

**FSHC (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 2032661**

**31 December 2007**

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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 2007.

### 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.

### Going concern

The directors consider that whilst there can be no certainty in relation to the matters referred to and disclosed more fully in note 1, at the date of approving these financial statements, it is appropriate to prepare these accounts on a going concern basis.

### Results and dividends

The results for the period are shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2006: £nil).

### Directors

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

A G Heywood (resigned 13 December 2007)  
P Calveley (appointed 24 June 2008)  
N J Mitchell  
D J Kay

### Details of ultimate ownership

The ultimate parent undertaking is Delta Commercial Property LP, an Isle of Man limited partnership.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

In accordance with section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and to authorise the directors to fix their remuneration from time to time as they should think fit.

By order of the board



D J Kay  
Director

Emerson Court  
Alderley Road  
Wilmslow  
Cheshire  
SK9 1NX  
20/1/2009

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of FSHC (UK) Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholders' funds and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### **Emphasis of Matter – going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company, together with its parent and fellow subsidiary undertakings (the Group), is party to a number of financing agreements under which the Group is currently in default. The Group has entered into a standstill with certain, although not all, of the lenders which expires on 22 January 2009. The Directors of Fino Seniorco Limited, a related undertaking, are currently in negotiations with the lenders with the aim of achieving a consensual recapitalisation and refinancing/restructuring of the Group.

These conditions, along with the other matters set out in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

20/1/ 2009

## Profit and loss account

*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	2006 £000
Profit on disposal of investment in subsidiary undertaking	2	-	19,557
Interest receivable from group undertakings		<b>5,293</b>	2,749
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	<b>5,293</b>	22,306
Tax on profit on ordinary activities	3	-	-
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>		<b>5,293</b>	22,306
		<hr/>	<hr/>

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

**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	4	88	88
Investments	5	453	453
		<hr/>	<hr/>
		541	541
<b>Current assets</b>			
Debtors	6	140,154	136,196
		<hr/>	<hr/>
		140,154	136,196
<b>Creditors: amounts falling due within one year</b>	7	(38,124)	(39,459)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		102,030	96,737
		<hr/>	<hr/>
<b>Net assets</b>		102,571	97,278
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	8	74,778	74,778
Profit and loss account	9	27,793	22,500
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		102,571	97,278
		<hr/>	<hr/>

These financial statements were approved by the board of directors on behalf by:



**N J Mitchell**  
*Director*

20/1/2009 and were signed on its



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2007*

	2007 £000	2006 £000
Opening shareholders' funds	97,278	74,972
Profit for the financial year	5,293	22,306
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>102,571</b>	<b>97,278</b>
	<hr/>	<hr/>

## 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 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.

#### *Going Concern*

As explained further below, the company, together with its parent and fellow subsidiary undertakings, is party to a number of financing agreements which are currently in default.

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate following discussions with the Board of Directors of Fino Seniorco Limited ("Seniorco"), a related undertaking and whose directors are engaged in discussions on behalf of the Fino Propco Holdco group (the "Group") with the Senior Lenders, the Senior Mezzanine Lenders and the Junior Mezzanine Lenders referred to below. The Seniorco Directors have summarised in a letter to the company the situation as follows as at the date of approval of these financial statements:

"On 31 August 2006, Seniorco and others, including the company, entered into the Four Seasons Whole Loan which is a £1,348,000,000 term and revolving loan agreement with a number of financial institutions as lenders (the "Senior Lenders"). On the same date, Seniorco and others, including the company, entered into a £60,000,000 senior mezzanine facility agreement and a £165,000,000 junior mezzanine facility with various financial institutions as lenders (the "Senior Mezzanine Lenders" and the "Junior Mezzanine Lenders" respectively).

In August and September 2008, a number of Events of Default (as defined in the various facilities agreements) occurred which remain outstanding. Such defaults include a failure to repay the Four Seasons Whole Loan on its contractual maturity (1 September 2008), a failure to repay the senior mezzanine facility on its contractual maturity (29 August 2008) and a failure to repay the junior mezzanine facility on its contractual maturity (29 August 2008).

On 2 September 2008, a Standstill Agreement was entered into by, amongst others, Seniorco, the Servicer and Special Servicer of the Four Seasons Whole Loan on behalf of the Senior Lenders, the Senior Mezzanine Agent on behalf of each of the Senior Mezzanine Lenders and the Junior Mezzanine Agent on behalf of the Junior Mezzanine Lenders, in order to enable the Group to conduct negotiations with the various lenders. Under the Standstill Agreement, the various lenders have agreed not to exercise their rights against the Group resulting from the Events of Default which have occurred.

Notwithstanding the Events of Default, the directors confirm that the Group has continued to trade as normal and continues to have adequate working capital for its operational needs. Trade creditors are being paid in accordance with the Group's normal terms. However, it is apparent that the overall debt structure put in place in August 2006 is no longer appropriate or viable in current circumstances and that a financial restructuring of certain of the non-operating companies in the Group will be required.

