

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate financial adviser authorised under the Financial Services and Markets Act 2000.

Collins Stewart is acting exclusively for NHP Plc and no one else in connection with the Rights Issue and will not be responsible to anyone other than NHP Plc for providing the protections afforded to clients of Collins Stewart or for providing advice in relation to the Rights Issue or the contents of this document.

If you sell or have sold or otherwise transferred all of your existing NHP Shares (other than ex-rights) before 11 June 2002, you should send this document, together with any Provisional Allotment Letter, at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom you sell or have sold or transferred your NHP Shares for delivery to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to NHP Plc prepared in accordance with the Listing Rules made under Part VI of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 83 of that Act.

NHP Shares are listed on the Official List and traded on the London Stock Exchange. Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading by the London Stock Exchange. It is expected that admission of the New Ordinary Shares to the Official List and trading on the London Stock Exchange's market for listed securities will become effective and that dealings will commence, nil paid, in the New Ordinary Shares on 11 June 2002.

NHP Plc

2798607

Proposed 3 for 8 Rights Issue of

**54,777,789 new Ordinary Shares at 62 pence per share
and proposed revised bank facilities**

The latest time and date for acceptance of and payment in full for the Rights Issue is 3.00 pm on 1 July 2002. The procedures for acceptance and payment are set out in Part 2 of this document and in the Provisional Allotment Letter which is expected to be posted to Qualifying Shareholders (other than those resident in the US, Canada, Australia, the Republic of Ireland, France, Japan, The Netherlands or South Africa) on 10 June 2002 following the Extraordinary General Meeting.

This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. The Provisional Allotment Letters and the New Ordinary Shares will not be registered under the United States Securities Act of 1933 as amended, or under the securities laws of any state of the United States.

Your attention is drawn to the letter of recommendation from the Chairman of NHP Plc which appears in Part 1 of this document.

The distribution of this document and/or the Provisional Allotment Letter in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any jurisdiction. The attention of Overseas Shareholders is drawn to paragraph 7 of Part 2 of this document.

Notice of an Extraordinary General Meeting of NHP Plc, to be held at the offices of Collins Stewart Limited at 9th Floor, 88 Wood Street, London EC2V 7QR at 10.00 am on 10 June 2002, is set out at the end of this document. A form of proxy for use by shareholders in connection with the meeting is enclosed. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon, and received by NHP's registrars, Connaught St Michaels Limited at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 10.00 am on 8 June 2002.



Contents

	Page
Expected timetable	2
Definitions	3
Part 1 Letter from the Chairman of NHP	6
Part 2 Terms and Conditions of the Rights Issue	11
Part 3 Unaudited interim results for the six months ended 31 March 2002	19
Part 4 Additional information.....	38
Notice of Extraordinary General Meeting	73

Expected Timetable

Record Date for the Rights Issue	6 June 2002
Last time and date for receipt of forms of proxy	10.00 am on 8 June 2002
Extraordinary General Meeting	10.00 am on 10 June 2002
Provisional Allotment Letters despatched	10 June 2002
Dealings in New Ordinary Shares, nil paid, expected to commence	8.00 am on 11 June 2002
Latest time and date for splitting Provisional Allotment Letters, nil paid	3.00 pm on 27 June 2002
Latest time and date for acceptance, payment in full and registration of renunciation	3.00 pm on 1 July 2002
New Ordinary Shares credited to CREST stock accounts	2 July 2002
Expected date for despatch of definitive share certificates for New Ordinary Shares in certificated form	8 July 2002

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate financial adviser authorised under the Financial Services and Markets Act 2000.

Collins Stewart is acting exclusively for NHP Plc and no one else in connection with the Rights Issue and will not be responsible to anyone other than NHP Plc for providing the protections afforded to clients of Collins Stewart or for providing advice in relation to the Rights Issue or the contents of this document.

If you sell or have sold or otherwise transferred all of your existing NHP Shares (other than *ex-rights*) before 11 June 2002, you should send this document, together with any Provisional Allotment Letter, at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom you sell or have sold or transferred your NHP Shares for delivery to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to NHP Plc prepared in accordance with the Listing Rules made under Part VI of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 83 of that Act.

NHP Shares are listed on the Official List and traded on the London Stock Exchange. Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading by the London Stock Exchange. It is expected that admission of the New Ordinary Shares to the Official List and trading on the London Stock Exchange's market for listed securities will commence, nil paid, in the New Ordinary Shares on 11 June 2002.

FINANCIAL SERVICES AUTHORITY
UK LISTING Authority

Document Approved

Date: 17 May 2002

Signed: 1 

2 

NHP Plc

Proposed 3 for 8 Rights Issue of

**54,777,789 new Ordinary Shares at 62 pence per share
and proposed revised bank facilities**

The latest time and date for acceptance of and payment in full for the Rights Issue is 3.00 pm on 1 July 2002. The procedures for acceptance and payment are set out in Part 2 of this document and in the Provisional Allotment Letter which is expected to be posted to Qualifying Shareholders (other than those resident in the US, Canada, Australia, the Republic of Ireland, France, Japan, The Netherlands or South Africa) on 10 June 2002 following the Extraordinary General Meeting.

This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. The Provisional Allotment Letters and the New Ordinary Shares will not be registered under the United States Securities Act of 1933 as amended, or under the securities laws of any state of the United States.

Your attention is drawn to the letter of recommendation from the Chairman of NHP Plc which appears in Part 1 of this document.

The distribution of this document and/or the Provisional Allotment Letter in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any jurisdiction. The attention of Overseas Shareholders is drawn to paragraph 7 of Part 2 of this document.

Notice of an Extraordinary General Meeting of NHP Plc, to be held at the offices of Collins Stewart Limited at 9th Floor, 88 Wood Street, London EC2V 7QR at 10.00 am on 10 June 2002, is set out at the end of this document. A form of proxy for use by shareholders in connection with the meeting is enclosed. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon, and received by NHP's registrars, Connaught St Michaels Limited at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 10.00 am on 8 June 2002.

Definitions

The following definitions apply throughout this document and the Provisional Allotment Letters, except where the context requires otherwise:

"Admission"	admission of the New Ordinary Shares, nil paid, to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange's market for listed securities in accordance with the Admission and Disclosure Standards issued by the London Stock Exchange
"Articles"	the Articles of Association of the Company
"Business Day"	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks are generally open for business in London for the transaction of normal banking business
"Collins Stewart"	Collins Stewart Limited
"Companies Act"	the Companies Act 1985 (as amended)
"CREST"	the relevant system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Regulations
"CRESTCo"	CRESTCo Limited, the operator of CREST
"Directors" or "Board"	the directors of the Company whose names are set out in subparagraph 5(a) of Part 4 of this document
"Executive Directors"	William Colvin, Richard Neil Midmer and Daniel Fernley Francis
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened by the notice set out at the end of this document
"Fully Paid Rights"	the rights to acquire New Ordinary Shares, fully paid
"Group"	NHP and its subsidiary undertakings
"Issue Price"	62 pence per New Ordinary Share
"Listing Rules"	the rules and regulations made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	54,777,789 new Ordinary Shares to be issued in connection with the Rights Issue
"NHP" or "the Company"	NHP Plc, a company incorporated in England and Wales with registered number 02798607
"NHP Shareholders"	holders of NHP Shares
"NHP Share Schemes"	the NHP Plc 1998 Inland Revenue Approved Executive Share Option Scheme, the NHP Plc 1998 Inland Revenue Approved Savings Related Share Option Scheme, the NHP Plc Inland Revenue Approved Executive Share Option Scheme and the NHP Plc Unapproved Executive Share Option Scheme
"NHP Shares" or "Ordinary Shares"	ordinary shares of 1 pence each in the capital of NHP
"Nil Paid Rights"	the rights to acquire New Ordinary Shares, nil paid
"Non-Executive Directors"	Sir John Martin Kirby Laing, Clayton Hugo Wynne Robson, Lord Stewart Ross Sutherland and Ronald Andrew Henderson
"Official List"	the Official List of the UK Listing Authority

Definitions

"Overseas Shareholders"	NHP Shareholders who have registered addresses outside the UK or who are citizens or residents of countries outside the UK
"Provisional Allotment Letters"	the renounceable provisional allotment letters to be issued in respect of the New Ordinary Shares
"Qualifying Shareholders"	holders of NHP Shares on the register of members of the Company at the Record Date (excluding certain Overseas Shareholders)
"Record Date"	close of business on 6 June 2002
"Refinancing"	the revised banking arrangements proposed to be entered into by the Company (details of which are set out in paragraph 13 of Part 4 of this document) and the Rights Issue, both of which are conditional on the passing of the Resolutions
"Regulations"	The Uncertificated Securities Regulations 2001 (SI2001/3755), as amended
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting which will increase the authorised share capital of the Company, authorise the Directors to allot Ordinary Shares in connection with the Rights Issue and generally, and disapply statutory pre-emption rights in connection with the allotment of Ordinary Shares pursuant to the Rights Issue and generally
"Rights Issue"	the proposed issue by way of rights of the New Ordinary Shares to Qualifying Shareholders on the basis described in this document and in the Provisional Allotment Letters, which are conditional on the passing of the Resolutions
"Securities Act"	the US Securities Act of 1933, as amended
"Taxes Act"	the Income and Corporation Taxes Act 1988
"Underwriting Agreement"	the agreement between the Company and Collins Stewart dated 17 May 2002, as described in paragraph 11 of Part 4 of this document
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"US" or "United States"	the United States of America, its territories and possessions
"US Shareholder"	a NHP Shareholder that is resident in the United States

Directors, company secretary, registered office and advisers

Directors

Sir John Martin Kirby Laing, *Chairman*
William Colvin, *Chief Executive*
Richard Neil Midmer, *Group Finance Director*
Daniel Fernley Francis, *Executive Director*
Clayton Hugo Wynne Robson, *Non-Executive Director*
Lord Stewart Ross Sutherland, *Non-Executive Director*
Ronald Andrew Henderson, *Non-Executive Director*

Registered and Head Office

6 Broad Street Place
Blomfield Street
London
EC2M 7JH

Joint Company Secretaries

Delphine Anne Currie
Sheila Kaul

Sponsor, Broker, Financial Adviser and Underwriter to the Rights Issue

Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

Reporting Accountants and Auditors

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

Solicitors to the Company

SJ Berwin
222 Gray's Inn Road
London
WC1X 8XF

Solicitors to Collins Stewart

Mayer, Brown, Rowe & Maw
11 Pilgrim Street
London
EC4V 6RW

Registrars and Receiving Agents

Connaught St Michaels Limited
PO Box 30
Cresta House
Alma Street
Luton
Bedfordshire
LU1 2PU

Part 1 – Letter from the Chairman of NHP

To NHP Shareholders and, for information only, to participants in the NHP Share Schemes.

Dear Shareholder,

1 INTRODUCTION

Your Board has today announced a rights issue of 54,777,789 New Ordinary Shares at 62 pence per share on the basis of 3 New Ordinary Shares for every 8 existing Ordinary Shares to raise approximately £31.86 million (net of expenses). The Rights Issue has been fully underwritten by Collins Stewart. The Group has also extended its debt financing arrangements to December 2004, which would provide the Group with bank facilities of £90 million on improved terms.

The purpose of this document is to provide you with details of the Refinancing and to explain why the Directors believe that the Refinancing is in the best interests of the Company and its Shareholders as a whole.

Your Board has also announced today the Group's unaudited interim results for the six month period ended 31 March 2002. During this period, the Group generated profits before taxation of £6.9 million on turnover of £56.4 million. Net assets as at 31 March 2002 were £111.1 million. The interim results are reproduced in full in Part 3 of this document.

In addition, set out at the end of this document is a notice convening an extraordinary general meeting of the Company to be held at 10.00 am on 10 June 2002 to pass resolutions to increase the authorised share capital of the Company, to authorise the Directors to allot Ordinary Shares pursuant to the Rights Issue and generally and to disapply statutory pre-emption rights in relation to the allotment of Ordinary Shares pursuant to the Rights Issue and generally.

2 INFORMATION ON NHP

NHP is one of the few listed property investment groups in the UK specialising in the ownership of freehold or long leasehold interests in modern purpose-built care homes, the majority of which are leased to care home operators on long-term leases. As at 31 March 2002, the Group's portfolio comprised 373 care homes with a total of 18,492 beds, making NHP the largest owner of private care beds in the UK. Between 1995 and 2000, the Group spent a total of £681 million in purchasing homes which were financed mainly by three securitised bond issues, raising a total of £559 million at an average fixed interest rate of 6.6 per cent.

In addition to its role as landlord, NHP directly operates and manages 121 of the homes in the Group's portfolio (representing a total of approximately 5,900 beds) under the Highfield Care brand. NHP's operating division, Highfield Care, also manages a further 24 homes (representing a total of approximately 1,200 beds) owned by other landlords.

Following the appointment of a new senior management team in November 2000, the Board has executed a successful strategy to stabilise the operating performance of the business. This followed several years of dramatic growth which coincided with a general downturn in the fortunes of the care home industry. At the same time, the Group has taken steps to reduce the level of its short-term bank debt significantly. Substantial progress has been made on both these objectives such that the Group's financial position is now more secure and the trading performance of the business has improved considerably.

Operating performance

A number of measures have been put in place to improve overall cash flow, including:

- (a) a process of tenant consolidation, by which homes are transferred to a smaller number of larger, better funded operators;
- (b) the creation of an operating division within the Group to take over direct management of homes; and

- (c) working with tenants to maximise their ability to service their rental obligations including and in certain circumstances, the selective provision of financial support to tenants where we consider this would maximise the security and amount of future rent collection.

The results of this strategy have so far yielded positive results. The progress made in the consolidation of our tenant base, improvement in rent cover and transfer of homes out of receivership has contributed to a substantial improvement in net asset value per share in the year to 30 September 2001, which increased by 27 per cent. to 70.1p¹. Today the Board is reporting a further increase in net asset value per share in the six month period to 31 March 2002 of 8.5 per cent. to 76.1p².

Current banking arrangements

Concurrently with the improvements in the Group's operating performance, substantial progress has been made in reducing the level of short-term borrowings and stabilising NHP's funding position. In the period from 1 October 2000 to 31 March 2002, bank debt (excluding non-recourse securitised loans) was reduced from £139.2 million (excluding an £11.0 million guarantee to Ultima Holdings Limited which has now fallen away) to £88.7 million². The biggest single step in reducing bank debt was taken in November 2000, with the release from escrow of £47 million, which had been held in connection with NHP's third securitised long-term bond issue. All free cash generated by the business (after funding capital expenditure) together with the proceeds of a programme of selective asset disposals comprising the sale of 14 homes during this period for a total consideration of £16.3 million, has also been applied in repaying bank debt.

Although substantial progress has been made in reducing the level of the Group's short-term debt, it was a condition of our previous two year facilities, signed in January 2001, that all cash generated in the business be used to pay down debt, and the Board recognised that this has restricted the Group's ability to expand the business. Accordingly, improved financing arrangements have been entered into which the Board believes will give the Group the flexibility to achieve its strategy for growth. The principal elements of the Refinancing are set out in paragraph 4 of this Part 1.

3 STRATEGY FOR GROWTH

The UK care home market remains highly fragmented and financially challenging. However, the Board believes that the continuing trend of home closures across the UK, new Government legislation introduced from 1 April 2002 and the measures announced in the recent Budget to reduce bed blocking in the NHS, will eventually lead to a greater demand for our beds, the vast majority of which are contained within modern, purpose-built facilities that the Directors believe comply with the new Government legislation.

The Board also believes that there are currently a number of attractive opportunities which, if the Refinancing were to proceed, would enable the Company to enhance its extensive portfolio of homes at reasonable prices.

The selective expansion of NHP's investment portfolio, through acquisition and development of existing and new homes, will be carried out in partnership with a very small number of our existing tenants. In addition, NHP intends to invest substantially in homes within its own operating division, Highfield Care, in order to secure its position as a leading provider of long term care in the UK.

4 THE REFINANCING

The principal elements of the Refinancing are:

- (a) an underwritten rights issue to raise £31.86 million (net of expenses); and
- (b) revised bank facilities of £90 million on improved terms.

Further details of the terms of the revised bank facilities are contained in paragraph 13 of Part 4 of this document.

5 USE OF PROCEEDS

The Directors expect to apply the net proceeds of the Rights Issue and the revised bank facilities in:

1 Source: Report and Accounts for the year ended 30 September 2001.

2 Source: Unaudited interim results for the six months ended 31 March 2002 as set out in Part 3 of this document.

- (a) the improvement, refurbishment and extension of the current portfolio of care homes;
- (b) the building of new homes using the Company's existing land bank and the acquisition of new sites;
- (c) the development of specialist care facilities for the mentally infirm either within existing homes or as separate units on existing sites;
- (d) the acquisition of additional care homes;
- (e) the development of the Group's operating division, branded Highfield Care; and
- (f) the investment in primary care assets such as GP surgeries and clinics.

The Directors believe that the revised bank facilities and the net proceeds of the Rights Issue will together provide the Group with the necessary headroom to resume a measured growth strategy for the business.

6 CURRENT TRADING AND PROSPECTS

Your Board has also announced today the Group's unaudited interim results for the six month period ended 31 March 2002. During this period, the Group generated profits before taxation of £6.9 million (2001: £3.4 million) on turnover of £56.4 million (2001: £36.3 million). Net assets as at 31 March 2002 were £111.1 million (2001: £83.3 million).

Trading performance in the short period since 31 March 2002 of both the Group's investment and operating divisions has remained satisfactory.

The Directors remain hopeful that NHP's progress towards financial recovery will continue during 2002 and are optimistic about the prospects for our business in the second half of the current financial year and beyond.

7 DIVIDEND POLICY

The Company has not paid a dividend to its shareholders since 1999 because of the serious financial position that it found itself to be in at that time. The Directors do not intend to recommend a dividend for the current financial year. However, it is the Directors' intention that NHP returns to the dividend list as soon as is practicable thereafter (subject to the restriction set out in the amended and restated facility agreement referred to in sub-paragraph 13(v) of Part 4 of this document). As at 30 September 2001, the Company had negative distributable reserves of £29.8 million. The Company intends to apply to the Court for a reconstruction of capital and the elimination of such deficit on reserves to create the necessary level of distributable reserves.

8 PRINCIPAL TERMS AND CONDITIONS OF THE RIGHTS ISSUE

54,777,789 New Ordinary Shares are being offered in connection with the Rights Issue, with a view to raising approximately £31.86 million (net of expenses). The Issue Price of 62 pence per New Ordinary Share represents a 13.6 per cent. discount to the closing middle market price of 71.75 pence per NHP Share on 16 May 2002, the last practicable business day before the announcement of the Rights Issue.

Qualifying Shareholders are being offered New Ordinary Shares on the following basis:

3 New Ordinary Shares for every 8 existing NHP Shares

held at the close of business on 6 June 2002 and so in proportion for any other number of NHP Shares then held. Entitlements to fractions of New Ordinary Shares will be rounded down to the nearest whole number and will not be allotted to Qualifying Shareholders. The rights to such fractional entitlements to New Ordinary Shares will be aggregated and sold in the market for the benefit of the Company where the value of each such entitlement does not exceed £3.00. The latest time and date for acceptance of and payment in full for the Rights Issue is 3.00 pm on 1 July 2002.

The Rights Issue is conditional upon (i) the passing of the Resolutions, (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been

terminated in accordance with its terms and (iii) Admission having occurred by not later than 8.00 am on 11 June 2002 (or such later time and/or date as the Company and Collins Stewart may agree).

Your Board is mindful of the Competition Commission's recommendations with regard to competitive tendering of sub-underwriting commissions. However, after careful consideration of the benefits to the Company, the Directors concluded that such a process would be unlikely to result in any significant benefit to the Company and would, therefore, not be appropriate in connection with the Rights Issue.

9. DIRECTORS' INTENTIONS

The Directors currently beneficially own in aggregate 827,656 Ordinary Shares representing 0.57 per cent. of the current issued ordinary share capital of the Company. Hugo Robson and I, who have an aggregate interest in 35,323 Ordinary Shares, intend to take up our entitlements under the Rights Issue in full. In addition, Daniel Francis, who has an interest in 792,333 Ordinary Shares, intends to sell sufficient nil paid entitlements in the market to allow him to take up the balance of his entitlements to New Ordinary Shares in the Rights Issue. The remainder of the Board do not currently have an interest in existing Ordinary Shares.

10 EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting has been convened for 10.00 am on 10 June 2002 at the offices of Collins Stewart at 9th Floor, 88 Wood Street, London EC2V 7QR. The notice convening the Extraordinary General Meeting is set out at the end of this document. The meeting is being held to consider and, if thought fit, pass the Resolutions to increase the authorised share capital of the Company, to authorise the Directors to allot Ordinary Shares in connection with the Rights Issue and generally and to disapply statutory pre-emption rights in connection with the allotment of the Ordinary Shares pursuant to the Rights Issue and generally. Further details of the Resolutions are set out in paragraph 3 of Part 4 of this document.

11 ACTION TO BE TAKEN

You will find enclosed a proxy form for use at the Extraordinary General Meeting. NHP Shareholders are asked to complete and return it to Connaught St Michaels Limited at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to be received as soon as possible and, in any event, no later than 10.00 am on 8 June 2002. Completion and return of a proxy form will not affect your right to attend and vote at the Extraordinary General Meeting should you wish to do so.

Following the passing of the Resolutions at the Extraordinary General Meeting, Qualifying Shareholders (other than certain Overseas Shareholders) will each receive a Provisional Allotment Letter.

To take up your entitlement to the New Ordinary Shares in whole or in part, you should complete and return the Provisional Allotment Letter in accordance with the instructions therein and as set out in Part 2 of this document. The Provisional Allotment Letter, together with the remittance for the full amount payable, must be received by no later than 3.00 pm on 1 July 2002 by post or by hand to Connaught St Michaels at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU.

12 TAXATION

Information regarding taxation in the UK in connection with the Rights Issue is set out in paragraph 12 of Part 4 of this document. NHP Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their professional adviser as soon as possible.

13 OVERSEAS SHAREHOLDERS

Information for holders of NHP Shares who have registered addresses outside the UK or who are citizens or residents of countries other than the UK appears in paragraph 14 of Part 2 of this document. If you are an Overseas Shareholder, it is important that you read that part of this document, which sets out restrictions applicable to you.

14 NHP SHARE SCHEMES

The Board proposes to adjust the number of NHP Shares in respect of which options issued pursuant to the NHP Share Schemes may be exercised and the price at which those NHP Shares may be exercised to take

account of the Rights Issue in accordance with the rules of the respective NHP Share Schemes. The attention of participants under the NHP Share Schemes is drawn to the information which appears in paragraph 4 of Part 4 of this document entitled “NHP Share Schemes”.

15 FURTHER INFORMATION

Part 2 of this document sets out further details of the Rights Issue, including the procedure for acceptance and payment.

Part 3 of this document sets out in full the unaudited interim results of the Group for the six months ended 31 March 2002 announced today.

Your attention is also drawn to the additional information set out in Part 4 of this document.

16 RECOMMENDATIONS AND VOTING INTENTIONS IN RELATION TO THE REFINANCING

Your Directors, who have received financial advice from Collins Stewart in relation to the Rights Issue, consider that the Refinancing is in the best interests of NHP and its shareholders as a whole. In providing its advice to the Board, Collins Stewart has placed reliance on the Directors’ commercial assessment of the reasons for and benefits of the Rights Issue.

