

NHP LIMITED (formerly 'NHP PLC')

Report and Financial Statements

30 September 2005



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COMPANIES HOUSE 17/03/2006

REPORT AND FINANCIAL STATEMENTS 2005

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REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Colvin CA	Executive Director
J Murphy	Executive Director
C Rutter	Executive Director
P H Scott	Executive Director
G K Sizer	Executive Director

SECRETARY

R N Midmer

REGISTERED OFFICE

Block A, Upper Ground Floor,
Dukes Court,
Duke Street,
Woking, Surrey GU21 5BH

BANKERS

Bank of Scotland Plc
First Floor
8 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Barclays Bank Plc
South East Corporate Banking Centre
P.O. Box 112
Horsham
West Sussex RH12 1YQ

SOLICITORS

Eversheds LLP
Holland Court
The Close
Norwich NR1 4DX

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2005.

PRINCIPAL ACTIVITY

The principal activity of the Group are the purchase and retention of freehold and long leasehold interests, in modern, purpose-built care homes.

The principal activity of the Company is to act as a holding company, which conducts corporate activities on behalf of the Group. The Directors intend to continue these activities in the forthcoming year.

BUSINESS REVIEW

On 29 November 2004, TBG CareCo Limited, a company formed at the request of the Blackstone Funds, announced a formal offer to acquire the entire issued and to be issued share capital of NHP Limited at a price of £2.60 in cash for each NHP ordinary share at 1p.

On 9 February 2005, the offer was declared wholly unconditional. NHP acquisition was completed on 18 February 2005. The Company was subsequently delisted from the London Stock Exchange on 7 April 2005 and renamed NHP Limited.

On 8 April 2005, the Company disposed of its 100% shareholding in Highfield Care Group, the principal activity of which was a care home operator, to TBG CareCo Holdings Limited, the ultimate parent company for a total consideration of £42.8m, resulting a net profit on disposal of £38.3m (see note 5).

In conjunction with the sale of the 999-year leasehold interest of three investment properties by NHP Securities No.3 Limited, a subsidiary undertaking on 29 September 2005, the Company sold the freehold reversionary interests in the three 999-year leasehold investment properties at nominal value £1 per property.

At 30 September 2005, the ultimate parent company of TBG CareCo Limited is TBG CareCo Holdings Limited.

TBG CareCo Offshore SuperHoldCo Limited became the ultimate parent company on 14 October 2005.

On 30 January 2006 The Royal Bank of Scotland plc, which is incorporated in Great Britain and registered in Scotland, exchanged contracts with funds administered by The Blackstone Group to acquire the entire issued share capital of TBG CareCo Offshore Superholdco Limited and any additional share capital, held outside TBG CareCo Offshore Superholdco Limited, in TBG CareCo Holdings Limited. The target date of completion is 1 March 2006.

RESULTS

The results for the year to 30 September 2005 are set out in the profit and loss account on page 7.

DIVIDENDS

No dividends in respect of the year are proposed (2004 - £6,192,831).

DIRECTORS

The following Directors served throughout the year except as noted:

		<u>Date Appointed</u>	<u>Date Resigned</u>
R N Midmer	Executive Director	20 November 2000	25 February 2005
Sir Martin Laing, Chairman	Non-executive Director	21 December 1998	25 February 2005
C H W Robson	Non-executive Director	1 May 1996	25 February 2005
Lord Sutherland	Non-executive Director	14 May 2001	25 February 2005
R A Henderson	Non-executive Director	6 December 2001	25 February 2005
N J Hollendonner	Non-executive Director	27 February 2003	25 February 2005
J P Baratta	Executive Director	25 February 2005	5 April 2005
D S Blitzer	Executive Director	25 February 2005	5 April 2005
C R Pike	Executive Director	25 February 2005	5 April 2005
J Murphy	Executive Director	5 April 2005	-
C Rutter	Executive Director	5 April 2005	-
P Scott	Executive Director	5 April 2005	-
G K Sizer	Executive Director	5 April 2005	-
W Colvin	Executive Director	1 June 2005	-

DIRECTORS' REPORT

In addition to the above the following Directors served through an additional period:

		<u>Date Appointed</u>	<u>Date Resigned</u>
W Colvin	Chief Executive	18 January 2000	25 February 2005
J Murphy	Executive Director	30 January 2003	25 February 2005

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

The Directors who served during the year and held shares in the Company are shown below:

	<u>Number of Ordinary Shares as at 30 September 2004</u>
Sir Martin Laing	9,049
W Colvin	20,000
R N Midmer	5,000
J Murphy	14,705
C H W Robson	44,519
Lord Sutherland	5,886
R A Henderson	5,000
N J Hollendoner	3,500

The shares were fully disposed of following the acquisition by TBG CareCo Limited of the issued and to be issued share capital of the Company on 18 February 2005.