The Seniorco Directors believe that a consensual recapitalisation is the appropriate and preferable route for achieving the long term stability of the Group. With a view to this we are working with the various lenders under the Four Seasons Whole Loan, the Senior Mezzanine Lenders and the Junior Mezzanine Lenders to achieve a consensual recapitalisation and refinancing/restructuring of the Group. We do not anticipate that such a consensual refinancing/restructuring will have any material impact on the day to day operations of the company.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Going Concern (continued)***

Although the original Standstill Agreement terminated on 31 October 2008, on 29 October 2008, the Senior Lenders, subject to certain termination rights, entered into a new Standstill Agreement ending on 22 January 2009 to allow the relevant discussions to continue and for any agreed restructuring to be implemented. The Senior Mezzanine Lenders and the Junior Mezzanine Lenders are not a party to the new Standstill Agreement but we do not believe that it would be in these lenders interests to take steps to enforce their rights under the various loan agreements.

The Seniorco Directors believe it is appropriate that the financial statements of the companies within the Group, and in particular the Company, be prepared on a going concern basis. The use of the going concern basis assumes that there will be a solvent recapitalisation of the Group which will place the Group on a viable footing for the future. The Seniorco Directors having considered all the circumstances and having made due enquiry, including taking professional advice, have concluded that the prospects of a solvent recapitalisation remain good, particularly in respect of all operating companies including the company."

As a result of the current discussions referred to above between the directors of the company and the directors of Seniorco and the lenders, the financial statements have been presented on a going concern basis. The directors of both the company and Seniorco acknowledge that the probability of achievement of a solvent recapitalisation, although good, remains uncertain. In accordance with ISA 570 the directors are required to state that this material uncertainty may cast significant doubt on the company's ability to continue as a going concern and therefore the company may be unable to continue to realise their assets and discharge their liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

#### ***Group accounts***

The company has not prepared group accounts as it is exempt from doing so by section 228 of the Companies Act 1985 as it is included in the consolidated financial statements of Four Seasons Health Care Limited.

#### ***Related party transactions***

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and as the company is a wholly owned subsidiary of Fino Propco Holdco Limited have not disclosed related party transactions with parent and fellow subsidiary undertakings.

#### ***Cash flow statement***

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2007 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.

#### ***Deferred 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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Tangible fixed assets***

Fixed assets are held as investment properties and as such no depreciation is charged on these assets. The directors consider that the realisable value of these assets exceeds the carrying value.

#### ***Investments***

Investments in subsidiary undertakings are recorded at the lower level of cost or net realisable value.

#### ***Guarantees***

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other related parties which are subsidiaries of its ultimate parent, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make payment under the guarantee.

### **2 Profit on ordinary activities before taxation**

The auditors' remuneration of £300 (2006: £300) for audit services was borne by another group undertaking. Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

On 20 August 2006 the company disposed of its investment in Huntercombe Manor Limited and its subsidiary companies to Four Seasons Group Limited a related undertaking. The consideration of £105,783,000 remains outstanding on intercompany account and a profit of £19,557,000 arose on the transaction.

## Notes (continued)

### 3 Tax on profit on ordinary activities

	2007		2006
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the year	-	-	
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/>	<hr/> <hr/>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%, 2006: 30%). The differences are explained below.

	2007	2006
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	5,293	22,306
	<hr/>	<hr/>
Current tax at 30% (2006: 30%)	1,588	6,691
<i>Effects of:</i>		
Income not taxable	-	(5,867)
Group relief given for nil consideration	(1,588)	(824)
	<hr/>	<hr/>
Total current tax charge (see above)	<hr/> <hr/>	<hr/> <hr/>

On 21 March 2007, it was announced that the standard rate of corporation tax in the UK was to be changed to 28% and that there would be changes to capital allowance legislation with effect from 1 April 2008. As the change in rate of corporation tax was enacted at 31 December 2007 deferred tax has been accounted for at a rate of 28%.

## Notes (continued)

### 4 Tangible fixed assets

	Total
	£000
<i>Investment properties</i>	
At beginning and end of year	88

### 5 Investments

	Shares in group undertakings
	Cost
	£000
At beginning and end of year	453

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
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.

## Notes (continued)

### 6 Debtors

	2007 £000	2006 £000
Amounts due from group undertakings	140,154	136,196

Amounts due from group undertakings include £12,104,000 relating to unpaid share capital.

### 7 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to group undertakings	38,124	39,430

### 8 Called up share capital

	2007 No. of shares	£000	2006 No. of shares	£000
<b>Authorised:</b>				
Ordinary shares of £1 each	74,781,404	74,781	74,781,404	74,781
<b>Allotted and fully paid</b>				
Ordinary shares of £1 each	62,673,449	62,674	62,673,449	62,674
<b>Allotted and unpaid</b>				
Ordinary shares of £1 each	12,103,955	12,104	12,103,955	12,104
	74,777,404	74,778	74,777,404	74,778

### 9 Reserves

	Profit and loss Account £000
At beginning of year	22,500
Profit for year	5,293
At end of year	27,793

## **Notes (continued)**

### **10 Contingent liabilities**

The company, together with its parent and fellow subsidiary undertakings is party to a number of financing arrangements. The implications of this are explained more fully in note 1.

### **11 Ultimate parent undertaking**

The company's immediate parent company is Four Seasons Group Holdings Limited.

The ultimate parent undertaking is Delta Commercial Property LP, an Isle of Man limited partnership.

The largest group in which the results of the company are consolidated is that headed by Fino Propco Holdco Limited. The consolidated financial statements of this company are available to the public and may be obtained from Ogier Corporate Services (Jersey) Limited, Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG.

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