The Directors therefore unanimously recommend NHP Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they themselves intend to do in respect of their own beneficial holdings of 827,656 NHP Shares, amounting in aggregate to approximately 0.57 per cent. of the issued share capital of the Company.

Yours sincerely,

Sir Martin Laing
Chairman

Part 2 – Terms and conditions of the Rights Issue

1 TERMS OF THE RIGHTS ISSUE

NHP proposes to raise approximately £31.86 million (net of expenses) by way of a Rights Issue of 54,777,789 New Ordinary Shares, representing approximately 27.3 per cent. of the issued ordinary share capital of the Company as enlarged by the Rights Issue. Subject to the terms and conditions of the Rights Issue set out below, the memorandum and Articles of the Company and the Provisional Allotment Letters, the Company is offering New Ordinary Shares by way of rights to Qualifying Shareholders *pro rata* to their holding of NHP Shares at the Record Date at a price of 62 pence per New Ordinary Share, payable in full on acceptance not later than 3.00 pm on 1 July 2002, on the following basis:

3 New Ordinary Shares for every 8 existing NHP Shares

held and so on in proportion for any other number of NHP Shares held by Qualifying Shareholders at the Record Date. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and entitlements to New Ordinary Shares will be rounded down to the nearest whole number. The rights to such fractional entitlements to New Ordinary Shares will be aggregated and sold in the market for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 8 NHP Shares will not be entitled to any New Ordinary Shares.

The Rights Issue is conditional upon, *inter alia*:

- (i) the passing of the Resolutions;
- (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) in accordance with its terms and not having been terminated before Admission becomes effective; and
- (iii) Admission becoming effective not later than 8.00 am on 11 June 2002, or such later date and time as the Company and Collins Stewart may agree.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission of the New Ordinary Shares to the Official List will become effective, and that dealings on the London Stock Exchange in the New Ordinary Shares, nil paid, will commence by 8.00 am on 11 June 2002.

None of the New Ordinary Shares have been or will be made available in whole or in part to the public in connection with such application other than pursuant to the Rights Issue.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the NHP Shares currently in issue, including the right to receive all dividends or other distributions made, paid or declared after the date of this document.

The attention of Overseas Shareholders is drawn to paragraph 14 below.

2 ACTION TO BE TAKEN

If you are a Qualifying Shareholder (other than certain Overseas Shareholders), a Provisional Allotment Letter will be posted to you, provided that the Resolutions are passed, following the Extraordinary General Meeting to be held on 10 June 2002.

The Provisional Allotment Letter will set out the holding of NHP Shares registered in your name on the Record Date upon which your entitlement to New Ordinary Shares is based, and the number of New Ordinary

Part 2 – Terms and conditions of the Rights Issue

Shares provisionally allotted to you. In addition, the Provisional Allotment Letter will include instructions regarding acceptance and payment, splitting, renunciation and registration and the procedure to be followed if you wish to dispose of all or part of your entitlement to New Ordinary Shares. The allotment and issue of the New Ordinary Shares is subject to the terms and conditions set out in this document and in the Provisional Allotment Letter and to the memorandum and articles of association of NHP.

The Provisional Allotment Letter represents a right to subscribe for New Ordinary Shares which, if renounced by the NHP Shareholder originally entitled thereto, will become a negotiable bearer document. The Provisional Allotment Letter will be renounceable (subject to the laws of certain foreign jurisdictions) up to 3.00 pm on 1 July 2002.

To take up your provisional allotment in whole or in part, you should send the Provisional Allotment Letter completed in accordance with the instructions thereon, together with a remittance (comprising a cheque or bankers' draft, drawn in sterling at a bank or building society in the UK) for the full amount payable on acceptance, by post or by hand, to Connaught St Michaels at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to be received not later than 3.00 pm on 1 July 2002.

If you wish to take up part only of your provisional allotment and to sell some or all of the remainder, you should follow the procedure which applies to the splitting of your Provisional Allotment Letter in accordance with paragraph 5 below and in accordance with the instructions set out in the Provisional Allotment Letter.

If payment is not received by the required time and date, the Provisional Allotment Letter in respect of the Qualifying Shareholder's entitlement will, subject to the late acceptance procedure set out below, be deemed to have been declined, in which event the entitlement to New Ordinary Shares will lapse and the procedures set out in paragraph 10 below will apply.

Your attention is drawn to paragraph 12 below which summarises the requirements of the Money Laundering Regulations 1993 and the right of the Company, or Connaught St Michaels on its behalf, to require, in its absolute discretion, verification of the identity of any person lodging a Provisional Application Letter for the purpose of ensuring compliance with the Money Laundering Regulations 1993.

Provisional Allotment Letters received after 3.00 pm on 1 July 2002 will be deemed to have been declined and the entitlements thereunder will lapse. However, the Company has the discretion (but shall not be obliged) to accept (i) Provisional Allotment Letters and accompanying remittances which are received through the post not later than 3.00 pm on 2 July 2002 (the cover bearing a legible postmark dated not later than 3.00 pm on 1 July 2002) and (ii) applications in respect of which remittances for the full amount are received prior to 3.00 pm on 1 July 2002, from an authorised person (as defined in the Financial Services and Markets Act 2000) specifying the New Ordinary Shares concerned and undertaking to lodge the relevant Provisional Allotment Letter duly completed in due course. References in this document to New Ordinary Shares having been taken up include, at the discretion of the Company, rights which Qualifying Shareholders shall be deemed to have taken up pursuant to the procedures described in this paragraph. If you post your Provisional Allotment Letter by UK first class post you are recommended to allow at least two working days for delivery. The Company also has the discretion but shall not be obliged to treat a Provisional Allotment Letter as valid and binding on the person by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

Cheques and bankers' drafts should be made payable to "Connaught St Michaels Ltd. – A/C NHP Plc" and crossed "A/C Payee only". All payments must be made for the full amount by cheque or bankers' draft drawn on an account at a bank or building society in the UK which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by either of those companies, and must bear the appropriate sorting code in the top right hand corner. Interest will not be paid on payments made before they are due but will accrue for the benefit of the Company. Return of the Provisional Allotment Letter with the appropriate remittance will constitute a warranty that the remittance will be honoured on first presentation.

The Company may elect to treat as invalid acceptances in respect of which remittances are not so honoured or which do not comply with the requirements set out above. All payments must be made in pounds sterling. The

Company reserves the right to have cheques and bankers' drafts presented for payment on receipt and to instruct Connaught St Michaels to seek special clearance of cheques to allow the Company to obtain value of remittances at the earliest opportunity.

After 1 July 2002, the date specified in the Provisional Allotment Letter as the last date for registration of renunciation or acceptance and payment, Provisional Allotment Letters will cease to be valid for any purpose whatsoever (save for certification against the register pending dispatch of definitive certificates as described in paragraph 8 below).

All queries in connection with Provisional Allotment Letters should be addressed to Connaught St Michaels (Tel: 01582 405333).

3 DEALINGS IN NIL PAID RIGHTS

Dealings on the London Stock Exchange in the rights to subscribe for New Ordinary Shares provisionally allotted are expected to commence, nil paid, on 11 June 2002. A transfer of all or part of an entitlement to such rights in nil paid form, without payment of the Issue Price for New Ordinary Shares provisionally allotted, may only be made by renunciation of the Provisional Allotment Letter or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee, by not later than 3.00 pm on 1 July 2002, being the latest date for registration of renunciation of the Provisional Allotment Letter, nil paid. Instructions on how to renounce a Provisional Allotment Letter, which must be followed if Qualifying Shareholders wish to dispose of all or part of their entitlement to subscribe for New Ordinary Shares are contained in paragraph 5 below and in the Provisional Allotment Letter.

4 REGISTRATION IN THE NAME OF QUALIFYING SHAREHOLDERS

A Qualifying Shareholder who wishes to have all of his or her entitlement to New Ordinary Shares registered in his or her name must accept and make payment for such allotment in accordance with the provisions summarised in paragraph 2 above and set out in the Provisional Allotment Letter, but need take no further action.

5 RENUNCIATION AND SPLITTING

The Provisional Allotment Letter is fully renounceable, subject to the terms and conditions thereof, (save as otherwise required by the laws of certain foreign jurisdictions), and may be split up to 3.00 pm on 27 June 2002, nil paid.

A Qualifying Shareholder who wishes to transfer all (but not some only) of the New Ordinary Shares comprised in a Provisional Allotment Letter may renounce such allotment by completing and signing Form X of the Provisional Allotment Letter and delivering (but not in or into the United States, Canada, Australia, the Republic of Ireland, France, Japan, The Netherlands or South Africa) the entire Provisional Allotment Letter to the transferee, or the broker or other agent acting for such Qualifying Shareholder in the transaction. Once a Provisional Allotment Letter has been so renounced it will become a negotiable instrument in bearer form and the rights to the New Ordinary Shares comprised therein may be transferred by delivery of such letter to the transferee. The latest time and date for registration with Connaught St Michaels of renunciation of Provisional Allotment Letters is 3.00 pm on 1 July 2002. Thereafter, the New Ordinary Shares will be in registered form and transferable only by written instrument of transfer complying with the Articles.

If a Qualifying Shareholder wishes either (i) to have registered in his own name some only of the New Ordinary Shares to which he or she is entitled and to transfer the remainder, or (ii) to transfer all such New Ordinary Shares but to different persons, he or she may have the Provisional Allotment Letter split, for which purposes he or she must complete and sign Form X of the Provisional Allotment Letter. The letter must then be lodged by post or by hand during normal business hours (being Monday to Friday, inclusive, between 9.00 am and 5.00 pm) with Connaught St Michaels at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to be received not later than 3.00 pm on 27 June 2002, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of New Ordinary Shares to be comprised in each split Provisional Allotment Letter should be stated in a letter accompanying the Provisional Allotment Letter when it is lodged for splitting. Split Provisional Allotment Letters will be marked "Original Duly Renounced" before they are issued.

6 REGISTRATION OF THE NEW ORDINARY SHARES IN THE NAME OF PERSONS OTHER THAN QUALIFYING SHAREHOLDERS

A renounee (or his or her agent) wishing to have the New Ordinary Shares comprised in the Provisional Allotment Letter registered in his or her name must complete Forms X and Y of the Provisional Allotment Letter and lodge the entire Provisional Allotment Letter by post or by hand during normal business hours (being Monday to Friday, inclusive, between 9.00 am and 5.00 pm) with Connaught St Michaels together with the payment due on acceptance, if not already paid, by not later than the latest time for registration, being 3.00 pm on 1 July 2002. Registration cannot be effected until the Provisional Allotment Letter is endorsed as fully paid.

7 REPRESENTATION AND WARRANTY

Application on a Provisional Allotment Letter will constitute a representation and warranty that, *inter alia*, the applicant is not an Overseas Shareholder with a registered or mailing address in the United States, Canada, Australia, the Republic of Ireland, France, Japan, The Netherlands or South Africa, nor is the applicant applying for New Ordinary Shares for the account of any such person, or with a view to re-offering, selling, transferring or delivering such shares in any of those territories or possessions and otherwise that the applicant has fully observed the laws and any regulatory requirements of any relevant jurisdiction.

8 DOCUMENTS OF TITLE

The New Ordinary Shares will initially be issued by way of Provisional Allotment Letters which will comprise temporary documents of title. Definitive share certificates are expected to be dispatched by first class post by 8 July 2002 at the risk of the persons entitled to them.

Where the New Ordinary Shares comprised in the Provisional Allotment Letter have been paid for in accordance with the provisions of paragraph 2 above, the Provisional Allotment Letter, duly receipted, will (subject to the provisions of paragraph 2 above) be returned to the person making the payment who, unless he is the original allottee, must have completed the paying agent's box at the foot thereof.

Duly receipted Provisional Allotment Letters will comprise temporary documents of title and, as explained above, following the latest time and date for registration of renunciation, transfers of fully paid New Ordinary Shares will be certified against the surrender of such Provisional Allotment Letters, pending the issue of definitive certificates.

Following the dispatch of definitive share certificates or the crediting of CREST stock accounts, Provisional Allotment Letters will cease to be valid for any purpose whatsoever.

Qualifying Shareholders who hold NHP Shares both in certificated form and in uncertificated form will be sent a separate Provisional Allotment Letter in respect of each qualifying holding.

Uncertificated shareholders who wish to receive shares in CREST should complete box 5 of the Provisional Allotment Letter. New Ordinary Shares are expected to be credited to CREST stock accounts on 2 July 2002. Notwithstanding any other term of the Rights Issue, the Company reserves the right, in its absolute discretion, to allot and/or issue New Ordinary Shares in certificated form.

9 POSTING

All documents and remittances posted to or by the persons entitled thereto or their agents, as appropriate, will be posted at their risk.

10 PROCEDURES IN RESPECT OF RIGHTS NOT TAKEN UP

Qualifying Shareholders who do not wish to take up their entitlements to New Ordinary Shares under the Rights Issue do not need to take any action. If payment in full (whether by or on behalf of the original allottee or any person in whose favour the rights have been renounced) in respect of any New Ordinary Shares provisionally allotted is not received by 3.00 pm on 1 July 2002, or such later time as may be permitted under paragraph 2 above, in accordance with the procedure laid down for acceptance and payment, then the provisional allotment in respect of such New Ordinary Shares will be deemed to have been declined, in which case it will lapse. In this event, Collins Stewart will use reasonable endeavours to procure subscribers for those

New Ordinary Shares or as many as possible of such New Ordinary Shares by not later than 3.00 pm on 2 July 2002 if subscribers can be procured at a price per New Ordinary Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including commissions, brokerage and VAT if applicable). New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers at the Issue Price and any net proceeds (after deduction of the Issue Price and the expenses of procuring subscribers) will be paid by cheque without interest to the Qualifying Shareholders originally entitled thereto who have not taken up their provisional allotments *pro rata* to their lapsed provisional allotments except that in each case individual amounts of less than £3.00 will not be paid to such Qualifying Shareholders but will be aggregated and paid to the Company for its own benefit. Cheques for amounts due will be sent by Connaught St Michaels by post at the risk of the persons entitled thereto to their registered address.

Any New Ordinary Shares for which subscribers cannot be procured at a price at least equal to the Issue Price and the expenses of procuring subscribers shall be subscribed for at the Issue Price by Collins Stewart and/or any sub-underwriters procured by them in accordance with the terms of the Underwriting Agreement, assuming its obligations are then unconditional. Further details of the Underwriting Agreement are set out in paragraph 11 of Part 4 of this document.

None of the Company or Collins Stewart or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from any insufficiency or alleged insufficiency of any dealing price at which rights to New Ordinary Shares may be sold or subscribers for New Ordinary Shares may be procured or the terms or timing of any such sales or subscription or the procuring thereof or any failure to procure subscribers.

The provisional allotment of New Ordinary Shares to which certain Overseas Shareholders would have been entitled, but for the fact that the offer of New Ordinary Shares to such persons is not being made, as described in paragraph 14 below, will be treated as having been declined.

11 ADJUSTMENTS TO SHARE OPTIONS

Holders of options under the NHP Share Schemes are not entitled to participate in the Rights Issue in respect of their options. However, the Board proposes, in the case of NHP Share Schemes under which options to acquire NHP Shares have been granted to participants, to adjust the number of NHP Shares in respect of which options may be exercised and/or the price at which such NHP Shares may be acquired to take account of the Rights Issue in such manner as they may decide with the advice of the Company's auditors and subject, where relevant, to the approval of the Inland Revenue and to compliance with tax legislation. Participants will be notified in writing of such adjustments in due course.

12 MONEY LAUNDERING REGULATIONS

If the value of your application exceeds £9,350 (the equivalent of €15,000) (or is one of a series of linked applications, the aggregate value of which exceeds that amount) and either you do not pay by a cheque drawn on an account in your own name and/or the account from which payment is to be made is not held within an institution that is authorised in the UK by the Financial Services Authority under the Banking Act 1987 or by the Building Societies Commission under the Building Societies Act 1986 or that is an EU authorised credit institution, as defined in the First Banking Directive (77/780/EEC), the verification of identity requirements of the Money Laundering Regulations 1993 (the "Money Laundering Regulations") will apply. Connaught St Michaels is entitled to require, at its absolute discretion, verification of identity from any person lodging a Provisional Allotment Letter (the "applicant") including, without limitation, any person who appears to Connaught St Michaels to be acting on behalf of some other person. Submission of a Provisional Allotment Letter will constitute a warranty and undertaking by the applicant to provide promptly to Connaught St Michaels such information as may be specified by Connaught St Michaels as being required for the purpose of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Connaught St Michaels as to identity, Connaught St Michaels may in its absolute discretion retain a Provisional Allotment Letter lodged by an applicant for New Ordinary Shares and/or the cheque, banker's draft or other remittance relating to it and/or not enter the New Ordinary Share to which it relates on the register of members or issue any share certificate in respect of them. If satisfactory evidence of identity has not been provided within a reasonable time, then the acceptance will not be valid but will be without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of the failure of the applicant to provide satisfactory

evidence. In that case the application monies (without interest) will be returned to the bank or building society account from which payment was made.

The following guidance is provided in order to reduce the likelihood of difficulties, delays and potential rejection of an application (but does not limit the rights of Connaught St Michaels to require verification of identity as stated above):

- (a) Applicants are urged if possible to make their payment by their own cheque. If this is not practicable and an applicant uses a cheque drawn by a building society or other third party or a banker's draft, the applicant should:
 - (i) write the applicant's name and address on the back of the building society cheque, banker's draft or other third party cheque and, in the case of an individual, record his date of birth against his name; and
 - (ii) if a building society cheque or banker's draft is used, ask the building society or bank to print on the cheque the full name and account number of the person whose building society or bank account is being debited or to write those details on the back of the cheque and add their stamp;
- (b) If an application is delivered by hand, the applicant should ensure that he has with him evidence of identity bearing his photograph, for example, a valid passport.

If you are making an application as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), irrespective of the value of the application, Connaught St Michaels is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Applicants making an application as agent should specify on the Provisional Allotment Letter if they are a UK or EU regulated person or institution.

13 TAXATION

Information on UK taxation with regards to the Rights Issue is set out in paragraph 12 of Part 4 of this document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction should consult their independent professional adviser immediately.

14 OVERSEAS SHAREHOLDERS

14.1 General

The offer of New Ordinary Shares to persons with a registered address or who are resident in, or who are citizens of, countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

Receipt of a Provisional Allotment Letter and/or a copy of this document will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and in such circumstances a Provisional Allotment Letter and/or a copy of this document will be sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Provisional Allotment Letter unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Provisional Allotment Letter could lawfully be used without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons (including, without limitation, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter should not, in connection with the Rights Issue, distribute or send the same to any person in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter is received by any person in any such territory or by the agent or nominee of such a person, he or she must not seek to take up the rights referred to in such letter or renounce the Provisional Allotment Letter except pursuant to an express written agreement between him or her and the Company. Any person who does forward this document or a Provisional Allotment Letter in or into any such

territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 14.1.

Any person (including, without limitation, nominees and trustees) outside the United Kingdom wishing to take up his or her rights under the Rights Issue must satisfy himself or herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this paragraph 14.1 are intended as a general guide only and any Qualifying Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.**

The Company reserves the right to treat as invalid any acceptance or purported acceptance of rights to New Ordinary Shares which appears to NHP or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or relevant rules or regulations of any jurisdiction, or if it believes or they believe the same may violate applicable legal or regulatory requirements, or if such Provisional Allotment Letter provides an address for the delivery of definitive share certificates in any jurisdiction outside the United Kingdom into which it would be unlawful to deliver such certificates or if the representation and warranty set out in the paragraph of the Provisional Allotment Letter headed "Overseas Shareholders" is not given or is qualified in any way. The attention of Qualifying Shareholders with registered addresses in the United States, Canada, Australia, the Republic of Ireland, France, Japan, The Netherlands or South Africa, is drawn to paragraphs 14.2, 14.3 and 14.4 below.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his or her rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Such Qualifying Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraph 2 above.

14.2 The United States of America and Canada

Neither the Provisional Allotment Letter nor the New Ordinary Shares have been, or will be, registered under the Securities Act, the securities legislation of any state of the United States or the securities legislation of any province or territory of Canada and, subject to certain exceptions, may not be offered, sold, renounced, taken up, delivered or transferred, directly or indirectly, in or into the US or Canada or to or for the account or benefit of any person in the US or Canada. Provisional Allotment Letters are not being sent to Qualifying Shareholders with registered addresses in the US or Canada. Envelopes containing Provisional Allotment Letters should not be postmarked or otherwise despatched from the US or Canada.

Notwithstanding the foregoing, Provisional Allotment Letters and New Ordinary Shares may, at the sole discretion of the Company and Collins Stewart and in a manner designed not to require registration of the Provisional Allotment Letter or the New Ordinary Shares under the Securities Act, be issued to certain Overseas Shareholders in the United States and certain other Qualifying Shareholders who otherwise cannot give the representation and warranty set out in the paragraph of the Provisional Allotment Letter headed "Overseas Shareholders".

14.3 Australia

No prospectus in relation to the New Ordinary Shares has been or is intended to be lodged with or registered by the Australian Securities and Investments Commission. No person may (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe or buy or sell, New Ordinary Shares, or (ii) distribute any draft or definitive documents in relation to such an offer, invitation or sale, in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia).

Accordingly, no offer of New Ordinary Shares is being made under this document or the Provisional Allotment Letter to Qualifying Shareholders who have registered addresses in, or who are residents of, Australia, and the New Ordinary Shares may not be offered, sold, renounced, transferred, taken up or

delivered in or into Australia. Envelopes containing Provisional Allotment Letters should not be postmarked in Australia or otherwise dispatched from Australia and all subscribers for New Ordinary Shares must provide addresses outside Australia for the receipt of New Ordinary Shares. The Company reserves the right to treat as invalid any Provisional Allotment Letter that appears to the Company to have been executed in or dispatched from Australia or that provides an address in Australia for delivery of a definitive share certificate for New Ordinary Shares or from any person who does not give the representation and warranty set out in the paragraph headed “Overseas Shareholders” in the Provisional Allotment Letter.

14.4 *Republic of Ireland, France, Japan, The Netherlands and South Africa*

Due to restrictions under relevant securities laws, no offer of New Ordinary Shares is being made under this document or the Provisional Allotment Letter to Qualifying Shareholders who have registered addresses in, or who are residents of, the Republic of Ireland, France, Japan, The Netherlands or South Africa and the New Ordinary Shares may not be offered, sold, renounced, transferred, taken up or delivered in, any of those countries. Envelopes containing Provisional Allotment Letters should not be postmarked or otherwise despatched from any of those countries.

14.5 *Other overseas territories*

Persons resident in, or who are citizens of, other countries outside the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your professional adviser without delay.

15 GOVERNING LAW

The terms and conditions of the Rights Issue, as set out in this document and the Provisional Allotment Letter, shall be governed by and construed in accordance with the laws of England and Wales and in the event of dispute the courts of England and Wales will have exclusive jurisdiction.

16 GENERAL

The times and dates set out in the timetable of events at the beginning of this document and mentioned throughout this document and the Provisional Allotment Letter may be adjusted by agreement between the Company and Collins Stewart, in which event details of the new dates will be notified to the Company Announcements Office of the London Stock Exchange and, where appropriate, to Qualifying Shareholders.

