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FOUR SEASONS HEALTHCARE PROPERTIES (CARE HOMES) LIMITED
(FORMERLY SHELF CO (NO 1844) LIMITED)

Report and Accounts

31 December 2000



Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

Registered No. 3934732

DIRECTORS

H D Anstead	(Appointed 28 March 2000)
G Willis	(Appointed 28 March 2000)
G Crowe	(Appointed 28 March 2000)

SECRETARY

G Crowe

AUDITORS

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

BANKERS

Morgan Stanley Dean Witter
25 Cabot Square
Canary Wharf
London
E14 4QA

National Westminster Bank PLC
100 Barbirolli Square
Manchester
M60 2FT

SOLICITORS

Nabarro Nathanson
50 Stratton Street
London
W1X 6NX

Eversheds
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

REGISTERED OFFICE

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

**Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)**

DIRECTORS' REPORT

The directors present their report and accounts for the period from 28 February 2000 (date of incorporation) to 31 December 2000.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the period was the investment in long term care facilities for elderly and disabled people. The company commenced trading on 14 April 2000.

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

RESULTS AND DIVIDENDS

The turnover for the period was £5,854,266. The trading loss for the period after taxation was £2,032,582 and has been transferred to reserves. The directors recommend that no dividend be declared for the period.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period ended 31 December 2000 were those listed on page 1 together with Mikjon Limited from the date of incorporation until its resignation on 28 March 2000. The directors have no beneficial interest in the share capital of the company. Mr H D Anstead and Mr G Willis are directors of the ultimate parent undertaking, Four Seasons Health Care Limited and their interests in its share capital is disclosed in that company's accounts.

In accordance with the Articles of Association all directors retire and being eligible offer themselves for re-election.

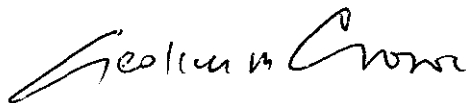
CHANGE OF COMPANY NAME

On 28 March 2000, the company's proposed change of name from Shelfco (No. 1844) Limited to Four Seasons Health Care Properties (Care Homes) Limited was registered at the Companies Registry, England and Wales.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



Secretary

23 October 2001

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

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:

- n select suitable accounting policies and then apply them consistently;
- n make judgements and estimates that are reasonable and prudent;
- n 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.

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

REPORT OF THE AUDITORS to the members of Four Seasons Healthcare Properties
(Care Homes) Limited (formerly Shelfco (No 1844) Limited)

We have audited the accounts on pages 5 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of the directors and auditors

As described on page 3 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 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst + Young LLP

Registered Auditor

Belfast

24 October 2001

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 2000

	Notes	2000 (9 months) £
TURNOVER	3	5,854,266
Cost of sales		(1,956,935)
OPERATING PROFIT		3,897,331
Interest payable on bank borrowings		(4,359,913)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(462,582)
Taxation – current year deferred tax charge	8	(1,570,000)
RETAINED LOSS FOR THE YEAR	10	(2,032,582)

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £2,032,582 for the period ended 31 December 2000.

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

BALANCE SHEET
at 31 December 2000

	Notes	2000 £
FIXED ASSETS		
Tangible fixed assets	4	88,119,589
CURRENT ASSETS		
Debtors	5	5,638,211
Cash at bank		-
		5,638,211
CREDITORS: amounts falling due within one year	6	29,688,981
NET CURRENT LIABILITIES		(24,050,770)
TOTAL ASSETS LESS CURRENT LIABILITIES		64,068,819
CREDITORS: amounts falling due in more than one year	7	(64,531,400)
Provisions for liabilities and charges	8	(1,570,000)
TOTAL ASSETS LESS LIABILITIES		(2,032,581)
CAPITAL AND RESERVES		
Called up share capital	9	1
Profit and loss account	10	(2,032,582)
Equity Shareholders' Funds		(2,032,581)

 Directors
23 October 2001

Four Seasons Health Care Properties (Care Homes) Limited (formerly Shelfco (No 1844) Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company is dependent on continuing finance being made available by its shareholders. Continuing finance is required both to enable the company to meet its liabilities as they fall due and to continue operating without immediate realisation of all its assets.

Management are currently negotiating with the landlords of its leased home portfolio with a view to reducing the cost base to enable the company to return to profitability. At this time the holding company has confirmed its willingness to continue to support the company. The group companies who are owed a total of £27,469,956 have agreed not to demand repayment until at least 31 October 2002.

