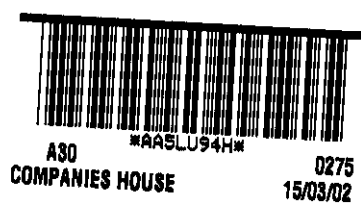


**NHP MANAGEMENT LIMITED**

**Report and Financial Statements**

**30 September 2001**



**REPORT AND FINANCIAL STATEMENTS 2001**

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**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

W Colvin, CA	Executive Director
D F Francis, FCA	Executive Director
T D Walker-Arnott, FRICS	Executive Director
A K Stein, ACA	Executive Director
C M Deegan, ACA	Executive Director
R N Midmer, CENG.MICE	Executive Director

**SECRETARY**

S Kaul

**REGISTERED OFFICE**

6 Broad Street Place  
Blomfield Street  
London EC2M 7JH

**BANKERS**

The Royal Bank of Scotland Plc  
Norwich City Office  
45 London Street  
Norwich NR2 1HX

Bank of Scotland Plc  
Commercial Banking Services  
Telford House  
3 Mid New Cultins  
Edinburgh EH11 4DH

**SOLICITORS**

Eversheds  
Holland Court  
The Close  
Norwich NR1 4DX

**AUDITORS**

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

## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2001.

### PRINCIPAL ACTIVITY

NHP Management Limited is a wholly owned subsidiary of NHP Plc which is the only quoted UK property investment group specialising in the purchase and leaseback of modern purpose-built care homes to care home operators.

The principal activity of the Company is the management of care home property portfolios and administrative matters on behalf of NHP Plc Group and third party companies.

### BUSINESS REVIEW

In the year to 30 September 2001 the Company has continued to receive management fees from NHP Plc Group and third party companies which will continue for the foreseeable future.

### RESULTS

The results for the year to 30 September 2001 are set out in the profit and loss account on page 6.

### DIVIDENDS

No dividends in respect of the year are proposed (2000 - £Nil).

### GOING CONCERN

The Directors, having made appropriate enquiries, are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### DIRECTORS

The Directors who served during the year were as follows:

		<u>Date Appointed</u>	<u>Date Resigned</u>
M P Clayton	Executive Director	21 December 1998	22 January 2001
W Colvin	Executive Director	7 September 2000	
W J Davies	Executive Director	22 January 1997	29 November 2001
C M Deegan	Executive Director	18 January 2000	
D F Francis	Executive Director	6 January 1997	
A R Kilmartin	Executive Director	21 December 1998	29 November 2001
P H S Smith	Executive Director	27 January 1997	19 September 2001
A K Stein	Executive Director	18 January 2000	
R N Midmer	Executive Director	13 February 2001	
T D Walker-Arnott	Executive Director	21 December 1998	

The current Directors of the Company are detailed on page 1.

No Director has, or had, any interests in the shares of the Company. No Director holds a service contract with the Company and there is no Company share option scheme in existence.

# DIRECTORS' REPORT

## DIRECTORS (continued)

The interests of Messrs. W Colvin, W J Davies and D F Francis in the shares of the parent company are disclosed in that company's financial statements. The interests of the other Directors in the ordinary shares of the parent company at 30 September 2001 and at 30 September 2000 or date of appointment were:

### Beneficial holdings

	2001 No.	2000 No.
A R Kilmartin	8,000	8,000
T D Walker-Arnott	4,000	4,000
M P Clayton	500	500
C M Deegan	500	500

### Share options

	At 1 October 2000 No.	Granted No.	Lapsed No.	At 30 September 2001 No.
A R Kilmartin	24,673			24,673
T D Walker-Arnott	16,500	320,000	6,500	330,000
A K Stein	15,054	320,000	5,054	330,000
C M Deegan	14,983	320,000	4,983	330,000

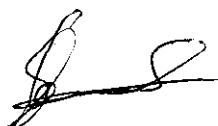
## PAYMENTS TO CREDITORS

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms. The creditor days for the Company at 30 September 2001, calculated in accordance with the Companies Act 1985, are 12 (2000: 11).

## AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



S Kaul  
Secretary

18 December 2001

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

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

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF NHP MANAGEMENT LIMITED**

We have audited the financial statements of NHP Management Limited for the year ended 30 September 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

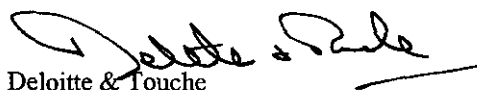
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and  
Registered Auditors

18 December 2001

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 2001**

	Note	2001 £	2000 £
<b>TURNOVER AND GROSS PROFIT</b>	2	2,684,167	2,369,726
Administrative expenses	3	(2,672,397)	(2,366,959)
<b>OPERATING PROFIT</b>		11,770	2,767
Loss on disposal of fixed assets		(5,175)	-
Net interest payable and similar charges	4	(133)	(570)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		6,462	2,197
Tax on profit on ordinary activities	5	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT RETAINED FOR THE YEAR</b>		6,462	2,197
<b>Retained profit brought forward</b>		27,335	25,138
<b>Retained profit carried forward</b>		33,797	27,335

Turnover and operating profit are wholly derived from continuing operations.

There are no recognised gains or losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.



**BALANCE SHEET**  
**30 September 2001**


	Note	2001 £	2001 £	2000 £	2000 £
<b>FIXED ASSETS</b>					
Tangible assets	6		407,275		444,999
<b>CURRENT ASSETS</b>					
Debtors	7	854,571		674,323	
Cash at bank and in hand		346		40,875	
		<u>854,917</u>		<u>715,198</u>	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(1,215,507)</u>		<u>(1,132,860)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(360,590)</u>		<u>(417,662)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			46,685		27,337
<b>CREDITORS: amounts falling due after more than one year</b>	9		<u>(12,886)</u>		<u>-</u>
			<u>33,799</u>		<u>27,337</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		2		2
Profit and loss account			<u>33,797</u>		<u>27,335</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>33,799</u>		<u>27,337</u>

These financial statements were approved by the Board of Directors on 18 December 2001

Signed on behalf of the Board of Directors



R N Midmer  
Finance Director



D F Francis  
Executive Director

**NOTES TO THE ACCOUNTS****Year ended 30 September 2001****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements are prepared under the historical cost convention, in accordance with all applicable United Kingdom accounting standards and in compliance with the Companies Act 1985. The particular accounting policies adopted are described below.

**Depreciation**

Tangible fixed assets are stated at cost less depreciation which is provided at rates calculated to write off the cost in equal amounts over their anticipated useful lives as follows:

Short leasehold improvements	remaining period of lease
Office equipment and fixtures	5 years
Motor vehicles	5 years

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable a liability or asset will crystallise in the future.

**Leased assets**

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

**Pensions**

NHP Management Limited contributes to the personal pensions of its employees at rates from 10% to 15% of basic salary, which is charged monthly to the profit and loss account.

**2. TURNOVER AND GROSS PROFIT**

Turnover comprises the following items earned from the Company's ordinary activities, which take place wholly within the United Kingdom.

	2001 £	2000 £
Management fees, excluding value added tax, received from:		
Care Homes No.1 Limited	139,025	137,730
Care Homes No.2 Limited	331,424	331,144
Care Homes No.3 Limited	261,654	183,467
NHP Plc Group companies	1,952,064	1,712,300
Rents received	-	5,085
	<u>2,684,167</u>	<u>2,369,726</u>

# NOTES TO THE ACCOUNTS

## Year ended 30 September 2001

### 3. ADMINISTRATIVE EXPENSES

Four Directors are executives of the holding company NHP Plc and its subsidiary companies. The Directors received total emoluments of £952,689 from the parent company NHP Plc during the year (2000: £1,284,091), but it is not practicable to allocate this between their services to individual NHP Plc group companies. In addition to their emoluments, four (2000: twelve) of the Directors received contributions towards their money purchase pension arrangements. Contributions totalled £163,785 in the year (2000: £198,396).

Administrative expenses include:

	2001 £	2000 £
The aggregate staff costs (including Directors) were:		
Wages and salaries	984,808	-
Social security costs	92,811	
Pension costs	113,005	
Group management fees charged by NHP Plc	237,966	237,966
Audit fees - audit services	132,792	163,028
Depreciation	165,289	126,917
Operating lease rentals - buildings	60,000	60,000

The Company had no employees during the preceding year.

### Average number of employees

	2001 No.	2000 No.
Administrative	16	-
Directors	5	-
	21	-

### 4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Interest receivable	579	203
Finance costs	(712)	(773)
	(133)	(570)

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no tax charge for the year or preceding year owing to the availability of group relief from other group companies at £nil consideration (2000: Nil).