The Directors who served during the year and their share options in the Company are shown below:

		<u>At</u>				<u>At</u>		<u>Date from</u>
	<u>Scheme</u>	<u>1 October</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>30 September</u>	<u>Exercise</u>	<u>which</u>
	<u>(see</u>	<u>2004</u>	<u>(No.)</u>	<u>(No.)</u>	<u>(No.)</u>	<u>2005</u>	<u>price</u>	<u>exercisable</u>
	<u>below)</u>	<u>(No.)</u>				<u>(No.)</u>		
Sir Martin Laing	1	15,770	-	15,770	-	-	107.00p	01.02.2005
W Colvin	1	17,733	-	5,656	12,077	-	89.80p	01.08.2008
	2	83,300	-	83,300	-	-	36.00p	13.10.2004
	3	2,060,928	-	2,060,928	-	-	35.00p	14.09.2004
	3	457,300	-	457,300	-	-	82.00p	01.10.2005
	3	320,500	-	320,500	-	-	120.50p	28.08.2006
R N Midmer	1	10,300	-	5,656	4,644	-	89.80p	01.08.2006
	2	83,300	-	83,300	-	-	36.00p	13.10.2004
	3	1,373,952	-	1,373,952	-	-	35.00p	14.09.2004
	3	365,800	-	365,800	-	-	82.00p	01.10.2005
	3	256,400	-	256,400	-	-	120.50p	28.08.2006
J Murphy	1	10,300	-	5,656	4,644	-	89.80p	01.08.2006
	2	31,250	-	31,250	-	-	96.00p	10.12.2005
	3	718,232	-	718,232	-	-	90.50p	10.12.2005
	3	211,600	-	211,600	-	-	120.50p	28.08.2006
C H W Robson	1	10,300	-	5,656	4,644	-	89.80p	01.08.2006
R A Henderson	1	10,300	-	5,656	4,644	-	89.80p	01.08.2006
Lord Sutherland	1	17,733	-	5,656	12,077	-	89.80p	01.08.2008

All Directors exercised their share options following the TBG CareCo Limited acquisition of the issued and to be issued share capital of the Company.

- Schemes:
1. 1998 Inland Revenue Approved Savings Related Share Option Scheme.
 2. 2001 Inland Revenue Approved Executive Share Option Scheme.
 3. 2001 Unapproved Executive Share Option Scheme.

DIRECTORS' REPORT

Following the disposal of shares held and the exercise of share options by the Directors disclosed above, no other Director has, or has had, any interest in the shares or share options of the Company. No Director has held a service contract with the Company since 25 February 2005 (refer to note 3).

The Directors' interests in the shareholding of the ultimate parent, TBG CareCo Holdings Limited at 30 September 2005 are disclosed in the accounts of that company. There are no other disclosable interests in the shares of any other group undertaking.

PAYMENTS TO CREDITORS

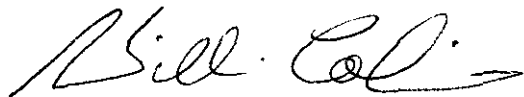
The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms. The creditor days for the Company at 30 September 2005, calculated in accordance with the Companies Act 1985 are 12 (2004: 15).

AUDITORS

Deloitte & Touche LLP was re-appointed as auditors at the last Annual General Meeting held on 24 February 2005. They resigned subsequently on 4 April 2005. PriceWaterhouseCoopers LLP was appointed as auditors on 5 April 2005 and resigned on 26 September 2005.

