FSHC (Guernsey) Holdings Limited

Directors' report and
consolidated financial statements

Registered number 51204

31 December 2010

Four Seasons
Health Care

The
Huntercombe
Group

Creative solutions for complex needs

Contents

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010. Comparatives are shown for the 36 day period from incorporation on 26 November 2009 to 31 December 2009. On 9 December 2009 the company acquired via a direct subsidiary, FSHC (Jersey) Holdings Limited ("FSHC Jersey") the entire share capital of Fino Propco Holdco Limited. Fino Propco Holdco Limited is the parent company of both the Four Seasons Health Care and the Rhyme (Jersey) groups of companies. The company did not trade prior to the acquisition and therefore trading results in 2009 are for 19 days only.

Principal activities

The company and its subsidiaries (the "group") have two principal activities. Firstly, the operation of care homes for the elderly and specialised healthcare facilities by the Four Seasons Health Care group, under the Four Seasons Health Care and Huntercombe brands respectively. Secondly, the ownership of healthcare real estate and its leasing to providers of long term care for the elderly and other specialised care activities by the Rhyme (Jersey) group.

Business review

The group's strategy is to deliver continued growth by becoming the leading quality care provider and employer of choice, complimented by pursuing attractive acquisitions and developments that leverage from the management team's skills and experience.

The directors are pleased with the results for the year that have been achieved under unprecedented challenging economic conditions across the industry.

For the FSHC (Guernsey) Holdings group in the year ended 31 December 2010 turnover increased by 3.6% to £503.6 million (*2009: £486.0 million for the 12 month period*) resulting in an Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) of £97.7 million (*2009: £102.4 million for the 12 month period*). This was a considerable achievement, against the backdrop of declining occupancy across the industry combined with significant reductions in fees from local authorities as a result of the government's Comprehensive Spending Review.

On 27 July 2010 the group exchanged contracts for the acquisition of the Care Principles business. Care Principles operates 16 low and medium secure units for individuals detained under the Mental Health Act and specialist residential care for adults with learning disabilities and personality disorders. Completion of this acquisition is pending Care Quality Commission registration which is expected in the second half of 2011.

The group completed two further acquisitions during 2010. These resulted in an additional 900 beds, primarily in the Care Home Division but also including two specialised units.

The first acquisition comprised the trade and assets of the Eton Square Healthcare business. This leasehold business comprises seven leasehold care homes operating 500 beds.

The second acquisition in May 2010 was the "in-housing" of six care homes and two specialised units, which were previously leased to Craegmoor Limited by the group's investment property portfolio. In line with the FSHC group's focus on quality and capital investment, £1 million has been spent on capital items for these homes since May 2010. To date, this has resulted in a 3% increase in occupancy in these homes.

The group is actively investigating further growth opportunities both externally and through internally funded expansion and development.

Focus on quality
The group aims to deliver the best possible quality of care to all service users. Quality of care remains a key focus of the board with continued significant investment in the development of both staff and facilities to ensure that the Four Seasons Health Care and Huntercombe brands are synonymous with quality of care.

Management believe that high care quality standards are fundamental in protecting and growing both the group's reputation and occupancy. During 2011 and 2012 management will continue to invest in service quality and the development of higher acuity services.

Directors' report *(continued)*

Focus on quality (continued)

As a result, in addition to maintaining strong results in a difficult economic climate, the group remains one of the highest quality rated providers in the independent sector with almost 88% of its facilities in England rated Good or Excellent in October 2010. From this date the Care Quality Commission's rating system was frozen pending the introduction of a new rating system. There is currently no confirmed date for the introduction of a new rating system in England, however the group will continue to strive to ensure that the existing quality of its homes is maintained, if not further improved, by a sector leading capital spend per bed.

Managing costs without compromising the quality of care, whilst continuing to be robust in recovering the true cost of care, will help protect future performance despite the challenging economic conditions.

Four Seasons Health Care Limited

Four Seasons Health Care Limited provides services under two brands - Four Seasons Health Care operates a portfolio of 323 (*2009: 316*) care homes and the Huntercombe brand operates 27 (*2009: 26*) specialised care facilities, including four hospitals. The group operates across the United Kingdom, Isle of Man and Jersey.

Key performance indicators
The key financial and operational performance indicators carefully monitored by the senior management team include occupancy, weekly fee rates, payroll, customer feedback and numerous quality measures. Details of the year's performance against occupancy and weekly fee rates for each trading activity are detailed below.

Four Seasons Health Care
Under the Four Seasons Health Care brand the group provides services in 323 homes with 16,500 beds offering a full range of high quality elderly care. The average available beds increased from 16,042 to 16,464 as a result of the acquisition of seven homes from Eton Square Healthcare and six homes from Craegmoor which were brought back in-house from the investment property portfolio. Both of these acquisitions occurred in May 2010.

