £1 each	

14 STATEMENT OF MOVEMENTS ON RESERVES	Revaluation reserve	Profit and loss account
	£	£
Retained loss for the period	-	(107,733)
Revaluation during the period	1,549,737	-
	<u>1,549,737</u>	<u>(107,733)</u>
Balance at 31 December 2003		

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2003
	£
Loss for the financial period	(107,733)
Other recognised gains and losses	1,549,737
Proceeds from issue of shares	1
	<u>1,442,005</u>
Net addition to shareholders' funds	
Opening shareholders' funds	-
	<u>1,442,005</u>
Closing shareholders' funds	

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

16 EMPLOYEES

Number of employees

There were no employees during the period apart from the directors

17 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors the ultimate controlling party is USI Group Holdings Limited, a company incorporated in the British Virgin Islands. Dr. iur V Lanfranconi, a Swiss national, is the beneficial owner of USI Group Holdings Limited. The immediate controlling company is USI Healthcare Investment Company Limited, a company registered in the British Virgin Islands.

18 RELATED PARTY TRANSACTIONS

The company was charged management fees of £237,098 by its ultimate parent company, USI Group Holdings Limited and £167,950 by its immediate holding company, USI Healthcare Investment Company Limited, for services rendered during the course of the period ended 31 December 2003. The amounts remaining unpaid to Group companies at 31 December 2003 are detailed in Note 11.