

Ferguson Care Limited
Annual report and financial statements
for the year ended 31 December 2010

Registered number 2582268

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Ferguson Care Limited

Annual report and financial statements for the year ended 31 December 2010

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Ferguson Care Limited

Directors and advisors

Executive Directors

David Manson
Philip Scott
Jason Lock
Matthew Franzidis

Secretary

David Hall
Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

DLA Piper (UK) Solicitors LLP
3 Noble Street
London
EC2V 7EE

Registered Office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Bankers

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1 Churchill Place
London
E14 5HP

Allied Irish Banks Plc
St Helen's
1 Undershaft
London
EC3A 8AB

Ferguson Care Limited

Directors' report for the year ended 31 December 2010

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the Company continues to be care delivery

Review of business and future developments

Both the level of continuing business and the year end position were satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future. The Directors of Craegmoor Group Limited, an intermediate parent company in the United Kingdom, which is now owned by Priory Investments Holdings Limited, a company registered in the Cayman Islands, manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe a separate business review and future developments summary for the Company is not relevant for an understanding of the business and future strategy. The business review and future developments of the Craegmoor Group Limited group, which includes the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2010 which does not form part of this report.

Results and dividends

The profit and loss account shows a profit after tax for the year of £80,000 (2009 £59,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009 £Nil).

Post balance sheet event

On 14 April 2011, the entire share capital of Craegmoor Group Limited, the Company's ultimate parent company, was acquired by Crown Newco 1 Limited. Subsequently the shares were transferred to Priory Investments Holdings Limited, a subsidiary undertaking of Crown Newco 1 Limited.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Craegmoor Group Limited, a subsidiary of Priory Investments Holdings Limited, and are not managed separately. Accordingly, the principal risks and uncertainties of the Craegmoor Group Limited group ("the Group"), which include those of the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2010.

Key Performance Indicators ("KPIs")

The directors of Craegmoor Group Limited, a subsidiary of Priory Investments Holdings Limited, manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe that analysis using separate key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Craegmoor Group Limited group, which includes the Company, is discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2010.

Directors

The following Directors have held office for the whole year and up to the date of signing the financial statements unless otherwise stated.

Ted Smith	(Resigned 14 April 2011)
Christine Cameron	(Resigned 14 April 2011)
David Manson	
Julian Ball	(Resigned 14 April 2011)
Sarah Hughes	(Resigned 12 January 2010)
Julian Spurling	(Appointed 12 January 2010, Resigned 25 October 2010)
Philip Scott	(Resigned 14 April 2011)
Jason Lock	(Resigned 14 April 2011)
Matthew Franzidis	(Resigned 14 April 2011)

Ferguson Care Limited

Directors' report for the year ended 31 December 2010 (continued)

Changes in tangible assets

Movements in tangible assets during the year are set out in note 6 to the financial statements. The Directors believe that there is no significant difference between the market value and the balance sheet value of land.

Financial instruments

The Company's financial instruments primarily comprise debtors and creditors with other group companies arising directly from its operations. No trading in financial instruments has been undertaken.

There are no significant risks arising directly from the Company's financial instruments. However, the Company is reliant on the ongoing support of the Group, which has long term financing and overdraft facilities in place. The board of Craegmoor Group Limited, the ultimate UK parent undertaking as at 31 December 2010, had reviewed and agreed the policies for managing the risks related to these facilities as set out below.

Liquidity risk

The Group had secured long term financing and revolving credit facilities with financial institutions, which had high credit ratings that were designed to ensure the Group has sufficient available funds for operations. The majority of the £244,742,000 (2009 £215,938,000) of debt, in the form of loan notes and bank loans (but excluding finance leases and preference shares), were repayable in 2016 to 2018.

Interest rate and cash flow risk

The Group had entered into interest rate swaps to ensure certainty over future interest cash flows. As a consequence, 91% (2009 100%) of the Group's borrowings (excluding preference shares) were at fixed rates of interest.

Credit risk

A fellow subsidiary company, Craegmoor Facilities Company Limited, bears the credit risk for the Company.

Following the acquisition of the ultimate parent undertaking, Craegmoor Group Limited, by Crown Newco 1 Limited on 14 April 2011, revised arrangements are in the process of being put in place that manage the above risks.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 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,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Ferguson Care Limited

Directors' report for the year ended 31 December 2010 (continued)

Statement of disclosure of information to auditors

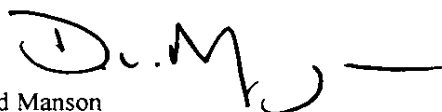
In the case of each of the persons who are directors at the time when the report is approved the following applies

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent Auditors

The Company has elected, in accordance with section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually

By order of the Board

A handwritten signature in black ink, appearing to read 'D. Manson', followed by a horizontal line.

