

Company Registration No. 03558528

Highfield Cymru Limited

Report and Financial Statements

30 September 2004



Highfield Cymru Limited

Report and financial statements 2004

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Highfield Cymru Limited

Report and financial statements 2004

Officers and professional advisers

Advisers

John Murphy
Kamma Rae Foulkes

Secretary

Sheila Kaul

Registered office

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

Bankers

Barclays Bank Plc
PO Box 3735
2 High Street
Chelmsford
Essex
CM1 1DS

Solicitors

Henderson Boyd Jackson
19 Ainslie Place
Edinburgh
EH3 6AU

Auditors

Deloitte & Touche LLP
London

Highfield Cymru Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2004.

Results and dividends

Loss for the year, after taxation, amounted to £505,218 (2003 : nil). The directors do not recommend the payment of a dividend (2003: £nil).

Principal activity

The company's principal activity was the operation of care homes. The directors intend to *continue these activities in the forthcoming year.*

Review of the business and future developments

The business commenced trading 14 October 2003. The Company acquired 15 care homes during the year from the receivers of Puretruce Care Limited in Receivership. Substantial investment has been made into improving the trading performance of the homes and it is anticipated that *this will be reflected in the future results.*

Directors and their interests

The directors who served throughout the year (except as noted) were:

John Murphy (appointed on 13 October 2003)
Kamma Foulkes (appointed on 13 October 2003)
Richard Midmer (resigned on 31 August 2004)

No director has had any interest in the shares of the company. No director has a share option scheme in existence with the Company.

John Murphy is a director of NHP Plc and his shareholdings are shown in the financial statements of that company. The interests of all other directors who are not directors of NHP Plc are shown in note 21 to the financial statements.

Employee involvement and employment of disabled persons

The company is an equal opportunity employer committed to effect positive policies in recruitment, training and career development for staff members (and potential staff members) regardless of marital status, religion, colour, race, ethnic origin or disability. The company gives full consideration to applications by disabled persons where the recruitment of the job can be adequately fulfilled by a handicapped or disabled person.

Payment policy and practice

The company's policy is to fix payment terms when agreeing the terms of each transaction. It is the company's policy to pay suppliers in accordance with the agreed terms and conditions provided that the supplier has complied with those terms.

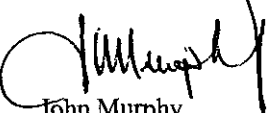
Highfield Cymru Limited

Directors' report

Auditors

Deloitte & Touche LLP were appointed as the company's auditors during the year. A resolution to reappoint Deloitte & Touche LLP as auditors will be put to members at the next Annual General Meeting.

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



John Murphy
Director
23 December 2004

Highfield Cymru Limited

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 Highfield Cymru Limited

We have audited the financial statements of Highfield Cymru Limited for the year ended 30 September 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 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 2004 and of its loss 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

23 December 2004

Highfield Cymru Limited

Profit and loss account Year ended 30 September 2004

	Note	2004 £	2003 £
Turnover	1,2	8,005,919	-
Cost of sales		(4,927,045)	-
Gross profit		<u>3,078,874</u>	-
Administrative expenses		(3,572,123)	-
Operating loss	3	(493,249)	-
Interest receivable and similar income		3,480	-
Loss on ordinary activities before taxation		<u>(489,769)</u>	-
Taxation	6	(15,449)	-
Loss on ordinary activities after taxation and loss for the financial year	13	<u>(505,218)</u>	-

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

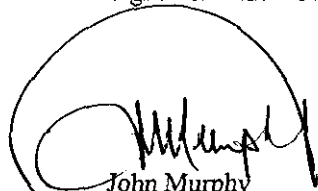
Highfield Cymru Limited

Balance sheet 30 September 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	7	729,254	-
Tangible assets	8	564,270	-
		<u>1,293,524</u>	<u>-</u>
Current assets			
Debtors	9	1,182,644	-
Cash at bank and in hand		614,785	2
		<u>1,797,429</u>	<u>2</u>
Creditors: amounts falling due within one year	10	<u>(3,580,720)</u>	<u>-</u>
Net current (liabilities)/assets		<u>(1,783,291)</u>	<u>2</u>
Total assets less current liabilities		<u>(489,767)</u>	<u>2</u>
Provision for liabilities and charges	11	<u>(15,449)</u>	<u>-</u>
Net (liabilities)/assets		<u>(505,216)</u>	<u>2</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account deficit	13	(505,218)	-
Equity shareholders' (deficit)/funds	14	<u>(505,216)</u>	<u>2</u>

These financial statements were approved by the Board of Directors on 23 December 2004.