Management's strategic focus on quality and the development of specialist care services such as PEARL (the group's award winning dementia service) has been instrumental in maintaining average occupancy in the core business at 87.6%, despite market pressures. In addition to an overall market decline of 0.6%, average weekly fee increases were also significantly lower than previous years at 1.6% (*2009: 2.8%*) and there were continued inflationary pressures in care and facility expenses. Despite these unprecedented downward pressures the Care Home Division delivered Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent (EBITDAR) of £114.6 million (*2009: £115.2 million*).

The directors believe the prospects for further upward re-alignment in public sector baseline fee rates looks challenging in the near future in view of the cuts in public sector spending. The group estimates that the average public sector fee rates will actually decrease by approximately 1% for 2011/12. In addition, the national minimum wage increase of 2.5% in October 2011 and rising costs, particularly energy and food, will continue to place pressure on margins in the absence of strong cost control drivers.

Building occupancy share through carefully balanced fee and quality strategies has, and should continue to, help the group retain economies of scale. In addition, the group's higher acuity client mix, particularly in its Huntercombe business, is more resilient to fee pressures than lower acuity care services.

The Huntercombe Group
Under the Huntercombe brand the group provides specialised care for individuals with mental health disorders, learning difficulties, acquired brain injury or physical neurodisabilities. The Huntercombe Group is also a market leader in providing care for children and adolescents with special mental health needs. Care is provided in 27 specialised care centres with 850 beds.

Huntercombe is a national leading brand for highly specialist services with good geographic coverage. The group provides a first class platform in a market which is difficult for competitors to enter due to the requirement for specialist clinicians and managers who have a strong understanding of this specialist care sector.

Directors' report *(continued)*

The Huntercombe Group (continued)

In 2010, the group maintained its strong relationship with service purchasers and continued to develop and reposition services to target the private market. Capacity has increased from an average of 689 beds in 2009 to 850 beds by the end of 2010 due to the acquisition of 69 beds in units previously leased to Craegmoor, 40 beds at a new unit in Crewe, 20 beds at the extended Hothfield Manor, 24 beds at Murdostoun which have been repositioned from the Care Home Division and 7 new beds created in existing hospitals.

The Huntercombe group has a strong reputation in both mental health services and neurorehabilitation. Commissioners value the quality of care, good communication, competitive fee rates and geographic location. The Huntercombe Group generally scores highly across these criteria and is particularly well regarded in terms of its flexibility and reduction of average lengths of stay, helping to match demand with commissioners' funding requirements.

Rhyme (Jersey) Limited

Rhyme (Jersey) owns a portfolio of 309 properties of which 234 are leased to the Four Seasons Health Care group, the remainder being investment properties leased to third party operators. Of the total turnover of Rhyme (Jersey), £63.5 million relates to properties leased to the Four Seasons Health Care group and £15.5 million (*2009: £15.9 million for the 12 month period*) to the investment portfolio. Rent from investment properties decreased in 2010 as a result of the eight properties brought back in-house from Craegmoor in May. Rent increases by RPI under the terms of the leases, subject to certain caps and collars.

Results and dividends

The detailed results for the period are set out in the Profit and Loss account on page 9. The full year's results for 2009 can be found in the consolidated accounts of Fino Propco Holdco Limited which can be obtained from the registered address at the end of this directors' report.

The profit for the year attributable to shareholders amounted to £6,640,000 (*2009: £766,000 for 36 day period*) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

Supplier payment policy

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of the payment. Trade creditors of the group at 31 December 2010 were equivalent to 50 days' purchases (*2009: 47 days*), based on the average daily amount invoiced by suppliers during the year.

Fixed assets and investment properties

The directors have undertaken a review of the carrying value of the group's land and buildings as at December 2010 taking into account the views of qualified property valuers. Due to the stabilisation of property values in 2010, there has been no significant impairment to fixed assets. Investment properties have decreased by £18.4 million as a result of a reclassification of eight properties (from investment properties to freehold land and buildings) following the in-housing described above.

Principal risks and uncertainties

The principal operational risks faced by the group are as follows:

- fee increases do not rise at least in line with the costs of care;
- failure to meet regulatory standards resulting in financial penalty or revocation of a licence to operate a facility.

There is a risk management programme in place which is designed to identify, manage and mitigate business risk. This programme is overseen by the group's Chief Executive Officer.

The principal financial risks faced by the group are refinancing, liquidity and interest rate risks. The group has entered into interest rate swaps to reduce exposure to fluctuating interest rates. The refinancing risk is considered further below.

