

**Four Seasons Health Care Properties (Care Homes)
Limited**

**Directors' report and financial
statements**

Registered number 3934732

31 December 2005



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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 2005.

Principal activity

The principal activity of the company is the investment in long term healthcare facilities for elderly and disabled people. The directors do not anticipate any change in activity in the foreseeable future.

Business review

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

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2004: £nil)

Directors and directors' interests

The directors during the year under review were:

A G Heywood	(appointed 31 March 2005)
N J Mitchell	(appointed 31 March 2005)
D J Kay	(appointed 30 June 2005)
H D Anstead	(resigned 31 March 2005)
G Willis	(resigned 31 March 2005)
G M Crowe	(resigned 30 June 2005)

The directors who held office at the beginning and end of the financial year had no interest in the ordinary shares of the company or any parent company according to the register of directors' interests.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


D J Kay
Secretary

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX
18 October 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 Four Seasons Health Care Properties (Care Homes) Limited

We have audited the financial statements of Four Seasons Health Care Properties (Care Homes) Limited for the year ended 31 December 2005 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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.

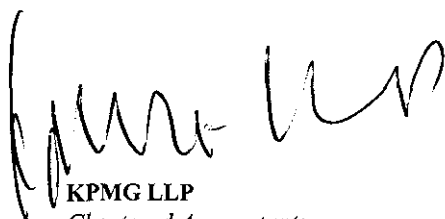
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Four Seasons Health Care Properties (Care Homes) 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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

19 October 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	<i>1</i>	4,296	8,165
Cost of sales		(466)	(842)
Gross profit		3,830	7,323
Exceptional costs	<i>2</i>	(97)	(2,759)
Profit on disposal of fixed assets	<i>3</i>	124,323	-
Operating profit		128,056	4,564
Interest payable and similar charges	<i>6</i>	(2,729)	(9,073)
Interest receivable		4,387	-
Profit/(loss) on ordinary activities before taxation	<i>3</i>	129,714	(4,509)
Tax on profit/(loss) on ordinary activities	<i>7</i>	1,947	(42)
Profit/(loss) on ordinary activities after tax and retained for the financial year	<i>14</i>	131,661	(4,551)

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

All amounts relate to continuing operations.

Balance sheet
at 31 December 2005

	<i>Note</i>	2005	2004
		£000	£000
Fixed assets			
Tangible assets	8	2,194	77,727
Current assets			
Debtors	9	164,792	26,295
Creditors: amounts falling due within one year	10	(37,317)	(41,490)
Net current assets/(liabilities)		127,475	(15,195)
Total assets and net current assets		129,669	62,532
Creditors: amounts falling due after more than one year	11	-	(62,577)
Provisions for liabilities and charges	12	-	(1,947)
Net assets/(liabilities)		129,699	(1,992)
Capital and reserves			
Called up share capital	13	3,922	3,922
Profit and loss account	14	125,747	(5,914)
Equity shareholders' funds/(deficit)		129,669	(1,992)

These financial statements were approved by the board of directors on 18 October 2006 and were signed on its behalf by:



N J Mitchell
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2005

	2005 £000	2004 £000
Opening shareholders' deficit	(1,992)	(1,363)
Profit/(loss) for the financial year	131,661	(4,551)
New share capital subscribed	-	3,922
Closing shareholders' funds/(deficit)	129,669	(1,992)

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, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

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.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and 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 2005 it was a wholly owned subsidiary undertaking of Four Seasons Health Care Limited.

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 property	- 2%
Fixtures and fittings	- 20%

No depreciation is provided on freehold land.

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.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts derived from property rental income and all arose in the United Kingdom and Isle of Man.

2 Exceptional costs

Operating costs during the prior year includes £97,000 (2004: £2,759,000) due to the impairment of tangible fixed assets.

3 Profit/(loss) on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit/(loss) on ordinary activities before taxation is arrived at after charging:</i>		
Depreciation - owned assets	465	842

The auditors' remuneration during the current and prior year was borne by another group undertaking.

On 28 June 2005, the company disposed of a number of its fixed assets to a related undertaking, FSHC Properties (CH2) Limited, as part of a group reorganisation. The proceeds of disposal were £199,294,000, resulting in a profit on disposal of £124,323,000.