Signed on behalf of the Board of Directors


 John Murphy
 Director

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

1. Accounting policies

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, which are consistent with those applied in the prior year, are described below.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company.

Amortisation

Intangible fixed assets are stated at cost less amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets, less their estimated residual value, over their expected useful lives in equal annual instalments on the following bases:

Leasehold costs	Over the life of the lease
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Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, in equal instalments over their expected useful lives on the following bases:

Fixtures, fittings, tools and equipment	3 – 7 years
Motor vehicles	5 years

Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on an accruals basis over the lease term.

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.

FRS19 requires full provision for 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. The standard requires that deferred tax is not recognised in respect of gains and losses unless the company has entered into a binding agreement to sell the assets and the gains and losses are 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.

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 publicly available.

Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

2. Turnover

Turnover is attributable to one class of business.

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

All turnover arose within the United Kingdom.

3. Operating loss

	2004	2003
	£	£
Operating loss is arrived at after charging		
Depreciation of tangible fixed assets:	95,154	-
Amortisation	20,732	-
Audit fees	4,390	-
Operating lease rentals – land and buildings		
Care Homes No.1 Limited	388,044	-
Care Homes No.2 Limited	595,942	-
Care Homes No.3 Limited	451,612	-
Other group undertakings	547,583	-

4. Directors emoluments

J Murphy is an executive director of NHP Plc, the parent company. He received his emoluments from that company during the year. Details can be found in the consolidated financial statements of NHP Plc.

All other directors are executives of other group undertakings, and it is not practical to allocate their emoluments in respect of their services to individual group undertakings. Directors emoluments relating to the remaining directors are disclosed in Highfield Care Plc.

5. Staff costs

Staff costs, excluding directors were as follows:

	2004	2003
	£	£
Wages and salaries	4,020,080	-
Social security costs	247,122	-
Other pension costs	367	-

The average monthly number of employees, excluding directors during the year was:

	No.	No.
Nursing staff	263	-

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

6. Taxation

	2004	2003
	£	£
Current taxation: UK corporation tax @ 30% (2003: 30%)	-	-
Deferred taxation	(15,449)	-
	<u>(15,449)</u>	<u>-</u>

The tax assessed for the year is lower than would be expected by multiplying loss on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004	2003
	£	£
Reconciliation of current tax charge		
Loss on ordinary activities before tax	(489,769)	-
Loss on ordinary activities multiplied at the standard rate of 30% (2003: 30%)	(146,931)	-
Permanent differences	13,933	-
Group relief for nil consideration	148,447	-
Capital allowances in excess of depreciation	(15,449)	-
Current tax charge for the year	<u>-</u>	<u>-</u>

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

7. Intangible fixed assets

	2004 £
Lease costs	
Cost	
At 1 October 2003	-
Additions	749,986
At 30 September 2004	<u>749,986</u>
At 1 October 2003	-
Charge for the year	(20,732)
At 30 September 2004	<u>(20,732)</u>
Net book amount	
At 30 September 2004	<u>729,254</u>
At 30 September 2003	<u>-</u>

8. Tangible fixed assets

	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 October 2003	-	-	-
Additions	54,379	605,045	659,424
At 30 September 2004	<u>54,379</u>	<u>605,045</u>	<u>659,424</u>
Depreciation			
At 1 October 2003	-	-	-
Charge for the year	(8,157)	(86,997)	(95,154)
At 30 September 2004	<u>(8,157)</u>	<u>(86,997)</u>	<u>(95,154)</u>
Net book value			
At 30 September 2004	<u>46,222</u>	<u>518,048</u>	<u>564,270</u>
At 30 September 2003	<u>-</u>	<u>-</u>	<u>-</u>