Directors' report *(continued)*

Debt restructuring

The company's immediate subsidiary FSHC (Jersey) Holdings Limited ("FSHC Jersey"), together with its subsidiary undertakings (collectively the "FSHC Jersey group"), is party to a number of financing arrangements. Under the terms of the financing agreements FSHC Jersey has guaranteed the performance of the FSHC Jersey group's obligations and the settlement of its liabilities as defined in those financing agreements.

On 10 September 2010 the group successfully negotiated a two year extension to the maturity date of the group's £790m of debt from September 2010 to September 2012.

The group now has a stable funding base from which to consider a number of different capital structures for the longer term.

Going concern

In presenting the financial statements on a going concern basis, the directors have considered the company's and group's business activities together with factors likely to affect future performance and financial position. These include cash flows, and the risks and uncertainties relating to the company's and group's business activities, particularly in light of the government's Comprehensive Spending Review.

As described in note 15, the FSHC Jersey Group is party to a number of financing arrangements. The group has carefully considered its cash flows and financial covenants for at least twelve months from the date of signing the financial statements. These have been appraised in light of the uncertainty in the current economic climate and, as such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and the FSHC Jersey Group.

The FSHC Jersey Group's forecasts and projections, sensitised to take into account all reasonably foreseeable changes in trading performance, show that the FSHC Jersey Group has sufficient funding and covenant headroom within its current financing arrangements which do not mature until September 2012.

The directors are considering, together with certain of the group's lenders and shareholder representatives, a number of possible capital structures to ensure that appropriate levels of funds will be in place after September 2012 to match the group's financing requirements. These include various debt facilities available to the group, new equity from existing shareholders, as well as potential funding from new investors.

After making appropriate enquiries, the directors have a reasonable expectation that the company and the FSHC Jersey Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

Environmental policy

The directors are committed to reducing the impact that the group makes on the environment. The group has adopted an environmental policy statement which includes policies for procurement, transport and estate management.

In order to meet the obligations under the Carbon Reduction Scheme which came into force in April 2010, the group is focussing on the implementation of a full Carbon Reduction Plan, seeking external support and validation where necessary.

Directors' report *(continued)*

Directors

The directors of the company during the year ended 31 December 2010 were as follows:

R Fraser
J Freeman
S Langan
N Ward
G Westmore
M McKillop
P Calveley

The board of FSHC (Guernsey) Holdings Limited acts as an overseeing body, fulfilling a corporate governance role. The board has delegated authority to manage the group's day to day operations to a senior management team including the Chief Executive Officer, Finance Director and Commercial Director, who report directly to the board.

Registered office

The registered office is:
Ogier Corporate Services (Guernsey) Limited, Ogier House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

Employees

The directors would like to take this opportunity to thank all employees for their dedication and hard work over the past year. It is their ongoing commitment and focus that has enabled the group to deliver services of the highest quality.

The group encourages staff involvement through a process of communication and participation. This involves the provision of information through normal management channels including regular manager briefing letters, annual conferences and meetings.

The group gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy, wherever practical, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Auditors

In accordance with Companies (Guernsey) Law 2008, 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

Ogier Corporate Services (Jersey) Limited
Secretary

26 May 2011

Ogier Corporate Services (Jersey) Limited
Ogier House
The Esplanade
St Helier
Jersey
JE4 9WG

Statement of directors' responsibilities

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 financial statements in accordance with UK Accounting Standards and applicable law.

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 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 the financial statements comply with the Companies (Guernsey) Law 2008. 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 auditor's report to the members of FSHC (Guernsey) Holdings Limited

We have audited the Group and Company financial statements (the "financial statements") of FSHC (Guernsey) Holdings Limited (the "Company") for the year ended 31 December 2010 which comprise the Consolidated profit and loss account, the Consolidated and company balance sheets, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards.

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 (APB's) Ethical Standards for Auditors.

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 Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board of directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2010 and of its profit for the year then ended; and
- are in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- comply with the Companies (Guernsey) Law 2008.

Independent auditor's report to the members of FSHC (Guernsey) Holdings 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 (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG LLP 26 May 2011

KPMG LLP
Chartered Accountants
Registered Auditor

Consolidated profit and loss account

For the year ended 31 December 2010

		Year ended 31 December 2010			Period ended 31 December 2009		
		Ordinary activities	Exceptional activities	Total	Ordinary activities	Exceptional activities	Total
	Note	£000	£000	£000	£000	£000	£000
Turnover	1,2	503,617	-	503,617	25,767	-	25,767
Cost of sales		(399,645)	-	(399,645)	(20,528)	-	(20,528)
Gross profit		103,972	-	103,972	5,239	-	5,239
Administrative expenses	4	(24,501)	(29,600)	(54,101)	(1,483)	-	(1,483)
Operating profit/(loss)	2 -6	79,471	(29,600)	49,871	3,756	-	3,756
Interest payable and similar charges		(51,719)	-	(51,719)	(2,259)	-	(2,259)
Interest receivable and similar income		23	18,318	18,341	6	-	6
Net interest payable and similar charges	7	(51,696)	18,318	(33,378)	(2,253)	-	(2,253)
Profit on ordinary activities before taxation	3	27,775	(11,282)	16,493	1,503	-	1,503
Tax on profit on ordinary activities	8	(9,853)	-	(9,853)	(737)	-	(737)
Retained profit for the financial period	19	17,922	(11,282)	6,640	766	-	766

All activities relate to continuing operations.