David Manson
Director
28 April 2011

Independent auditors' report to the members of Ferguson Care Limited

We have audited the financial statements of Ferguson Care Limited for the year ended 31 December 2010 which comprise the Profit and loss account, the Note of historical cost profit and losses, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

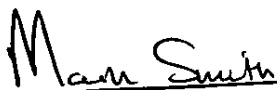
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Ferguson Care Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mark L Smith (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 April 2011

Ferguson Care Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £ 000
Turnover		285	272
Administrative expenses		(205)	(213)
Operating profit	4	80	59
Profit on ordinary activities before taxation		80	59
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	11	80	59

All activities relate to continuing operations

The Company has no recognised gains or losses other than those shown above and therefore no separate statement of recognised gains and losses has been prepared

Ferguson Care Limited

Note of historical cost profit and losses for the year ended 31 December 2010

	2010	2009
	£'000	£'000
Reported profit on ordinary activities before taxation	80	59
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	3	3
Historical cost profit on ordinary activities before taxation	83	62
Historical cost profit for the financial year	83	62

Ferguson Care Limited

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	6	581	575
Current assets			
Debtors	7	2,765	3,801
		2,765	3,801
Creditors amounts falling due within one year	8	-	(1,110)
Net current assets		2,765	2,691
Total assets less current liabilities		3,346	3,266
Creditors: amounts falling due after more than one year	9	(933)	(933)
Net assets		2,413	2,333
Capital and reserves			
Called up share capital	10	-	-
Revaluation reserve	11	441	441
Profit and loss reserve	11	1,972	1,892
Total shareholders' funds	12	2,413	2,333

The financial statements on pages 7 to 16 were approved by the Board of Directors on 28 April 2011 and signed on its behalf by



David Manson
Director
Company registered number 2582268

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below.

Turnover

Turnover represents amounts invoiced and accrued for care services provided during the period in the UK, net of credit notes and excluding Value Added Tax. Where services are invoiced in advance the related income is deferred to match the period in which the service is provided. The Directors consider that the Company's turnover all derives from one class of business.

Tangible assets

The cost of tangible assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Freehold land and buildings are revalued by independent, professionally qualified valuers every five years. These valuations are carried out on an existing use, open market value basis, and in the intervening years are updated by the Directors with the assistance of independent professional advice as required.

Increases in the revalued amounts of land and buildings are credited to revaluation reserves.

Freehold land is not depreciated. Subsequent to a revaluation depreciation on freehold properties is based on revalued amounts. Depreciation on tangible assets, other than land, is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases:

Freehold buildings	- over 50 years
Building improvements	- over 10 years
Equipment	- over 7 years
Furniture and fittings	- over 3, 5 or 10 years
Computer equipment	- over 3 or 5 years

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS 11, "Impairment of fixed assets and goodwill". The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk weighted cost of capital determined from time to time based on the capital structure of the group. Realisable value is determined by independent, professional valuers on an existing use, open market value basis.

Provisions for impairment in the carrying value of land and buildings are charged against revaluation reserves in the balance sheet to the extent that they relate to a reversal of prior increases. Impairments to below historical cost are charged to the profit and loss account. Reversals of previous impairments are credited to the profit and loss account to the extent that they return the asset carrying value to its depreciated historical cost, with any amount over and above that value being credited to the revaluation reserve.

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

Corporation tax

UK Corporation Tax is provided at amounts expecting to be paid (or recovered) using the tax rates and bases that have been enacted, or substantially enacted by the balance sheet date. Corporation tax payable may be reduced wholly or in part by the surrender of losses by fellow group companies. Payments made, if any, to surrendering companies for losses are reflected in the tax charge.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is only recognised to the extent that the transfer of economic benefits in the future is deemed to be more likely than not. Deferred tax assets and liabilities recognised are not discounted.

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Group Limited, and the cash flows of the Company are included in the consolidated group cash flow statement of that company. Consequently, the Company is exempt under the terms of FRS 1 (Revised 1996) from publishing a cash flow statement.

2 Directors' emoluments

The emoluments of the Directors were paid by Craegmoor Facilities Company Limited, a fellow subsidiary of Craegmoor Group Limited. The Directors were also directors of a number of other fellow subsidiaries during the year ended 31 December 2010 and 31 December 2009 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the emoluments of the Directors are disclosed within the accounts of Craegmoor Facilities Company Limited.

3 Employee information

The below disclosures are in respect of employees that carried out work in connection with the Company's operations during the year. However, these persons are employed by a fellow subsidiary company. The average monthly number of persons (including Executive Directors) during the year was:

	2010	2009
Analysis by function	Number	Number
Nursing	8	8
Ancillary	-	1
Administration	5	4
	13	13
Staff costs (for the above persons)	£'000	£'000
Management charge in lieu of staff costs	136	141

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Operating profit

	2010	2009
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 6)	11	10
Management charges from fellow subsidiaries	194	203

The audit fee for the Company for the year ended 31 December 2010 of £1,500 (2009 £1,500) is borne by a fellow subsidiary company and included within the management charge

The management charges from fellow subsidiary undertakings, Craegmoor Facilities Company Limited and Craegmoor Healthcare Company Limited, relate to an allocation of operating costs incurred on behalf of the Company and its fellow subsidiaries