Part 3 – Unaudited interim results for the six months ended 31 March 2002

STATEMENT BY THE CHAIRMAN, SIR MARTIN LAING

1 INTRODUCTION

I am pleased to report good progress for NHP in the first half of this financial year against a background of increased pressure on margins for the UK care home industry. This margin pressure was largely a result of the 11 per cent. increase in the Minimum Wage imposed in October 2001 and the absence of any meaningful increase in local authority reimbursement rates (fees) paid in the period for care of the elderly.

However, the Board is encouraged by some positive signs for the industry such as the 2002/3 fee increase for all Scottish care homes agreed between the industry body and the Scottish Executive, and the Health Minister's statement following last month's Budget. Despite these signs, overall financial conditions for homes caring for publicly funded residents remain challenging. On the ground, receiverships and home closures will continue to be forced on the industry until fees paid by local authorities catch up with care homes' rising costs.

We announced today a rights issue of New Ordinary Shares to raise approximately £31.86 million (net of expenses). We have also extended our debt financing arrangements to December 2004 which will provide the Group with bank facilities of £90 million. The Board believes that this extended bank facility and the proceeds of the rights issue will together provide NHP with the necessary resources to resume a measured growth strategy for our original property business and our newly established operating division, Highfield Care.

2 FINANCIAL RESULTS

Turnover for the six months to 31 March 2002 increased to £56.4 million (2001: £36.3 million), reflecting the expansion of the operating division which included the acquisition of the remaining 51 per cent. of Highfield Holdings Limited on 11 December 2001.

Profit before tax was £6.9 million (2001: £3.4 million) after exceptional costs of £1.0 million (2001: £2.5 million) which included a provision for receivership costs of £0.9 million. The provision for third party rent void was reduced to £1.9 million (2001: £5.0 million) reflecting the benefits of consolidating the tenant base and the inclusion of a number of the less profitable homes within our own operating subsidiaries. During the period under review, our operating subsidiaries incurred a loss of £1.5 million (2001: £nil) before depreciation, but after charging rent. Earnings per Ordinary Share were 5.1p (2001: 3.8p) following a tax credit of £0.5 million (2001: credit of £2.0 million). As last year, the Board has not declared an interim dividend.

The interim accounts have adopted the new FRS19 accounting standard for deferred taxation for the first time. The new standard requires us to make full provision for deferred taxation on all timing differences. However, adopting the new standard has not resulted in a deferred tax charge for prior periods or for the period under review.

In the first half year, capital expenditure paid principally on improving our homes, was £2.9 million. During the same period we sold four homes with 229 beds, in three separate transactions, for a total consideration of £5.3 million and applied the proceeds to reducing bank borrowings.

On completion of the acquisition of the remaining 51 per cent. of Highfield Holdings Limited, the investment properties operated by Highfield were reclassified as 'Operated properties' and, in accordance with our accounting policies, revalued by GVA Grimley on an existing use basis and are being depreciated. As at 31 March 2002, Operated properties had increased to £129.2 million (2001: £14.0 million) after a depreciation charge in the period of £1.3 million (2001: £0.2 million).

Bank borrowings at the period end were reduced to £88.7 million (£94.8 million at 30 September 2001) through positive cash flow and the disposal of four homes. Net current liabilities of £76.1 million are reported at 31 March 2002 as the bank facility available at that time expired in January 2003. On 14 May 2002 the term of this facility was extended to 30 June 2003 with the agreement of the Group's bank syndicate and will

be further extended to December 2004 conditional upon the completion of the proposed rights issue announced today.

Shareholders' funds increased to £111.1 million (£102.4 million at 30 September 2001) and as a consequence, net asset value per share increased to 76.1p (70.1p as at 30 September 2001).

3 COMPANY REVIEW

Our principal objective is to re-build and maintain value for shareholders and we have continued our strategy of consolidating our tenant base (to increase the quality and quantum of rental income) and making selective disposals (to reduce bank borrowings).

Over the last two years, NHP's active operator tenant base has almost halved to the current level of 13 companies (excluding tenants in receivership and where assignments are in progress) and this consolidation will continue this year, albeit at a slower pace. The reduction reflects active tenant consolidation and NHP's growing ability to take on the management of its own properties when tenant companies go into receivership. Managing our homes through the receivership process has resulted in occupancy improvements and reduced costs through active operational management and the economies of scale available to Highfield Care as one of the UK's largest care home groups.

In addition to providing a safety net for homes in receivership, Highfield Care also gives us the ability to control the level of capital investment made in our assets. The Board is pleased with the significant contribution to NHP's improved financial performance made by Highfield Care's experienced management team during the period under review.

In November, we completed the final lease transfer of 39 Ultima homes to Southern Cross. Under Southern Cross' management, and with approximately 70 per cent. of the £2.4 million capital investment programme funded by NHP complete, the financial performance of our quality portfolio of homes has greatly improved. Full rent was received from these homes during the period which contributed to the reduction in rent void from our third party tenants.

Since 27 September 2001 four tenants, operating 25 of our homes for the elderly, were placed in receivership. The management of these properties has been taken over by Highfield Care. We have seen an improvement in the financial performance of the portfolio of 24 homes still trading (one home was closed and is being sold for residential development). Two homes are now out of receivership, being operated by Highfield Care, and we expect the balance of the homes to come out of receivership later this year.

4 INDUSTRY REVIEW

Perhaps the most positive recent industry development for both our property and operating divisions was the award in Scotland of an eight per cent. increase in fees for the financial year which began on 1 April 2002 and an additional cash payment backdated to July 2001. This award created a precedent by covering the whole of Scotland and including the cost of care provision in the determination of fees. We look forward to continuing to work closely with the industry body, Scottish Care, to bring fees further into line with the costs of providing care.

Fee levels in England and Wales still vary widely and a number of local authorities have yet even to inform us of their rates for the current financial year which began on 1 April 2002. However, it was announced in last month's Budget Statement that social services departments of local authorities will receive six per cent. real annual funding increases and it is the Government's stated hope that some of this increased funding will be used to 'stabilise the care home market'. An incentive for them to do this will be provided by legislation making local authorities responsible for the costs of the NHS hospital bed blocking that they create by refusing to place the elderly and frail into care home places. NHP remains hopeful that the valuable service provided by care homes across the country will be recognised in realistic fee increases over the coming years in all areas of the UK.

5 BOARD

Our longest serving non-executive director, Arthur Bergbaum, retired from the Board at the Annual General Meeting in February. On behalf of all of the directors, I thank him for his contribution over the years and wish him a very happy retirement.

6 OUTLOOK

A number of factors, taken together, point to a realisation that the UK long term care business in its current form cannot meet the demands that are increasingly being placed on it. It is evident that care for the elderly is moving up the political agenda with bed blocking becoming a serious constraint on NHS hospital performance.

We expect nursing wage costs will continue to rise above inflation although we do not expect to see as large an increase to our cost base as that caused by last year's increase in the Minimum Wage. The rise in National Insurance contributions proposed for next year will increase costs further in this people intensive industry. Obviously, the outlook for the sector will depend crucially on how much of the increased funding given to local authority social services departments in England and Wales flows through to fees paid to care homes.

The many staff who work in our homes demonstrate great dedication, patience and hard work. I would like to thank all of our managers and staff, on behalf of the Board, for rising to the challenge so well in what has often been very difficult circumstances.

The Board believes NHP is now well positioned to benefit from the rapidly changing face of long term care in the UK and that the vast majority of our beds meet the physical property requirements of the new Care Standards legislation. The Group now has a much stronger tenant base, and Highfield Care is large enough to take full advantage of the economies of scale which growth has brought. We look forward to reporting further progress.

Sir Martin Laing
Chairman
17 May 2002

FINANCIAL PERFORMANCE

For the half year ended 31 March	2002	2001	Increase/ (decrease)	30 September 2001
Turnover	£56.4m	£36.3m	55%	£76.6m
Pre-tax profits excluding exceptional costs	£7.9m	£5.9m	34%	£14.7m
Pre-tax profits including exceptional costs	£6.9m	£3.4m	103%	£10.0m
Basic earnings per Ordinary Share excluding exceptional costs	5.77p	5.60p**	3%	11.96p**
Basic earnings per Ordinary Share including exceptional costs	5.06p	3.84p**	32%	8.70p**
Dividends per Ordinary Share	0.00p	0.00p	0%	0.00p
Net assets per Ordinary Share	76.05p	57.44p**	32%	70.10p**
Shareholders' funds	£111.1m	£83.3m**	33%	£102.4m**
Leased beds*	18,492	18,852	(2%)	18,721
Investment and operated properties at book value	£586.6m	£579.2m	1%	£587.7m
Investment and operated properties at cost	£661.2m	£664.0m	–	£662.1m

*Including 128 beds held for resale and 4,645 beds held in operated properties at 31 March 2002 (2001: 196 and 417), (30 September 2001: 168 and 2,185)

**Restated for the adoption of FRS 19 'Deferred tax'.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the half year ended 31 March 2002

	Note	Continuing operations £'000	Acquisitions £'000	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 (restated) £'000	Audited year ended 30 Sept. 2001 (restated) £'000
Turnover	3	42,490	13,914	56,404	36,333	76,626
Cost of sales		(10,501)	(9,616)	(20,117)	(682)	(3,806)
Gross profit		31,989	4,298	36,287	35,651	72,820
Provision for doubtful debts and related costs		(1,853)	(58)	(1,911)	(5,043)	(10,259)
Other administrative expenses		(2,505)	(4,598)	(7,103)	(3,597)	(7,349)
Exceptional costs	4	(1,047)	–	(1,047)	(2,470)	(4,651)
Administrative expenses		(5,405)	(4,656)	(10,061)	(11,110)	(22,259)
Gross operating profit		26,584	(358)	26,226	24,541	50,561
Share of associates' operating losses		(64)	–	(64)	(140)	(210)
Total operating profit		26,520	(358)	26,162	24,401	50,351
Profit/(loss) on disposal of properties		79	–	79	(942)	(121)
Net interest payable and similar charges	5	(19,332)	(43)	(19,375)	(20,041)	(40,205)
Profit on ordinary activities before taxation	6	7,267	(401)	6,866	3,418	10,025
Tax credit on profit on ordinary activities	7			521	1,974	2,407
Profit on ordinary activities after taxation for the financial period				7,387	5,392	12,432
Dividends paid and declared	8			–	–	(1)
Retained profit transferred to reserves				7,387	5,392	12,431
Earnings per Ordinary Share	9					
Basic				5.06p	3.84p	8.70p
Excluding exceptional costs				5.77p	5.60p	11.96p
Diluted				4.99p	3.84p	8.70p

The consolidated profit and loss accounts and the other primary statements for the six months ended 31 March 2001 and for the year ended 30 September 2001 together with the balance sheets at those dates have been restated for the effects of adopting FRS 19 'Deferred tax' as explained in Notes 1 and 2.

CONSOLIDATED BALANCE SHEET

As at 31 March 2002	Note	Reviewed as at 31 March 2002 £'000	Reviewed as at 31 March 2001 (restated) £'000	Audited as at 30 Sept. 2001 (restated) £'000
Intangible fixed assets				
Goodwill	10	2,426	845	963
Total intangible fixed assets		2,426	845	963
Tangible fixed assets				
Investment properties	11	457,430	565,221	535,430
Operated properties	12	129,180	13,999	52,248
Other fixed assets		773	391	496
Total tangible fixed assets		587,383	579,611	588,174
Investments	13	129,646	124,514	127,692
Total fixed assets		719,455	704,970	716,829
Current assets				
Debtors		14,002	4,955	8,037
Properties held for resale		2,294	3,285	2,698
Short term investments	14	17,421	12,670	12,409
Cash at bank and in hand		1,413	5,487	4,636
		35,130	26,397	27,780
Creditors				
Amounts falling due within one year	15	(111,202)	(19,378)	(27,309)
Net current (liabilities)/assets		(76,072)	7,019	471
Total assets less current liabilities		643,383	711,989	717,300
Creditors				
Amounts falling due after more than one year	16	(531,458)	(625,303)	(614,388)
Provisions for liabilities and charges	17	(842)	(3,355)	(520)
Net assets		111,083	83,331	102,392
Capital and reserves				
Called up share capital		1,461	1,451	1,461
Share premium account		159,580	159,191	159,580
Revaluation reserve		(62,268)	(77,483)	(65,053)
Profit and loss account		12,310	172	6,404
Total equity shareholders' funds		111,083	83,331	102,392
Net assets per Ordinary Share				
Basic	18	76.05p	57.44p	70.10p

The consolidated balance sheets at 31 March 2001 and at 30 September 2001 have been restated for the adoption of FRS 19 'Deferred tax' (see Notes 1 and 2).

CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 31 March 2002

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept. 2001 £'000
Net cash inflow from operating activities	28,166	23,303	51,788
Returns on investment and servicing of finance			
Interest paid	(23,159)	(21,974)	(44,555)
Other similar charges (paid)/received (net)	(54)	295	(2,396)
Interest received	409	825	2,432
Net cash outflow from returns on investment and servicing of finance	(22,804)	(20,854)	(44,519)
Taxation			
Corporation tax received/(paid)	319	–	(8)
Capital expenditure and financial investment			
Purchase of fixed assets	(2,879)	(5,152)	(6,483)
Proceeds on disposal of investment properties	4,749	7,458	10,179
Proceeds on disposal of other tangible fixed assets	24	26	39
Proceeds on disposal of properties held for resale	542	530	718
Investment in Ultima Holdings Limited	–	(13,610)	(13,610)
Net cash inflow/(outflow) from investing activities	2,436	(10,748)	(9,157)
Acquisitions and disposals			
Acquisition of Somerford Leased Homes Limited (re-named Highfield Care Homes No. 3 Limited)	–	(218)	(1,132)
Acquisition of Palladium Healthcare Limited (re-named Highfield Care Homes Limited)	–	–	(420)
Net cash acquired with subsidiaries	(72)	206	103
Investment in Highfield Holdings Limited	–	(211)	(1,590)
Net cash outflow from acquisitions	(72)	(223)	(3,039)
Net cash inflow/(outflow) before use of liquid resources and financing	8,045	(8,522)	(4,935)
Management of liquid resources			
Short term deposit (net)	(5,012)	51,243	51,504
Financing			
Equity			
Issue of Ordinary Shares	–	–	2,587
Net cash inflow from equity financing	–	–	2,587
Hedging			
Premium paid for interest rate cap	–	(174)	(174)
Bank loans			
Bank loans drawn down	1,800	18,400	19,400
Bank loans repaid	(7,858)	(56,365)	(64,070)
Less: Financing costs paid	(198)	(882)	(1,406)
Net cash outflow from bank loan finance	(6,256)	(38,847)	(46,076)
Secured Notes			
Issue costs of Secured Notes	–	(352)	(409)
Net cash outflow from Secured Notes	–	(352)	(409)
Net cash outflow from financing activities	(6,256)	(39,373)	(44,072)
(Decrease)/increase in cash in the period	(3,223)	3,348	2,497

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 (restated) £'000	Audited year ended 30 Sept. 2001 (restated) £'000
For the half year ended 31 March 2002			
Profit for the period	7,387	5,392	12,432
Net surplus/(deficit) on revaluation of investment properties	1,304	(191)	11,432
Total recognised gains for the period	8,691	5,201	23,864

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 (restated) £'000	Audited year ended 30 Sept. 2001 (restated) £'000
For the half year ended 31 March 2002			
Profit for the period	7,387	5,392	12,432
Dividends paid and declared	–	–	(1)
Retained profit for the period	7,387	5,392	12,431
Net surplus/(deficit) on revaluation of investment properties	1,304	(191)	11,432
Issue of share capital	–	2,188	2,587
Net increase in shareholders' funds	8,691	7,389	26,450
Shareholders' funds at the beginning of the period	102,392	75,942	75,942
Shareholders' funds at the end of the period	111,083	83,331	102,392

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 (restated) £'000	Audited year ended 30 Sept. 2001 (restated) £'000
For the half year ended 31 March 2002			
Profit on ordinary activities before taxation	6,866	3,418	10,025
Realisation of revaluation (losses)/gains on disposal of properties	(1,481)	1,620	813
Historical cost profit on ordinary activities before taxation	5,385	5,038	10,838
Historical cost profit retained for the period	5,906	7,012	13,244

NOTES TO THE INTERIM ACCOUNTS**1 Accounting policies****Basis of preparation**

The financial information contained in this interim report has been prepared on a basis consistent with the financial statements for the year ended 30 September 2001 except for the adoption of FRS 19 'Deferred tax'. The adoption of FRS 19 'Deferred tax' has required changes in the method of accounting for deferred tax. As a result of these changes in accounting policy the comparatives have been restated, which only impacted the six months ended 31 March 2001.

The financial information contained in this interim report, which is unaudited, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the year ended 30 September 2001 are an extract from the Report and Accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 (2) and (3) of the Companies Act 1985.

Deferred taxation

Deferred taxation has been provided for in full, in accordance with FRS 19 'Deferred tax'. The Group has opted to discount deferred tax balances as permitted by FRS 19 'Deferred tax'.

Basis of consolidation

The financial statements consolidate the financial statements of the Company and its subsidiaries, together with those of Care Homes No. 1 Limited ("Care Homes 1"), Care Homes No. 2 Limited ("Care Homes 2") and Care Homes No. 3 Limited ("Care Homes 3"). Care Homes 1, Care Homes 2 and Care Homes 3 are not subsidiary companies of the Group; however, by reason of contractual arrangements between the Group and Care Homes 1, Care Homes 2 and Care Homes 3, under Financial Reporting Standard No. 5, the financial statements of Care Homes 1, Care Homes 2 and Care Homes 3 are required to be consolidated as part of the Group.

2 Restatement of comparatives

The effects of adopting FRS 19 'Deferred tax' for the current and comparative previous periods are as follows:

	Tax credit	Profit after taxation	Earnings per share		Shareholders' funds	Net assets per share
	£'000	£'000	Basic	Diluted	£'000	(pence)
Six months ended 31 March 2002						
Without adopting FRS 19 'Deferred tax'	521	7,387	5.06p	4.99p	111,083	76.05p
Effect of adopting FRS 19 'Deferred tax'	–	–	–	–	–	–
As reported	521	7,387	5.06p	4.99p	111,083	76.05p
Six months ended 31 March 2001						
As previously reported	863	4,281	3.05p	3.05p	82,220	56.67p
Effect of adopting FRS 19 'Deferred tax'	1,111	1,111	0.79p	0.79p	1,111	0.77p
As restated	1,974	5,392	3.84p	3.84p	83,331	57.44p
Year ended 30 September 2001						
As previously reported	2,407	12,432	8.70p	8.70p	102,392	70.10p
Effect of adopting FRS 19 'Deferred tax'	–	–	–	–	–	–
As restated	2,407	12,432	8.70p	8.70p	102,392	70.10p

3 Turnover

Turnover comprises the following, earned from the Group's ordinary activities, which take place wholly within the United Kingdom:

	Continuing operations £'000	Acquisitions £'000	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Pavement rental income	27,925	–	27,925	34,400	67,503
Turnover rental income	1,503	–	1,503	935	3,559
Commissions and fees received	73	121	194	82	91
Fees from residents of care homes	12,989	13,793	26,782	916	5,473
	42,490	13,914	56,404	36,333	76,626

Analysis of turnover, operating profit and net assets by business segment:

	Continuing operations £'000	Acquisitions £'000	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Turnover					
Investment properties	29,501	–	29,501	35,417	71,153
Operated properties	12,989	13,914	26,903	916	5,473
	42,490	13,914	56,404	36,333	76,626
Operating profit					
Investment properties	28,951	–	28,951	24,570	50,847
Operated properties	(2,431)	(358)	(2,789)	(169)	(496)
	26,520	(358)	26,162	24,401	50,351
The segmental split of operating profit is after charging depreciation of £1,305,000 on operated properties and reflects pavement rent payable under leases between investment properties and operated properties segments.					
Net assets					
Investment properties	85,638	–	85,638	77,842	92,544
Operated properties	23,368	2,077	25,445	5,489	9,848
	109,006	2,077	111,083	83,331	102,392

4 Exceptional costs

The following exceptional costs were incurred or provided for in administrative expenses for the half year ended 31 March 2002

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Operator receivership support costs	872	388	521
Operator support – refurbishment costs of care homes	348	238	721
Ultima Holdings Group closure support costs	(173)	1,500	1,200
Permanent diminution in value on investment properties	–	–	1,720
Ultima Holdings Limited write back guarantees	–	–	(752)
Cost of aborted merger with Southern Cross Healthcare Limited	–	344	521
Highfield Group Limited – provision for losses on sale of option properties	–	–	400
Operator support costs – provision for loan	–	–	320
Total exceptional costs	1,047	2,470	4,651

5 Net interest payable and similar charges

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Group			
Interest payable on Secured Notes	18,632	18,633	37,265
Interest payable on bank loans wholly repayable within 5 years	2,868	3,848	7,401
Other interest payable/(receivable)	68	(44)	174
Finance costs (net)	1,552	1,547	3,179
Interest receivable on deposits	(406)	(798)	(1,291)
Interest receivable on Deposit Swap Agreements and Zero Coupon Notes	(3,337)	(3,160)	(6,407)
Other interest receivable	(16)	–	(170)
Associates			
Interest payable	18	20	67
Interest receivable	(4)	(5)	(13)
	19,375	20,041	40,205

6 Profit on ordinary activities before taxation is arrived at after charging:

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Included in 'Other administrative expenses':			
Depreciation of operated properties and other fixed assets	1,483	237	788
Amortisation of goodwill	49	7	29
Included in 'Finance costs' in 'Net interest payable and other similar charges':			
Amortisation of issue costs of secured notes	518	539	1,051
Amortisation of discount on issue of secured notes	73	78	150

7 Tax credit on profit on ordinary activities

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 (restated)** £'000	Audited year ended 30 Sept 2001 (restated)** £'000
Group tax			
Income tax	523	2,166	2,415
Corporation tax	–	(184)	–
Deferred tax**	–	–	–
Associates			
Corporation tax	(2)	(8)	(8)
	521	1,974	2,407

There is no corporation tax charge for the period owing to the availability of capital allowances.

**Restated for the adoption of FRS 19 'Deferred tax'.

8 Dividends paid and declared

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept. 2001 £'000
Equity			
No dividends have been paid nor are any proposed (2001: £Nil)	–	–	–
Non-equity			
Dividends payable to minority interests (Shareholders of Care Homes 1)	–	–	1
	–	–	1

9 Earnings per Ordinary Share

The earnings per Ordinary Share of 5.06p for the half year ended 31 March 2002 has been calculated on the earnings after taxation, minority interest and non-equity dividends of £7,387,000 divided by 146,074,106 Ordinary Shares of 1p each, being the weighted average number of Ordinary Shares in issue during the period. The diluted earnings per Ordinary Share of 4.99p for the half year ended 31 March 2002 is based on the earnings as above of £7,387,000 divided by 148,149,536 Ordinary Shares of 1p each, and assumed the exercise of the employee share options.