There were no recognised gains or losses in the current year or prior period other than the profit for those periods.

Consolidated balance sheet
As at 31 December 2010

	Note	2010 £000	2009 £000
Fixed assets			
Intangible assets - goodwill	*9*	(63,418)	(65,933)
Tangible fixed assets	*10*	764,628	747,872
Investment properties	*11*	127,675	146,080
Total fixed assets		828,885	828,019
Current assets			
Debtors	*13*	30,639	39,284
Cash at bank and in hand		53,261	75,075
		83,900	114,359
Creditors: amounts falling due within one year	*14*	(106,468)	(903,566)
Net current liabilities		(22,568)	(789,207)
Total assets less current liabilities		806,317	38,812
Creditors: amounts falling due after more than one year	*15*	(775,190)	-
Provisions for liabilities and charges	*17*	(23,721)	(38,046)
Net assets		7,406	766
Capital and reserves			
Called up share capital	*18*	-	-
Profit and loss account	*19*	7,406	766
Shareholders' funds		7,406	766

These financial statements were approved by the board of directors on 16 May 2011 and were signed on its behalf by:

N Ward
Director

S Langan
Director

Consolidated cash flow statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 £000	Period ended 31 December 2009 £000
Net cash inflow from operating activities	*20*	**77,309**	3,542
Returns on investments and servicing of finance	*21*	**(68,936)**	-
Capital expenditure and financial investment	*21*	**(20,791)**	(1,497)
Taxation		**(6,487)**	-
Acquisitions and disposals	*21*	**874**	58,396
Net cash (outflow)/inflow before financing		**(18,031)**	60,441
Financing	*21*	**(3,783)**	14,634
(Decrease)/increase in cash in the year	*22*	**(21,814)**	75,075

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 £000	Period ended 31 December 2009 £000
(Decrease)/increase in cash in the year	*22*	**(21,814)**	75,075
Debt-like items repaid	*21*	**3,783**	-
Amounts received from related parties	*22*	**-**	(14,634)
Bank loans acquired with subsidiaries	*22*	**-**	(787,689)
Movement in net debt in the year		**(18,031)**	(727,248)
Non cash movements		**8,716**	-
Net debt at start of year		**(727,248)**	-
Net debt at end of year	*22*	**(736,563)**	(727,248)

Reconciliations of movements in shareholders' funds

For the year ended 31 December 2010

	Group Year ended 31 December 2010 £000	Company Year ended 31 December 2010 £000	Group Period ended 31 December 2009 £000	Company Period ended 31 December 2009 £000
Profit/(loss) for the financial year	**6,640**	**(14)**	766	-
Net movement in shareholders' funds/(deficit)	**6,640**	**(14)**	766	-
Opening shareholders' funds/(deficit)	**766**	**-**	-	-
Closing shareholders' funds/(deficit)	**7,406**	**(14)**	766	-

Company balance sheet
As at 31 December 2010

	Note	2010 £000	2009 £000
Fixed assets			
Investments	12	-	-
Creditors: amounts falling due within one year	14	(14)	-
Net current liabilities		(14)	-
Total assets less current liabilities		(14)	-
Net liabilities		(14)	-
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	(14)	-
Shareholders' deficit		(14)	-

These financial statements were approved by the board of directors on 26 May 2011 and were signed on its behalf by:

N Ward
Director

S Langan
Director

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 and under the historical cost accounting rules. The results for the period ended 31 December 2009 represent a 36 day period from incorporation to the period end, however trading results actually represent a 19 day period.

Going concern

In presenting the financial statements on a going concern basis, the directors have considered the company's and group's business activities together with factors likely to affect future performance and financial position. These include cash flows, and the risks and uncertainties relating to the company's and group's business activities, particularly in light of the government's Comprehensive Spending Review.

As described in note 15, the FSHC Jersey Group is party to a number of financing arrangements. The group has carefully considered its cash flows and financial covenants for at least twelve months from the date of signing the financial statements. These have been appraised in light of the uncertainty in the current economic climate and, as such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and the FSHC Jersey Group.

