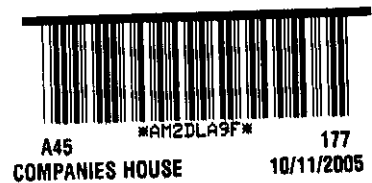


HEALTHCARE PROPERTIES (OXFORD) LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2004**



Company registered number: 4556634

HEALTHCARE PROPERTIES (OXFORD) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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HEALTHCARE PROPERTIES (OXFORD) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS

Dr. Lanfranconi
Dr. Srinivas
Mr. R.Beney

SECRETARY

Mr. R.Borg

REGISTERED OFFICE

31a St James's Square
London SW1Y 4JR

REGISTERED NUMBER

4556634

AUDITORS

PricewaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey GY1 4ND

PRINCIPAL BANKERS

Bank of Scotland
Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

HEALTHCARE PROPERTIES (OXFORD) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and the audited financial statements to the shareholders for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The Company's principal activity is that of an investment company. The profit and loss account is set out on page 5.

RESULTS

The profit for the year is shown on page 5.

DIVIDENDS

The directors do not propose a dividend for the year ended 31 December 2004 (2003: nil).

DIRECTORS

The directors of the Company at 31 December 2004, all of whom have been directors for the whole of the year then ended were:

Dr. Lanfranconi
Dr. Srinivas
Mr. R.Beney

SECRETARY

The secretary of the Company at 31 December 2004 was Mr. R. Borg who had been secretary for the whole of the year then ended.

DIRECTORS' INTERESTS

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

	Ordinary Shares of £1 each	
	December 31	
	2004	2003
Dr. Lanfranconi	Nil	Nil
Dr. Srinivas	Nil	Nil
Mr. R.Beney	Nil	Nil

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 October 2004, PricewaterhouseCoopers resigned in November 2004 and the directors appointed its successor, PricewaterhouseCoopers CI LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the annual general meeting.

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 profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

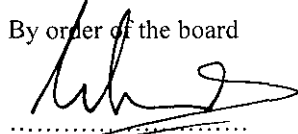
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2004

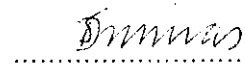
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



.....
Director

Date: 4/11/05


.....
Director

Date: 4/11/05

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 statement of total recognised gains and losses, the balance sheet 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 in to 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 have been 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.

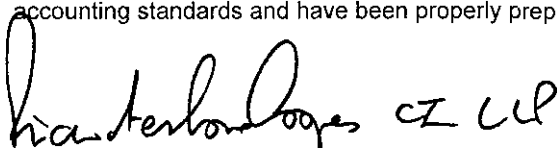
Basis of audit opinion

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 2004 and of its profit for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with The Companies Act 1985.



PricewaterhouseCoopers CI LLP
Chartered Accountants and Registered Auditors
Guernsey, Channel Islands

8 November 2005

HEALTHCARE PROPERTIES (OXFORD) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTE	2004 £	8 October 2002 to 31 December 2003 As restated £
Rent receivable	1,2	953,025	945,425
Administrative expenses		(398,581)	(453,996)
Operating profit	3	554,444	491,429
Investment income	4	-	5,955,337
Other interest receivable and similar income		4,247	4,107
Permanent diminution in value of investments	5	-	(6,027,467)
Interest payable and similar charges	6	(373,783)	(357,714)
Profit on ordinary activities before taxation		184,908	65,692
Taxation	7	(64,451)	(55,557)
Profit for the year after taxation		120,457	10,135

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

The notes on pages 8 to 15 form part of these financial statements

HEALTHCARE PROPERTIES (OXFORD) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004	8 October 2002 to 31 December 2003 As restated
		£	£
Profit for the financial year		120,457	10,135
Movement in unrealised surplus on revaluation of properties	8, 15	263,652	1,893,595
Total recognised gains for the year		<hr/> 384,109	<hr/> 1,903,730
Prior year Adjustments (as explained in note 1.2)		473,491	
Total recognised gains for the year since last annual report		<hr/> 857,600 <hr/>	