The earnings per Ordinary Share of 3.84p for the half year ended 31 March 2001 was calculated on the earnings after taxation, minority interest and non-equity dividends of £5,392,000 divided by 140,403,776 Ordinary Shares of 1p each, being the weighted average number of Ordinary Shares in issue throughout the period. The diluted earnings per Ordinary Share of 3.84p for the half year ended 31 March 2001 was based on the earnings as above of £5,392,000 divided by 140,403,776 Ordinary Shares of 1p each, and assumed that there was no dilution as employee share options would not be exercised due to the level of the share price. The earnings per Ordinary Share calculations for the half year ended 31 March 2001 have been restated for the effects of adopting FRS 19 'Deferred tax' (see note 2).

The earnings per Ordinary Share of 8.70p for the year ended 30 September 2001 was calculated on the earnings after taxation, minority interest and non-equity dividends of £12,431,000 divided by 142,811,092 Ordinary Shares of 1p each, being the weighted average number of Ordinary Shares in issue during the year. The diluted earnings per Ordinary Share of 8.70p for the year ended 30 September 2001 was based on the earnings after taxation, minority interest and non-equity dividends of £12,431,000 divided by 142,811,092 Ordinary Shares of 1p each, and assumed that there was no dilution as employee share options would not be exercised due to the level of the share price.

9 Earnings per Ordinary Share (continued)

Earnings per Ordinary Share excluding exceptional costs for the half year ended 31 March 2002 has been calculated as follows:

	Reviewed half year ended 31 March 2002
Earnings, including exceptional costs, per the basic earnings per Ordinary Share calculation	£7,387,000
Exceptional costs, as per note 4	£1,047,000
Earnings excluding exceptional costs	£8,434,000
Number of Ordinary Shares as used for the basic earnings per Ordinary Share calculation	146,074,106
Earnings per Ordinary Share excluding exceptional costs	5.77p

10 Goodwill

	£'000
Cost	
At 30 September 2001	992
Additions	1,512
At 31 March 2002	2,504
Amortisation	
At 30 September 2001	(29)
Amortisation for the period	(49)
At 31 March 2002	(78)
Net book value at 31 March 2002	2,426

11 Investment properties

	Freehold investment properties £'000	Long leasehold investment properties £'000	Total £'000
Valuation as at 30 September 2001	525,140	10,290	535,430
Additions at cost	891	–	891
Disposal of investment properties at valuation	(4,800)	–	(4,800)
Surplus on revaluation	1,304	–	1,304
Reclassification of properties to operated properties at valuation	(75,395)	–	(75,395)
Valuation as at 31 March 2002	447,140	10,290	457,430

Investment properties, held for long term retention, were valued by GVA Grimley at 30 September 2001 at open market value on both portfolio and individual property bases in accordance with the RICS Appraisal and Valuation Manual. Operated properties, transferred from investment properties, were valued by GVA Grimley on an existing use basis on 11 December 2001, the date of transfer.

12 Operated properties

	Operated properties £'000
Net book value at 30 September 2001	52,248
Operated properties reclassified from investment properties at valuation	75,395
Capital expenditure on operated properties	1,861
Additions on acquisition of Highfield Holdings Limited	1,075
Disposals	(94)
Depreciation for the period	(1,305)
Net book value at 31 March 2002	129,180

13 Investments

	As at 31 March 2002 £'000	As at 31 March 2001 £'000	As at 30 Sept 2001 £'000
Deposit Swap Agreement at cost	15,350	15,350	15,350
Accumulated compound interest	7,282	5,582	6,416
Deposit Swap Agreement – Care Homes 1	22,632	20,932	21,766
Deposit Swap Agreement at cost	57,180	57,180	57,180
Accumulated compound interest	9,243	6,133	7,670
Deposit Swap Agreement – Care Homes 2	66,423	63,313	64,850
Zero Coupon Notes at cost	36,010	36,010	36,010
Accumulated compound interest	4,090	2,314	3,192
Zero Coupon Notes – Care Homes 3	40,100	38,324	39,202
Investment in associate – GR Patrick & Co. Limited	491	489	479
Investment in associate – Highfield Holdings Limited	–	1,456	1,395
Total investment in associates	491	1,945	1,874
Total investments	129,646	124,514	127,692

The Deposit Swap Agreement of £15.35 million represents the premium paid by Care Homes 1 in respect of an AAA rated Deposit Swap Agreement with General Re Financial Products Corporation which, together with accumulated interest, guarantees to provide for the repayment of £100 million Class A1 and Class A2 Secured Notes in 2021. The Mid Market Month End Mark-to-Market value of the Deposit Swap Agreement at 31 March 2002 was £36,491,000.

The Deposit Swap Agreement of £57.18 million represents the premium paid by Care Homes 2 in respect of an AAA rated Deposit Swap Agreement with General Re Financial Products Corporation which, together with accumulated interest, guarantees to provide for the repayment of £180 million Class A Secured Notes in 2023. The Mid Market Month End Mark-to-Market value of the Deposit Swap Agreement at 31 March 2002 was £60,378,000.

The Zero Coupon Notes of £36.01 million represents the consideration paid by Care Homes 3 in respect of AAA rated Zero Coupon Notes issued by the European Investment Bank which, together with accumulated interest, guarantee to provide for the repayment of £128-million Class A Secured Notes in 2028. The Mid Market Month End Mark-to-Market value of the Zero Coupon Notes at 31 March 2002 was £31,040,000.

The investment in GR Patrick & Co. Limited represents an effective 25.01% share in the company, the principal activity of which is that of an insurance brokerage specialising in healthcare.

The investment in Highfield Holdings Limited represented an effective 49.00% share in the company, the principal activity of which is that of a care home operator. On 11 December 2001 NHP acquired the balance, representing 51.00%, of the issued equity in Highfield Holdings Limited.

14 Short term investments

	As at 31 March 2002 £'000	As at 31 March 2001 £'000	As at 30 Sept 2001 £'000
Short term deposit held by Care Homes 1	7,700	7,000	7,500
Short term deposit held by Care Homes 2	2,250	800	–
Short term deposit held by Care Homes 3	5,350	4,600	4,500
Rent deposits	1,771	269	409
Cash collateral held on deposit	350	1	–
	17,421	12,670	12,409

The short term deposits held by Care Homes 1, 2 and 3 represent reserves required to meet interest and other liabilities.

15 Creditors: amounts falling due within one year

	As at 31 March 2002 £'000	As at 31 March 2001 £'000	As at 30 Sept 2001 £'000
Bank loans due within one year	88,490	2,570	8,480
Less: Unamortised finance costs	(1,301)	(19)	–
Net bank loans	87,189	2,551	8,480
Bank mortgage	38	–	–
Other third party loans	84	–	–
Other creditors and accruals	23,891	16,827	18,829
	111,202	19,378	27,309

16 Creditors: amounts falling due after more than one year

	As at 31 March 2002 £'000	As at 31 March 2001 £'000	As at 30 Sept 2001 £'000
Bank loans due between one and two years	–	98,615	86,000
Less: Unamortised finance costs	–	(2,813)	(2,010)
Net bank loans	–	95,802	83,990
Class A1 Secured 8% Notes due 2021	60,000	60,000	60,000
Class A2 Secured 8.5% Notes due 2021	40,000	40,000	40,000
Less: Unamortised issue costs	(2,285)	(2,406)	(2,346)
Unamortised discount on issue	(611)	(643)	(627)
Net Secured Notes – Care Homes 1	97,104	96,951	97,027
Class A Secured 5.75% Notes due 2023	180,000	180,000	180,000
Class M Secured 6.65% Notes due 2025	60,000	60,000	60,000
Class B Secured 7.65% Notes due 2025	25,000	25,000	25,000
Less: Unamortised issue costs	(6,557)	(6,871)	(6,714)
Unamortised discount on issue	(461)	(483)	(472)
Net Secured Notes – Care Homes 2	257,982	257,646	257,814
Class A Secured 6.125% Notes due 2028	128,000	128,000	128,000
Class M Secured 7.125% Notes due 2030	42,000	42,000	42,000
Class B Secured 8.25% Notes due 2030	24,000	24,000	24,000
Less: Unamortised issue costs	(16,061)	(16,665)	(16,361)
Unamortised discount on issue	(2,340)	(2,431)	(2,386)
Net Secured Notes – Care Homes 3	175,599	174,904	175,253
Bank mortgage	203	–	291
Other third party loans	570	–	13
	531,458	625,303	614,388

16 Creditors: amounts falling due after more than one year (continued)

The discounts on the issue prices and the costs of issuing the Secured Notes issued by Care Homes 1 and Care Homes 2 are being amortised on a straight line basis over the 24 year terms of the principal Secured Notes. The discount on the issue prices and the costs of issuing the Secured Notes issued by Care Homes 3 are being amortised over the 29 year term of the principal Secured Notes.

The Care Homes 1 Secured Notes are non-recourse to NHP Plc and its subsidiaries, and are secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Deposit Swap Agreement with General Re Financial Products Corporation, which at 31 March 2002 amounted to £22,632,260 including accrued interest (see note 13), and over cash and short term investment balances, which at 31 March 2002 amounted to £8,183,458.

The Care Homes 2 Secured Notes are non-recourse to NHP Plc and its subsidiaries, and are secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Deposit Swap Agreement with General Re Financial Products Corporation, which at 31 March 2002 amounted to £66,422,988 including accrued interest (see note 13), and over cash and short term investment balances, which at 31 March 2002 amounted to £2,381,617.

The Care Homes 3 Secured Notes are non-recourse to NHP Plc and its subsidiaries, and are secured, inter alia, by charges over the overriding leases and the rents receivable thereunder, over the Zero Coupon Notes issued by the European Investment Bank, which at 31 March 2002 amounted to £40,100,122 including accrued interest (see note 13), and cash and short term investment balances, which at 31 March 2002 amounted to £5,700,240.

17 Provisions for liabilities and charges

	As at 31 March 2002 £'000	As at 31 March 2001 (restated) £'000	As at 30 Sept 2001 (restated) £'000
Receivership support costs	690	1,105	400
Ultima Holdings Limited closure support costs	152	–	120
Ultima Holdings Limited guarantee	–	2,250	–
Deferred tax provision	–	–	–
	842	3,355	520

The Directors have taken advice from GVA Grimley and consider that the appropriate value of assets qualifying for capital allowances to be used in the calculation of deferred tax is an apportionment of the total portfolio value. Deferred tax calculated using this apportioned value is nil owing to the availability of losses.

18 Net assets per Ordinary Share

	As at 31 March 2002	As at 31 March 2001 (restated)	As at 30 Sept 2001 (restated)
Basic			
Equity Shareholders' funds	£111,083,000	£83,331,000	£102,392,000
Number of Ordinary Shares of 1p each in issue	146,074,106	145,074,106	146,074,106
Net assets per Ordinary Share	76.05p	57.44p	70.10p

Net assets per Ordinary Share for the six months ended 31 March 2001 has been restated for the effects of adopting FRS 19 'Deferred tax' (see note 2).

19 Gearing

	As at 31 March 2002 £'000	As at 31 March 2001 (restated) £'000	As at 30 Sept 2001 (restated) £'000
Consolidated			
Secured Notes*	559,000	559,000	559,000
Bank loans	88,490	101,185	94,480
Bank mortgage	241	–	291
Other loans	654	–	45
Deposit Swap Agreement – Care Homes 1	(22,632)	(20,932)	(21,766)
Deposit Swap Agreement – Care Homes 2	(66,423)	(63,313)	(64,850)
Zero Coupon Notes – Care Homes 3	(40,100)	(38,324)	(39,202)
Short term investments	(17,421)	(12,670)	(12,409)
Cash at bank and in hand	(1,413)	(5,487)	(4,636)
Net borrowings	500,396	519,459	510,953
Shareholders' funds	111,083	83,331	102,392
Consolidated gearing	450%	623%	499%
Excluding non-recourse borrowings*			
Bank loans	88,490	101,185	94,480
Bank mortgage	241	–	291
Other loans	654	–	45
Short term investments and cash at bank and in hand	(2,569)	(1,717)	(1,016)
Net recourse borrowings	86,816	99,468	93,800
Shareholders' funds	111,083	83,331	102,392
Net indebtedness from Care Homes 1, Care Homes 2 and Care Homes 3	(33,275)	(31,766)	(32,863)
Adjusted Shareholders' funds	77,808	51,565	69,529
Gearing excluding non-recourse borrowings	112%	193%	135%

*Relating to Care Homes 1, Care Homes 2 and Care Homes 3.

OTHER INFORMATION

Staff costs

The aggregate payroll costs (including Directors) were as follows:

	Reviewed half year ended 31 March 2002 £'000	Reviewed half year ended 31 March 2001 £'000	Audited year ended 30 Sept 2001 £'000
Wages and salaries	15,815	1,479	5,099
Social security costs	1,059	149	418
Pension costs	222	138	300
	17,096	1,766	5,817

Average number of employees:

	Reviewed half year ended 31 March 2002 Number	Reviewed half year ended 31 March 2001 Number	Audited year ended 30 Sept 2001 Number
Administrative	124	21	26
Directors	8	9	9
Operational	3,535	107	296
	3,667	137	331

The average number of employees at 30 September 2001 has been restated to include the number of operational employees omitted in the last Annual report and accounts.

Substantial shareholders

As at 16 May 2002 the Directors had received notifications under the Companies Act that the following had an interest in 3% or more of the issued Ordinary Share Capital of the Company:

	No. of Ordinary Shares	% of issued share capital
Schroder Investment Management	24,670,130	16.89%
M&G Investment Management	15,248,869	10.44%
Gartmore Investment Management	13,993,899	9.58%
Norwich Union/Morley Investment Management	12,679,908	8.68%
Odey Asset Management	10,146,140	6.95%
Invesco Asset Management	9,821,024	6.72%
Artemis Investment Management	5,550,000	3.80%
Canada Life Assurance Company	5,278,833	3.61%

INDEPENDENT REVIEW REPORT TO NHP PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 March 2002 which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and related notes 1 to 19. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2002.

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR
17 May 2002

Part 4 – Additional information

1 RESPONSIBILITY STATEMENT

The Directors of NHP, whose names are set out at paragraph 5 of this Part 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 INCORPORATION

- (a) The Company was incorporated in England and Wales on 11 March 1993 under the Companies Act as a public limited company with limited liability under the name of NHP Public Limited Company and with registered number 02798607.
- (b) By a special resolution passed on 14 August 1998 the Company changed its name to NHP Plc. The name change was effective from 14 August 1998.
- (c) The registered and head office of the Company is at 6 Broad Street Place, Blomfield Street, London EC2M 7JH.
- (d) The consolidated annual accounts of the Company for the three financial years ended 30 September 2001, upon which unqualified reports were given, were audited by Deloitte & Touche of Hill House, 1 Hill Street, London EC4A 3TR.

3 SHARE CAPITAL OF NHP

- (a) The following changes to the authorised and issued share capital of the Company have occurred in the three years immediately preceding the date of this document:
 - (i) on 18 January 2000 the Company increased its authorised share capital from £1,750,000 to £1,850,000 by the creation of 10,000,000 Ordinary Shares;
 - (ii) on 2 February 2001 the Company issued an aggregate of 4,000,000 Ordinary Shares to Apax Funds Nominees Limited 'B' Account and Apax Funds Nominees Limited 'D' Account pursuant to an acquisition agreement dated 24 January 2001 between the Company, Apax Ventures IV and Apax Ventures IV International Partners L.P.;
 - (iii) on 15 February 2001 the Company issued 3,000,000 Ordinary Shares to Somerford Healthcare Limited and First Choice Healthcare Limited pursuant to an agreement dated 19 December 2000 between the Company, Somerford Healthcare Limited and First Choice Healthcare Limited; and
 - (iv) on 7 September 2001 the Company issued 1,000,000 Ordinary Shares to Saleem Asaria and Ancyra Holdings Limited pursuant to an option deed dated 9 November 2000 between the Company, Saleem Asaria and Ancyra Holdings Limited.
- (b) The whole of the Company's issued share capital at the date of this document is listed on the London Stock Exchange.
- (c) The authorised, issued and fully paid share capital of the Company as at 16 May 2002, being the latest practicable date before publication of this document, was as follows:

	Authorised		Issued and fully paid	
	£	Number	£	Number
Ordinary Shares of 1p each	1,850,000	185,000,000	1,460,741.06	146,074,106

Part 4 – Additional information

The authorised, issued and fully paid share capital of the Company following the Rights Issue will be as follows:

	Authorised £	Number	Issued and fully paid £	Number
Ordinary Shares of 1p each	3,700,000	370,000,000	2,008,518.95	200,851,895

(d) Set out below is a summary of the resolutions relating to share capital which are to be proposed at the Extraordinary General Meeting to be held on 10 June 2002:

- (i) to increase the authorised share capital of the Company from £1,850,000 to £3,700,000 by the creation of 185,000,000 additional ordinary shares of 1p each, which represents approximately 127 per cent. of the current issued share capital of the Company;
 - (ii) to authorise the Directors to allot relevant securities pursuant to section 80 of the Companies Act up to an aggregate nominal amount of £547,777.89 in connection with the Rights Issue, which represents approximately 37 per cent. of the current issued share capital of the Company;
 - (iii) in addition to the authority referred to in sub-paragraph (d)(ii) above, to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £751,988.73, which represents approximately 51 per cent. of the issued share capital of the Company as at the date of this document for the period expiring at the earlier of the next Annual General Meeting of the Company and the date 15 months from the date this resolution comes into effect;
 - (iv) to disapply the statutory pre-emption rights contained in section 89(1) of the Companies Act, provided that such authority be limited to the allotment of 54,777,789 New Ordinary Shares in connection with the Rights Issue, which represents approximately 37 per cent. of the issued share capital of the Company as at the date of this document; and
 - (v) in addition to the authority referred to in sub-paragraph (d)(iv) above, to disapply the statutory pre-emption rights contained in section 89(1) of the Companies Act generally, provided that such authority be limited to the allotment of 10,042,594 Ordinary Shares, which represents approximately 5 per cent. of the issued share capital of the Company immediately following Admission such authority to expire on the earlier of the next Annual General Meeting of the Company and the date 15 months from the date this resolution comes into effect.
- (e) The provisions of section 89(1) of the Companies Act (to the extent not disapplied pursuant to section 95 of the Companies Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Companies Act) which are, or are to be, paid up in cash. The resolutions referred to in paragraph 3(d) above will give the Directors the power to issue New Ordinary Shares in connection with the Rights Issue and will provide them with a limited amount of flexibility to issue Ordinary Shares for cash.
- (f) The Company has agreed to allot a total of 8,248,242 Ordinary Shares pursuant to the exercise of options granted under the NHP Share Schemes.
- (g) Save as disclosed in this paragraph 3:
- (i) in the three years preceding the date of this document there have been no changes to the authorised or issued share capital of the Company or any of its subsidiaries and no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash to any person not being another member of the Group;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option; and

- (iii) no discounts or other special terms have been granted by the Company or any of its subsidiaries within the three years preceding the date of this document in connection with the issue or sale of any share or loan capital of any such Company.
- (h) During the last financial year and the current financial year of the Company, no public take-over offer by the Company in respect of another company's shares has occurred and the Company has not received any public take-over offer in respect of shares in the Company.
- (i) None of the existing NHP Shares are either listed on any other stock exchange except the London Stock Exchange or dealt in on any other market subject to regulation. It is not proposed to seek a listing for the New Ordinary Shares on any exchange other than the London Stock Exchange.
- (j) The New Ordinary Shares will be issued in connection with the Rights Issue and will be allotted by a resolution of the Directors or a duly authorised committee of them.

4 NHP SHARE SCHEMES

4.1 NHP Plc 1998 Inland Revenue Approved Executive Share Option Scheme

(a) General

On 24 February 1998, the Company by a resolution of the Board adopted the NHP Plc 1998 Inland Revenue Approved Executive Share Option Scheme ("1998 Executive Scheme"). The 1998 Executive Scheme is an executive share option scheme and was approved by the Inland Revenue under Schedule 9 to the Taxes Act on 3 March 1998. The principal terms of the 1998 Executive Scheme are described below.

(b) Eligibility

Any full time director or full or part time employee of the Group is eligible to participate in the 1998 Executive Scheme.

(c) Grant of options

Under the 1998 Executive Scheme, employees of the Group currently hold options to subscribe for 30,000 unissued Ordinary Shares of the Company as follows:

Date granted	Number of shares	Option price per share (p)	Date from which exercisable	Expiry Date
9 September 1998	10,000	137.5	11 September 2001	9 September 2008
5 July 1999	10,000	169.0	5 July 2002	5 July 2009
18 January 2000	10,000	135.0	18 January 2003	18 January 2010

Options will be granted by the Company to executives selected by the Board. Options may not be granted more than ten years after the approval of the 1998 Executive Scheme by the Inland Revenue nor during a period when the grant of options would not be in accordance with the model code for transactions in securities by directors, certain employees and persons connected with them. No payment is required for the grant of an option.

(d) Subscription price

An option will entitle the holder to subscribe for Ordinary Shares at a price determined by the Board, which may not be less than the higher of:

- (i) the market value of an Ordinary Share, which is defined as the middle market quotation of a share as derived from the Daily Official List for the dealing day immediately preceding the date of grant; and
- (ii) the nominal value of an Ordinary Share.

(e) Scheme limits

The number of shares which may be placed under option under the 1998 Executive Scheme is subject to the following limits and in the event of any conflict between the limits it is the lower limit which prevails:

- (i) in any rolling ten year period, not more than ten per cent. of the Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Executive Scheme together with any other share option scheme (whether or not an executive scheme) and shares issued under any profit sharing or other share incentive scheme;
- (ii) in the five year period following the approval of the 1998 Executive Scheme by the Inland Revenue, not more than five per cent. of the Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Executive Scheme together with any other share option scheme (whether or not an executive scheme) and shares issued under any profit sharing or other share incentive scheme; and
- (iii) in any rolling three year period following the five year period referred to above, not more than three per cent. of the Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Executive Scheme together with any other share option scheme (whether or not an executive scheme) and shares issued under any profit sharing or other share incentive scheme.

In applying these limits, shares issued on the previous exercise of an option are counted and shares already in issue when placed under the option or subject to an option which has lapsed or been surrendered are disregarded.

(f) Individual participation limit

No option may be granted to an executive if the result of the grant would be that the aggregate price payable on the exercise of all outstanding options (other than options granted under the Inland Revenue approved savings-related share option scheme) granted to him under the 1998 Executive Scheme or any other share option scheme adopted by the Company or an "associated company" (as defined in the relevant legislation) of the Company would exceed £30,000.

(g) Exercise of options

Options will normally be exercisable only during the period between three and ten years following the date of grant. If an optionholder ceases to be employed within the Group, options may be exercised during a limited period following the cessation of employment unless the optionholder ceased to be employed as a result of dishonesty or gross misconduct.

Options may also be exercised early on the take-over or voluntary winding up of the Company. In the event of a take-over of the Company, options may alternatively, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company, or an associated company of the acquiring company.

(h) Performance target

The Board may impose such objective conditions (as performance targets) on the exercise of an option as it considers to be appropriate. In certain specified circumstances such as death, injury, disability, redundancy or retirement at normal retirement age of the optionholder or the take-over or voluntary winding-up of the Company, these performance targets are disapplied. The Board also has the power to waive performance targets if it considers it appropriate.

(i) Transferability

An option is not transferable and may be exercised only by the person to whom it was granted or, in the case of a deceased optionholder, his personal representatives.