The FSHC Jersey Group's forecasts and projections, sensitised to take into account all reasonably foreseeable changes in trading performance, show that it has sufficient funding and covenant headroom within its current financing arrangements which do not mature until September 2012.

The directors are considering, together with certain of the group's lenders and shareholder representatives, a number of possible capital structures to ensure that appropriate levels of funds will be in place after September 2012 to match the group's financing requirements. These include various debt facilities available to the group, new equity from existing shareholders, as well as potential funding from new investors.

After making appropriate enquiries, the directors have a reasonable expectation that the company and the FSHC Jersey Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Of the loss for the financial year, a loss of £14,000 (*2009: £nil*) is dealt with in the accounts of FSHC (Guernsey) Holdings Limited.

Notes *(continued)*

1 Accounting policies (continued)

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- straight line basis over 45 years
Equipment and fixtures	- straight line basis over 5 years
Motor vehicles	- straight line basis over 4 years

No depreciation is provided on freehold land or buildings under construction.

Direct costs incurred in enabling a care facility to become registered are capitalised together with, where appropriate, finance costs associated with the period of construction and are included in the cost of the facility.

Leases

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax. All turnover arises from operations in the United Kingdom, Isle of Man and Jersey, and is attributable to fees for the provision of healthcare and property leasing. Rents are credited gross in the period to which they relate.

Post retirement benefits

The group operates defined contribution pension schemes as set out in note 23. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Notes *(continued)*

1 Accounting policies (continued)

Share based payments

The fair value of shares granted is recognised as an employee expense, after deducting the amount the employees paid for the shares, with a corresponding increase in equity. The difference between the fair value at grant date and the amount paid for the shares is spread over the period during which the employees become unconditionally entitled to those shares.

Investment properties

Investment properties represent freehold properties which are leased outside the group. Investment properties are revalued annually to market value on an investment basis subject to the various leases. The aggregate valuation surplus or deficit is transferred to the revaluation reserve, whilst any permanent diminution in value is charged to the profit and loss account. Under the terms of the leases, properties are maintained to a high standard by tenants.

No depreciation is provided in respect of freehold investment properties. This treatment is a departure from the requirements of the Companies (Guernsey) Law 2008 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

Interest rate swaps

The group uses derivative financial instruments to reduce the risk arising from fluctuations in interest rates. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. No value is recognised on the balance sheet in respect of financial instruments.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange effective at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate for the period.

Monetary assets and liabilities of subsidiaries in foreign currencies are translated at the rate of exchange effective at the balance sheet date and non monetary assets and liabilities at the historic rate. Exchange differences are taken to the profit and loss account as they arise.

Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities that form part of this group.

Goodwill

Purchased goodwill (representing the excess fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised by equal annual instalments over its estimated useful economic life. Provision is made for any impairment.

Negative goodwill is similarly included on the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered, through depreciation or sale.

Notes *(continued)*

2 Segmental information

	Year ended 31 December 2010		Period ended 31 December 2009	
	Turnover	**Result**	Turnover	Result
	£000	**£000**	£000	£000
Property leasing	**15,481**	**14,860**	917	908
Operation of care homes and specialised services	**488,136**	**35,011**	24,850	2,848
Group turnover/operating profit	**503,617**	**49,871**	25,767	3,756
Net interest payable and similar charges		**(33,378)**		(2,253)
Profit before taxation on ordinary and exceptional activities		**16,493**		1,503

All activities arose in the United Kingdom, Isle of Man and Jersey and relate to continuing operations.

The net operating assets utilised in the property leasing business are those properties identified as investment properties (note 11).

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 December 2010	Period ended 31 December 2009
	£000	£000
Depreciation and amounts written off tangible fixed assets:		
- owned	**23,387**	1,032
Amortisation of goodwill	**(3,364)**	(172)
Amounts receivable by the auditors and their associates in respect of:		
- audit of these financial statements	**60**	16
- audit of subsidiaries pursuant to legislation	**206**	-
- other services relating to taxation	**280**	-
- other services	**347**	-
Operating lease rentals:		
- buildings	**28,108**	1,348
- motor vehicles	**673**	43
- equipment and fixtures	**120**	7

The audit fee for the 12 month period in 2009 was £300,000. In addition, £166,000 was incurred in 2009 in relation to other services relating to taxation and a further £369,000 for services relating to exceptional transactional activity. These fees were receivable by the auditors and their associates.