The directors believe that continuing finance will be available and that it is therefore appropriate to prepare the accounts on a going concern basis. However, should continuing finance not be available, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets.

2. ACCOUNTING POLICIES

Basis of preparation

As the profit and loss account covers the period from 28 February 2000 (date of incorporation) to 31 December 2000, no comparatives are required. On 14 April 2000 it acquired healthcare facilities from other group companies at the higher of estimated realisable value and cost. The company commenced trading effectively from 14 April 2000.

Accounting convention

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

Properties

Land and buildings

The group's health care facilities are stated at cost or fair value in the case of acquisitions.

Land and buildings under construction

Land and buildings in the course of construction are included at cost together with the finance cost incurred until the date of registration. Following completion of the period of construction, the assets are included with other land and buildings.

Depreciation

Depreciation is provided on all tangible fixed assets at rates, calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings	-	over 50 years
Equipment and fixtures	-	from 2 to 15 years

Interest capitalised

Interest on loans and financing costs relating to assets under construction is capitalised until the date of registration of the new health care facility. All other interest is written off to the profit and loss account as incurred.

Taxation

The group's policy is not to charge for group relief.

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

2. ACCOUNTING POLICIES (continued)

Cash flow

As a wholly owned subsidiary of Four Seasons Health Care Holdings Limited which prepares group accounts, the company is exempt under FRS1 from preparing a statement of cash flows.

3. TURNOVER

Turnover represents the rental income falling due under the terms of the leases to the operating companies. All turnover arises from continuing operations in the United Kingdom and the Isle of Man and is attributable to the letting out of properties for health care activities.

4. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>	<i>Total</i>
	<i>£</i>	<i>£</i>
Cost:		
At 28 February 2000	-	-
Transfers from other group undertakings	97,517,910	97,517,910
Disposals	(53,457)	(53,457)
	<hr/>	<hr/>
At 31 December 2000	97,464,453	97,464,453
Depreciation:		
At 28 February 2000	-	-
Transfers from other group undertakings	7,388,021	7,388,021
Charge for the period	1,956,843	1,956,843
	<hr/>	<hr/>
At 31 December 2000	9,344,864	9,344,864
Net book value		
At 31 December 2000	88,119,589	88,119,589
	<hr/>	<hr/>
At 28 February 2000	-	-
	<hr/>	<hr/>

5. DEBTORS

	<i>31 December 2000</i>
	<i>£</i>
Amounts owed to group undertakings	4,738,334
Other debtors	899,877
	<hr/>
	5,638,211
	<hr/>

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

6. **CREDITORS:** amounts falling due within one year

	31 December 2000 £
Amounts owed to group undertakings	27,469,956
Bank loans	1,068,600
Accruals and deferred income	1,150,425
	<u>29,688,981</u>

7. **CREDITORS:** amounts falling due after more than one year

	31 December 2000 £
Bank loans due:	
Between one and two years	2,137,200
Between two and five years	8,548,800
Due in after five years	53,845,400
	<u>64,531,400</u>

The bank loan is a seven year term facility which is interest bearing at a rate of 7.65% per annum. The facility is secured by the charges referred to in note 11.

8. **PROVISION FOR LIABILITIES AND CHARGES**

Deferred taxation

	31 December 2000 £
Accelerated capital allowances	1,570,000

Deferred tax has been provided at 30%.

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

9. SHARE CAPITAL

	<i>Authorised 2000 £</i>
Ordinary shares of £1 each	1,000
	<u> </u>
	<i>Allotted, called up and fully paid 2000 £</i>
Ordinary shares of £1 each	1
	<u> </u>

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 28 February 2000	-	-	-
Issue of share capital	1	-	1
Loss for the period	-	(462,582)	(462,582)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	1	(462,582)	(462,581)
	<u> </u>	<u> </u>	<u> </u>

11. CONTINGENT LIABILITY

Under the terms of the £84 million facility agreement entered into by the company (£65.6m) and Four Seasons Health Care Properties (Specialist) Limited (18.4m) used to acquire the properties and to provide working capital for the Four Seasons Group Limited sub group of companies, the company granted the following charges in favour of Morgan Stanley Mortgage 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.
- a cross guarantee of the obligations of Four Seasons Health Care Properties (Specialist) Limited under the above facility agreement.

Four Seasons Health Care Properties (Care Homes) Limited
(formerly Shelfco (No 1844) Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

12. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Four Seasons Healthcare Limited, a company incorporated in England and Wales.

13. 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.