

NHP MANAGEMENT LIMITED

Report and Financial Statements

30 September 1999



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R J Ellert	Chairman/Chief Executive	
W J Davies, ARICS	Executive Director	
D F Francis, FCA	Executive Director	
P H S Smith	Executive Director	
A R Kilmartin, FCA	Executive Director	(appointed 21 December 1998)
T D Walker-Armott, FRICS	Executive Director	(appointed 21 December 1998)
M P Clayton	Executive Director	(appointed 21 December 1998)
A K Stein, ACA	Executive Director	(appointed 18 January 2000)
C M Deegan, ACA	Executive Director	(appointed 18 January 2000)

SECRETARY

A R Kilmartin, FCA

REGISTERED OFFICE

6 Broad Street Place
Blomfield Street
London EC2M 7JH

BANKERS

National Westminster Bank Plc
Norwich City Office
45 London Street
Norwich NR2 1HX

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 1999.

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 1999 the Company has continued to receive management fees from NHP Plc Group and third party companies. The Company will continue to receive management fees from NHP Plc Group and third party companies for the foreseeable future.

RESULTS

The results for the year to 30 September 1999 are set out in the profit and loss account on page 6.

DIVIDENDS

No dividends in respect of the year are proposed (1998 - £Nil).

POST BALANCE SHEET EVENTS

Post balance sheet events are set out in note 13.

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:

R J Ellert	Chairman/Chief Executive	
W J Davies	Executive Director	
D F Francis	Executive Director	
P H S Smith	Executive Director	
A Bergbaum	Non-executive Director	(resigned 21 December 1998)
A R Kilmartin	Executive Director	(appointed 21 December 1998)
T D Walker-Arnott	Executive Director	(appointed 21 December 1998)
M P Clayton	Executive Director	(appointed 21 December 1998)

The current Directors of the Company are detailed on page 1. Messrs. D C Goldsack, J H Drayton and W Colvin were appointed executive Directors of the Company on 18 January 2000. Mr. D C Goldsack resigned on 8 March 2000, Mr. J H Drayton resigned on 5 May 2000 and Mr. W Colvin resigned on 30 June 2000.

No Director has, or had, any interest 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.

Except for the interests of Messrs. P H S Smith, A R Kilmartin, T D Walker-Arnott and M P Clayton, the Directors' interests in the shares of the parent company are disclosed in that company's financial statements. The interests of Messrs. P H S Smith, A R Kilmartin, T D Walker-Arnott and M P Clayton in the ordinary shares of the parent company at 30 September 1999 and at 31 September 1998 or date of appointment were:

DIRECTORS' REPORT**DIRECTORS (continued)**

	Beneficial holdings		Share options	
	1999 No.	1998 No.	1999 No.	1998 No.
P H S Smith	-	-	18,125	18,125
A R Kilmartin	5,200	-	24,062	-
T D Walker-Arnott	3,000	5,000	16,500	16,500
M P Clayton	-	-	18,125	18,125

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 1999, calculated in accordance with the Companies Act 1985, are 20 (1998: 27).

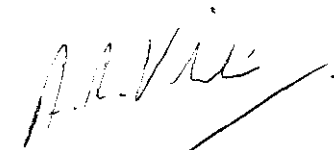
YEAR 2000

The Directors have appointed a committee led by the company secretary to examine the issues associated with computer-based equipment and the Year 2000. The cost of carrying out this work in relation to the Year 2000 is not expected to be material.

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



A R Kilmartin
Secretary

12 July 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company 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;
- 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.

AUDITORS' REPORT TO THE MEMBERS OF NHP MANAGEMENT LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

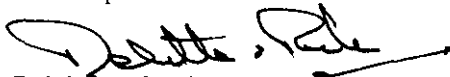
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 15 to the accounts concerning the uncertainty as to the continuation of support by the NHP Plc Group's bankers. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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 1999 and of the 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

12 July 2000

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1999

	Note	1999 £	1998 £
TURNOVER AND GROSS PROFIT	2	1,519,901	1,182,490
Operating expenses	3	1,503,378	(1,172,167)
OPERATING PROFIT		16,523	10,323
Net interest payable and similar charges	4	(1,530)	(383)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,993	9,940
Tax on profit on ordinary activities	5	-	-
PROFIT RETAINED FOR THE FINANCIAL YEAR		14,993	9,940
Retained profit brought forward		10,145	205
Retained profit carried forward		25,138	10,145

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 1999

	Note	1999 £	1999 £	1998 £	1998 £
FIXED ASSETS					
Tangible assets	6		450,080		152,113
CURRENT ASSETS					
Debtors	7	910,911		614,422	
Cash at bank and in hand		40,517		34,532	
		<u>951,428</u>		<u>648,954</u>	
Creditors: amounts falling due within one year	8	<u>(1,376,368)</u>		<u>(790,920)</u>	
NET CURRENT LIABILITIES			<u>(424,940)</u>		<u>(141,966)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>25,140</u>		<u>10,147</u>
CAPITAL AND RESERVES					
Called up share capital	10		2		2
Profit and loss account			25,138		10,145
EQUITY SHAREHOLDERS' FUNDS			<u>25,140</u>		<u>10,147</u>

These financial statements were approved by the Board of Directors on 12 July 2000.