The notes on pages 8 to 15 form part of these financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 As restated £
FIXED ASSETS			
Investment Property	8	9,324,807	9,015,643
Investments	9	857,476	857,476
		<u>10,182,283</u>	<u>9,873,119</u>
NON-CURRENT ASSETS			
Accrued income	1	376,496	179,744
CURRENT ASSETS			
Debtors	10	32,528	89,176
Cash at bank and in hand		66,795	13,617
		<u>99,323</u>	<u>102,813</u>
CREDITORS: amounts falling due within one year	11	(1,157,104)	(716,139)
NET CURRENT LIABILITIES		<u>(1,057,781)</u>	<u>(613,325)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,500,998</u>	<u>9,439,537</u>
CREDITORS: amounts falling due after more than one year	12	(7,081,385)	(7,468,484)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(120,008)	(55,557)
NET ASSETS		<u>2,299,605</u>	<u>1,915,496</u>
CAPITAL AND RESERVES			
Share Capital	14	1	1
Revaluation Reserve	15	2,157,247	1,893,595
Profit and Loss Account	15	142,357	21,900
TOTAL CAPITAL AND RESERVES	16	<u>2,299,605</u>	<u>1,915,496</u>

The financial statements on pages 5 to 15 were approved by the board of directors on 28 October 2005 and were signed on its behalf by:

Director

Date 4/11/05

Director *Summa*

Date 4/11/05

The notes on pages 8 to 15 form part of these financial statements.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. PRINCIPAL ACCOUNTING POLICIES

1.1 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.

1.2 Changes in accounting policy

Comparative figures have been restated to reflect two changes of accounting policy:

Valuation of investment properties

During 2004, the directors noted that the fair valuation of investment property was stated net of transaction costs it expects to incur on sale or other disposal. Consequently, in 2003 Revaluation Reserve and Net Assets were understated by £529,048.

Accounting for lease income on a straight line basis

During 2004, the directors noted that lease income should be recognised on a straight line basis taking into account the minimum increase implicit in the leases in accordance with SSAP 21. Consequently, in 2003 fair value of investment property has been reduced by £185,190 and Accrued Income increased by the same amount. As a result of these adjustments, the Directors have provided for deferred taxation on the total of deferred income. Consequently, in 2003 the Taxation liability has increased by £55,557 and Profit for the year has reduced by the same amount.

1.3 Rental income

Rental income is accounted for on an accruals basis in accordance with UITF 28 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. 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 non-current assets in the Balance Sheet.

1.4 Interest income

Interest receivable is accounted for on an accruals basis.

1.5 Deferred taxation

Provision for deferred tax is made in respect of all timing differences that have originated but not reversed by the balance sheet date. Any provisions for deferred taxes are not discounted. Deferred tax assets are only recognised where there is a reasonable probability that the asset will crystallise in the foreseeable future.

1.6 Investment properties

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

On disposal, the difference between the net disposal proceeds and the 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 and disclosed in the statement of total recognised gains and losses.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. PRINCIPAL ACCOUNTING POLICIES....(continued)

1.6 Investment properties....(continued)

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.

1.7 Borrowings

Borrowings are initially recognised as the proceeds received, net of issue costs incurred. Debt arrangement fees which therefore qualify to be treated as issue costs are deducted from the gross amount of bank borrowings and are amortised to the profit and loss account over the period of the borrowings as a component of the interest payable. Other finance costs are written off as they are incurred.

1.8 Investments

Investments are stated at cost less provision for any permanent diminution in value.