5 Tax on profit on ordinary activities

There is no current or deferred tax charge for the year (2009 £Nil) The tax for the period differs from the standard effective rate of corporation tax in the UK for the year ended 31 December 2010 of 28% (2009 28%) The differences are explained below

	2010	2009
	£'000	£'000
Profit on ordinary activities before taxation	80	59
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	22	16
Effects of		
Expenses not deductible for tax purposes	3	2
Capital allowances for the year in excess of depreciation	-	(12)
Transfer pricing adjustment	50	51
Group relief received not paid for	(75)	(57)
Current tax charge	-	-

Factors affecting current and future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses. The total amount unprovided for at 27% is £119,000 (2009 £123,000 at 28%)

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges (continued)

During the year it was announced and substantively enacted that the UK corporation tax rate would reduce from 28% to 27% effective from 1 April 2011. There was no impact in the current year as deferred tax is not provided in the balance sheet. Subsequent to the balance sheet date it was announced that the UK corporation tax rate would reduce to 26% from 1 April 2011 however this change in tax rate was not substantively enacted at the balance sheet date and is therefore not included within the current year movement above. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the future proposed reductions in tax rate would not result in a material adjustment to the financial statements.

In accordance with the Group accounting policy a deferred tax asset has not been recognised due to the uncertainty over the recoverability of the following:

	2010 £'000	2009 £'000
Accelerated capital allowances	58	47

A deferred tax asset would be recognised to the extent that the company makes future taxable profits which could not be satisfied by group relief.

6 Tangible assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 January 2010	572	27	599
Additions	-	17	17
At 31 December 2010	572	44	616
Accumulated depreciation			
At 1 January 2010	10	14	24
Charge for the year	5	6	11
At 31 December 2010	15	20	35
Net book value			
At 31 December 2010	557	24	581
At 31 December 2009	562	13	575

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Tangible assets (continued)

In accordance with FRS15 and the Craegmoor Group's accounting policy, the land and buildings occupied by the Company, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 18 July 2009, being the date the Craegmoor Group (No 5) Limited (formerly Craegmoor Limited) group was acquired by the Craegmoor Group Limited group. These valuations were carried out on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

In accordance with accounting requirements, the entire portfolio will be revalued every five years, the next valuation being 18 July 2013, together with interim revaluations every three years.

If land and buildings had not been revalued they would have been included at the following amounts

	2010	2009
	£'000	£'000
Cost	213	213
Aggregate depreciation	(51)	(49)
Net book value based on cost	162	164

7 Debtors

Amounts falling due within one year	2010	2009
	£'000	£'000
Amounts owed by group undertakings	2,765	3,801

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts owed to group undertakings	-	1,110

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Amounts owed to group undertakings	933	933

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. However, the relevant group undertaking has confirmed to the Directors of the Company that it will not seek any repayments of this loan within 12 months after the year-end.

10 Called up share capital

	2010 £'000	2009 £'000
Authorised		
1,000 (2009: 1,000) ordinary shares of £1 each	1	1
Issued and fully paid		
100 (2009: 100) ordinary shares of £1 each	-	-

11 Reserves

	Profit and loss reserve £'000	Revaluation reserve £'000
At 1 January 2010	1,892	441
Profit for the financial year	80	-
At 31 December 2010	1,972	441

12 Reconciliation of movements in total shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	80	59
Net increase in total shareholders' funds	80	59
Opening total shareholders' funds	2,333	2,274
Closing total shareholders' funds	2,413	2,333

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Post balance sheet events

On 14 April 2011, the entire share capital of Craegmoor Group Limited, the Company's ultimate parent company, was acquired by Crown Newco 1 Limited. Subsequently the shares were transferred to Priority Investments Holdings Limited, a subsidiary undertaking of Crown Newco 1 Limited.

14 Contingent liabilities

There is a fixed and floating charge over the assets of the Company and certain of its fellow subsidiaries in respect of an external loan undertaken by an intermediate parent undertaking. Amounts drawn down on the facility of £192,116,000 (2009 £192,622,000) amounted to £177,283,000 (2009 £179,767,000) inclusive of accrued interest, as at 31 December 2010.

15 Capital commitments

As at 31 December 2010 the Company had instructed suppliers to carry out work on ongoing capital projects with a total value of £Nil (2009 £Nil).

16 Related party transactions

The Company has taken advantage of the exemption granted under paragraph 3c of the amendment to FRS 8 and not disclosed any transactions with other group companies where they are wholly owned by a common parent.

17 Immediate and ultimate parent companies

The Directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Ferguson Care Limited, and, as of 14 April 2011, Crown Newco 1 Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. At 31 December 2010 Craegmoor Group Limited was the ultimate parent company in the United Kingdom. Crown Newco 1 Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.

Craegmoor Group Limited was the parent company of the largest and smallest group in which Ferguson Care Limited was consolidated for the year ended 31 December 2010. Copies of Craegmoor Group Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.