(j) Adjustment of options

In the event of a capitalisation issue, a rights issue or a sub-division, consolidation or reduction in the capital of the Company, the number of shares subject to an option and the subscription price under the option may be adjusted by the Board, subject to obtaining the prior approval of the Inland Revenue to the adjustment and subject to the auditors of the Company confirming in writing to the Board that such adjustment is, in their opinion, fair and reasonable.

(k) Rights carried by shares and issued on exercise of options

Ordinary Shares issued on the exercise of an option granted under the 1998 Executive Scheme will rank equally in all respects with the other Ordinary Shares in issue at the date of exercise, except for dividends and other entitlements arising by reference to a record date prior to the date of exercise.

(l) Listing

Application will be made by the Company to the UKLA for the listing of any shares allotted on the exercise of an option.

(m) Administration and amendment of scheme

The Board is responsible for the administration of the 1998 Executive Scheme including, in particular, the grant of options and the imposition of performance targets. The 1998 Executive Scheme will be administered by the remuneration committee of the Board. The Board may amend the rules of the 1998 Executive Scheme subject to obtaining the prior approval of the Inland Revenue to the amendments.

(n) Exclusion from terms of employment

The rules of the 1998 Executive Scheme provide that the 1998 Executive Scheme does not form part of the contract of employment of any executive and that any claim by an executive for loss of employment will not include the loss of any benefit or advantage under the 1998 Executive Scheme.

(o) Governing law

The 1998 Executive Scheme is governed by English law and any dispute concerning the 1998 Executive Scheme is subject to the jurisdiction of the English courts.

4.2 NHP Plc 1998 Inland Revenue Approved Savings Related Share Option Scheme

(a) General

On 24 February 1998, the Company by a resolution of the Board adopted the NHP Plc 1998 Inland Revenue Approved Savings Related Share Option Scheme ("1998 Savings Scheme"). The 1998 Savings Scheme is a savings related share option scheme and was approved by the Inland Revenue under Schedule 9 to the Taxes Act on 12 March 1998. The principal terms of the 1998 Savings Scheme are described below.

(b) Eligibility

Any director or employee of the Group (both full and part-time) who has on the date of grant been such a director or employee for six months is eligible to participate in the 1998 Savings Scheme. The Board has a discretion to allow participation in the 1998 Savings Scheme by directors and employees who do not satisfy this requirement.

(c) Grant of options

Under the 1998 Savings Scheme, employees of the Group currently hold options to subscribe for 18,042 unissued Ordinary Shares as follows:

Option Date	Term	Number of Shares	Option price per share (p)	Date from which exercisable	Expiry date
1 February 2000	Three years	3,369	115.0	1 February 2003	1 August 2003
1 February 2000	Five years	14,673	115.0	1 February 2005	1 August 2005

The Board may, in its absolute discretion, issue further invitations to eligible employees to apply for the grant of options. Options will be granted by the Company. Options may normally be granted only during the period of 42 days following the approval of the 1998 Savings Scheme by the Inland Revenue or the announcement of the Company's interim or final results for any period. Options may not be granted more than ten years after the approval of the 1998 Savings Scheme by the Inland Revenue. No payment is required for the grant of an option. If the Board receives applications for options over shares which in

aggregate exceed the number of shares that has been made available for the purpose of that option grant, each applicant will firstly be granted options as if he had applied for the minimum savings contribution of £5 per month, and secondly applications in excess of £5 per month will be scaled back pro rata.

(d) Savings contract

It is a condition of participation in the 1998 Savings Scheme that an eligible employee enters into a savings contract under a “certified contractual savings scheme” (as defined in the relevant legislation) maturing after three, five or seven years, at the option of the eligible employee. Shares subject to an option granted under the 1998 Savings Scheme may be subscribed only out of the proceeds (including any bonus) due under the related savings contract. The number of Ordinary Shares subject to an option is that number which, at the exercise price per Ordinary Share under the option, may be subscribed for out of such proceeds. The minimum amount which a participating employee must save under a savings contract is determined by the Board (and can be a multiple of £1, no less than £5 and no more than £10 per month) and the maximum amount permitted is the lesser of:

- (i) £250 per month (or such other amount as is the maximum permitted by the relevant legislation); and
- (ii) such sum (being a multiple of £1 and not less than £5) as the Board decides shall apply to each applicant in respect of each invitation.

(e) Subscription price

An option will entitle the holder to subscribe for Ordinary Shares at a price determined by the Board, which may not be less than the higher of:

- (i) 80 per cent. of the market value of an Ordinary Share. The market value is defined as the middle market quotation of an Ordinary Share as derived from the Daily Official List for the dealing day immediately preceding the date of the invitation to apply for the grant of the option; and
- (ii) the nominal value of an Ordinary Share.

(f) Scheme limits

The number of shares which may be placed under option under the 1998 Savings Scheme is subject to the following limits and in the event of any conflict between the limits it is the lower limit which prevails:

- (i) in any rolling ten year period, not more than ten per cent. of Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Savings Scheme together with any other share option scheme (whether or not a savings related scheme) and shares issued under any profit sharing or other incentive scheme;
- (ii) in the five year period following the approval of the 1998 Savings Scheme by the Inland Revenue, not more than five per cent. of Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Savings Scheme together with any other share option scheme (whether or not a savings related scheme) and shares issued under any profit sharing or other share incentive scheme; and
- (iii) in any rolling three year period following the five year period referred to above, not more than three per cent. of Ordinary Shares in issue from time to time may in aggregate be placed under option under the 1998 Savings Scheme together with any other share option scheme (whether or not a savings related scheme) and shares issued under any profit sharing or other share incentive scheme.

In applying these limits, shares issued on the previous exercise of an option are counted, and shares already in issue when placed under option or subject to an option which has lapsed or been surrendered are disregarded.

(g) Exercise of options

An option will normally be exercisable only during the period of six months following the maturity of the relevant savings contract. An option normally lapses if the holder ceases to be employed within the Group

within three years of the date of grant. However, options may still be exercised for a limited period in certain specified circumstances, such as death, injury, disability, redundancy or retirement at normal retirement age of the optionholder attaining the age of 65 years, or the take-over or voluntary winding up of the Company. In the event of a take-over of the Company, options may alternatively, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company, or an associated company of the acquiring company. If an optionholder ceases to be employed within the Group more than three years after the date of grant, he may exercise the option in the three months following the cessation of employment after which it lapses.

(h) Transferability

An option is not transferable and may be exercised only by the person to whom it was granted or, in the case of a deceased optionholder, his personal representatives.

(i) Adjustment of options

In the event of a capitalisation issue, a rights issue or a subdivision, consolidation or reduction in the capital of the Company, the number of shares subject to an option and the subscription price under the option may be adjusted by the board, subject to obtaining the prior approval of the Inland Revenue to the adjustment and subject to the auditors of the Company confirming in writing to the Board that such adjustment is, in their opinion, fair and reasonable.

(j) Rights carried by shares allotted on exercise of options

Ordinary Shares allotted on the exercise of an option granted under the 1998 Savings Scheme will rank equally in all respects with the other Ordinary Shares in issue at the date of exercise, except for dividends and other entitlements arising by reference to a record date prior to the date of exercise.

(k) Listing

Application will be made by the Company to the UKLA for the listing of any Ordinary Shares allotted on the exercise of the option.

(l) Administration

The Board is responsible for the administration of the 1998 Savings Scheme including, in particular, the grant of options. The Board may amend the rules of the 1998 Savings Scheme, subject to obtaining the prior approval of the Inland Revenue to the amendment. The Board may not amend the 1998 Savings Scheme for the benefit of optionholders without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the 1998 Savings Scheme and amendments to comply with or take account of the requirements of the Inland Revenue, the London Stock Exchange, the Association of British Insurers, the National Association of Pension Funds, any other organisation representing institutional investors or any other legal or regulatory requirement or any proposed charge thereto.

(m) Exclusions from terms of employment

The rules of the 1998 Savings Scheme provide that the 1998 Savings Scheme does not form part of the contract of employment of any eligible employee and that any claim made by an eligible employee for loss of employment will not include the loss of any benefit or advantage under the 1998 Savings Scheme.

(n) Governing law

The 1998 Savings Scheme is governed by English Law and any dispute concerning the 1998 Savings Scheme is subject to the jurisdiction of the English courts.

4.3 NHP Plc Inland Revenue Approved Executive Share Option Scheme

(a) General

On 23 August 2001, the Company by a resolution of the Board adopted the NHP Plc Inland Revenue Approved Executive Share Option Scheme ("2001 Executive Scheme"). The 2001 Executive Scheme was approved by the Inland Revenue under Schedule 9 of the Taxes Act on 6 September 2001. The principal terms of the 2001 Executive Scheme are described below.

(b) Eligibility

Any full-time director or qualifying employee of the Company or its subsidiary shall be eligible to participate in the 2001 Executive Scheme provided that an option shall not be granted to any such person (a) within the year immediately preceding the date on which he is bound to retire in accordance with the terms of his contract or (b) when he is not eligible to participate in the scheme by virtue of paragraph 8 of Schedule 9 to the Taxes Act.

(c) Grant of options

Under the 2001 Executive Scheme, employees of the Group currently hold options to subscribe for 748,200 unissued Ordinary Shares as follows:

Date Granted	Number of shares	Option price per share (p)	Date from which exercisable	Expiry Date
12 October 2001	623,200	38.5	13 October 2004	12 October 2011
13 December 2001	125,000	48.0	14 December 2004	13 December 2011

Options will be granted by the Company to persons selected by the Board. Options may be granted after the scheme is approved by the Inland Revenue and within the period of 6 weeks beginning with the date on which the scheme is approved and adopted by the Company, the date of approval from the Inland Revenue authority or the dealing day next following the date on which the Company announces its results for any period. Options may also be granted at any time when the circumstances are considered by the *remuneration committee of the Board to be sufficiently exceptional to justify the grant*. Options may not be granted more than ten years after the date on which the scheme is adopted by the Company. Any option granted to any person shall not be capable of being transferred by him and shall lapse if that person is adjudged bankrupt. The grant of any options under the scheme is subject to obtaining any approval or consent required under the Listing Rules, the City Code on Takeovers and Mergers or any regulations or enactment.

(d) Limits of the 2001 Executive Scheme

The number of shares which may be placed under option under the 2001 Executive Scheme is subject to the following limits and in the event of any conflict between the limits it is the lower limit which prevails:

- (i) in any rolling ten year period, not more than ten per cent. of Ordinary Shares in issue from time to time may in aggregate be placed under option under the 2001 Executive Scheme together with any other share option scheme (whether or not an executive share scheme) and shares issued under any profit sharing or other incentive scheme;
- (ii) the market value of shares over which options may be granted to any person during any calendar year shall not exceed 150 per cent. of the base salary of such person (or 300 per cent. in the case of options granted during 2001), unless the remuneration committee of the Board is satisfied that a higher limit is necessary to facilitate recruitment, in which case the said value shall not exceed 400 per cent. of the base salary of such person; and
- (iii) no person shall be granted options which would, at the time they are granted, cause the aggregate market value of the shares which he may acquire in pursuance of options under the 2001 Executive Scheme or under any other share option scheme not being a savings related share option scheme to exceed or further exceed £30,000 (or such other limit as may from time to time be imposed by Schedule 9 of the Taxes Act).

(e) Exercise of options

The options granted under the 2001 Executive Scheme may not be exercised before the third anniversary of the grant date of the options. The options may only be exercised to the extent that the performance condition relating to the eligibility is satisfied. The options may be exercised for a limited period in certain specified circumstances, such as death, injury, disability or retirement at normal retirement age of the optionholder attaining the age of 65 years. The options shall not be exercisable after the expiration of the period of ten years from the date of grant. An optionholder shall not be eligible to exercise an option at

any time when he is not eligible to participate in the scheme for the purposes of paragraph 8 of Schedule 9 of the Taxes Act.

(f) Take-over, reconstruction, winding-up, demerger

In the event that:

- (i) a person obtains control of the Company as a result of making a general offer to acquire shares in the Company or having obtained such control makes such an offer; or
- (ii) the Company passes a resolution for voluntary winding-up or an order is made for the winding up of the Company;
- (iii) a scheme of arrangement or compromise under Section 425 of the Companies Act is proposed; or
- (iv) a demerger, special dividend or other event which would affect the market price of shares subject to outstanding options to a material extent;

the Company shall notify the optionholder and the options may be exercised subject to certain conditions specified by the Company.

(g) Adjustment of options

In the event of any variation of the share capital of the Company, the Company may make such adjustments as it considers appropriate, subject to the prior approval of the Inland Revenue.

(h) Alterations

The remuneration committee of the Board may at any time alter the 2001 Executive Scheme provided that no alteration to the advantage of any optionholder shall be made without either the prior approval by ordinary resolution of the members or the approval of the majority of optionholders and such alteration is approved by the Inland Revenue.

(i) Governing law

The 2001 Executive Scheme is governed by and construed in accordance with English law.

4.4 NHP Plc 2001 Unapproved Executive Share Option Scheme

(a) General

On 23 August 2001, the Company by a resolution of the Board adopted the NHP Plc 2001 Unapproved Executive Share Option Scheme ("2001 Unapproved Scheme"). The principal terms of the 2001 Unapproved Scheme are described below.

(b) Eligibility

Any full-time director or qualifying employee of the Company or its subsidiary shall be eligible to participate in the 2001 Unapproved Scheme provided that an option shall not be granted to any such person (a) within the year immediately preceding the date on which he is bound to retire in accordance with the terms of his contract or (b) when he is not eligible to participate in the scheme by virtue of paragraph 8 of Schedule 9 to the Taxes Act.

(c) Grant of options

Under the 2001 Unapproved Scheme, employees of the Group currently hold options to subscribe for 7,452,000 unissued Ordinary shares of the Company as follows:

Date Granted	Number of shares	Option price per share (p)	Date from which exercisable	Expiry Date
13 September 2001	5,760,000	37.5	14 September 2004	13 September 2011
8 October 2001	320,000	37.5	9 October 2004	8 October 2011
13 December 2001	1,372,000	43.0	14 December 2004	13 December 2011

Options will be granted by the Company to persons selected by the Board and in the case of Executive Directors, options can only be issued after consultation of the Remuneration Committee. Options may be granted after the scheme is approved by the Inland Revenue and within the period of 6 weeks beginning with the date on which the scheme is approved and adopted by the Company, the date of approval from the Inland Revenue authority or the dealing day next following the date on which the Company announces its results for any period. Options may also be granted at any time when the circumstances are considered by the remuneration committee of the Board to be sufficiently exceptional to justify the grant. Options may not be granted more than ten years after the date on which the Scheme is adopted by the Company. Any option granted to any person shall not be capable of being transferred by him and shall lapse if that person is adjudged bankrupt. The grant of any options under the scheme is subject to obtaining any approval or consent required under the Listing Rules, the City Code on Takeovers and Mergers or any regulations or enactment.

(d) Limits of the 2001 Unapproved Scheme

The number of shares which may be placed under option under the 2001 Unapproved Scheme is subject to the following limits and in the event of any conflict between the limits it is the lower limit which prevails:

- (i) in any rolling ten year period, not more than ten per cent. of Ordinary Shares in issue from time to time may in aggregate be placed under option under the 2001 Unapproved Scheme together with any other share option scheme (whether or not an executive share scheme) and shares issued under any profit sharing or other incentive scheme; and
- (ii) the market value of shares over which options may be granted to any person during any calendar year shall not exceed 150 per cent. of the base salary of such person (or 300 per cent. in the case of options granted during 2001), unless the remuneration committee of the Board is satisfied that a higher limit is necessary to facilitate recruitment, in which case the said value shall not exceed 400 per cent. of the base salary of such person.

(e) Exercise of options

The options granted under the 2001 Unapproved Scheme may not be exercised before the third anniversary of the grant date of the options. The options may only be exercised to the extent that the performance condition relating to the eligibility is satisfied. The options may be exercised for a limited period in certain specified circumstances, such as death, injury, disability or retirement at normal retirement age of the optionholder attaining the age of 65 years. The options shall not be exercisable after the expiration of the period of ten years from the date of grant.

(f) Take-over, reconstruction, winding-up, demerger

In the event that:

- (i) a person obtains control of the Company as a result of making a general offer to acquire shares in the Company or having obtained such control makes such an offer; or
- (ii) the Company passes a resolution for voluntary winding-up or an order is made for the winding up of the Company; or
- (iii) a scheme of arrangement or compromise under Section 425 of the Companies Act is proposed; or
- (iv) a demerger, special dividend or other event which would affect the market price of shares subject to outstanding options to a material extent,

the Company shall notify the optionholder and the options may be exercised subject to certain conditions specified by the Company.

(g) **Adjustment of options**

In the event of any variation of the share capital of the Company, the Company may make such adjustments as it considers appropriate.

(h) **Alterations**

The remuneration committee of the Board may at any time alter the 2001 Unapproved Scheme provided that no alteration to the advantage of any optionholder shall be made without either the prior approval by ordinary resolution of the members or the approval of the majority of optionholders and such alteration is approved by the Inland Revenue.

(i) **Governing law**

The 2001 Unapproved Scheme is governed by and construed in accordance with English law.

4.5 Adjustment of NHP Share Schemes

The Board proposes to adjust the number of NHP Shares in respect of which options issued pursuant to the NHP Share Option Schemes may be exercised and/or the price at which those NHP Shares may be exercised to take account of the Rights Issue. The adjustments will, where necessary, be subject to written confirmation from the auditors of the Company that the adjustments are, in their opinion, fair and reasonable and, in respect of the Inland Revenue approved plans, will also be subject to the approval of the Inland Revenue and to any other relevant tax requirements.

5 DIRECTORS

(a) The Directors of the Company are as follows:

Sir John Martin Kirby Laing
William Colvin
Richard Neil Midmer
Daniel Fernley Francis
Clayton Hugo Wynne Robson
Lord Stewart Ross Sutherland
Ronald Andrew Henderson

all of 6 Broad Street Place, Blomfield Street, London EC2M 7JH.

(b) The Directors and the directorships and partnerships held by them at any time during the five years preceding the date of this document are set out below:

Director	Current Directorship/Partnership	Former Directorship/ Partnership
Sir John Martin Kirby Laing	NHP Plc United Kingdom – Japan 21st Century Group Marine Stewardship Council British Executive Services Overseas RICS Foundation John Laing Public Limited Company	Laing Infrastructure Holdings Limited Tyneside City Technology College Wateraid Action on Addition The National Energy Foundation Business In The Community Laing Investments Limited Major Contractors Group Limited

Part 4 – Additional information

Director	Current Directorship/Partnership	Former Directorship/ Partnership
William Colvin	<p>NHP Plc NHP Securities No. 1 Limited NHP Securities No. 2 Limited NHP Securities No. 3 Limited NHP Securities No. 4 Limited NHP Securities No. 6 Limited NHP Management Limited LLNH Limited NHP Healthcare Limited Highfield Care Homes Limited Highfield Care Homes No. 2 Limited</p>	<p>Agip Forties Limited Agip (BBI) Limited Agip North Sea Limited Agip (UKCS) Limited Brupec Holdings Limited Brupec Limited Hireswitch Limited Agip (BBOH) Limited British-Borneo Oil Limited Agip Oil & Gas Limited Agip (BB) Limited Agip (BBH) Limited Agip Exploration & Production Limited Agip Elgin/Franklin Limited Agip Birch Limited Agip Australia Limited Agip Australia 91-13 Limited British-Borneo Expro Limited NHP Securities No. 7 Limited Nursing Home Properties Limited Jarvis plc</p>
Richard Neil Midmer	<p>NHP Plc NHP Securities No. 1 Limited NHP Securities No. 2 Limited NHP Securities No. 3 Limited LLNH Limited NHP Management Limited Nursing Home Properties Limited NHP Healthcare Limited NHP Securities No. 4 Limited NHP Securities No. 6 Limited NHP Securities No. 7 Limited</p>	<p>Agip Forties Limited Agip Australia 91-13 Limited Agip Australia Limited Agip Birch Limited Agip Elgin/Franklin Limited Agip Exploration & Production Limited Agip (BBH) Limited Agip (BBI) limited Agip (BB) Limited Agip North Sea Limited British-Borneo Oil Limited Agip (BBOH) Limited Agip Oil & Gas Limited Hireswitch Limited Agip (UKCS) Limited Brupec Limited Brupec Holdings Limited</p>
Daniel Fernley Francis	<p>NHP Plc NHP Securities No. 1 Limited NHP Securities No. 2 Limited NHP Securities No. 3 Limited NHP Management Limited NHP Securities No. 4 Limited NHP Securities No. 6 Limited NHP Securities No. 7 Limited Nursing Home Properties Limited Ultima Holdings Limited LLNH Limited G.R. Patrick & Co Limited Eton Hall Homes Limited Platinum Healthcare Limited Ultima Healthcare Limited NHP Healthcare Limited Ultima Care Limited</p>	

Part 4 – Additional information

Director	Current Directorship/Partnership	Former Directorship/ Partnership
Clayton Hugo Wynne Robson	NHP Plc Welsh Gold plc Gold (Wales) Limited Gwynfynydd Gold Mine Limited Celtic Gold Jewellery Company Limited Lathe Property Holdings Limited Lathe Investments Limited Redleaf Shopping Centres Limited Redleaf II Limited	NHP Securities No. 1 Limited NHP Securities No. 2 Limited NHP Securities No. 3 Limited Eurobeech Limited Audio Book & Music Holdings plc ⁽¹⁾ Sterling Foods Group Limited ⁽¹⁾ Audio Book & Music Company Limited ⁽¹⁾
Lord Stewart Ross Sutherland	NHP Plc Advanced Management Programme in Scotland Limited Universitas 21 Limited Universities UK	Higher Education Quality Council The Petroleum Service and Technology Institute Scottish Enterprise Edinburgh and Lothian
Ronald Andrew Henderson	NHP Plc Scipher plc	Balfour Beatty plc Spitalfield Holdings Limited Barking Power Limited Thames Power Limited BICC Group Works Pension Trust Limited Balfour Beatty Pension Trust Limited Balfour Beatty Senior Executive Pension Trust Limited Balfour Beatty Investment Holdings Limited Woking Golf Club Estates Limited

(1) Refer to sub-paragraph (c) below

- (c) Hugo Robson was appointed director of Audio Book & Music Company Limited, Audio Book & Music Holdings plc and Sterling Foods Group Limited on 3 April 1997, 22 May 1997 and 22 October 1997 respectively. Details relating to the receivership and the liquidation of each of Audio Book & Music Company Limited, Audio Book & Music Holdings plc and Sterling Foods Group Limited are as follows:
- (i) Administrative receivers for Audio Book & Music Company Limited were appointed on 25 January 2002 by creditors of the company under their powers contained in a debenture containing fixed and floating charges dated 21 November 1997. Audio Book & Music Company Limited was wound-up pursuant to an order made by the High Court of Justice, Chancery Division, Companies Court on 13 March 2002;
 - (ii) Administrative receivers for Audio Book & Music Holdings plc were appointed on 25 January 2002 by creditors of the company under their powers contained in a debenture containing fixed and floating charges dated 21 November 1997; and
 - (iii) Sterling Foods Group Limited was placed in liquidation on 4 April 2000. The estimated deficiency as regards creditors as at 4 April 2000 was £363,791. Sterling Foods Group Limited was deemed to be dissolved on the expiration of three months from 25 October 2001 in accordance with the Insolvency Act 1986.
- (d) As at the date of this document no Director:
- (i) has been at any time in the five years prior to the date of this document a director or partner of any company or partnership other than those set out in sub-paragraph (b) above; or
 - (ii) has any unspent convictions in relation to indictable offences; or

- (iii) has been adjudged bankrupt or been a party to a deed of arrangement or any form of voluntary arrangement; or
- (iv) save as provided in sub-paragraph (c) above, has been a director with an executive function of any company which, while he or she was such director or within 12 months after his or her ceasing to be such a director, was put into receivership or compulsory liquidation or creditors' voluntary liquidation or company voluntary arrangement or has had an administrator or an administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of its creditors; or
- (v) has been a partner in any partnership which, while he or she was a partner, or within 12 months after his or her ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any voluntary arrangement; or
- (vi) has had an administrative or other receiver appointed in respect of any asset belonging to him or her or to a partnership of which he or she was a partner at the time of such event or within 12 months after his or her ceasing to be such a partner; or
- (vii) has received any public criticism by any statutory or regulatory authorities, including recognised professional bodies, or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6 DIRECTORS' AND OTHERS' INTERESTS

- (a) As at 16 May 2002, the latest practicable date prior to the publication of this document, the interests in the share capital of the Company which have been notified by each Director to the Company pursuant to Section 324 or Section 328 and Schedule 13 of the Companies Act, or which are required to be entered into the register maintained under the provisions of Section 325 of the Companies Act, of the Directors and of their families (or which are interests of a connected person of a Director and which would, if the connected person were a Director, be required to be notified as aforesaid, and the existence of which is known to or could with reasonable diligence be ascertained by that Director), all of which are beneficial, unless otherwise indicated, are as follows:

Name	Number of issued NHP Shares	Percentage of issued NHP Shares	Number of NHP Shares following Rights Issue	Percentage of NHP Shares following the Rights Issue ^(a)
Sir Martin Laing	2,945	0.002%	4,049	0.002%
W Colvin	–	–	–	–
R N Midmer	–	–	–	–
D F Francis	792,333	0.542%	1,089,457	0.542%
C H W Robson	32,378	0.022%	44,519	0.022%
Lord Sutherland	–	–	–	–
R A Henderson	–	–	–	–

Note:

(a) Directors' shareholdings following the Rights Issue assuming each takes up his rights in full.