Deloitte & Touche LLP was subsequently re-appointed as auditors and they have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



W Colvin
Director
9 February 2006

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;
- 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 the system of internal control, 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 LIMITED

We have audited the financial statements of NHP Limited for the year ended 30 September 2005, which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

9 February 2006

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2005

	Notes	2005 £	2004 £
TURNOVER AND GROSS PROFIT	2	437,597	819,088
Other administrative expenses	3	(2,467,173)	(6,377,826)
Exceptional costs	4	(11,155,961)	-
Administrative expenses		<u>(13,623,134)</u>	<u>(6,377,826)</u>
OPERATING LOSS		(13,185,537)	(5,558,738)
Loss on disposal of tangible fixed assets		-	(122,440)
Profit on disposal of investments in subsidiary undertakings	5	38,309,625	-
Net interest receivable and similar income	6	15,170,317	15,172,586
Income from other fixed asset investment	7	27,428	39,494
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40,321,833	9,530,902
Tax on profit on ordinary activities	8	<u>(882,870)</u>	<u>(1,748,000)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR		39,438,963	7,782,902
Dividends paid	9	-	<u>(6,192,831)</u>
RETAINED FOR THE YEAR	18	<u>39,438,963</u>	<u>1,590,071</u>

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 2005

	Notes	2005	2004
		£	£
TANGIBLE FIXED ASSETS			
Freehold reversion investment properties	10	24	27
INVESTMENTS			
	11	197,996,369	191,560,588
TOTAL FIXED ASSETS			
		197,996,393	191,560,615
CURRENT ASSETS			
Debtors	12	85,198,004	38,777,903
Cash at bank and in hand		217	-
		85,198,221	38,777,903
CREDITORS: amounts falling due within one year			
	13	(2,457,432)	(4,322,670)
NET CURRENT ASSETS			
		82,740,789	34,455,233
TOTAL ASSETS LESS CURRENT LIABILITIES			
		280,737,182	226,015,848
CREDITORS: amount falling due more than one year			
Provision for liabilities and charges	15 16	(9,499,223) -	- (935,000)
NET ASSETS			
		271,237,959	225,080,848
CAPITAL AND RESERVES			
Called up share capital	17	2,166,141	2,076,152
Share premium account	18	201,246,919	194,618,760
Revenue reserve	18	914,387	914,387
Profit and loss account	18	66,910,512	27,471,549
EQUITY SHAREHOLDERS' FUNDS			
		271,237,959	225,080,848

These financial statements were approved by the Board of Directors on 9 February 2006.

Signed on behalf of the Board of Directors



W Colvin

Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

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.

The accounting policies have been followed consistently during the current and previous years.

Exemption from consolidation

This is a first year whereby the Company prepared accounts as an individual undertaking, following the acquisition by TBG CareCo Limited on 18 February 2005. Previously, the Company presented group accounts including the subsidiaries.

As of 18 February 2005, the Company is itself a subsidiary undertaking and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Freehold reversion investment properties

The freehold reversionary interests in the investment properties, which are subject to 999 year leasehold interests to its group undertaking, are stated at cost.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which have originated at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognised in respect of gains and losses on revalued assets unless the company has entered into a binding agreement to sell the assets and the gains or losses have been recognised in the profit and loss account. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

NHP Limited contributed to the personal pensions of its employees at a rate of 20% of basic salary, which was charged monthly to the profit and loss account.

Investments and disposals

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

The profit or loss on disposal of investments arising from the difference between the carrying amount of the investment and the proceeds of sale is charged to the profit and loss account at the date of disposal.

Cash flow statement

The directors have elected to take advantage of the exemption under FRS 1 not to prepare a cash flow statement as the financial statements of the ultimate parent company contain a consolidated cash flow statement and are available through Companies House.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

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.

	2005	2004
	£	£
Management fees received from group undertakings	437,597	819,088

3. ADMINISTRATIVE EXPENSES

Staff costs

The Company terminated the service contracts of all its employees (including Directors) on 25 February 2005, following the acquisition by TBG CareCo Limited on 18 February 2005. The emoluments of the Directors who served during the year are shown below:

	2005	2004
	£	£
Aggregate staff costs (including Directors remuneration):		
Wages and salaries (including bonus)	1,028,997	1,839,268
Termination payments* - cash	2,893,700	-
- non-cash	63,000	-
Share options exercised**	3,860,697	-
Social security costs	1,382,387	1,249,540
Pension costs	69,167	210,821
	<u>9,297,948</u>	<u>3,299,629</u>
Highest paid Director:		
Wages and salaries	386,924	505,000
Termination payments* - cash	1,514,600	-
- non-cash	15,500	-
Share options exercised**	940,663	-
Pension costs	19,583	62,000
	<u>2,877,270</u>	<u>567,000</u>

* The termination payments were disclosed as part of the restructuring costs in note 4 'Exceptional costs'.