Signed on behalf of the Board of Directors


R J Ellert
Chief Executive


D F Francis
Finance Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 September 1999

	1999 £	1998 £
Profit in the financial year and net increase in shareholders' funds	14,993	9,940
Shareholders' funds at the beginning of the year	<u>10,147</u>	<u>207</u>
Shareholders' funds at the end of the year	<u><u>25,140</u></u>	<u><u>10,147</u></u>

NOTES TO THE ACCOUNTS

Year ended 30 September 1999

1. ACCOUNTING POLICIES

Basis of accounting

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

Depreciation

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

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

2. TURNOVER AND GROSS PROFIT

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

	1999 £	1998 £
Management fees, excluding value added tax, received from:		
Care Homes No.1 Limited	136,160	157,050
Care Homes No.2 Limited	165,548	-
NHP Plc Group companies and the LLNHP Partnership	1,191,103	1,006,200
Sub-lease rents received	26,824	19,240
Other fees and commissions	266	-
	<u>1,519,901</u>	<u>1,182,490</u>

3. OPERATING EXPENSES

The Company had no employees during the year or preceding year.

The Directors are executives of the holding company NHP Plc and its subsidiary companies. The Directors received total emoluments of £1,435,830 from NHP Plc during the year (1998: £895,270), but it is not practicable to allocate this between their services to individual NHP Plc group companies. In addition to their emoluments, seven (1998: four) of the Directors received contributions towards their money purchase pension arrangements. Contributions totalled £145,087 in the year (1998: £104,075).

NOTES TO THE ACCOUNTS
Year ended 30 September 1999

3. OPERATING EXPENSES (continued)

Operating expenses include:

	1999 £	1998 £
Group management fees charged by NHP Plc	259,441	296,000
Audit fees - audit services	2,500	2,000
- other	45,843	36,350
Depreciation	107,587	24,745
Operating lease rentals - buildings	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Other interest payable	641	-
Finance costs	889	383
	<u>889</u>	<u>383</u>
	<u>1,530</u>	<u>383</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no tax charge for the year or preceding year due to group relief receivable from the parent company at £nil consideration.

6. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office equipment and fixtures £	Motor vehicles £	Total £
Cost				
At 1 October 1998	63,936	113,658	-	177,594
Additions	42,680	115,608	247,266	405,554
	<u>42,680</u>	<u>115,608</u>	<u>247,266</u>	<u>405,554</u>
At 30 September 1999	106,616	229,266	247,266	583,148
	<u>106,616</u>	<u>229,266</u>	<u>247,266</u>	<u>583,148</u>
Accumulated depreciation				
At 1 October 1998	13,588	11,893	-	25,481
Charge for the year	34,389	39,497	33,701	107,587
	<u>34,389</u>	<u>39,497</u>	<u>33,701</u>	<u>107,587</u>
At 30 September 1999	47,977	51,390	33,701	133,068
	<u>47,977</u>	<u>51,390</u>	<u>33,701</u>	<u>133,068</u>
Net book value				
At 30 September 1999	58,639	177,876	213,565	450,080
	<u>58,639</u>	<u>177,876</u>	<u>213,565</u>	<u>450,080</u>
At 30 September 1998	50,348	101,765	-	152,113
	<u>50,348</u>	<u>101,765</u>	<u>-</u>	<u>152,113</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1999

7. DEBTORS

	1999 £	1998 £
Amount owed by LLNHP Partnership	-	16,075
Amount owed by Care Homes No.1 Limited	79,424	76,325
Amount owed by Care Homes No.2 Limited	54,086	-
Amounts owed by fellow subsidiary companies	650,755	401,393
Sundry debtors	7,095	11,976
Prepayments and accrued income	119,551	108,653
	<u>910,911</u>	<u>614,422</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	62,321	136,716
Amounts owed to NHP Plc	766,812	542,519
Other creditors	8,098	-
Accruals and deferred income	539,137	111,685
	<u>1,376,368</u>	<u>790,920</u>

9. DEFERRED TAXATION

	Provided 1999 £	Unprovided 1999 £	Provided 1998 £	Unprovided 1998 £
Capital allowances in excess of depreciation	-	3,398	-	5,501
	<u>-</u>	<u>3,398</u>	<u>-</u>	<u>5,501</u>

10. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised: 100 ordinary shares at £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid: 2 ordinary shares at £1 each	<u>2</u>	<u>2</u>

11. OPERATING LEASE COMMITMENTS

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

	1999 £	1998 £
On leases which expire within 2 to 5 years	<u>60,000</u>	<u>60,000</u>

NOTES TO THE ACCOUNTS**Year ended 30 September 1999****12. GUARANTEES**

NHP Plc has issued a guarantee in favour of Care Homes No.1 Limited and Royal Exchange Trust Company (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 Royal Exchange Trust Company (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.

13. POST BALANCE SHEET EVENTS

On 16 November 1999, the Company entered into an asset administration agreement whereby it assumed responsibility for the administration of the assets and securitised portfolio of overriding leases of Care Homes No.3 Limited and its subsidiary NHP Securities No.10 Limited.

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 and Care Homes No.2 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 "Related Party Disclosures" cannot be applied for transactions with Care Homes No.1 Limited and Care Homes No.2 Limited. Transactions with Care Homes No.1 Limited and Care Homes No.2 Limited, which comprise management fees charged by the Company, are disclosed in notes 2 and 7 of these financial statements.

15. GOING CONCERN

Since the Company's year end, the NHP Plc Group ("NHP") has been in discussions with its bankers in relation to the Group's banking facilities. On 29 June 2000 the banking syndicate led by Bank of Scotland agreed a new set of temporary covenants, extending to 31 December 2000 on the revolving credit facility which matures on 25 May 2001, stating the support of the banking syndicate to the Group. The Directors of NHP 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.

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.