1.9 Cash flow statement

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

2. TURNOVER

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

3. OPERATING PROFIT

	2004	2003
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	9,250	10,000
	<hr/>	<hr/>

4. INVESTMENT INCOME

	2004	2003
	£	£
Dividend income from subsidiary	-	5,955,337
	<hr/>	<hr/>

5. PERMANENT DIMINUTION IN VALUE OF INVESTMENT

	2004	2003
	£	£
Amounts written off investment in subsidiary		
- permanent diminution in value	-	6,027,467
	<hr/>	<hr/>

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
On bank loans and overdrafts	-	6,797
On loans repayable after 5 years	373,783	350,917
	<u>373,783</u>	<u>357,714</u>

7. TAXATION

	2004	2003
	£	As restated £
Current tax	-	-
Deferred tax (Note 13)	64,451	55,557
	<u>64,451</u>	<u>55,557</u>
Profit on ordinary activities before tax	<u>184,908</u>	<u>65,692</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	55,472	19,708
Effects of:		
Income not subject to tax	(60,921)	-
Expenses not deductible for tax purposes	22,500	-
Accelerated capital allowances	(17,051)	-
Current tax charge for the year	<u>-</u>	<u>-</u>

8. INVESTMENT PROPERTY

	2004	2003
	£	As restated £
As at 1 January 2004	9,015,643	-
Additions (capitalised acquisition costs)	45,512	7,122,048
Movement in unrealised surplus on revaluation of properties as previously reported	263,652	1,549,737
Prior year adjustment (note 1.2)	-	343,858
Valuation as at 31 December	<u>9,324,807</u>	<u>9,015,643</u>

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

8. INVESTMENT PROPERTY....(continued)

A full valuation of the property was made at 31 March 2004 by Colliers CRE, Chartered Surveyors and International Property Consultants ('Colliers'), on an investment value basis; and the valuation above at 31 December 2004 is based on an updated valuation provided by Colliers. It is the management's opinion that this valuation reflects the fair value of the investment properties as at 31 December 2004. On a historical cost basis, the properties would be included at an original cost of £7,167,560 (2003 - £7,122,048). As disclosed in note 12, the company has created a fixed charge over the property.

9. INVESTMENTS

	2004 £	2003 £
Balance brought forward	857,476	-
Additions during the year	-	6,884,943
Provisions for permanent diminution in value	-	(6,027,467)
Balance carried forward	<u>857,476</u>	<u>857,476</u>

The investments are in the Company's subsidiary, The Manor House Nursing Home Limited, which represents the aggregate of the share capital and share premium account of the subsidiary, and in the preference share capital of European Care (England) Limited (see below).

Holdings of more than 20%

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

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

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

	Capital and reserves 2004 £	Result for the year 2004 £
The Manor House Nursing Home Limited	482,476	Nil

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

9. INVESTMENTS....(continued)

The investments amounting to £857,476 comprised of:

- i) £482,476 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 European Care (England) Limited.

During the year, Healthcare Properties (Oxford) Limited received £749,954 (2003 - £772,000) in rental income and business fees income from European Care (England) Limited under the terms of a long term lease.

10. DEBTORS

	2004 £	2003 £
Prepayments and accrued income	11,765	5,446
Other debtors	20,763	83,750
	<u>32,528</u>	<u>89,196</u>

11. CREDITORS: amounts falling due within one year

	2004 £	2003 £
Bank Loan	291,668	-
Amounts due to other group companies	837,623	663,539
Other creditors	-	292
Accruals	27,813	52,308
	<u>1,157,104</u>	<u>716,139</u>

Amounts owed to group companies were £362,476 (2003 - £343,467) to The Manor House Nursing Home Limited, £309,080 (2003 - £184,320) to USI Healthcare Investment Company Limited and £166,067 (2003 - £135,752) to USI Group Holdings Limited. These balances are repayable on demand and are subject to interest charges as agreed from time to time.

12. CREDITORS: amounts falling due after one year

	2004 £	2003 £
Bank Loan	4,885,415	5,250,000
Other Loans	2,195,970	2,218,484
	<u>7,081,385</u>	<u>7,468,484</u>

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

12. CREDITORS: amounts falling due after one year....(continued)

The Company entered into a facility agreement in December 2002 for an 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 also has borrowings of £2,195,970 (2003 - £2,218,484) 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.