4 Exceptional items

The operating profit during the year includes exceptional costs of £25,070,000 principally relating to the extension of the maturity date of the group's debt facilities, £1,495,000 relating to the impairment of property (see note 10), £736,000 relating to the aborted sale of certain investment properties (unsuccessful) and £1,632,000 relating to closed homes and redundancy costs.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the group (including directors), during the year including both full and part time staff, analysed by category was as follows:

Group	**Year ended 31 December 2010 No.**	Period ended 31 December 2009 No.
Healthcare facilities	**20,563**	18,418
Administration	**1,045**	1,033
	21,608	19,451

The aggregate payroll costs of these persons were as follows:

Group	**Year ended 31 December 2010 £000**	Period ended 31 December 2009 £000
Wages and salaries	**277,084**	14,321
Social security costs	**19,029**	993
Pension costs	**501**	13
	296,614	15,327

The company had no employees during the period.

Share-based payments

Prior to 9 December 2009, certain employees owned shares in the Fino Holdco Limited (the ultimate parent undertaking at that time). From 9 December 2009, certain employees own shares in FSHC (Guernsey) Holdings Limited. No share based payment charge arose on the issue of shares in FSHC (Guernsey) Holdings Limited to employees as the market value was deemed to have nominal value at the date of issue.

6 Remuneration of directors

	Year ended 31 December 2010 £000	Period ended 31 December 2009 £000
Directors' emoluments	**520**	43
Pension contributions	**53**	3
Amounts paid to third parties in respect of directors' services	**677**	70
	1,250	116

The highest paid director received total remuneration of £573,000 (*2009: £46,000*) including pension contributions of £53,000 (*2009: £3,000*). Pension contributions are in respect of 1 (*2009: 1*) director.

During the year fees of £60,000 (*2009: £5,000*) were paid to Talbot Hughes McKillop LLP for the provision of 1 (*2009: 1*) director. In addition a further £58,000 (*2009: £nil*) was paid to Talbot Hughes McKillop LLP for other services performed by the director (see note 25).

During the year management fees of £259,000 (*2009: £40,000*) were paid to Ogier Corporate Services (Jersey) Limited for administration (including exceptional items) and secretarial services including the provision of 4 (*2009: 4*) directors.

Notes *(continued)*

7 Net interest payable and similar charges

	Year ended 31 December 2010	Period ended 31 December 2009
	£000	£000
Interest payable		
On bank loans repayable within one year	-	2,028
On bank loans repayable after more than one year	46,711	-
On balances due to related parties	3,551	183
Debt related costs	507	-
Unwinding of discounts on provisions	950	48
Total interest payable and finance charges	**51,719**	2,259
Bank interest receivable - ordinary activities	(23)	(6)
Waiver of debt and debt-like items - exceptional	(18,318)	-
Total interest receivable	**(18,341)**	(6)
Net interest payable and similar charges	**33,378**	2,253

On 10 September 2010 the group agreed a two year extension to the maturity of its debt from September 2010 to September 2012. As such, debt and its related interest, classified as "Due within one year" at 31 December 2009, is shown as "Falling due after more than one year" at 31 December 2010.

Interest on bank loans repayable after more than one year is shown net of a £15,267,000 provision release in respect of an onerous interest rate swap contract at 31 December 2009.

8 Taxation

Analysis of charge in the year:

	Year ended 31 December 2010	Period ended 31 December 2009
	£000	£000
UK corporation tax		
Current tax on profit for the period	**10,902**	765
Adjustments in respect of prior period	**(1,138)**	-
Foreign tax		
Current tax on income for the year	**81**	4
Total current tax	**9,845**	769
Deferred tax		
Origination of timing differences (note 17)	**8**	(32)
Tax on profit on ordinary activities	**9,853**	737

Factors affecting the tax charge:

The current tax charge for the year is higher (*2009:higher*) than the standard rate of corporation tax in the UK (28%, *2009: 28%*). The differences are explained below.

	Year ended 31 December 2010	Period ended 31 December 2009
	£000	£000
Current tax reconciliation:		
Profit on ordinary activities before tax	**16,493**	1,503
Tax on profit at current rate of 28% (*2009: 28%*)	**4,618**	421
Effects of:		
Expenses not deductible for tax purposes	**28,072**	794
Exceptional expenses not deductible for tax purposes	**7,224**	-
Capital allowances in excess of depreciation	**(546)**	165
Other timing differences	**1,212**	144
Tax losses utilised	**(21,583)**	(498)
Difference in overseas tax rate	**(8,095)**	(261)
Foreign tax	**81**	4
Adjustments in respect of prior period	**(1,138)**	-
Total current tax (see above)	**9,845**	769

Factors that may affect future current and total tax charge:

The corporation tax applicable to the group and the company was 28% in the current period. From 1 April 2011 the corporation tax rate payable by the group and the company reduced to 26% with further 1% reductions each year until 2014/2015 (stabilising at a rate of 23%). As the change in rate of corporation tax was not enacted as at December 2010, deferred tax has not been accounted for at the new rate and the impact of the change is not expected to be material.

