

FSHC (UK) Limited

**Directors' report and financial
statements**

Registered number 2032661

31 December 2003



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Directors' report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2003.

Principal activity

The principal activity of the company is that of an intermediate holding company.

Business review

The directors consider the state of affairs of the company to be satisfactory.

Results and dividends

The results for the period are shown in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (2002: £5,500,000).

Directors and directors' interests

The directors who served the company during the period were as follows:

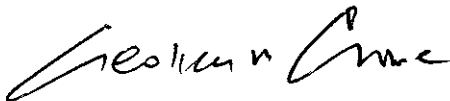
H D Anstead
G M Crowe

None of the directors held any beneficial interest in the share capital of the company. The interests of H D Anstead in the share capital of the company's parent undertaking, Four Seasons Health Care Limited, are disclosed in the financial statements of that company. The interests of G M Crowe in the share capital of Four Seasons Health Care Limited are as follows: 564 ordinary shares of 1 pence each.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP will be proposed at the next Annual General Meeting.

By order of the board



G M Crowe
Director

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

16 September 2004

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of FSHC (UK) Limited

We have audited the financial statements on pages 4 to 10.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 to you 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.

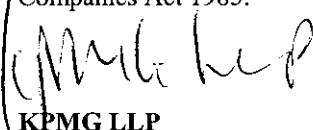
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

16 Sept 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross loss		-	-
Administrative expenses		-	-
Income from group undertakings		-	5,500
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	5,500
Tax on profit on ordinary activities	2	-	-
		<hr/>	<hr/>
Profit on ordinary activities after tax		-	5,500
Equity dividend		-	(5,500)
		<hr/>	<hr/>
Result for the financial year		-	-
		<hr/>	<hr/>

The company has no recognised gains or losses in the current or prior year other than those reported above.

All amounts relate to continuing operations.

The movement on reserves is detailed in note 9 on page 10 of these financial statements.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003	2002
		£000	£000
Fixed assets			
Tangible assets	3	88	88
Investments	4	11,901	11,901
		<u>11,989</u>	<u>11,989</u>
Current assets			
Debtors	5	26,678	32,178
		<u>26,678</u>	<u>32,178</u>
Creditors: amounts falling due within one year	6	(38,474)	(43,974)
		<u>(11,796)</u>	<u>(11,796)</u>
Total assets less current liabilities		<u>193</u>	<u>193</u>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	193	193
		<u>193</u>	<u>193</u>
Equity shareholders' funds		<u>193</u>	<u>193</u>

These financial statements were approved by the board of directors on 16 September 2004 and were signed on its behalf by:



G M Crowe
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003 £000	2002 £000
Opening shareholders' funds	193	193
Result for the financial year	-	-
Closing shareholders' funds	<u>193</u>	<u>193</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and within the requirements of the Companies Act 1985.

Group accounts

The company has taken advantage of Section 228 of the Companies Act 1985 which permits the parent company not to prepare group accounts as it is itself a subsidiary undertaking and its parent undertaking is established under the law of a member state of the European Economic Community.

Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with those related parties that are companies within the Four Seasons Health Care Limited group.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2003 as it was a wholly owned subsidiary undertaking of Four Seasons Health Care Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. 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.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is written off on a straight line basis using the following annual rates:

Freehold buildings	-	50 years
Fixtures and fittings	-	2-15 years

No depreciation is provided on freehold land.

Notes (continued)

2 Tax on profit on ordinary activities

	2003		2002
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the period	-		-
Adjustments in respect of prior periods	-		-
	<hr/>		<hr/>
Total current tax		-	-
<i>Deferred tax</i>			
Origination/reversal of timing differences		-	-
		<hr/>	<hr/>
Tax on profit on ordinary activities		<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003	2002
	£000	£000
<i>Current tax reconciliation</i>		
Profit before tax	-	5,500
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	-	1,650
<i>Effects of:</i>		
Income not taxable	-	(1,650)
	<hr/>	<hr/>
Total current tax charge (see above)	<hr/>	<hr/>

There is an unprovided deferred tax asset at the year end of £nil (2002: £192,000). The asset has not been recognised due to the uncertainty of sufficient taxable profits arising to fully utilise the asset.

Notes (continued)

3 Tangible fixed assets

	Land & buildings £000	Fixtures & fittings £000	Total £000
Cost			
At 1 January 2003 and 31 December 2003	88	-	88
Depreciation			
At 1 January 2003 and 31 December 2003	-	-	-
Net book value			
At 31 December 2003	88	-	88
At 31 December 2002	88	-	88

4 Investments

The company's principal subsidiaries are as follows:

<i>Company</i>	<i>Holding</i>	<i>Nature of business and place of incorporation</i>
Four Seasons Health Care (Northern Ireland) Limited	100%	Operator of health care facilities Incorporated in Isle of Man
Four Seasons Health Care (England) Limited	100%	Operator of health care facilities Incorporated in Isle of Man
Four Seasons Health Care (Isle of Man) Limited	100%	Operator of health care facilities Incorporated in Isle of Man
Huntercombe Manor Limited	100%	Operator of health care facilities Incorporated in Great Britain
FSHC Management Services (Galashiels) Limited	100%	Management of village apartments Incorporated in Great Britain
FSHC Management Services (CM) Limited	100%	Management of village apartments Incorporated in Great Britain

With the exception of Four Seasons Health Care (Isle of Man) Limited which operates in the Isle of Man, the other principal subsidiary undertakings operate in the United Kingdom.

5 Debtors

	2003 £000	2002 £000
Amounts due from group undertakings	26,678	32,178

Notes (continued)

6 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to group undertakings	38,473	43,973
Taxation and social security	1	1
	<u>38,474</u>	<u>43,974</u>

7 Called up share capital

	2003 No. of shares	£000	2002 No. of shares	£000
<i>Authorised:</i>				
Ordinary shares of £1 each	2,000	2	2,000	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	3	-	3	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 Reserves

	Profit and loss account £000
At beginning of the year	193
Retained loss for the financial year	-
	<u> </u>
At end of year	193

9 Ultimate parent undertaking

The largest group in which the results of the company are consolidated is that headed by Four Seasons Health Care Limited, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Emerson Court, Alderley Road, Wilmslow, Cheshire, SK9 1NX.

On 18 August 2004 Four Seasons Health Care Limited was acquired by Allianz AG.