The maturity of the bank loan facility due after one year is as follows:

	2004	2005
	£	£
Due within 1 year	291,668	-
Due after 1 year but before 2 years	291,668	77,917
Due after 2 years but before 5 years	1,166,672	1,166,672
Due after 5 years	3,427,075	4,005,411
Total bank borrowings due after 1 year	4,885,415	5,250,000
Total bank borrowings	5,177,083	5,250,000

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2004	2003
	£	As restated £
Deferred taxation	120,008	55,557

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold and not the holding company. The total amount un-provided for is £193,617. At present, it is not envisaged that any tax will become payable in the foreseeable future.

14. SHARE CAPITAL

	2004	2003
	£	£
Authorised:		
Equity interests:		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
Equity interests:		
1 Ordinary share of £1 each	1	1

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

15. STATEMENT OF MOVEMENTS ON RESERVES

	REVALUATION RESERVE	PROFIT AND LOSS ACCOUNT
	£	£
Balance brought forward as previously reported	1,549,737	(107,733)
Prior year adjustment (note 1.2)	343,858	129,633
Balance brought forward as restated	1,893,595	21,900
Retained profit for the year	-	120,457
Revaluation during the year	263,652	-
Balance carried forward	2,157,247	142,357

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	As restated £
Profit/(loss) for the financial year as previously reported	120,457	(107,733)
Other recognised gains and losses as previously reported	263,652	1,549,737
Prior year adjustment (note 1.2)	-	473,491
Proceeds from issue of shares	-	1
Net addition to shareholders' funds as restated	384,109	1,915,496
Opening shareholders' funds as restated	1,915,496	-
Closing shareholders' funds as restated	2,299,605	1,915,496

17. EMPLOYEES

Number of employees

There were no employees during the period apart from the directors.

18. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate controlling company is Healthcare Properties (Ashlea) Limited, a company registered in Guernsey, Channel Islands. In the opinion of the directors, the ultimate controlling company is USI Limited, a company incorporated in the British Virgin Islands. Dr. iur V Lanfranchi, a Swiss national, is the beneficial owner of USI Limited and so is the ultimate controlling party of Healthcare Properties (Oxford) Limited.

USI Group Holdings Limited has issued a letter to the Company confirming that it has the means to continue to support the normal financial obligations of the Company.

HEALTHCARE PROPERTIES (OXFORD) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

19. RELATED PARTY TRANSACTIONS

The Company was charged management fees of £170,293 (2003 - £237,098) by a group company, USI Group Holdings Limited and £224,467 (2003 - £167,950) by its intermediate holding company, USI Healthcare Investment Company Limited, for services rendered during the course of the period ended 31 December 2004. The amounts remaining unpaid to Group companies at 31 December 2004 are detailed in Note 11

20. SUBSEQUENT EVENTS

On 5 May 2005, the Company acquired 100% of the issued share capital of Hollygarth Care Homes Limited, an owner and operator of nursing and residential care home facilities in the UK for a cash consideration of £12,213,240. On the same day the assets and business were leased to a third party operator at an initial rent of £1.2 million per annum. The lease is for an initial period of 7 years, with the lessee having options to renew for a further periods up to 35 years from the date of the initial lease. As part of the acquisition, the Company borrowed £12.765 million from the Bank of Scotland. The loan requires payment of interest only during the first three years and 50% amortisation of the principal during years 4-10 of the facility with the balance 50% repayable at maturity in May 2015. The additional borrowings are secured by the land and buildings acquired and by cross guarantees with other group entities that already had existing facilities outstanding from the same lender.

Details of net assets acquired and negative goodwill are as follows:

	£
Purchase consideration:	
- Cash paid	12,213,240
- Direct costs relating to acquisition	787,600
	<hr/>
Total purchase consideration	13,000,840
Fair value of net assets acquired	13,018,240
	<hr/>
Negative goodwill	17,400
	<hr/>

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's Carrying amount
	£	£
Cash and cash equivalents	53,125	53,125
Investment property	15,080,000	15,080,000
Receivables	902,130	902,130
Payables	(617,015)	(617,015)
Deferred tax	(2,400,000)	-
	<hr/>	<hr/>
Net assets acquired	13,018,240	15,418,240
	<hr/>	<hr/>