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

9. Debtors

	2004	2003
	£	£
Due within one year		
Trade debtors	1,033,075	-
Other debtors	103,221	-
Prepayments and accrued income	46,348	-
	<u>1,182,644</u>	<u>-</u>

10. Creditors: amounts falling due within one year

	2004	2003
	£	£
Amounts owed to Care Homes No.1 Limited	72,765	-
Amounts owed to Care Homes No.2 Limited	110,929	-
Amounts owed to Care Homes No.3 Limited	99,413	-
Amounts owed to NHP Securities No.3 Limited	193,488	-
Amounts owed to group undertakings	2,496,709	-
Payroll creditors	57,067	-
Accruals and deferred income	407,611	-
Other tax and social security	88,828	-
Other creditors	53,910	-
	<u>3,580,720</u>	<u>-</u>

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

11. Provisions for liabilities and charges

The amounts of deferred tax provided in the accounts are:

	2004 £	2003 £
At 1 October	-	-
Charge to profit and loss account	15,449	-
	<hr/>	<hr/>
At 30 September	15,449	-
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax is analysed as follows:

	Provided 2004 £	Provided 2003 £	Not Provided 2004 £	Not provided 2003 £
Capital allowances in excess of depreciation	15,449	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

12. Called up share capital

	2004		2003	
	£		£	
Authorised:				
Ordinary shares of £1 each		100		100
		<u>100</u>		<u>100</u>
	2004	2004	2003	2003
	No.	£	No.	£
Called up, allotted and fully paid				
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

13. Reserves

	£	
Profit and loss account deficit		
At 1 October 2003		-
Loss for the year		(505,218)
		<u>(505,218)</u>
At 30 September 2004		<u>(505,218)</u>

14. Movement on shareholders' (deficit)/funds

	2004		2003	
	£		£	
Shareholders' funds at 1 October		2		2
Loss for the year		(505,218)		-
		<u>(505,216)</u>		<u>2</u>
Shareholders' (deficit)/funds at 30 September		<u>(505,216)</u>		<u>2</u>

15. Capital commitments

At 30 September 2004 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately £7,931 (2003: £nil).

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

16. Operating lease commitments

As at 30 September 2004 the company was committed to the following annual payments under operating leases:

	2004	2003
	£	£
Land and buildings		
Expiring after 5 years	<u>2,270,080</u>	<u>-</u>

17. Transactions with related parties

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures" transactions with other undertakings 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 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, Care Homes No.2 Limited and Care Homes No.3 Limited. These transactions, which are disclosed in notes 3 and 10 of these financial statements, comprise the lease agreements and the payment of operating lease rentals in connection with the care homes operated by the company.

18. Pensions costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions made by the company to the scheme during the year amounted to £367 (2003 : nil).

19. Parent undertakings and controlling parties

The immediate and ultimate parent and controlling company is NHP Plc, a company incorporated in Great Britain and registered in England and Wales. NHP Plc is the only company to prepare consolidated accounts and copies of the group consolidated financial statements which include the results of the Company, are available from the Company Secretary, Block A, Upper Ground Floor, Dukes Court, Duke Street, Woking GU21 5BH.

20. Post balance sheet events

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 Plc, the ultimate parent company.

Highfield Cymru Limited

Notes to the accounts Year ended 30 September 2004

21. Share options

The directors who served during the year and their share options in the ultimate parent company, NHP Plc, are shown below:

	Scheme (see below)	At 1 October 2003 £	Granted	Exercised	At 30 September 2004 £	Exercise price	Date from which exercisable
K Foulkes	1	-	16,949		16,949	177.00p	03.02.2007
	2	-	65,146		65,146	153.50p	03.02.2007

No director, except John Murphy, holds shares in the holding company or any of the other group companies.

Schemes:

1. NHP Plc 2001 Inland Revenue Approved Executive Share Option Scheme
2. NHP Plc 2001 Unapproved Executive Share Option Scheme