Notes *(continued)*

9 Intangible fixed assets

Group	Negative goodwill £000
Cost	
At beginning of year	(66,105)
Additions	(1,849)
Fair value adjustment	1,000
At end of year	(66,954)
Amortisation	
At beginning of year	172
Credit for the year	3,364
At end of year	3,536
Net book value	
At 31 December 2010	**(63,418)**
At 31 December 2009	(65,933)

On 9 December 2009 the company acquired, via a direct Jersey subsidiary, FSHC (Jersey) Holdings Limited the entire share capital of Fino Propco Holdco Limited. Negative goodwill of £66,105,000 arose on this transaction. At 31 December 2010, two onerous leases that were accounted for at acquisition were actually under-provided by £1,000,000. Given that this adjustment has been identified within the hindsight period, the additional onerous element of these contracts has been accounted for as a fair value adjustment.

On 6 May 2010 the entire share capital of Speciality Care (REIT) Homes Limited and Irvine Care Limited was acquired by the group. Negative goodwill of £1,901,000 arose on this transaction (see note 16). On 4 May 2010 the trade and assets of 7 homes were acquired from Eton Square Healthcare by various subsidiaries within the FSHC (Guernsey) Holdings group. Positive goodwill of £52,000 arose on this transaction. On the grounds of materiality, this figure has been netted off against the negative goodwill acquired in the year.

Negative goodwill is being written back on a straight line basis over a period of 20 years.

10 Tangible fixed assets

Group	Land and buildings £000	Buildings under construction £000	Equipment and fixtures £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	683,384	5,168	59,444	908	748,904
Additions	1,034	2,300	16,380	1,134	20,848
Acquisition of subsidiary undertakings	-	-	934	-	934
Transfers	4,919	(6,697)	1,778	-	-
Reclassification from investment properties	18,405	-	-	-	18,405
Disposals	(4)	-	(56)	(162)	(222)
At end of year	707,738	771	78,480	1,880	788,869
Depreciation					
At beginning of year	260	-	758	14	1,032
Charge for the year	5,600	-	15,886	406	21,892
Impairment	1,495	-	-	-	1,495
Disposals	-	-	(45)	(133)	(178)
At end of year	7,355	-	16,599	287	24,241
Net book value					
At 31 December 2010	**700,383**	**771**	**61,881**	**1,593**	**764,628**
At 31 December 2009	683,124	5,168	58,686	894	747,872

Notes *(continued)*

11 Investment properties

	2010
	£000
At beginning of year	146,080
Reclassification to freehold land and buildings	(18,405)
At end of year	127,675

At 31 December 2010 the investment properties are valued based on a directors' valuation which has taken into account the views of qualified property valuers.

The reclassification of investment properties to freehold land and buildings is a result of bringing in-house eight investment properties that were previously leased to Craegmoor Limited. As these properties are now being operated by the FSHC Guernsey Group, they have been reclassified to land and buildings.

12 Fixed asset investments

Company investment in subsidiary undertakings	**£**
At beginning of year	2
At end of year	**2**

A list of the company's principal subsidiary undertakings at 31 December 2010 is provided below. All of the companies are wholly owned and are indirect subsidiaries of the company unless stated otherwise. The following companies are incorporated in and operate in Great Britain:

Company	Nature of business
Four Seasons Health Care Limited	Holding company
Principal Healthcare Finance (UK) No.1 Limited	Long leasehold holding company
FSHC Properties (BIR) Limited	Property holding company
Four Seasons Health Care Properties (Frenchay) Limited	Operator of specialised healthcare facilities
FSHC Properties (CH2) Limited	Property holding company
Four Seasons Group Limited	Holding company
Four Seasons Health Care Properties Limited	Property holding company
Tamaris Healthcare England Limited	Operator of care homes
Tamulst Care Limited	Operator of care homes
Four Seasons Health Care (England) Limited	Operator of care homes
Four Seasons (No. 13) Limited	Operator of specialised healthcare facilities
FSHC Developments (Properties) Limited	Property development company
FSHC Opco Acquisitions Limited	Property development company
FSHC (SP) Limited	Property holding company

The following companies are incorporated in Jersey, Channel Islands:

Company	Nature of business
FSHC (Jersey) Holdings Limited*	Holding company
Fino Propco Holdco Limited	Holding company
Rhyme (Jersey) Limited	Holding company
PHF Securities No.1 Limited	Long leasehold holding company
PHF Reversions No.1 Limited	Property holding company
PHF Securities No.2 Limited	Long leasehold holding company
PHF Reversions No.2 Limited	Property holding company
PHF (CHP) Limited	Property holding company
PHF Reversions No.3 Limited	Property holding company
Principal Healthcare Finance Limited	Holding company

* Direct subsidiary

Notes *(continued)*

12 Fixed asset investments *(continued)*

The following company is incorporated in the Cayman Islands:

Company	Nature of business
Fino Seniorco Limited	Holding company

13 Debtors

	Group	Company	Group	Company
	2010	**2010**	2009	2009
	£000	**£000**	£000	£000
Trade debtors	**15,726**	-	20,124	-
Prepayments, other debtors and accrued income	**14,913**	-	19,160	-
	30,639	-	39,284	-

All debtors are due within one year.

