

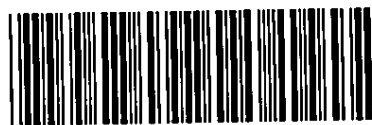
**Four Seasons Health Care Properties (Care Homes)
Limited**

**Directors' report and financial
statements**

Registered number 3934732

31 December 2008

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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 2008.

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.

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.

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 (2007: *Nil*)

Directors

The directors during the year under review were:

P Calvey (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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


D J Kay
Secretary

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

27/10/2009

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 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 2008 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 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 2008 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. On 28 September 2009 the parent and a fellow subsidiary undertaking and all current lenders signed a legally binding framework for a restructuring of the Group which includes certain conditions precedent. The restructuring will leave approximately £790 million of debt in the Group which expires in September 2010. These conditions precedent and the debt expiry, along with the other matters set out in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on 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

30/10/2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	<i>1</i>	66	66
Cost of sales		(10)	(9)
Operating profit		56	57
Interest payable and similar charges	<i>5</i>	(1,286)	(1,286)
Interest receivable	<i>6</i>	7,960	7,960
Profit on ordinary activities before taxation	<i>2</i>	6,730	6,731
Tax on profit on ordinary activities	<i>7</i>	-	492
Profit on ordinary activities after tax and retained for the financial year	<i>12</i>	6,730	7,223

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 2008

	<i>Note</i>	2008	2007
		£000	£000
Fixed assets			
Tangible assets	8	1,242	1,253
Current assets			
Debtors	9	188,551	180,811
Creditors: amounts falling due within one year	10	(38,951)	(37,952)
Net current assets		149,600	142,859
Total assets and net current assets		150,842	144,112
Net assets		150,842	144,112
Capital and reserves			
Called up share capital	11	3,922	3,922
Profit and loss account	12	146,920	140,190
Equity shareholders' funds		150,842	144,112

These financial statements were approved by the board of directors on 29/10/ 2009 and were signed on its behalf by:


 N.J. Mitchell
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008	2007
	£000	£000
Opening shareholders' funds	144,112	136,889
Profit for the financial year	6,730	7,223
	<hr/>	<hr/>
Closing shareholders' funds	150,842	144,112
	<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

The company, together with its parent Fino Propco Holdco Limited ("Propco Holdco") and fellow subsidiary undertakings of Propco Holdco (collectively the "Group"), is party to a number of financing agreements which are currently in default. Under the terms of the financing agreements the company has guaranteed the performance of the Group's obligations and the settlement of its liabilities as defined in those financing agreements.

On 28 September 2009 the directors of Propco Holdco and Fino Seniorco Limited ("Seniorco"), a fellow subsidiary, and all current lenders signed a legally binding framework (the "Lock Up Agreement") for a restructuring of the Group. The Lock Up Agreement requires, amongst others, Propco Holdco, Seniorco and the lenders, subject to certain conditions precedent, to implement a restructuring of the Group as set out in the Lock Up Agreement, which will involve the exchange of approximately £950 million of the existing debt for an equity investment in the Group's new holding company. The conditions precedent include, amongst others, any competition or regulatory approvals in the event that such approvals are considered necessary. The directors of Seniorco have informed the directors of the company that they do not consider any of the conditions to be a significant obstacle to the completion of the restructuring by the current long stop date of 30 November 2009.

This restructuring will place the Group on a more stable platform from which the directors of Seniorco have informed the directors of the company it may be possible to negotiate an extension to the maturity date of the remaining c.£790 million of debt beyond September 2010 or procure its refinancing by that date. Should neither an extension of the maturity date nor a refinancing be possible by September 2010, the directors of Seniorco have informed the directors of the company that they would consider, at the request of the Servicer or Special Servicer of the debt, and in conjunction with the directors of the new holding company, a sale of the Group so as to maximise the repayment of debt owed to the Group's lenders and to ensure that unsecured creditors of the Group are paid in full. The simplified debt structure at that time should reinforce the stable platform from which to conduct a sale. The directors believe that any uncertainties around the 2010 refinancing are unlikely to have any material impact on the trade of the operating subsidiaries of the Group.

Notwithstanding the restructuring process, the Group has continued to trade satisfactorily and continues to have adequate working capital for its operational needs. The directors therefore believe it appropriate to prepare the financial statements on a going concern basis, however, they acknowledge that the fulfilment of the above conditions precedent and the completion of the restructuring, and the refinancing or extension of the debt maturing in September 2010, remain uncertain. In accordance with ISA 570 the directors are required to state that these material uncertainties 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 its assets and discharge its 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.

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.

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2008 it was a wholly owned subsidiary undertaking of Four Seasons Health Care Limited and is included in the consolidated financial statements of that company.

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%

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.

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.

Turnover

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

2 Profit on ordinary activities before taxation

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is arrived at after charging:</i>		
Depreciation - owned assets	11	9

The auditors' remuneration of £2,000 (2007: £2,000) 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.

3 Directors' remuneration

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

Notes *(continued)*

4 Staff numbers and costs

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

5 Interest payable and similar charges

	2008	2007
	£000	£000
Interest payable on intercompany loans	1,286	1,286

6 Interest receivable and similar income

	2008	2007
	£000	£000
Interest on intercompany loans	7,960	7,960

Notes (continued)

7 Tax on profit on ordinary activities

	2008		2007	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	-		-	
<i>Deferred tax</i>				
Origination/reversal of timing differences	-		200	
Adjustments in respect of prior years	-		(692)	
Tax on profit on ordinary activities		-		(492)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK (28.5%, 2007: 30%) due principally to the availability of current year losses in other group companies. The differences are explained below.

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,730	6,731
Current tax at 30% (2007: 30%)	1,918	2,019
<i>Effects of:</i>		
Income not assessable for tax purposes	3	3
Group relief for nil consideration	(1,921)	(2,022)
Total current tax charge (see above)	-	-

As from 1 April 2008, the UK Corporation Tax rate changed from 30% to 28%. The current rate applicable to the group for the year ended 31 December 2008 was 28.5%. Deferred tax relating to timing differences that reverse after 1 April 2008 have been measured at a tax rate of 28% as these are the rates that will apply on reversal.

Notes (continued)

8 Tangible fixed assets

	Land and Buildings £000
<i>Cost</i>	
At beginning and end of year	1,447
	<hr/>
<i>Depreciation</i>	
At beginning of year	194
Charge for year	11
	<hr/>
At end of year	205
	<hr/>
<i>Net book value</i>	
At 31 December 2008	1,242
	<hr/>
At 31 December 2007	1,253
	<hr/>

9 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	188,561	180,811
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	38,930	37,952
Corporation tax	21	-
	<hr/>	<hr/>
	38,951	37,952
	<hr/>	<hr/>

Notes (continued)

11 Called up share capital

	2008		2007	
	No. of shares	£000	No. of shares	£000
<i>Authorised:</i>				
Ordinary shares of £1 each	3,922,000	3,922	3,922,000	3,922
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	3,922,000	3,922	3,922,000	3,922
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

12 Profit and loss account

	£000
At beginning of year	140,190
Retained profit for the financial year	6,730
	<u> </u>
At end of year	146,920
	<u> </u>

13 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.

14 Ultimate parent company

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