** Payments on share options exercised were disclosed in note 17 as part of the issued share capital.

W Colvin has further received £182,287 emoluments from NHP Management Limited, a subsidiary undertaking for the period from 25 February 2005 to 30 September 2005. The amount includes pension contribution of £28,955. A further amount of £37,915 was received from NHP Securities No.3 Limited, a subsidiary undertaking.

As of 25 February 2005, J Murphy received his emoluments from Southern Cross Healthcare Group Limited ('SX'), a related group undertaking which is ultimately owned by funds managed by The Blackstone Group. The other Directors namely, C Rutter, P Scott and G K Sizer received their emoluments from SX for the year ended 30 September 2005. The Directors who received their emoluments from SX have considered that £10,000 each of their time was allocated to TBG CareCo Holdings Limited and its subsidiaries for the year ended 30 September 2005. It is not practical to allocate their emoluments in respect of their services to individual group undertakings.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

3. ADMINISTRATIVE EXPENSES (continued)

Average number of employees

	2005	2004
	No.	No.
Administrative	-	1
Directors	5	8
	<u>5</u>	<u>9</u>

Other administrative expenses

Other administrative expenses include, inter alia:

	2005	2004
	£	£
Group management fees charged by NHP Management Limited	432,550	1,012,792
Audit remuneration (including VAT)		
- Company audit fees current year	60,000	42,754
- Company audit fees prior year	23,582	-
- Interim review	-	20,000
- Other accounting advice	57,575	20,000
- Tax compliance services	60,000	67,000
	<u>60,000</u>	<u>67,000</u>

During the year, the Company paid a further £840,125 (including VAT) to the auditor in respect of the taxation services relating to the disposal of Highfield Care Group. This amount was charged to 'profit on disposal of investments in subsidiary undertakings' referred to in note 5.

4. EXCEPTIONAL COSTS

The following exceptional costs have been incurred or provided for and included in the administrative expenses:

	2005	2004
	£	£
Restructuring costs in respect of NHP acquisition	(11,155,961)	-
	<u>(11,155,961)</u>	<u>-</u>

5. PROFIT ON DISPOSAL OF INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2005	2004
	£	£
Consideration from the sale of investments	42,788,882	-
Investments at carrying value	(3,071,248)	-
Costs of disposal	(1,408,009)	-
	<u>38,309,625</u>	<u>-</u>

On 8 April 2005, the Company disposed of the interests in the 100% owned subsidiary undertakings as shown below, the principal activity of which are care home operators:

- (a) Southern Cross Care Homes No.3 Limited (formerly 'Highfield Care Homes No. 3 Limited');
- (b) Southern Cross Care Homes Limited (formerly 'Highfield Care Homes Limited');
- (c) Southern Cross Care Homes Holdings Limited (formerly 'Highfield Holdings Limited'); and
- (d) Southern Cross Care Limited (formerly 'Highfield Care Plc').

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

6. NET INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Interest receivable on loan notes		
Care Homes No.2 Limited	1,037	964
Care Homes No.3 Limited	1,415	1,721
Southern Cross Investments No.2 Limited	138,876	-
Group undertakings	15,168,503	15,170,290
Interest payable on loan note from group undertaking	(138,876)	-
Finance costs	(638)	(389)
	<u>15,170,317</u>	<u>15,172,586</u>

7. INTEREST FROM OTHER FIXED ASSET INVESTMENT

	2005	2004
	£	£
Dividend received from the investment in G.R. Patrick & Co. Limited (see note 11)	<u>27,428</u>	<u>39,494</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Corporation tax charge	(956,106)	(1,748,000)
Deferred tax credit	73,236	-
Tax charge	<u>(882,870)</u>	<u>(1,748,000)</u>

There is no tax charge for the current or preceding year owing to the availability of group relief surrendered from other group companies for nil consideration.