- (b) Of the outstanding options over a total of 8,248,242 NHP Shares under the NHP Share Schemes, those held by Directors as at 16 May 2002, the latest practicable date prior to publication of this document, are as follows:

Name	Earliest Exercise Date	Exercise Price	Total Number
Sir Martin Laing	1 February 2005	115p	14,673
W Colvin	14 September 2004	37.5p to 38.5p	1,997,900
R N Midmer	14 September 2004	37.5p to 38.5p	1,357,900

- (c) Save as disclosed in sub-paragraphs (a) and (b) above, no Director or member of his family has any interest, beneficial or non-beneficial, in the share capital of the Company.

Part 4 – Additional information

- (d) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the 12 months ended 30 September 2001, other than in respect of Daniel Francis who waived £33,336 in the year to 30 September 2001.
- (e) On 1 September 2000, Daniel Francis was appointed as the Company's representative on the Board of G. R. Patrick Co. Limited ("GRP"). Insurances relating to the Group's property portfolio are arranged through GRP, the premiums being recovered in full from the Group's tenants. During the year ended 30 September 2001, the Group paid to GRP premiums totalling £52,608 (2000: £47,587) in respect of non-property related insurances. Also included in the Group's turnover for the same period are commissions recoverable from GRP totalling £69,151 (2000: £81,809). As at 30 September 2001, there was no indebtedness between GRP and the Group (2000: nil).
- (f) Save as disclosed in paragraph 6(e) of this Part 4, no Director has, or has had, any interest in any transaction effected by the Group either since 30 September 2001 or during the financial year ended 30 September 2001, or in any transaction effected in an earlier financial year which remains in any respect outstanding or unperformed, and which in any case are or were unusual in their nature or conditions or significant to the business of the Group.
- (g) There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- (h) Insofar as is known to the Company, as at 16 May 2002, the latest practicable date prior to the publication of this document, the persons who directly or indirectly are interested (in terms of having a notifiable interest for the purposes of Part VI of the Companies Act) in three per cent. or more of its issued share capital are as follows:

Name	Number of issued NHP Shares	Percentage of issued NHP Shares	Number of NHP Shares following Rights Issue ⁽¹⁾	Percentage of NHP Shares following the Rights issue ⁽¹⁾
Schroder Investment Management	24,670,130	16.89%	33,921,428	16.89%
M&G Investment Management	15,248,869	10.44%	20,967,194	10.44%
Gartmore Investment Management	13,993,899	9.58%	19,241,611	9.58%
Norwich Union/Morley Investment Management	12,679,908	8.68%	17,434,873	8.68%
Odey Asset Management Limited	10,146,140	6.95%	13,950,942	6.95%
Invesco Asset Management Artemis Investment Management Limited	9,821,024	6.72%	13,503,908	6.72%
Canada Life Assurance Company	5,550,000	3.80%	7,945,895	3.80%
	5,278,833	3.61%	7,631,250	3.61%

Note:

- (1) Shareholdings following the Rights Issue on the basis that each of the above shareholders takes up their rights in full.
- (i) Save as aforesaid, the Directors are not aware of any other person who is directly interested (in terms of having a notifiable interest for the purpose of the Part VI of the Companies Act) in three per cent. or more of the issued share capital of the Company.
- (j) The Company is not aware of any person who, directly or indirectly, jointly or severally, is entitled to or could exercise control over the Company.
- (k) In addition to his interest shown in sub-paragraph (a) above, Daniel Francis has a beneficial interest in part of the NHP Executive Pension Scheme, which owned 33,105 Ordinary Shares as at 16 May 2002.

7 DIRECTORS' SERVICE AGREEMENTS

- (a) Each of William Colvin and Richard Midmer entered into service agreements with the Company on 9 November 2000. Daniel Francis entered into a service agreement with the Company on 3 February 1995. The current annual salary payable to each Director is set out below.

Director	Current remuneration per annum
Sir Martin Laing	£52,500
W Colvin	£250,000
R N Midmer	£200,000
D F Francis	£120,000
C H W Robson	£25,000
Lord Sutherland	£25,000
R A Henderson	£25,000

- (b) The service agreements for the Executive Directors contain provisions for early termination where the Director:
- (i) is unable to perform his duties by reason of ill-health, accident or otherwise for a period or periods aggregating at least 60 working days in the case of each of William Colvin and Richard Midmer and 180 working days in the case of Daniel Francis, in any period of 12 consecutive months;
 - (ii) in the reasonable opinion of the Board, fails or neglects efficiently and diligently to discharge his duties or is guilty of any serious or repeated breach of his obligations to the Company;
 - (iii) is guilty of serious misconduct or any other conduct which affects or is likely to affect prejudicially the interests of the Company or the Group or is convicted of an arrestable offence (other than a road traffic offence for which a non-custodial penalty is imposed);
 - (iv) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (v) is disqualified from being a director of any company by reason of an order made by any competent court;
 - (vi) resigns as a director without the prior consent of the chairman of the Board;
 - (vii) is guilty of any breach or non-observance of any code of conduct, rule or regulation of the London Stock Exchange or (if applicable) fails or ceases to be registered by any regulatory body in the United Kingdom.
- (c) The service agreements provide that the Company will pay an amount equal to 20 per cent. of each full-time Executive Director's current salary into a pension scheme nominated by him. The full time Executive Directors may also participate in the permanent health scheme and private medical expenses insurance scheme operated by the Company. The Company shall provide each of the full time Executive Directors with a car of the Company's choice, the expenses of which shall be met by the Company. The service agreements prevent each Executive Director from being engaged in business competing with the Company during the term of the agreement and for a period of six months in the case of William Colvin and Richard Midmer and a period of one year in the case of Daniel Francis thereafter. Save in the case of Daniel Francis as described in subparagraph (d) below, the notice period in each Executive Director's service contract is 12 months.
- (d) The service agreement for Daniel Francis provides that if in any accounting period the sum certified by the auditors as representing the overheads of the Company exceeds 1.2 per cent. of the aggregate of the Company's equity, reserves and loan facilities (including loan facilities available to subsidiary companies) Mr Francis' salary and entitlement to pension contributions shall abate until, taken with any abatements (if any) applicable to other salaried Directors, the overheads are reduced to 1.2 per cent. of such equity, reserves and loan facilities. If, in consequence of such abatement, Mr Francis has been overpaid, such overpayment will be repayable immediately but the Board may in its discretion recover repayment over a period of up to six months. Whilst these provisions relating to abatement were relevant to the Company in previous years, in view of the amount of the Company's equity, reserves and loan facilities, these

Part 4 – Additional information

provisions are unlikely to be applicable for the foreseeable future. The Company has the right to terminate the service agreement with Mr Francis at any time with immediate effect by giving notice of termination and by paying to Mr Francis an amount equal to twelve months' salary.

- (e) Sir Martin Laing, Hugo Robson, Lord Sutherland and Ronald Henderson entered into letters of engagement with the Company on 21 December 1998, 3 May 1996, 20 March 2001 and 6 December 2001 respectively. The letters of engagement provide that the individual's respective engagement will terminate if they die, resign or are removed by the Company or become prohibited by law from being a Director. Under the terms of their appointment, each Non-Executive Director is entitled to a fee which is reviewed by the remuneration committee of the Board annually. Save for Sir Martin Laing who is paid £52,500, each Non-Executive Director is currently paid fees of £25,000.
- (f) The aggregate amount paid and benefits in kind paid or granted to the Directors of the Company for the financial period ended 30 September 2001 was approximately £1,463,988.
- (g) Except as disclosed above, there are no existing or proposed service agreements between any member of the Group and any Director.

8 MARKET QUOTATIONS OF NHP SHARES

The table below lists the closing middle market quotations for NHP Shares on the first dealing day in each of the six months immediately prior to the date of this document, and on 16 May 2002 (being the last dealing day before the date of this document) as derived from the Daily Official List.

Date	Price (pence)
3 December 2001	46.00
2 January 2002	57.00
1 February 2002	66.00
1 March 2002	65.50
2 April 2002	70.00
1 May 2002	71.50
16 May 2002	71.75

9 PRINCIPAL SUBSIDIARIES

The Company is the holding company for the following subsidiary undertakings, all of which are wholly-owned subsidiaries incorporated in England and Wales unless otherwise stated.

Name	Principal activity	Number and description of shares held	Proportion of issued shares held
NHP Securities No. 1 Limited	Acquisition and leaseback of care homes	50,000 £1 ordinary	100%
NHP Securities No. 2 Limited	Acquisition and leaseback of care homes	2 £1 ordinary	100%
NHP Securities No. 3 Limited	Acquisition and leaseback of care homes	2 £1 ordinary	100%
NHP Securities No. 4 Limited	Acquisition and leaseback of care homes (Partner in the LLNHP partnership)	2 £1 ordinary	100%
NHP Securities No. 6 Limited	Investment in care home properties	2 £1 ordinary	100%
NHP Management Limited	Management of property portfolios	2 £1 ordinary	100%
LLNH Limited	Partner in the LLNHP partnership	1 £1 ordinary	100%
NHP Europa SA	Investment in care home property (Incorporated in Spain – see below)	1,000 10,000 Peseta ordinary	100%

Part 4 – Additional information

Name	Principal activity	Number and description of shares held	Proportion of issued shares held
Highfield Holdings Limited	Care home operator	10,000 £1 ordinary	100%
		9,600 £1 ordinary A	100%
		1,000,000 £1 preference	100%
		2,500,000 £1 preference A	100%
		1,000,000 £1 preference B	100%
Highfield Care Homes No. 3 Limited ⁽¹⁾	Care home operator	122,000 £1 ordinary	100%
Highfield Care Homes Limited ⁽²⁾	Care home operator	10,000 £1 ordinary 240,000 £1 preference	100%

(1) Previously known as Somerford Leased Homes Limited

(2) Previously known as Palladium Healthcare Limited

NHP Europa SA's registered office is at 08028, Calle Galileo 303-305, 4a Planta, Barcelona, Spain and is dormant.

The Company is also the 100 per cent. shareholder of each of NHP Securities No. 7 Limited, Nursing Home Properties Limited and NHP Healthcare Limited, all of which are currently dormant.

The Company holds 8,000 'A' ordinary shares of £1 each and 2,000 'B' ordinary shares of £1 each representing the entire issued share capital of NHP Securities No. 11 Limited which is the 100 per cent. shareholder of NHP Securities No. 9 Limited. Both companies are incorporated and have their registered office in Jersey.

10 ARTICLES OF ASSOCIATION

The existing Articles contain *inter alia* the following provisions:

(a) Votes of members

Subject to any restrictions imposed by or pursuant to the Articles and to any rights or restrictions attached to any shares, on a show of hands every member personally present (or, being a corporation, present by a duly appointed representative) shall have one vote only, and in the case of a poll every member present in person or by proxy shall have one vote for every share held by him.

No holder of a share shall, unless the Directors otherwise determine, be entitled (save as proxy for another member) to be present or vote at a general meeting either personally or by proxy if:

- (i) any call or such other such as is presently payable by him to the Company in respect of that share remains unpaid; or
- (ii) he or any other person who appears to be interested in that share has been duly served, pursuant to Section 212(1) of the Companies Act or any other statutory provision concerning the disclosure of interests in voting shares, with a notice requiring the provision to the Company of information regarding that share, and is in default in complying with such notice; or

- (iii) he has been duly served with a notice pursuant to the Articles requiring the disclosure of the identity of the beneficial owner of that share and such other information specified in the Articles as may be required by that notice, and is in default in complying with such notice. Any such notice must (*inter alia*) specify a period for compliance with its requirements which must not be less than 14 days from the date of service of this notice.

The non-voting Deferred Ordinary Shares confer on the holders no right to receive notice of or to attend or speak or vote at general meetings of the Company.

(b) Dividends

Subject to the Companies Act, the Company may by ordinary resolution declare a dividend but no dividend shall exceed the amount recommended by the Directors. The Directors may, if in their opinion the profits of the Company so justify, pay interim dividends in such amounts and such dates as they think fit. Subject to any rights or provisions attached to any class of shares having preferential or special rights relating to dividends, all dividends shall be declared and paid in proportion to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. If any share is issued on terms that it shall rank for dividends as from a particular date, it shall rank for dividend accordingly.

The Directors may retain any dividend in certain circumstances when a relevant person has failed to comply with a request for information pursuant to Section 212 of the Companies Act.

Any dividend which remains unclaimed or retained in accordance with the Articles for 12 years from when it became due for payment shall be forfeited and cease to remain owing by the Company.

The non-voting Deferred Ordinary Shares confer no right to share in the income of the Company.

(c) Distribution of assets on a winding-up

On a winding up, or on a return of capital, the assets of the Company available for distribution shall be applied first in or towards repaying the holders of Ordinary Shares the amounts paid up on them, together with any arrears of dividend, in priority to any payment to the holders of the non-voting Deferred Ordinary Shares. After the payment of 1p to the holders of non-voting Deferred Ordinary Shares in respect of each share, the Ordinary Shares will rank *pari passu* in any distribution of surplus assets remaining (subject to the rights of any other shares issued on preferential terms). The liquidator may, with the sanction of an Extraordinary Resolution of the Company, divide among the members in specie or kind the whole or any part of the assets of the Company and may for such purpose value any assets as he deems fair and determine how the division shall be carried out as between the members.

(d) Share capital, changes in capital and purchase of own shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of any shares, any shares may be allotted with such special rights, privileges or restrictions as the Company may from time to time determine by ordinary resolution. Subject to the Companies Act, the Company may allot redeemable shares on such terms and in such manner as the Company may by ordinary resolution determine.

The Company may by ordinary resolution, subject to the Companies Act, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, subdivide its existing shares or any of them into shares of smaller amounts and cancel any shares which have not been taken or agreed to be taken and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may by special resolution and subject to the Companies Act reduce its share capital, any capital redemption reserve and any share premium account in any way.

Subject to the Companies Act and to any rights for the time being attached to any shares, the Company may purchase its own shares, including any redeemable shares.

(e) Variation of rights and meetings

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied in such a manner (if any) as may be provided by

those rights or, in the absence of such provisions, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares.

The quorum at any such general meeting is two persons present in person and holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question. If, however, such general meeting has been adjourned by reason of there being no quorum present and if no quorum as above is present for a period of fifteen minutes following such adjournment, then the quorum shall be one holder of shares of the class in question present in person or by proxy. Any person present in person or by proxy may demand a poll. Holders of the shares of the class in question shall, on a poll, have one vote in respect of every share of that class held by them respectively.

The rights attached to any shares shall not, unless otherwise expressly provided by the Articles or the rights attached to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with or subsequent to the first mentioned shares. A purchase by the Company of its own shares of any class shall be deemed not to be a variation of the rights attached to those shares or any other class of shares in the Company unless otherwise expressly provided by the Articles or the rights attached to the shares of that class. The rights attached to the non-voting Deferred Ordinary Shares shall be deemed to be varied by any reduction of the capital paid up on any of those shares including a reduction by way of a purchase or redemption by the Company of any such shares, unless effected after any of the Ordinary Shares have been admitted to the London Stock Exchange or an offer for Ordinary Shares being or becoming unconditional whichever shall occur first, in each case before 24 March 2000.

(f) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in any usual form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, the transferee. The Directors may refuse to register the transfer of any share which is not fully paid or upon which the Company has a lien providing that the Directors do not exercise their discretion so as to prevent dealings in the share from taking place on an open and proper basis or, in certain circumstances when a relevant person has failed to comply with a request for information pursuant to section 212 of the Companies Act. Where any restrictions on the transfer of shares occur through failure to comply with Section 212 of the Companies Act, they shall cease to be applicable to that share upon compliance with the Section 212 notice, the Directors deciding (in their absolute discretion) that such restrictions on transfer shall cease to be applicable to that share or after the expiry of seven days commencing on the date of receipt by the Company of a notice that the shareholding has been sold to a third party as the case may be and whichever shall first occur. Otherwise, the Articles contain no restriction on the transferability of Ordinary Shares, provided that the instrument of transfer (i) is in favour of not more than four transferees; (ii) is in respect of only one class of shares; and (iii) is lodged at the transfer office for the time being of the Company, or at such other place as the Directors may determine, with the relevant share certificate or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Articles do not contain any pre-emption rights which apply on transfers of Ordinary Shares.

The non-voting Deferred Ordinary Shares may not be transferred unless to or by a person who has become entitled to such shares in consequence of the death of the holder.

(g) *Directors*

(i) Save as provided in the Articles, a Director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has to his knowledge any interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting. Subject to the Act, the Company may by ordinary resolution suspend or relax this provision to any extent or ratify any transaction not duly authorised due to a contravention of this provision.

- (ii) A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters:
 - (aa) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company; or
 - (bb) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
 - (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
 - (dd) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertakings of any such parent company) of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances); or
 - (ee) any proposal concerning a pension, superannuation or similar scheme or retirement, death or disability benefit scheme or employee share scheme which has been approved by the Inland Revenue or is conditional upon such approval or does not award the Director any privilege or benefit not generally accorded to the employees to which such schemes relate; or
 - (ff) any proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.
- (iii) Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £200,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.
- (iv) Any director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.
- (v) The Directors (including alternate Directors) shall be entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.
- (vi) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, arrangement, transaction or proposal or

any contract arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, but his interest shall be disclosed by him in accordance with the Companies Act.

- (vii) The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.
- (viii) Any statutory provision which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company save that, in the case of any general meeting at which a resolution is to be proposed to appoint or re-appoint as a director a person who is, or who will within the six months next following the date of the general meeting become, 70 years of age, the notice convening that meeting shall contain a statement to that effect. The accidental omission to insert such a statement shall not, however, invalidate the passing of the relevant resolution.
- (ix) Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party.
- (x) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression in the relevant Articles means and includes the Company and all its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 3.5 times the aggregate of (i) the amount paid up on the issued share capital of the Company and (ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve, revaluation reserve and profit and loss account) all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions as are specified in the relevant Articles. In calculating the amount of the borrowings of the Group, any borrowings of a subsidiary shall only be taken into account to the extent that a member of the Group other than the borrower (or any subsidiary of it) is expressed by the terms of the borrowing (or any guarantee of such borrowings) to be liable for the repayment of the principal or interest in respect of such borrowings. The certificate of the auditors for the time being as to the amount of such adjusted capital and reserves at any time shall be conclusive and binding upon all concerned.

11 UNDERWRITING AGREEMENT

The Company and Collins Stewart have entered into the Underwriting Agreement dated 17 May 2002 pursuant to which Collins Stewart has agreed, subject to the fulfilment of certain conditions and on the terms set out in the Underwriting Agreement, to procure subscribers, or failing which itself to subscribe, for New Ordinary Shares not taken up under the Rights Issue.

Under the Underwriting Agreement, the Company will pay to Collins Stewart:

- (i) an advisory fee of £100,000, payable on the date of this document;
- (ii) a commitment commission of up to 0.5 per cent. of the value of the aggregate number of the New Ordinary Shares at the Issue Price for the first thirty days (or part of thirty days) of Collins Stewart's commitment, starting on the date of the Underwriting Agreement, which shall be payable by Collins Stewart to sub-underwriters;
- (iii) a commitment commission of up to 0.125 per cent. of the value of the aggregate number of the New Ordinary Shares at the Issue Price for each period of seven days (or part of seven days) after the first thirty days of Collins Stewart's commitment to (and including) the second Dealing Date after the Acceptance Date or, if earlier, the date on which Collins Stewart's obligations under the Underwriting Agreement cease, which shall be payable by Collins Stewart to sub-underwriters;
- (iv) if Collins Stewart's obligations under the Underwriting Agreement become unconditional in all respects, a further commission of up to 0.75 per cent. of the value of the aggregate number of the New Ordinary Shares at the Issue Price, which shall be payable by Collins Stewart to the sub-underwriters; and
- (v) if Collins Stewart's obligations under the Underwriting Agreement become unconditional in all respects, a commission of 3 per cent. of the value of the aggregate number of the New Ordinary Shares at the Issue Price.

The Company will pay all other costs and expenses of, or in connection with, the Rights Issue, the EGM, the allotment and issue of the New Ordinary Shares and the Underwriting Agreement, including printing and advertising costs, postage, its own out-of-pocket expenses, its own and the underwriter's legal, accountancy and other professional fees and stamp duty reserve tax (if any).

The Underwriting Agreement contains warranties and indemnities given by the Company in favour of Collins Stewart.

The obligations of Collins Stewart are conditional upon, *inter alia*:

- (i) the passing of the Resolutions;
- (ii) none of the warranties in the Underwriting Agreement being untrue or inaccurate or misleading on the date of the Underwriting Agreement or at any time before Admission by reference to the facts and circumstances then existing, save to an extent which is not material in the context of the Rights Issue;
- (iii) no circumstances having arisen which would require a supplementary prospectus to be published by or on behalf of the Company prior to Admission;
- (iv) the Underwriting Agreement having not been terminated prior to Admission; and
- (v) Admission occurring no later than 8.00 am on the first dealing day after the date of the Extraordinary General Meeting (or such later time and/or date as the Company and Collins Stewart may agree).