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 2001**

**6. TANGIBLE FIXED ASSETS**

	Short leasehold improvements £	Office equipment and fixtures £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 October 2000	158,432	266,659	248,605	673,696
Additions	-	18,905	152,037	170,942
Disposals	-	(450)	(68,049)	(68,499)
	<u>158,432</u>	<u>285,114</u>	<u>332,593</u>	<u>776,139</u>
<b>At 30 September 2001</b>				
<b>Accumulated depreciation</b>				
At 1 October 2000	(64,750)	(97,281)	(66,666)	(228,697)
Charge for the year	(53,533)	(57,965)	(53,791)	(165,289)
Disposals	-	320	24,802	25,122
	<u>(118,283)</u>	<u>(154,926)</u>	<u>(95,655)</u>	<u>(368,864)</u>
<b>At 30 September 2001</b>				
<b>Net book value</b>				
At 30 September 2001	<u>40,149</u>	<u>130,188</u>	<u>236,938</u>	<u>407,275</u>
At 30 September 2000	<u>93,682</u>	<u>169,378</u>	<u>181,939</u>	<u>444,999</u>

The net book value of motor vehicles includes £21,225 (2000 - £nil) in respect of assets held under finance leases.

**7. DEBTORS**

	2001 £	2000 £
Amount owed by Care Homes No.1 Limited	69,675	80,237
Amount owed by Care Homes No.2 Limited	37,768	64,075
Amount owed by Care Homes No.3 Limited	95,759	84,982
Amounts owed by fellow subsidiary companies	349,365	347,719
Amount owed by NHP Plc	104,426	-
Other debtors	116,335	240
Prepayments and accrued income	81,243	97,070
	<u>854,571</u>	<u>674,323</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 2001**

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001	2000
	£	£
Bank overdraft	53,083	-
Obligation under finance leases	7,387	-
Trade creditors	199,938	37,791
Amount owed to NHP Plc	-	2,783
Amount owed to fellow subsidiary company	293,597	-
Other creditors	128,596	-
Accruals and deferred income	532,906	1,092,286
	<u>1,215,507</u>	<u>1,132,860</u>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2001	2000
	£	£
Obligation under finance leases	<u>12,886</u>	<u>-</u>

**10. DEFERRED TAXATION**

	Provided 2001 £	Unprovided 2001 £	Provided 2000 £	Unprovided 2000 £
Capital allowances in excess of depreciation	-	-	-	18,931
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,931</u>

**11. CALLED UP SHARE CAPITAL**

	2001 £	2000 £
<b>Authorised:</b>		
100 ordinary shares at £1 each	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid:</b>		
2 ordinary shares at £1 each	<u>2</u>	<u>2</u>

## NOTES TO THE ACCOUNTS

### Year ended 30 September 2001

#### 12. OPERATING LEASE COMMITMENTS

At 30 September the Company had the following annual commitments under non-cancellable operating leases:

	2001 £	2000 £
Expiring within one year:		
Land and buildings	45,000	60,000
Other	3,239	-
	<u>48,239</u>	<u>60,000</u>
Expiring within 2 to 5 years:		
Land and buildings	-	45,000
Other	1,619	2,953
	<u>1,619</u>	<u>47,953</u>

#### 13. GUARANTEES

NHP Plc has issued a guarantee in favour of Care Homes No.1 Limited and Capita IRG Trustees Limited (the Trustee for the holders of the Secured Notes issued by Care Homes No.1 Limited) of performance by the Company in its role as Asset Manager of the securitised portfolio of overriding leases.

NHP Plc has issued a guarantee in favour of Care Homes No.2 Limited and Capita IRG Trustees Limited (the Trustee for the holders of the Secured Notes issued by Care Homes No.2 Limited) of performance by the Company in its role as Asset Manager of the securitised portfolio of overriding leases.

NHP Plc has issued a guarantee in favour of Care Homes No.3 Limited and Capita IRG Trustees Limited (the Trustee for the holders of the Secured Notes issued by Care Homes No.3 Limited) of performance by the Company in its role as Asset Manager of the securitised portfolio of overriding leases.

#### 14. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8 "Related Party Disclosures" transactions with other undertakings within the NHP Plc group have not been disclosed in these financial statements. Although Care Homes No.1 Limited, Care Homes No.2 Limited and Care Homes No.3 Limited have been consolidated as part of that group by reason of contractual arrangements with NHP Plc, they are not subsidiaries of that company, and therefore the exemption under Financial Reporting Standard No.8 spare "Related Party Disclosures" cannot be applied for transactions with Care Homes No.1 Limited, Care Homes No.2 Limited and Care Homes No.3 Limited. Transactions with Care Homes No.1 Limited, Care Homes No.2 Limited and Care Homes No.3 Limited, which comprise management fees charged by the Company, are disclosed in notes 2 and 7 of these financial statements.

#### 15. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

#### 16. ULTIMATE PARENT COMPANY

The immediate parent and ultimate controlling company is NHP Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group consolidated financial statements, which include the results of the Company, are available from the Company Secretary, 6 Broad Street Place, Blomfield Street, London EC2M 7JH.