Profit before tax	<u>40,321,833</u>	<u>9,530,902</u>
Tax on profits at standard rate of 30% (2004: 30%)	12,096,550	2,859,271
Factors affecting tax charge:		
Permanent differences	2,018,406	454,721
Capital allowances in excess of depreciation	(24,414)	(2,335)
Profit on disposal	(11,492,888)	(36,732)
Group relief for nil consideration	(1,641,548)	(1,526,925)
Current tax charge	<u>956,106</u>	<u>1,748,000</u>

The tax assessed for the current and prior year is lower than that resulting from applying the standard rate of corporation tax due to non-taxable income and group relief claimed for nil consideration.

9. DIVIDENDS PAID

	2005	2004
	£	£
Equity		
Interim dividend paid of 3.0p per Ordinary Share	<u>-</u>	<u>6,192,831</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

10. TANGIBLE FIXED ASSETS

Freehold reversions in investment properties

	2005
	£
Cost at 1 October 2004	27
Disposals at cost	(3)
	<hr/>
Cost at 30 September 2005	<u>24</u>

At 30 September 2005, the Company has investments in freehold investment properties totalling £24 (2004: £27), representing the consideration paid, including VAT, for the freehold reversions to 24 properties (2004: 27), the 999 year leasehold interest in which are held by NHP Securities No. 3 Limited, a subsidiary undertaking.

11. INVESTMENTS

	Shares in subsidiary undertakings	Other investment	Subordinated loan notes to subsidiary undertakings	Other loan notes to related group undertakings	Total
	£	£	£	£	£
Cost					
At 1 October 2004	3,131,259	501,924	187,927,405	-	191,560,588
Additions	7,806	-	-	9,499,223	9,507,029
Disposals (see note 5)	(3,071,248)	-	-	-	(3,071,248)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	<u>67,817</u>	<u>501,924</u>	<u>187,927,405</u>	<u>9,499,223</u>	<u>197,996,369</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

11. INVESTMENTS (continued)

Shares in subsidiary undertakings

At 30 September 2005, the Company held investments in the following principal subsidiary undertakings:

Name	Country of incorporation	% Holdings	Principal activity
NHP Securities No.1 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No.2 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No.3 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No.4 Limited	Great Britain	100%	Partner in LLNHP Partnership
NHP Securities No.6 Limited	Great Britain	100%	Investment in care home properties
NHP Securities No.9 Limited	Jersey	100%	Investment in overriding leases of care home properties
NHP Securities No.11 Limited	Jersey	100%	Parent company of NHP Securities No.9 Limited
NHP Management Limited	Great Britain	100%	Management of care home property portfolios
NHP Operations (York) Limited	Great Britain	100%	Care home property development
LLNH Limited	Great Britain	100%	Partner in LLHNP Partnership
Ultima Holdings Limited	Great Britain	100%	Immediate parent company of Ulitma Group undertakings
Ultima Healthcare Limited	Great Britain	100%	Care home operator
Eton Hall Homes Limited	Great Britain	100%	Care home operator
Ultima Care Limited	Great Britain	100%	Care home operator
Platinum Healthcare Limited	Great Britain	100%	Care home operator

Other investment

Other investment represents a 9.50% shareholding in G.R. Patrick & Co. Limited (2004: 25.01%).

On 26 November 2004, a Put Option Deed was made between the Company and the two directors of G.R. Patrick & Co. Limited, whereby the Company was granted the right to sell and the two directors of G.R. Patrick & Co. Limited would be under an obligation to purchase, the 310 and 15,201 Option Shares for option price of £1 per option.

On 3 February 2005, a Call Option Deed was made between the Company and G.R. Patrick & Co. Limited, whereby the Company was granted the right to purchase and the two directors of G.R. Patrick & Co. Limited would be under an obligation to sell, the 310 and 15,201 Option Shares for a price of £15,000 within three years from the date of the Put Option Deed.

As at 30 September 2005, the Company has not exercised the Call Option. The Call Option was subsequently exercised on 1 December 2005.

Subordinated loan notes to subsidiary undertakings

Loan notes of £11,143,900 were issued to NHP Securities No.1 Limited to enable the company to acquire the assets transferred from its group undertakings. The loan notes have no fixed repayment dates and bear interest at 8.5% per annum.