12 UK TAXATION

The comments below are based on existing UK tax law and what is understood to be current Inland Revenue practice, both of which are subject to change at any time, possibly with retrospective effect. They are intended only as a general guide and apply only to shareholders who are resident and ordinarily resident for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non UK residents), who hold existing NHP Shares and New Ordinary Shares as an investment and who are the absolute beneficial owners of them. The taxation position of certain shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes, is not considered. Persons who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction other than the UK, should consult their own professional advisers.

Capital gains tax

For the purposes of the UK taxation of capital gains ("CGT"), the issue of the New Ordinary Shares will be regarded as a reorganisation of the share capital of the Company.

Accordingly, you will not be treated as making a disposal of all or part of your holding of existing NHP Shares by reason of taking up all or part of your rights to New Ordinary Shares. No liability to CGT in respect of your existing NHP Shares should arise to the extent that you take up your entitlement to New Ordinary Shares.

Your New Ordinary Shares will be treated as the same asset as, and as having been acquired at the same time as, your existing holding of NHP Shares. The subscription money for your New Ordinary Shares will be added to the base cost of your existing holding(s) of NHP Shares.

In the case of a shareholder within the charge to UK corporation tax, indexation allowance will apply to the amount paid for the New Ordinary Shares only from the date on which the amount for the New Ordinary Shares is paid or is liable to be paid.

In the case of other shareholders (i.e. individuals and trusts), indexation allowance will not be given for any period after 5 April 1998. Accordingly, if you are such a shareholder, indexation allowance on your original holding of NHP Shares will be given for the months up to April 1998 but not after that date, and indexation allowance will not be given in respect of amounts paid for the New Ordinary Shares. Instead indexation allowance has been replaced by a taper relief which may reduce the amount of chargeable gains realised on a subsequent disposal of your shareholding according to how long the shares have been held since 6 April 1998 or since the date they were acquired, whichever is the later.

If you dispose of some of the New Ordinary Shares allotted to you or your rights to subscribe for them, or if you allow or are deemed to have allowed your rights to lapse and receive a cash payment in respect of them you may, depending on your circumstances, incur a liability to CGT.

If you dispose of all or part of your rights to subscribe for New Ordinary Shares or allow or are deemed to allow them to lapse in return for cash payment and the proceeds resulting from the disposal or lapse of rights are "small" as compared to the value of the NHP Shares in respect of which the rights arose, you can choose to be treated as not making a disposal for CGT purposes. No liability to CGT will then arise as a result of the disposal or lapse of the rights, but the cash amount received will be deducted from the base cost for CGT purposes of your existing holding of NHP Shares. The Inland Revenue currently regard a receipt as "small" if its amount or value is five per cent. or less of the value of the NHP Shares in respect of which the entitlement to the receipt arose, or if its amount or value is £3,000 or less, regardless of whether or not it is more than five per cent. of the value of the NHP Shares in respect of which the rights arose.

An NHP Shareholder not resident in the UK for tax purposes may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

Dividends

The Company will not be required to withhold tax at source or to account for tax when paying a dividend.

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which such shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit ("the Gross Dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident individual shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the Gross Dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax in respect of the Gross Dividend. Generally, a UK resident individual shareholder who is not liable to income tax in respect of the Gross Dividend will not be entitled to repayment of the tax credit. In the case of a UK resident individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match his tax liability on the Gross Dividend and he will have to account for additional tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the Gross Dividend when treated as the top slice of his income falls above the threshold for higher rate income tax.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company, although charities will be entitled to limited compensation in lieu of repayable tax credits until 5 April 2004.

Tax credits on dividends paid by the Company in respect of the shares held in Personal Equity Plans ("PEPs") or Individual Savings Accounts ("ISAs") will be repayable for dividends paid on or before 5 April 2004.

UK resident corporate shareholders will generally not be subject to corporation tax on dividends paid by the Company. Those shareholders will not be able to claim repayment of tax credits attaching to dividends.

In general, the right of non-UK resident holders of NHP Shares to reclaim tax credits attaching to dividend payments will depend upon the terms of any applicable double tax treaty which exists between the jurisdiction in which they are resident and the UK. In most cases, the amount that can be paid to non-UK resident holders of NHP Shares in respect of any dividend payment will be reduced to nil as a result of the terms of the relevant treaty. A shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A shareholder who is not resident in the UK should consult his own tax advisers concerning his tax liabilities on dividends received from the Company.

Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable on issue of Provisional Allotment Letters. Accordingly, where the NHP Shares represented by such documents or rights are registered in the name of the shareholder entitled to such shares, no liability to stamp duty or SDRT will arise.

The purchaser of rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid) on or before the latest time for registration or renunciation will not generally be liable to pay stamp duty, but will normally be liable to pay SDRT at a rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary that person will normally account for the SDRT and will indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the NHP Shares represented by Provisional Allotment Letters is liable to pay the SDRT and must account for it to the Inland Revenue.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights, whether by the original holders or their renounees.

Where New Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will be payable at a higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the New Ordinary Shares. This liability for the stamp duty or SDRT will strictly be accountable by the depository clearance service operator or their nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depository receipt scheme. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (generally 0.5 per cent. of the consideration paid) to apply to issues or transfers of the New Ordinary Shares into and to transactions within, such services instead of the higher rate of 1.5 per cent. generally applying to an issue or transfer of New Ordinary Shares into the clearance service and the exemption from stamp duty and SDRT on transfer of the New Ordinary Shares whilst in such service.

Any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. The transfer on sale of New Ordinary Shares will be liable to *ad valorem* stamp duty generally at a rate of 0.5 per cent. (rounded up to the nearest multiple of £5.00) of the consideration paid. Stamp duty is normally the liability of the purchaser or transferee of the New Ordinary Shares. An unconditional agreement to transfer such shares will normally give rise to SDRT, at a rate of 0.5 per cent. of the amount or value of the consideration paid for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a stamp duty transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser or transferee of the New Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on the transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in

which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the consideration paid) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to the Inland Revenue by CRESTCo.

The above statements are indicated merely as a general guide to the current stamp duty and SDRT position. Certain categories of person may be able to claim specific reliefs or exemptions (eg. market makers, brokers and dealers) or may be liable at the higher 1.5 per cent. rate (eg. clearance service operators and their nominees, depositary receipt issuers and their nominees), or may be required (as the 'accountable person' under the Stamp Duty Reserve Tax Regulations 1986) to give notice of and account for SDRT to the Inland Revenue notwithstanding that another person is ultimately liable for the tax.

13 MATERIAL CONTRACTS

The following is a summary of the principal contents of each material contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this document and any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- (a) the Company completed a £100 million fixed rate bond issue on 11 April 1997, comprising of £60,000,000 class A1 secured 8 per cent. notes due 2021 and £40,000,000 class A2 secured 8.5 per cent. notes due 2021, through Care Homes No. 1 Limited ("the CH1 Issue"). As a condition to the CH1 Issue, members of the Group have entered into the following documents dated (save as specified below) on or about 11 April 1997: (i) agreements for overriding lease made between *inter alia* NHP Securities No. 1 Limited or NHP Securities No. 2 Limited and Care Homes No. 1 Limited which contain certain representations and warranties relating to environmental issues and pursuant to which on the grant of the overriding leases (which have yet to be completed) NHP Securities No. 1 Limited and NHP Securities No. 2 Limited will covenant to indemnify Care Homes No. 1 Limited in respect of any liability arising from any breach or non-compliance with environmental legislation and regulations, which indemnity is supported by a guarantee from the Company; (ii) a long term authorised interest investments funding loan facility made between NHP Securities No. 1 Limited, NHP Securities No. 2 Limited and Care Homes No. 1 Limited which provides that both NHP Securities No. 1 Limited and NHP Securities No. 2 Limited will make advances to Care Homes No. 1 Limited which shall be used for the funding of investments to maintain certain debt service cover ratios; (iii) an asset administration agreement made between *inter alia* the Company and NHP Management Limited pursuant to which NHP Management Limited is required to manage the care homes within the portfolio including the administration and management of rents received under each operator lease, general monitoring of the state and repair of the care homes, liaising with operator tenants to ensure compliance with their respective obligations under the operator leases and to track the movements of cash and liabilities through the various ledgers as provided for in the agreement; (iv) an intercreditor deed pursuant to which members of the Group have subordinated their rights to enforce operator lease security (including rights under the mortgage debentures and lease guarantees) in favour of third parties having interests in the overriding leases; (v) NHP Securities No. 1 Limited and NHP Securities No. 2 Limited have executed debentures in favour of Care Homes No. 1 Limited whereby they have granted a first legal mortgage over their respective real property interests which they may have from time to time and a first fixed equitable charge over any property not effectively charged by the first legal mortgage to secure all their obligations in favour of Care Homes No. 1 Limited; (vi) the Company has given a guarantee in favour of Care Homes No. 1 Limited and Royal Exchange Trust Company Limited to guarantee *inter alia* the due and punctual performance of the terms conditions covenants and obligations (whether then existing or arising in the future and whether actual or contingent) of NHP Securities No. 1 Limited, NHP Securities No. 2 Limited and NHP Management Limited arising from any of the documents entered into by those Group members as part of the CH1 Issue; (vii) a further drawings fund of £26,650,500 which was established at the time of the CH1 Issue was drawn down in September 1997 when further agreements for overriding lease were entered into and the responsibilities and obligations referred to above were restated as at that date; (viii) a debenture granted by NHP Securities No. 3 Limited in favour of Care Homes No. 1 Limited as security for the performance by NHP Securities No. 3 Limited of its obligations under or pursuant to agreements for

- overriding leases; (ix) a deed of charge and assignment made between *inter alia* Care Homes No. 1 Limited, NHP Securities No. 1 Limited and NHP Securities No. 2 Limited, pursuant to which NHP Securities No. 1 Limited and NHP Securities No. 2 Limited agreed that *inter alia* any monies which they may recover pursuant to the terms of the relevant operator leases or operator lease security shall be held on trust by them and applied in accordance with the order of priorities set out in the deed; and (x) as a condition precedent to the CH1 Issue the Company issued a responsibility letter in which it took responsibility for the information contained in the offering circular for the CH1 Issue and confirmed that that information was true and accurate and not misleading in the context of the issue of the notes and that there are no other facts in relation thereto the omission of which would in the context of the issue of the notes make any statement in the offering circular for the CH1 Issue misleading. Certain of the operator leases incorporated in the CH1 Issue are subject to an operator repurchase right which gives the relevant operator the benefit of the right to purchase either the freehold reversion (or Scottish or Northern Ireland equivalent) or the landlord's reversionary interest in the relevant property;
- (b) a guarantee dated 9 June 1998 between NHP Securities No. 3 Limited and Ultima Healthcare Limited ("Ultima Healthcare") pursuant to which NHP Securities No. 3 Limited guarantees the repayment to Ultima Healthcare of the principal amount outstanding from time to time of a loan of £6,000,000 made by Ultima Healthcare to Ultima Holdings Limited ("Ultima"). A payment of £2,250,000 was made by NHP Securities No. 3 Limited to Ultima on 13 October 2000 in purchasing shares in Ultima. That sum was applied by Ultima against the £6,000,000 loan owing to Ultima Healthcare, thereby reducing the principal amount of the loan guaranteed to £3,750,000;
- (c) the Company completed a £265 million fixed rate bond issue on 15 February 1999, comprising £180,000,000 class A secured 5.75 per cent. notes due 2023, £60,000,000 class M secured 6.65 per cent. notes due 2025 and £25,000,000 class B secured 7.65 per cent. notes due 2025, through Care Homes No. 2 Limited ("the CH2 Issue"). As a condition to the CH2 Issue, the members of the Group have entered into the following documents dated (save as specified below) on or about 15 February 1999: (i) an agreement for overriding lease dated 7 December 1998 made between *inter alia* NHP Securities No. 3 Limited and the Company; (ii) an investment funding loan facility made between *inter alia* NHP Securities No. 3 Limited and NHP Securities No. 5 Limited whereby NHP Securities No. 3 Limited for itself and any member of the Group may make advances of amounts necessary to provide additional cash towards the purchase of additional overriding leases or authorised investments to maintain the then current rating of the notes issued by Care Homes No. 2 Limited; (iii) an asset administration agreement made between *inter alia* the Company and NHP Management Limited pursuant to which NHP Management Limited is required to manage the care homes within the portfolio including the administration and management of rents received under each operator lease, general monitoring of the state and repair of the care homes, liaising with operator tenants to ensure compliance with their respective obligations under the operator leases and to track the movements of cash and liabilities through the various ledgers as provided for in the agreement; (iv) an intercreditor deed pursuant to which members of the Group have subordinated their rights to enforce operator lease security (including rights under the mortgage debentures and lease guarantees) in favour of third parties having interests in the overriding leases; (v) a declaration of trust pursuant to which NHP Management Limited has an obligation to apply cash amounts derived from the overriding leases credited to a Transaction Account into certain specified investments; (vi) a £45 million further drawings fund which was established at the time of the CH2 Issue was drawn down on 15 September 1999 when a further 20 overriding leases were acquired and the responsibilities and obligations referred to above were restated as at that date; and (vii) as a condition precedent to the CH2 Issue the Company issued a responsibility letter in which it took responsibility for the information contained in the offering circular for the CH2 Issue and confirmed that that information was true and accurate and not misleading in the context of the issue of the notes and that there are no other facts in relation thereto the omission of which would in the context of the issue of the notes make any statement in the offering circular for the CH2 Issue misleading. Certain of the operator leases incorporated in the CH2 Issue are subject to an operator repurchase right which gives the relevant operator the benefit of the right to purchase either the freehold reversion (or Scottish equivalent) or the landlord's reversionary interest in the relevant property;
- (d) the Company completed a £194 million fixed rate bond issue on 16 November 1999, comprising £128,000,000 class A secured 6.125 per cent. notes due 2028, £42,000,000 class M secured 7.125 per cent. notes due 2030 and £24,000,000 class B secured 8.25 per cent. notes due 2030, through Care

Homes No. 3 Limited (“the CH3 Issue”). As a condition to the CH3 Issue the members of the Group have entered into the following documents dated (save as specified below) on or around 16 November 1999: (i) an agreement for overriding lease dated 26 July 1999 made between *inter alia* NHP Securities No. 3 Limited and the Company; (ii) an investment funding loan facility made between *inter alia* NHP Securities No. 3 Limited and NHP Securities No. 10 Limited whereby NHP Securities No. 3 Limited for itself and any member of the Group may make advances of amounts necessary to provide additional cash towards the purchase of additional overriding leases or authorised investments to maintain the then current rating of the notes issued by Care Homes No. 3 Limited; (iii) an asset administration agreement made between *inter alia* the Company and NHP Management Limited pursuant to which NHP Management Limited is required to manage the care homes within the portfolio including the administration and management of rents received under each operator lease, general monitoring of the state and repair of the care homes, liaising with operator tenants to ensure compliance with their respective obligations under the operator leases and to track the movements of cash and liabilities through the various ledgers as provided for in the agreement; (iv) an intercreditor deed pursuant to which members of the Group have subordinated their rights to enforce operator lease security (including rights under the mortgage debentures and lease guarantees) in favour of third parties having interests in the overriding leases; (v) a declaration of trust pursuant to which NHP Management Limited has an obligation to apply cash amounts derived from the overriding leases credited to a Transaction Account into certain specified investments; (vi) a subordinated loan agreement made between NHP Securities No. 3 Limited, Care Homes No. 3 Limited and Royal Exchange Trust Company Limited pursuant to which NHP Securities No. 3 Limited made a subordinated loan to Care Homes No. 3 Limited in the sum of £27,186,000 which carries interest at 6.60 per cent. per annum; (vii) a £45 million further drawings fund which was established at the time of the CH3 Issue was drawn down on 23 October 2000 when a further 34 overriding leases were acquired and the responsibilities and obligations referred to above were restated as at that date; and (viii) as a condition precedent to the CH3 Issue the Company issued a responsibility letter in which it took responsibility for the information contained in the offering circular for the CH3 Issue and confirmed that that information was true and accurate and not misleading in the context of the issue of the notes and that there are no other facts in relation thereto the omission of which would in the context of the issue of the notes make any statement in the offering circular for the CH3 Issue misleading. Certain of the operator leases incorporated in the CH3 Issue are subject to operator repurchase right which gives the relevant operator the benefit of the right to purchase either the freehold reversion (or Scottish equivalent) or the landlord’s reversionary interest in the relevant property;

- (e) an option deed dated 8 November 2000 between Saleem Asaria and Ancyra Holdings Ltd (collectively, the “Vendors”) and the Company pursuant to which the Vendors were granted an option to require the Company to purchase from the Vendors all of the issued shares in Palladium Healthcare (“Palladium”) Limited. The consideration for the shares in Palladium was the allotment and issue by the Company of 1,000,000 Ordinary Shares to the Vendors. The option deed provides that Mr Asaria shall not, for a period of six months after completion of the transaction, without the prior written consent of the Company dispose of more than 250,000 Ordinary Shares issued to him or dispose of more than 250,000 Ordinary Shares except through a firm of stockbrokers notified by the Company to him. The option deed contains normal warranties from Mr Asaria to the Company and his liability pursuant thereto is limited to claims brought within three months of the completion of the sale of the shares in Palladium to the Company. The Company acquired all the issued shares in Palladium on 13 September 2001 and as part of the arrangements relating to the exercise of the option acknowledged that Mr Asaria would not have any liability to the Company in respect of certain of the warranties in the option deed;
- (f) the following operating tenants of the Group were placed in receivership: (i) Westwood Care Limited on 4 February 2000; (ii) Landmark Healthcare Limited on 28 September 2001; (iii) Cherish Healthcare (MJN) Limited on 1 October 2001; (iv) Harmony Care Homes Limited on 7 January 2002; (v) Loughbray Limited on 15 February 2002 (together the “Receiverships”). The Company granted in favour of each receiver appointed in respect of the Receiverships an indemnity on the dates referred to above under which the Company indemnifies the receiver (*inter alia*) against all actions, proceedings, losses, claims, demands expenses, costs and damages incurred: (aa) by reason of any defect or invalidity in the debentures under which the receiver was appointed; (bb) in the proper and reasonable conduct of the receivership; (cc) by reason of any inability of the receiver to recover sums required to discharge all reasonable remuneration due to the receiver; (dd) by reason of the company in receivership incurring trading losses; (ee) by reason of the payment or non-payment of any preferential, secured or non-secured

creditors; and (ff) by reason of any acts effected on or with the agreement of the Company and including the acts of any consultants appointed with the agreement of the Company. It is a condition of the indemnity that the receiver seeks to satisfy any claim out of the assets in the receiver's possession before claiming under the indemnity. The indemnities described above are of the usual kind required in connection with the appointment of a receiver;

- (g) NHP Securities No. 3 Limited subscribed for and purchased the following amounts of 'C' non-voting ordinary shares in Ultima Holdings Limited at £1.00 per share: (i) 180,000 shares on 30 June 2000; (ii) 180,000 shares on 29 September 2000; (iii) 2,250,000 shares on 13 October 2000; (iv) 180,000 shares on 20 December 2000; (v) 180,000 shares on 30 March 2001; and 11,000,000 shares on 30 March 2001;
- (h) a facility agreement dated 24 November 2000 between NHP Securities No. 6 Limited as borrower and The Governor and Company of The Bank of Scotland. The agreement provides for the bank to make available to NHP Securities No. 6 Limited a loan facility up to a maximum amount of £3,100,000 for the purposes of making acquisitions of certain properties. The loan is secured by fixed and floating charges on the assets of NHP Securities No. 6 Limited and fixed and floating charges and an unlimited guarantee from NHP Securities No. 3 Limited. The agreement also contains various representations, warranties, covenants (including financial covenants) and events of default (which can trigger early payment), which are usually included in a facility agreement of this nature. The borrower is also liable to pay certain fees and expenses in connection with the facility. The interest rate applicable is the sum of (i) the base rate of The Governor and Company of the Bank of Scotland, (ii) a margin of 3 per cent. per annum and (iii) a percentage rate per annum reflecting such mandatory costs incurred by the bank as may be imposed by the Bank of England, the Financial Services Authority and/or the European Central Bank. By an amendment and restatement agreement dated 13 February 2002 made between NHP Securities No. 6 Limited and The Governor and Company of the Bank of Scotland, the maximum amount of this facility was reduced to £1,815,000 and the repayment date extended to 28 November 2002;
- (i) an agreement dated 19 December 2000 between the Company, Somerford Healthcare Limited and First Choice Healthcare Limited for the sale and purchase of the entire issued share capital of Somerford Leased Homes Limited. The agreement provides that First Choice Healthcare Limited shall sell the entire issued share capital of Somerford Leased Homes Limited to the Company in consideration of an the allotment and issue by the Company of 3,000,000 Ordinary Shares to Somerford Healthcare Limited ("Consideration Shares"), subject to adjustment mechanisms on the finalisation of completion accounts agreed upon by Somerford Healthcare Limited and the Company. The agreement further provides that Somerford Healthcare Limited shall not, without the prior written consent of the Company, for a period of twelve months from the completion of the transaction dispose of any of the Consideration Shares. The agreement contains usual representations and warranties from First Choice Healthcare Limited. First Choice Healthcare shall be liable for a period of 12 months and seven years from completion under the general warranties and tax warranties respectively. The Company completed the acquisition of the entire issued share capital of Somerford Leased Homes Limited on 9 February 2001;
- (j) an amendment and restatement agreement dated 23 January 2001 between NHP Securities No. 3 Limited and the Company as borrower, The Governor and Company of The Bank of Scotland and certain banks, relating to a facility agreement dated 4 April 1997 between the same parties. The agreement provides for a restatement of the facility agreement of 4 April 1997 pursuant to which certain banks (as specified in the agreement) granted a revolving loan and bank guarantee facility in a maximum aggregate amount of £113,400,000 (the "Facility") for the purposes of financing or refinancing inter-company indebtedness of NHP Securities No. 1 Limited, NHP Securities No. 2 Limited, NHP Securities No. 3 Limited and for working capital purposes of the Group. The interest rate applicable to the Facility is the sum of (i) a variable margin made with reference to (aa) the value of the secured property and rental income to the amount outstanding under the Facility (which could increase the variable margin payable per annum to 2 per cent.) and (bb) no event of default occurring (which could reduce the variable margin payable per annum to 1.5 per cent.), (ii) the mandatory liquid asset costs and (iii) the London Inter-Bank Offered Rate. The current expected total interest rate on the loan is 5.8225 per cent., being the aggregate of the variable margin at 1.75 per cent., mandatory liquid asset costs at 0.0625 per cent. and the London Inter-Bank Offered Rate at 4.01 per cent. The Facility is secured by a fixed charge on certain freehold and long leasehold properties held by NHP Securities No. 3 Limited, together with a floating charge on its other assets and an unlimited guarantee from the Company. The facility agreement contains provisions for the

mandatory repayment of any amounts outstanding under the Facility as well as mandatory reductions of the total commitment of the lenders under the facility on certain reduction dates as set out in the facility agreement. As at 31 March 2002 (being a reduction date referred to in the facility agreement), the total commitment of the lenders was reduced to £93,500,000. The restated facility agreement also contains various representations, warranties, covenants (including financial covenants) and events of default (which can trigger early payment), which are usually included in a facility agreement of this nature. The borrower is also liable to pay certain fees and expenses in connection with the Facility being made available to it. The Facility has been further amended as referred to in sub-paragraph (v) below;

- (k) a share sale and purchase agreement dated 24 January 2001 between Apax Ventures IV and Apax Ventures IV International Partners L.P., Apax UK V-A L.P. and Apax UK V-B (collectively, the “Apax Vendors”) and the Company pursuant to which the Apax Vendors agreed to sell an aggregate of 9,600 ‘A’ ordinary shares, 1,000,000 preference shares, 2,500,000 ‘A’ preference shares and 1,000,000 ‘B’ preference shares held in Highfield Holdings Limited to the Company for an aggregate cash consideration of £200,000 and the allotment and issue by the Company of 4,000,000 Ordinary Shares to the Apax Vendors collectively. The agreement contains certain warranty statements from the Apax Vendors relating only to the size of their respective shareholding and title to their shares in Highfield Holdings Limited;
- (l) an agreement dated 22 February 2001 between NHP Securities No. 3 Limited, NHP Securities No. 9 Limited, Ashbourne KW Limited, APTA Healthcare (UK) Limited (the “Tenant”), Ashbourne Homes Limited, Exceler Healthcare Services Limited, Noblerevel Limited, Ashbourne Limited and Sun Healthcare Group UK Limited, Modelfuture Limited, Exceler Ireland Limited, NHP Securities No. 1 Limited and NHP Securities No. 2 Limited and Sun Healthcare (Europe) BV, pursuant to which NHP Securities No. 3 Limited and NHP Securities No. 9 Limited (the “Sellers”) agreed to sell to Ashbourne KW Limited their respective freehold and leasehold interests in certain properties for an aggregate consideration of £7,500,000. The agreement provides for the properties to be sold with full title guarantee (as varied by the agreement) and contains the usual provisions in a transfer of interests in property (including provisions relating to title, mechanics for the transfer, insurance, rent deposits, release of lease guarantees and arrears under the operator lease between each of the Sellers and the Tenant);
- (m) a deed made on 29 March 2001 between the Company and Southern Cross Healthcare Limited concerning the acquisition by Southern Cross Healthcare Services Limited (“Southern Cross”) of a portfolio of 35 care homes (“the Portfolio”) from subsidiaries of Ultima Holdings Limited (“Ultima”), the Portfolio being leased from the Group and its associated companies. The deed facilitates the assignment of the leases within the Portfolio (“the Leases”) from subsidiaries of Ultima and provides: (i) for certain works to be undertaken on the Portfolio at the expense of the Group (subject to specified caps); (ii) for all provisions relating to the payment of turnover rent under the Leases to be deleted and replaced in accordance with the terms of the deeds of variation to be entered into between the relevant Group landlord, Southern Cross and Southern Cross Healthcare Limited and (iii) for grant of the licences to assign the Leases referred to below.