4 Directors' remuneration

None of the directors received any remuneration from the company during the current or prior year.

5 Staff numbers and costs

The company has no employees other than the directors during the current and prior year.

6 Interest payable and similar charges

	2005 £000	2004 £000
Bank loans and overdrafts	-	3,296
Amortisation of finance costs	-	484
Early redemption of bank loans	-	3,365
Interest payable on intercompany loans	2,759	1,928
	<u>2,729</u>	<u>9,073</u>

Notes (continued)

7 Tax on profit/(loss) on ordinary activities

	2005		2004
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the year	-	-	-
Total current tax	-	-	-
<i>Deferred tax</i>			
Origination/reversal of timing differences	(1,947)	42	
	(1,947)		42
Tax on profit/(loss) on ordinary activities	(1,947)		42

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2004: higher) than the standard rate of corporation tax in the UK 30%, (2004: 30%). The differences are explained below.

	2005	2004
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	129,714	(4,509)
Current tax at 30% (2004: 30%)	38,914	(1,353)
<i>Effects of:</i>		
(Income)/expenses not (chargeable)/deductible for tax purposes	(39,178)	978
Capital allowances for period in excess of depreciation	2,050	(42)
Tax losses utilised	(45)	-
Group relief for nil consideration	(1,741)	417
Total current tax charge (see above)	-	-

Notes (continued)

8 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2005	94,023	3,441	97,464
Disposals	(87,938)	(3,425)	(91,363)
At 31 December 2005	6,085	16	6,101
Depreciation			
At 1 January 2005	16,910	2,827	19,737
Charge for year	350	115	465
Impairment of assets	97	-	97
Disposals	(13,466)	(2,926)	(16,392)
At end of year	3,891	16	3,907
Net book value			
At 31 December 2005	2,194	-	2,194
At 31 December 2004	77,113	614	77,727

During the year, the company was part of a group reorganisation in order to facilitate the refinancing of the group. This resulted in the sale, at arms length, of materially all of its freehold assets to group and related undertakings, resulting in a profit on disposal of £124,323,000.

9 Debtors

	2005 £000	2004 £000
Corporation tax	136	-
Amounts owed by group undertakings	164,656	26,295
	<u>164,792</u>	<u>26,295</u>

Amounts owed by group undertakings include loans of £45,704,000 due from FSHC Properties (CH2) Limited and £87,785,000 due from Four Seasons Health Care Limited arising from a group reorganisation. Both loans are repayable in more than one year and attract interest at 6.5%.

All other amounts due from group undertakings are interest free, unsecured and repayable on demand.

10 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to group undertakings	37,317	41,490
	<u>37,317</u>	<u>41,490</u>

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Amounts owed to group undertakings	-	62,577

At 31 December 2004 £62,577,000 was payable to Four Seasons Health Care Limited. This was repaid on 28 June 2005.

12 Provisions

	Deferred Taxation £000
At 1 January 2005	1,947
Released to profit and loss account	(1,947)
At 31 December 2005	-

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	-	1,947

13 Called up share capital

	31 December 2005		31 December 2004	
	No. of shares	£000	No. of shares	£000
Authorised:				
Ordinary shares of £1 each	3,922,000	3,922	3,922,000	3,922
Allotted, called up and fully paid:				
Ordinary shares of £1 each	3,922,000	3,922	3,922,000	3,922

14 Profit and loss account

	£000
At beginning of year	(5,914)
Retained profit for the financial year	131,661
At end of year	125,747

Notes *(continued)*

15 Ultimate parent company

The company's immediate parent company is Four Seasons Health Care Properties Limited.

The largest group in which the results of the company are consolidated is that headed by Allianz AG. The consolidated accounts of this Company are available to the public and may be obtained from Königinstraße 28, D-80802, Munich. The smallest group in which the results of the company are consolidated is that headed by Rhyne (Jersey) Limited. The consolidated accounts of this company are available to the public and may be obtained from Emerson Court, Alderley Road, Wilmslow, Cheshire, SK9 1NX

16 Post balance sheet events

On 31 August 2006, the entire share capital of Healthcare Beteiligungs GmbH, an intermediate parent company, was ultimately acquired by Delta Commercial Property LP, a company incorporated in the Isle of Man. From this date the ultimate parent company is Delta Commercial Property LP.