Loan notes of £4,201,615 were issued to NHP Securities No.2 Limited to enable the company to acquire the assets transferred from its group undertakings. The loan notes have no fixed repayment dates and bear interest at 8.5% per annum.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

11. INVESTMENTS (continued)

Loan notes of £140,289,815 were issued to NHP Securities No.3 Limited to enable the company to finance the asset acquisitions, have no fixed repayment dates and bear interest at 8.5% per annum. A further loan note of £32,254,763 was issued to NHP Securities No.3 Limited, from the proceeds of the rights issue issued by the Company in July 2002, to enable a repayment of the bank debts. The loan notes have no fixed repayment dates and bear interest at 6.0% per annum.

£10,000 loan note was issued to NHP Securities No.11 Limited, has no fixed repayment dates and bears interest at 8.7% per annum.

The loan notes due by Care Homes No.2 Limited of £8,000 are repayable on 2 January 2026 and bears interest at 8.446% per annum.

The loan notes due by Care Homes No.3 Limited of £19,312 are repayable on 2 January 2031 and bear interest at 6.6% per annum.

Other loan notes to group undertaking

A loan note of £9,499,223 was issued to Southern Cross Investments No. 2 Limited (formerly 'TBG OpCo 3 Limited'), a related group undertaking, which is also ultimately owned by funds managed by The Blackstone Group. The loan is to enable the company to repay the amounts owed to Care Homes 1 Limited, Care Homes No. 2 Limited and Care Homes No. 3 Limited. The loan notes have no fixed repayment dates and bear interest at base rate plus 2% per annum.

12. DEBTORS

	2005	2004
	£	£
Amounts owed by group undertakings	83,451,278	38,559,160
Amount owed by Care Homes No. 3 Limited	6,992	-
Amount owed by Southern Cross Investments No. 2 Limited	138,876	-
Other debtors	22	65,000
Deferred tax debtor	73,236	-
Prepayments and accrued income	1,527,600	153,743
	<u>85,198,004</u>	<u>38,777,903</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank overdraft	-	11,197
Amount due to Care Homes No. 2 Limited	1,038	5,265
Amount due to Care Homes No. 3 Limited	-	2,726
Amounts due to group undertakings	1,539,674	1,340,295
Other creditors	63,541	34,494
Corporation tax	714,770	1,186,236
Taxation and social security	-	1,092,197
Accruals and deferred income	138,409	650,260
	<u>2,457,432</u>	<u>4,322,670</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

14. DEFERRED TAXATION

	Provided		Unprovided	
	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	(73,236)	-	-	-

This asset would be recovered if suitable taxable profits arise in the future.

15. CREDITORS: AMOUNT FALLING DUE MORE THAN ONE YEAR

	2005	2004
	£	£
Loan notes due to NHP Securities No. 3 Limited	9,499,223	-

Loan note due to NHP Securities No. 3 Limited has no fixed repayment date and bears interest at base rate plus 2% per annum.

16. PROVISION FOR LIABILITIES AND CHARGES

	At 1 October 2004	Profit and loss account	At 30 September 2005
	£	£	£
National insurance contributions payable on exercise of share options	935,000	(935,000)	-

17. CALLED UP SHARE CAPITAL

	Number	2005 £	Number	2004 £
Authorised:				
Ordinary shares at 1p each	370,000,000	3,700,000	370,000,000	3,700,000
Called up, allotted and fully paid:				
Ordinary shares at 1p each				
At 1 October	207,615,214	2,076,152	203,375,555	2,033,756
Issued during the year	8,998,913	89,989	4,239,659	42,396
At 30 September	216,614,127	2,166,141	207,615,214	2,076,152

The shares issued during the year were issued for a consideration of £6,718,148 (2004: £2,448,436) to Directors and employees exercising share options under share option schemes.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

17. CALLED UP SHARE CAPITAL (continued)

The following table sets out the share options in issue under the various Company schemes at the beginning and end of the year, together with movements during the year:

Date granted	Option price per share (p)	Date from which exercisable	Expiry date	In issue 1 Oct 2004	Granted in the year	Exercised in the year +	Lapsed in the year	In issue 30 Sep 2005
1998 Inland Revenue Approved Savings Related Share Option Scheme								
1 Feb 2000	107.000	1 Feb 2005	1 Aug 2005	15,770	-	(15,770)	-	-
1 Aug 2003	89.800	1 Aug 2006	1 Feb 2007	135,136	-	(73,056)	(62,080)	-
1 Aug 2003	89.800	1 Aug 2008	1 Feb 2009	56,745	-	(16,967)	(39,778)	-
1 Aug 2004	153.400	1 Aug 2007	1 Feb 2008	13,144	-	(2,786)	(10,358)	-
				220,795	-	(108,579)	(112,216)	-
2001 Unapproved Executive Share Option Scheme								
13 Sep 2001	35.000	14 Sep 2004	13 Sep 2011	3,778,368	-	(3,778,368)	-	-
8 Oct 2001	35.000	9 Oct 2004	8 Oct 2011	-	-	-	-	-
13 Dec 2001	40.000	14 Dec 2004	13 Dec 2011	-	-	-	-	-
25 Jul 2002	69.000	26 Jul 2005	25 Jul 2012	107,880	-	(107,880)	-	-
30 Sep 2002	82.000	1 Oct 2005	30 Sep 2012	1,043,584	-	(1,043,584)	-	-
9 Dec 2002	90.500	10 Dec 2005	9 Dec 2012	718,232	-	(718,232)	-	-
30 Jan 2003	101.800	1 Feb 2006	30 Jan 2013	29,484	-	(29,484)	-	-
7 Feb 2003	101.000	8 Feb 2006	7 Feb 2013	336,632	-	(336,632)	-	-
1 Jul 2003	110.000	2 Jul 2006	1 Jul 2013	-	-	-	-	-
27 Aug 2003	120.500	28 Aug 2006	27 Aug 2013	1,186,330	-	(1,186,330)	-	-
2 Feb 2004	153.500	3 Feb 2007	2 Feb 2014	65,146	-	(65,146)	-	-
2-Jul-2004	192.500	2 Jul 2007	2 Jul 2014	6,233	-	(6,233)	-	-
27-Aug-2004	213.500	27 Aug 2007	27 Aug 2014	20,126	-	(20,126)	-	-
15-Sep-2004	198.750	15 Sep 2007	15 Sep 2014	41,795	-	(37,580)	(4,215)	-
				7,333,810	-	(7,329,595)	(4,215)	-
2001 Approved Executive Share Option Scheme								
12 Oct 2001	36.000	13 Oct 2004	12 Oct 2011	416,500	-	(416,500)	-	-
13 Dec 2001	44.800	14 Dec 2004	13 Dec 2011	-	-	-	-	-
25 Jul 2002	74.500	26 Jul 2005	25 Jul 2012	482,400	-	(482,400)	-	-
30 Sep 2002	82.000	1 Oct 2005	30 Sep 2012	164,626	-	(164,626)	-	-
9 Dec 2002	96.000	10 Dec 2005	9 Dec 2012	31,250	-	(31,250)	-	-
30 Jan 2003	101.800	1 Feb 2006	30 Jan 2013	29,484	-	(29,484)	-	-
7 Feb 2003	102.500	8 Feb 2006	7 Feb 2013	58,536	-	(58,536)	-	-
1 Jul 2003	110.000	2 Jul 2006	1 Jul 2013	-	-	-	-	-
27 Aug 2003	126.500	28 Aug 2006	26 Aug 2013	187,766	-	(187,766)	-	-
2 Feb 2004	177.000	3 Feb 2007	2 Feb 2014	16,949	-	(16,949)	-	-
2 Jul 2004	192.250	2 Jul 2007	2 Jul 2014	15,604	-	(15,604)	-	-
27 Aug 2004	199.000	27 Aug 2007	26 Aug 2014	15,075	-	(15,075)	-	-
15 Sep 2004	231.500	15 Sep 2007	15 Sep 2014	155,508	-	(142,549)	(12,959)	-
				1,573,698	-	(1,560,739)	(12,959)	-
Total				9,128,303	-	(8,998,913)	(129,390)	-

+ The options exercised during the year were a consequence of the TBG CareCo Limited acquisition of the issued and to be issued share capital of the Company on 18 February 2005.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005