In connection with the completion of the deed, referred to above, there are separate licences to assign for each of the Leases between the relevant Group landlord, the Vendor, Southern Cross, Southern Cross Healthcare Limited and Ultima dated variously between 1 June 2001 and 30 November 2001. Pursuant to the terms of the licences, the Company and/or its subsidiaries entered into the following contracts: (i) a deed of variation between the relevant Group landlord, Southern Cross and Southern Cross Healthcare Limited providing that all provisions of the relevant Lease relating to the payment of turnover rent be deleted and replaced by RPI indexation (subject to a maximum and minimum amount of 4 per cent. and 2 per cent.); (ii) a mortgage debenture from Southern Cross to the relevant Group landlord charging all Southern Cross’ assets; (iii) a security power of attorney from Southern Cross to NHP Management Limited as agent for the relevant Group landlord; (iv) a rent deposit deed from Southern Cross to the relevant Group landlord charging a sum approximately equivalent to two months rent in respect of each Lease; and (v) an option deed between the relevant Group landlord, Southern Cross and Southern Cross Healthcare Limited confirming the efficacy of the tenant’s right to renew the Lease in accordance with its terms and (in the case of three leases) revocation of the tenant’s right to purchase the freehold reversion expectant on the Lease. All such documents bear the same date as the date of assignment of the Lease to which such documents relate, being a date between 1 June 2001 and 30 November 2001;

Following the execution of the deed described above, the following agreements were entered into: (i) deed of agreement between the Company and Southern Cross Healthcare Limited ("SCHL") dated 29 March 2001 pursuant to which it was agreed that SCHL would procure that in respect of three care homes, Southern Cross would enter into an agreement with NHP Securities No. 3 Limited whereby Southern Cross would surrender its operator lease to NHP Securities No. 3 Limited so as to enable NHP Securities No. 3 Limited to sell its freehold interest in each of those care homes; (ii) a deed of agreement between Ultima, SCHL and the Company dated 29 March 2001 in relation to claims which may be brought by the staff of Ultima in connection with the sale of the Portfolio; (iii) a share option agreement dated 29 March 2001 between Saleem Asaria and NHP Securities No. 3 Limited relating to the grant of an option by Mr Asaria to NHP Securities No. 3 Limited to purchase 100 Ordinary Shares in Ultima; and (iv) a solvency agreement dated 29 March 2001 between NHP Securities No. 3 Limited Ultima and the Vendors.

Each of Ultima and Southern Cross are operators of care homes. Operation of the 35 care homes in the Portfolio was transferred to Southern Cross pursuant to the arrangement contemplated above. Southern Cross remains a tenant of NHP and is presently an operator of some of the care homes owned by NHP;

- (n) 35 sale agreements dated 29 March 2001 between Ultima Healthcare Limited, Ultima Care Limited and Platinum Healthcare Limited (each a "Vendor"), Ultima Holdings Limited ("Ultima"), Southern Cross Healthcare Services Limited ("Southern Cross"), Southern Cross Healthcare Limited, Saleem Asaria and the Company pursuant to which the Vendor agreed to sell to Southern Cross the business and assets relating to various nursing home properties (the "Portfolio") for a consideration of £1.00. The agreements contain various warranties, undertakings and indemnities from each Vendor to Southern Cross in connection with the sale. The Company irrevocably and unconditionally guarantees to Southern Cross the due and punctual payment by the Vendors and Ultima of all their financial liabilities under or arising out of each sale agreement and agrees to indemnify Southern Cross in full on demand against any loss or damage or any liability which Southern Cross may suffer or incur directly or indirectly, arising out of or in connection with any failure of a Vendor and/or Ultima to pay any of its financial liabilities when due and in enforcing, protecting or preserving Southern Cross' rights. In addition the Company gives certain warranties to Southern Cross as to its capacity to enter into the agreement and related matters and as to the terms of the Leases;
- (o) an operating and management agreement dated 29 March 2001 between Ultima Care Limited, Ultima Healthcare Limited and Platinum Healthcare Limited (collectively "Ultima"), Southern Cross Healthcare Limited ("Southern Cross"), NHP Management Limited and Saleem Asaria under which Southern Cross agreed to take over the management of 35 of Ultima's leases until re-registration, when the leases would be assigned to Southern Cross for £1 each. The agreement imposes certain management, financial and accounting obligations on Southern Cross as the operator of the care homes owned by Ultima. NHP Management Limited is a party to the agreement only for the purposes of taking the benefit of the fees and expenses due to and/or from Southern Cross and Ultima and to the extent that the consent of NHP Management Limited is required for the purposes of Ultima's parting possession of certain of its care homes. NHP Management Limited also signed a solvency agreement granting financial support to Ultima whilst this process took place and Ultima's remaining five leases were assigned or similarly dealt with;
- (p) a standby loan facility dated 29 March 2001 between NHP Securities No. 3 Limited and Southern Cross (referred to in sub-paragraph (o) above) which provided for a loan of up to £1,000,000 to be made by NHP Securities No. 3 Limited to Southern Cross. The facility amount reduces to £500,000 on 1 October 2001. The interest payable on any amount outstanding is 2 per cent. per annum above the base rate from time to time of National Westminster Bank plc and in the event of default, interest shall accrue at the rate of 5 per cent. per annum above the base rate of National Westminster Bank plc. The term of such loan will be 18 months from the date of the operating and management agreement detailed at sub-paragraph (o) above. The purpose of the loan shall be to cover working capital on the Portfolio;
- (q) an umbrella deed dated 12 July 2001 between Union Healthcare Group Limited ("Union") and the Company relating to the assets of the subsidiaries of Union. The deed (i) set out the terms upon which certain leases, under which subsidiaries of Union ("the Union Subsidiaries") were operating tenants, would be assigned to third party operators and an option in favour of members of the Group to call for such leases to be assigned to third parties; (ii) provides for a reduction for the period from 1 April 2001 to

30 October 2001 in the rent payable by the Union Subsidiaries to members of the Group; (iii) provides for the payment of capital expenditure by the Company for the maintenance and improvement of properties leased by the Union Subsidiaries a maximum sum of £500,000 (inclusive of VAT); (iv) provides that Union will grant the Company an option to purchase 20 per cent. of the issued share capital of each of the Union Subsidiaries for £1.00. If such option is exercised, the Company must grant an option to Union for it to repurchase such shares for a consideration of the higher of £1,500,000 or their open market value (as calculated pursuant to the agreement) at the time of exercise of such option;

- (r) a share sale and purchase agreement dated 11 December 2001 between Martin Joyce, Anthony Joyce, Martin and Anthony Joyce and Bank of Scotland Central Nominees Limited (collectively, the "Joyce Vendors") and the Company pursuant to which the Joyce Vendors agreed to sell their aggregate shareholding of 10,000 ordinary shares in Highfield Holdings Limited to the Company for a consideration of £1. The agreement contains provisions restricting the use of the name Highfield Holdings Limited by the Joyce Vendors and the release of each of Highfield Holdings Limited and its subsidiaries from all guarantees given in respect of the liabilities of any of the Joyce Vendors;
- (s) an amendment agreement dated 13 February 2002 between NHP Securities No. 6 Limited as borrower and The Governor and Company of The Bank of Scotland relating to a facility agreement dated 24 November 2000. The agreement provides for a restatement of the facility agreement of 24 November 2000 pursuant to which the bank agreed to make available to NHP Securities No. 6 Limited a loan facility up to a maximum amount of £1,815,000 for the purposes of making acquisitions of certain properties. The interest rate applicable is the sum of (i) the base rate of The Governor and Company of the Bank of Scotland, (ii) a margin of 3 per cent. per annum and (iii) a percentage rate per annum reflecting such mandatory costs incurred by the bank as may be imposed by the Bank of England, the Financial Services Authority and/or the European Central Bank. The current expected total interest in the loan is 7 per cent., being the aggregate of the base rate of the Governor and Company of the Bank of Scotland at 4 per cent. and 3 per cent. There are no mandatory costs imposed at present. The loan is secured by a fixed charge on certain assets for resale of NHP Securities No. 6 Limited and an unlimited guarantee from NHP Securities No. 3 Limited. The agreement also contains various representations, warranties, covenants (including financial covenants) and events of default (which can trigger early payment), which are usually included in a facility agreement of this nature. The borrower is also liable to pay certain fees and expenses in connection with the facility being made available to it;
- (t) an agreement dated 28 March 2002 between NHP Securities No. 3 Limited, NHP Securities No. 9 Limited (acting through McClure Naismith) ("Sellers") and Combined Healthcare Management Limited (acting through The McKinstry Company) ("Buyer") for the sale of the properties at Abercorn Nursing Home and Avon Park Nursing Home (the "Properties"). Pursuant to the terms of the agreement, the Sellers agreed to sell the Properties to the Buyer for an aggregate consideration of £4,000,000. Of the consideration, £450,000 ("the deferred portion"), representing part of the consideration payable for Abercorn Nursing Home was deferred and is payable by equal instalments of £28,125 payable quarterly over the period of four years from completion, the first instalment being due three calendar months after completion. Interest at 10.8 per cent. is due and payable on each instalment from the date of completion until the due date for payment. If any instalment is not paid in full on the due date for payment then interest at 4 per cent. above the base lending rate of the Royal Bank of Scotland plc is due and payable on such instalment and the accrued interest from the due date for payment until paid in full. The obligation to pay the deferred portion is secured by standard securities granted to the Sellers over the Properties and over Mansewood Nursing Home, Millport (a property acquired by Combined Healthcare (Millport) Limited), bond and floating charges given by the Buyer and Combined Healthcare (Millport) Limited and personal guarantees by two Directors of the Buyer. An inter-creditor agreement was entered into by NHP Securities No. 3 Limited with Anglo Irish Bank Corporation ("AIB"), Clydesdale Bank PLC ("CB"), the Buyer, Combined Healthcare (Millport) Limited and Combined Healthcare Limited to regulate the relationship of, and the rights and powers of these parties as secured creditors. This Agreement postpones the sums due to NHP Securities No. 3 Limited, including the instalment payments of the deferred portion, to all sums due to AIB from time to time and restricts the powers of NHP Securities No. 3 Limited to *inter alia* call-up on the security described above or appoint a receiver/petition for winding-up or administration etc., take additional security or receive early or accelerated repayment from the Buyer or repayment from the Buyer of the deferred portion other than by the payments detailed above and restricts the repayment of the deferred portion by the payments detailed above in certain circumstances

for example, if the Buyer is in default of any payment to AIB or would be likely to be in default as a result of making such payment to NHP Securities No. 3 Limited. Any sums received by NHP Securities No. 3 Limited from the Buyer, Combined Healthcare (Millport) Limited or Combined Healthcare Limited contrary to the terms of the Inter-Creditor Agreement are required to be passed to AIB. The sums due to NHP Securities No. 3 Limited rank prior to the sums due to CB;

- (u) the Underwriting Agreement referred to in paragraph 11 of this Part 4; and
- (v) an amendment and restatement agreement dated 14 May 2002 between NHP Securities No. 3 Limited, the Company, The Governor and Company of the Bank of Scotland and certain banks amending the facility agreement dated 4 April 1997 referred to in sub-paragraph (j) above (the "Facility Agreement"). The amendment and restatement agreement provides for certain amendments to the Facility Agreement, namely (i) extending the final maturity date under the Facility (as described in sub-paragraph (j) above) to 30 June 2003 and (ii) deleting certain commission and fees payable under the Facility Agreement. Those amendments will take effect as certain conditions precedent specified in part A of Schedule 1 to the amendment and restatement agreement have been satisfied. The agreement also provides for the Facility Agreement to be restated upon completion of the Rights Issue (the "Effective Date") (and conditional upon the Rights Issue raising a minimum of £28,000,000). The restated Facility Agreement provides for, *inter alia*, (i) the extension of the final maturity date of the Facility to 31 December 2004; (ii) a facility limit of £90,000,000 on the Effective Date reducing during the term of the Facility to a level of £85,000,000 on 31 December 2003 and a level of £75,000,000 on 30 September 2004; (iii) an amendment to (aa) allow (subject to obtaining the consent of the banks) the purchase of freehold, leasehold or other interest in any nursing home from new tenants provided such properties are projected to reach certain rental cover tests within three months of acquisition; (bb) allow the Company to pay a dividend to its shareholders in respect of the financial year ending 30 September 2003, such dividend to be limited to a maximum sum of 9 per cent. of consolidated profits before interest, tax and depreciation in respect of such financial year; (cc) remove certain restrictions on capital expenditure for maintenance and improvement of the nursing homes; (dd) allow the provision of financial support to operators of nursing homes (not being members of the Group) provided that such support does not exceed £3,000,000 in any financial year of NHP Securities No. 3 Limited and allow the provision of financial support to operators of nursing homes (being members of the Group); (ee) vary the interest rate applicable to the Facility to 1.75 per cent. per annum; and (ff) pay early repayment fees of £500,000 if the Facility is prepaid in full prior to 31 December 2003, £750,000 if the Facility is prepaid in full at any time during the period from and including 1 January 2004 to 30 June 2004 (inclusive) and £1,000,000 if the Facility is repaid in full at any time on or after 1 July 2004. The restated Facility Agreement contains certain financial covenants to be complied with during the term of the Facility which can be summarised as follows: (1) Consolidated Tangible Net Worth (as defined in the Facility Agreement) shall not at any time be less than £60,000,000, (2) the ratio of Net Financial Indebtedness (as defined in the Facility Agreement) to Consolidated Tangible Net Worth shall not at any time exceed 7:1, (3) the ratio of Net Financial Indebtedness (excluding all financial indebtedness other than that of NHP Securities No.3 Limited under the Facility documents) to Consolidated Tangible Net Worth shall not at any time exceed 1.4:1, (4) Consolidated Profits Before Interest, Tax and Depreciation (as defined in the Facility Agreement) in respect of each of the period from 1 April 2002 to 30 June 2002 and the period after 30 June 2002 shall be no less than "X" times Consolidated Net Borrowing Costs (as defined in the Facility Agreement) for such period where "X" equals 1.4 and 1.5 respectively, (5) Profits Before Interest, Tax and Depreciation (as defined in the Facility Agreement) plus surplus rental income (being income received by the Group from the securitised portfolios) in respect of each of the period from 1 April 2002 to 30 June 2002 and the period after 30 June 2002 shall be not less than "Y" times Net Borrowing Costs for such period where "Y" equals 2.8 and 3.4 respectively, (6) at all times the value of the secured property plus the product of three times the surplus rental income during the relevant period (being each period of twelve months ending on the last day of NHP Securities No.3 Limited's financial year and each period of twelve months ending on the last day of each calendar month of NHP Securities No.3 Limited's financial year) to the outstandings shall be not less than 1.75:1, and (7) at all times the ratio of the value of the unsecuritised property (being the secured property excluding securitised real property) to the outstandings shall be not less than 1.33:1. The restated Facility Agreement also contains various representations, warranties, covenants and events of default (which can trigger early payment), which are usually included in a facility of this nature.

14 WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this document.

15 LITIGATION

No member of the Group is or has been engaged in any legal or arbitration proceedings which may have or have had, during the twelve months preceding the date of this document, a significant effect on the Group's financial position nor, so far as NHP is aware, are any such proceedings pending or threatened by or against the Group.

16 SIGNIFICANT CHANGES

There has been no significant change in the financial or trading position of the Group and its subsidiaries since 31 March 2002 being the date of the latest unaudited interim financial statements published for the Group.

17 CONSENT

Collins Stewart has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

18 GENERAL

- (a) The financial information contained in this document does not amount to statutory accounts within the meaning of Section 240 of the Companies Act. Other than the financial information for the year ended 30 September 2001, none of the financial information contained in this document has been audited by the Company's auditors. Full consolidated audited accounts have been delivered to the Registrar of Companies for the Company for the two financial years ended 30 September 2000.
- (b) The NHP Shares which are in issue at the date of this document are, and which will be in issue following Admission will be, in registered form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles permit the holding of New Ordinary Shares under CREST. CREST is a voluntary system and holders of NHP Shares who wish to receive share certificates will be able to do so even after admission to the CREST system.
- (c) The estimated cash proceeds of the Rights Issue, net of expenses, accruing to the Company are £31.86 million.
- (d) 54,777,789 New Ordinary Shares will be issued under the Rights Issue at a price of 62 pence per share, representing a premium of 61 pence per share over the nominal value of 1 pence, payable in full on application.
- (e) The total costs, charges and expenses in connection with the Rights Issue are estimated to amount to £2.1 million (exclusive of VAT) and are payable by the Company. Of this, up to approximately £1.57 million will be payable by way of commissions to financial intermediaries.
- (f) Collins Stewart is acting as sponsor to the Rights Issue.

19 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of SJ Berwin, 222 Gray's Inn Road, London WC1X 8XF during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the last date for acceptances, expected to be 1 July 2002:

- (a) the memorandum and Articles of the Company;
- (b) the consolidated audited accounts for the Company for the two financial years ended on 30 September 2001 and the unaudited interim results for the six months ended 31 March 2002;

Part 4 – Additional information

- (c) the Directors' service contracts referred to in paragraph 7 of this Part 4;
- (d) the Underwriting Agreement referred to in paragraph 11 of this Part 4;
- (e) the material contracts referred to in paragraph 13 of this Part 4;
- (f) the consent referred to in paragraph 17 of this Part 4;
- (g) the valuation report by GVA Grimley referred to in Part 3 of this document; and
- (h) this document.

17 May 2002

Notice of the Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of NHP Plc will be held at the offices of Collins Stewart Limited, 9th Floor, 88 Wood Street, London EC2V 7QR at 10.00 am on 10 June 2002 to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

- 1 THAT the authorised share capital of the Company be increased by £1,850,000 from £1,850,000 to £3,700,000 by the creation of 185,000,000 additional ordinary shares of 1p each.
- 2 THAT the Directors of the Company be hereby specifically and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to allot relevant securities up to an aggregate nominal amount of £547,777.89 in connection with the Rights Issue, as such term is defined in a circular to shareholders of the Company dated 17 May 2002 ("the Circular"), such authority to expire on 31 July 2002.
- 3 THAT, in addition to the authority granted under Resolution 2 above, the Directors of the Company be hereby generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £751,988.73 for the period expiring at the earlier of the conclusion of the next Annual General Meeting of the Company and the date 15 months from the date this Resolution 3 comes into effect, (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to Section 80 of the Act (other than under Resolution 2) are revoked (save to the extent relied upon prior to the passing of this Resolution 3).

SPECIAL RESOLUTIONS

- 4 THAT, subject to the passing of Resolution 2 above, the Directors be hereby empowered, during the period expiring on 31 July 2002, to allot or make offers or agreements to allot equity securities pursuant to the authority granted by Resolution 2 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of 54,777,789 Ordinary Shares in connection with the Rights Issue (as defined in the Circular).
- 5 THAT, subject to the passing of Resolution 3 above, the Directors be hereby empowered, during the period expiring on the earlier of the conclusion of the next Annual General Meeting of the Company and the date 15 months from the date that this Resolution 5 comes into effect (provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred hereby had not expired), to allot or make offers or agreements to allot equity securities pursuant to the authority granted by Resolution 3 above as if Section 89(1) of the Act did not apply to any such allotment, and so that all previous authorities given by the Company in general meeting to disapply section 89(1) of the Act (other than under Resolution 4) are revoked (save to the extent relied upon prior to the passing of this Resolution 5) provided that this power shall be limited:
 - (i) to the allotment of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

Notice of the Extraordinary General Meeting

- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £100,425.94.

Dated 17 May 2002

Registered Office
6 Broad Street Place
Blomfield Street
London EC2M 7JH

By order of the Board

D A Currie

Registered in England No. 02798607

Joint Secretary

Notes:

- 1 A member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and, upon a poll, vote instead of him or her. A proxy need not be a member of the Company.
- 2 A Form of Proxy is enclosed with this notice for use in connection with the meeting. To be effective, a form of proxy together with any power of attorney or other written authority under which it is signed (or an office or notarially certified copy, or copy certified in accordance with the Powers of Attorney Act 1971, of such power or written authority) must be lodged with the Company's Registrars, Connaught St Michaels Limited at PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU, not later than 10.00 am on 8 June 2002 or 48 hours before the date fixed for any adjournment thereof or, in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting, not less than 48 hours before taking of the poll in relation to which the Form of Proxy is to be used.
- 3 Completion and return of a Form of Proxy will not prevent a member from attending and voting at a meeting should he or she so wish.
- 4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the persons entitled to receive the notice are those persons entered on the register of members at the close of business on 6 June 2002 and the time by which a person must be entered on the register of members in order to have the right to attend or vote at the Extraordinary General Meeting is 10.00 am on 10 June 2002. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 5 p. m. on the day preceding the date fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.