

**FSHC (UK) Limited  
(formerly CrestaCare  
(UK) Limited**

Report and Accounts

31 December 1999

*Registered No. 2032661*



FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

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Registered No. 2032661

**DIRECTORS**

G M Crowe

J Ramsay (resigned 31 January 2000)

H D Anstead (appointed 2 November 1999)

**SECRETARY**

J Ramsay (resigned 31 January 2000)

G M Crowe (appointed 31 January 2000)

**AUDITORS**

Ernst & Young

Bedford House

16 Bedford Street

Belfast

BT2 7DT

**REGISTERED OFFICE**

Wesley House

Huddersfield Road

Birstall

West Yorkshire

WF17 0EJ

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1999.

### RESULTS AND DIVIDENDS

The profit for the year after taxation is £467,620 (1998 - £941,287). The company paid a dividend of £500,000 (1998 - £900,000) during the year leaving a retained loss carried forward to reserves of £32,380 (1998 - profit of £41,287).

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is that of an investment and property development company.

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 1999 were those listed on page 2. The directors have no interests in the share capital of the company. Mr H D Anstead is a director of the ultimate parent undertaking, Four Seasons Health Care Limited, and his interest in its share capital is disclosed in that company's accounts.

### YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

All Year 2000 expenditure was expensed as incurred. This expenditure was not material.

We have assessed the risks to our business resulting from the date change to the Year 2000. The result of our assessments is an enhanced business information system and confidence that we should be Year 2000 compliant.

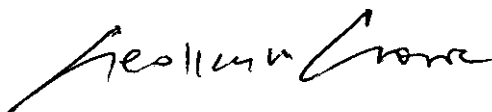
### CHANGE OF COMPANY NAME

On 29 November 1999 the company's proposed change of name from CrestaCare (UK) Limited to FSHC (UK) Limited was registered at the companies Registry, England and Wales.

### AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the members at the Annual General Meeting.

By order of the board



Secretary

13 April 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**FSHC (UK) Limited (formerly CrestaCare (UK) Limited)**

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**REPORT OF THE AUDITORS****to the members of FSHC (UK) Limited (formerly CrestaCare (UK) Limited)**

We have audited the accounts on pages 7 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of the directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

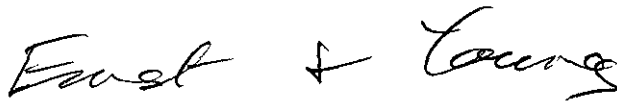
**Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor

Belfast

13 April 2000

# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £	1998 £
<b>TURNOVER</b>	2	-	34,065
Cost of sales		-	(4,854)
<b>OPERATING PROFIT</b>		-	38,919
Exceptional item	4	(32,380)	-
Dividend income from shareholdings in group undertakings		500,000	900,000
Bank interest		-	3,432
<b>PROFIT BEFORE TAXATION</b>		467,620	942,351
Taxation	5	-	(1,064)
<b>PROFIT AFTER TAXATION</b>	11	467,620	941,287
Dividends paid	11	(500,000)	(900,000)
<b>(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR</b>		(32,380)	41,287

## RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £467,620 for the year ended 31 December 1999 (1998 - £941,287).

# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## BALANCE SHEET at 31 December 1999

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	6	88,322	88,322
Investments	7	11,901,292	9
		<u>11,989,614</u>	<u>88,331</u>
<b>CURRENT ASSETS</b>			
Debtors	8	26,678,053	37,176,677
<b>CREDITORS: amounts falling due within one year</b>	9	<u>38,474,322</u>	<u>37,039,283</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(11,796,269)</u>	<u>137,394</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>193,345</u>	<u>225,725</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	3	3
Profit and loss account	11	193,342	225,722
<b>Equity Shareholders' Funds</b>		<u>193,345</u>	<u>225,725</u>

ERNST & YOUNG

U. H. D. S. V. e. a. d

William G. r. o. n. e. Directors

13 April 2000

NOTES TO THE ACCOUNTS  
at 31 December 1999

1. ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

*Consolidated accounts*

Consolidated accounts incorporating the accounts of subsidiary undertakings are not prepared as the company is itself a wholly owned subsidiary of Four Seasons Health Care Limited, a company incorporated in England, which prepares consolidated accounts.

*Fixed asset investments*

Investments are valued at cost except where, in the opinion of the directors, an impairment in value has taken place.

*Taxation*

The group policy is not to charge for group relief.

2. TURNOVER

Turnover represents amounts invoiced on the sale of sheltered retirement homes. There were no services supplied outside the United Kingdom during the year.

3. EMOLUMENTS OF DIRECTORS

No director received any remuneration from the company.

4. EXCEPTIONAL ITEM

The exceptional item of £32,380 relates to the waiver of an inter-company loan.

5. TAXATION

	1999 £	1998 £
Based on the profit for the year:		
Corporation tax - current year	-	1,064
	<u>          </u>	<u>          </u>

The charge for taxation is low in the year due to the incidence of unutilised taxation losses brought forward of £584,000 (1998 - £552,000). No corporation taxation credit has been recorded in the accounts as it is group policy for recipient companies not to pay for group relief. Had this not been the policy, the profit and loss account would have been credited with some £Nil (1998 - £ Nil).



# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## NOTES TO THE ACCOUNTS at 31 December 1999

### 6. TANGIBLE FIXED ASSETS

	<i>Land and buildings £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:			
At 1 January 1999 and 31 December 1999	88,322	8,916	97,238
Depreciation:			
At 1 January 1999	-	8,916	8,916
Charge for the year	-	-	-
At 31 December 1999	-	8,916	8,916
Net book value:			
At 31 December 1999	88,322	-	88,322
At 31 December 1998	88,322	-	88,322

# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## NOTES TO THE ACCOUNTS at 31 December 1999

### 7. INVESTMENTS

	£
Cost:	
At 1 January 1999	9
Additions	11,901,283
At 31 December 1999	<u>11,901,292</u>

<i>Name of company</i>	<i>Country of registration</i>	<i>Proportion of ordinary shares held</i>	<i>Nature of business</i>
Huntercombe Manor Limited	England	100%	Operation of specialist care facility
Four Seasons Health Care (England) Limited (formerly CrestaCare (GB) Limited)	Isle of Man	100%	Operation of nursing homes
Four Seasons Health Care (NI) Limited (formerly CrestaCare (NI) Limited)	Isle of Man	100%	Operation of nursing homes
Four Season Health Care (Isle of Man) Limited (formerly CrestaCare (IOM) Limited)	Isle of Man	100%	Operation of nursing homes
FSHC Management Services (Galashiels) Limited (formerly CrestaCare Management Services (Galashiels) Limited)	England	100%	Management of village apartments
Four Seasons Health Care Properties Limited (formerly CrestaCare Properties Limited)	Isle of Man	100%	Investment and property company

# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## NOTES TO THE ACCOUNTS

at 31 December 1999

### 7. INVESTMENTS (continued)

£

Additions comprise:

Four Seasons Health Care (Isle of Man) Limited

1,401,283

Huntercombe Manor Limited

10,500,000

11,901,283

On 15 October 1999 the company acquired the entire share capital of Four Seasons Health Care (Isle of Man) Limited for a consideration of £1,401,283.

On 2 November the company acquired the entire share capital of Huntercombe Manor Limited from Four Seasons Healthcare Properties Limited for a consideration of £10,500,000.

At 31 December 1999 the net assets acquired were as follows:

	<i>Huntercombe Manor Limited</i>	<i>Four Seasons Health Care (Isle of Man) Limited</i>	<i>Total</i>
	£	£	£
Fixed assets	5,068,054	3,225,649	8,293,703
Current assets	5,431,923	1,274,901	6,706,824
Current liabilities	(4,976,156)	(2,636,270)	(7,612,426)
	<u>5,523,821</u>	<u>1,864,280</u>	<u>7,388,101</u>
Consideration	10,500,000	1,401,283	11,901,283
Goodwill/(negative goodwill)	<u>4,976,179</u>	<u>(462,997)</u>	<u>4,513,182</u>

### 8. DEBTORS

	<i>1999</i>	<i>1998</i>
	£	£
Amounts due from subsidiary undertakings	<u>26,678,053</u>	<u>37,176,677</u>

# FSHC (UK) Limited (formerly CrestaCare (UK) Limited)

## NOTES TO THE ACCOUNTS

at 31 December 1999

### 9. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Amounts due to group undertakings	38,473,258	37,038,219
Corporation tax	1,064	1,064
	<u>38,474,322</u>	<u>37,039,283</u>

Under the terms of the £79 million senior facility and £5 million mezzanine facility agreements entered into by the Group, the company is party to an inter creditor deed whereby the intra group liabilities are sub-ordinated to the senior liabilities and mezzanine liabilities owed to Morgan Stanley bank. Under the terms of the deed, intra group borrowers are not permitted to repay borrowing (excluding ordinary trading liabilities) and intra group lenders are not permitted to receive payment of intra group debtor loans until after the later of the senior discharge date and the mezzanine discharge date.

### 10. SHARE CAPITAL

	1999 £	Authorised 1998 £
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

	1999 No.	1998 No.	1999 £	1998 £
				<i>Allotted, called up and fully paid</i>
Ordinary shares of £1 each	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

NOTES TO THE ACCOUNTS

at 31 December 1999

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1998	3	184,435	184,438
Profit for the year	-	941,287	941,287
Dividends paid	-	(900,000)	(900,000)
At 1 January 1999	3	225,722	225,725
Profit for the year	-	467,620	467,620
Dividends paid	-	(500,000)	(500,000)
At 31 December 1999	3	193,342	193,345

12. CONTINGENT LIABILITY

Under the terms of £79 million senior facility and £5 million mezzanine facility agreements entered into by Four Seasons Health Care Holdings PLC used to acquire and refinance the borrowings of the Four Seasons Group Limited, the company granted the following charges in favour of Morgan Stanley Mortgage Servicing Limited as security trustee:

- a first fixed charge on all the company's right, title and interest from time to time in real property, tangible moveable property, intellectual property, goodwill, investments and shares.
- a floating charge over the whole of the company's undertaking and assets, present and future, other than assets assigned by way of fixed security in favour of the security trustee.

13. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking was formerly Four Seasons Group Limited, a company incorporated in the Isle of Man. On 26 August 1999, Four Seasons Group Limited was acquired by Four Seasons Health Care Holdings PLC whose ultimate parent undertaking is Four Seasons Health Care Limited. Both companies are incorporated in England and Wales.

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 from disclosing transactions with those related parties that are companies within the Four Seasons Health Care Limited group.