18. RESERVES

	Share Premium Account £	Revenue Reserve £	Profit and Loss Account £
At 1 October 2004	194,618,760	914,387	27,471,549
Premium arising on issue of 8,998,913 Ordinary Shares	6,628,159	-	-
Retained profit for the year	-	-	39,438,963
	<u>201,246,919</u>	<u>914,387</u>	<u>66,910,512</u>
At 30 September 2005	201,246,919	914,387	66,910,512

19. GUARANTEES

- (a) NHP Limited has issued guarantees in favour of Care Homes No.1 Limited, Care Homes No.2 Limited, Care Homes No.3 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 NHP Management Limited, NHP Securities No.1 Limited, NHP Securities No.2 Limited and NHP Securities No.3 Limited, its subsidiary undertakings, of their obligations arising in respect of the overriding leases and associated documents.
- (b) At 30 September 2005, the Company was one of the guarantors to a £232m facility agreement dated 29 November 2004 (as amended on 29 September 2005), entered into by TBG CareCo Limited, a group undertaking ('the borrower') with Barclays Bank Plc and Citibank N.A. London (collectively 'the lenders'). The lenders had a fixed and floating charge over the assets of the Company. This guarantee and facility was replaced upon entering into the new facility and guarantee set out in note (c) below.
- (c) The Company is one of the guarantors to a new £327m facility agreement dated 17 October 2005, entered into by the Company's group undertakings, namely TBG CareCo Limited, TBG CareCo CH2 PropCo Limited and TBG CareCo CH3 PropCo Limited (collectively 'the borrowers') with Barclays Bank Plc, Citibank N.A. London, Prudential Finance (UK) Plc and The Royal Bank of Scotland Plc (collectively 'the lenders'). The lenders have a fixed and floating charge over the assets of the Company.

20. RELATED PARTY TRANSACTIONS

- (a) In accordance with Financial Reporting Standard No.8 "Related Party Disclosures" transactions with other undertakings within the TBG CareCo Holdings Limited group (formerly within '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 TBG CareCo Holdings Limited, 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, 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 6, 11, 12 and 13 of these financial statements.
- (b) The Company has issued a loan note of £9,499,223 to Southern Cross Investments 2 Limited, a related group undertaking, which is also ultimately owned by funds managed by The Blackstone Group and the loan note receivable to 30 September 2005 was £138,876. The principal plus interest remain outstanding at 30 September 2005. These transactions are disclosed in notes 6, 11 and 12 of the financial statements.

NOTES TO THE ACCOUNTS
Year ended 30 September 2005**21. POST BALANCE SHEET EVENTS**

- (a) On 14 October 2005, TBG CareCo Offshore Superholdco Limited, incorporated in the Cayman Islands on 13 October 2005, became the new ultimate parent company of the Company.
- (b) The Company is one of the guarantors to a new £327m facility agreement dated 17 October 2005 as noted in note 19 (b) of the financial statements.
- (c) The Company exercised the Call Option Deed on 1 December 2005, made between the Company and G.R. Patrick & Co. Limited, whereby the Company was granted the right to purchase and the two directors of G.R. Patrick & Co. Limited would be under an obligation to sell, the 310 and 15,201 Option Shares for a price of £15,000.
- (d) On 30 January 2006 The Royal Bank of Scotland plc, which is incorporated in Great Britain and registered in Scotland, exchanged contracts with funds administered by The Blackstone Group to acquire the entire issued share capital of TBG CareCo Offshore Superholdco Limited and any additional share capital, held outside TBG CareCo Offshore Superholdco Limited, in TBG CareCo Holdings Limited. The target date of completion is 1 March 2006.

22. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate parent undertaking is TBG CareCo Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking at 30 September 2005 is TBG CareCo Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The shares in TBG CareCo Holdings Limited were held by funds administered by The Blackstone Group. As of 14 October 2005, the new ultimate parent undertaking is TBG CareCo Offshore Superholdco Limited, a company incorporated and registered in the Cayman Islands. The shares in TBG CareCo Offshore Superholdco Limited are held by funds administered by The Blackstone Group. In the opinion of the Directors, there is no ultimate controlling party.

Copies of the TBG CareCo Holdings Limited group consolidated financial statements to 30 September 2005, which include the results of the Company, are available from the Company Secretary, Block A, Upper Ground Floor, Dukes Court, Duke Street, Woking, Surrey GU21 5BH.