14 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2010	**2010**	2009	2009
	£000	**£000**	£000	£000
Bank loans	-	-	787,689	-
Trade creditors	**15,065**	-	13,475	-
Corporation tax	**19,454**	-	16,096	-
Other taxation and social security	**4,520**	-	5,211	-
Other creditors	**19,030**	-	26,149	-
Amounts owed to group undertakings	-	**14**	-	-
Amounts due to related parties	**18,368**	-	14,817	-
Accruals and deferred income	**30,031**	-	40,129	-
	106,468	**14**	903,566	-

On 10 September 2010 the group agreed a two year extension to the maturity of its debt from September 2010 to September 2012. As such, debt and its related interest, classified as "Due within one year" at 31 December 2009, is shown as "Falling due after more than one year" at 31 December 2010.

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group	**Company**	Group	Company
	2010	**2010**	2009	2009
	£000	**£000**	£000	£000
Bank loans and accrued interest	**775,190**	**-**	-	-

On 10 September 2010 the group agreed a two year extension to the maturity of its debt from September 2010 to September 2012. As such, debt and its related interest, classified as "Due within one year" at 31 December 2009, is shown as "Falling due after more than one year" at 31 December 2010.

Bank loans

Facility A(1) Loan
£420,334,000 loan accruing interest at a rate of LIBOR plus a 3.75% margin. At the year end, the interest accrued was £6,930,000 (*2009: £332,000*) of which £nil (*2009: £nil*) was due in more than one year .

Facility A(2) Loan
£175,000,000 loan accruing interest at a rate of LIBOR plus a 10% margin. At the year end, the interest accrued was £6,053,000 (*2009: £137,000*) of which £2,565,000 (*2009: £nil*) was due after more than one year.

At 31 December 2009, the Facility A(1) and Facility A(2) loans totalled £598,300,000.

Facility IG1 Loan
£125,425,000 (*2009: £125,425,000*) loan accruing interest at a rate of LIBOR plus a 0.911% margin. At the year end, the interest accrued was £2,448,000 (*2009: £130,000*) all of which (*2009: £nil*) was due after more than one year.

In addition, there is £42,468,000 (*2009: £57,766,000 due in less than one year*) of restructuring related amounts and £6,950,000 (*2009: £6,198,000 due in less than one year*) of deferred fees.

The above loans and fees are due for repayment in September 2012. The loans are secured on the trade and assets of subsidiary undertakings.

Interest rate swaps
In order to manage exposure to fluctuating interest rates, the FSHC Jersey group has entered into interest rate swaps. The swaps have a notional value of £595.3 million with a fixed payable interest rate of 1.95% and a receivable rate of LIBOR. The contracts expire in September 2012.

Notes *(continued)*

16 Acquisitions

Acquisition of Speciality Care (REIT) Homes Limited and Irvine Care Limited

On 6 May 2010 Four Seasons Health Care Limited (a subsidiary company) acquired the entire share capital of Speciality Care (REIT) Homes Limited and Irvine Care Limited. The fair value of the total consideration was £169,000. The resulting negative goodwill of £1,901,000 was capitalised and will be credited to the profit and loss account in the periods in which the non-monetary assets are recovered, through depreciation or sale.

Acquisitions are accounted for under the acquisition method.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £000	Accounting policy alignment £000	Fair value £000
Fixed assets			
Tangible fixed assets	934	-	934
Current assets			
Stock	17	(17)	-
Debtors	329	-	329
Cash at bank and in hand	1,095	-	1,095
Total assets	2,375	(17)	2,358
Liabilities			
Creditors	(1,643)	1,355	(288)
Total liabilities	(1,643)	1,355	(288)
Net assets	732	1,338	2,070
Goodwill			(1,901)
Purchase consideration and costs of acquisition			169

Net cash inflow in respect of the acquisition comprised:

	£000
Costs of acquisition	(169)
Cash at bank and in hand acquired	1,095
Net cash inflow	926

The book value of assets and liabilities have been taken from the management accounts of Speciality Care (REIT) Homes Limited and Irvine Care Limited at 6 May 2010. A fair value adjustment of £17,000 has been made to write off the book value of stock in line with the group's accounting policy. In addition a provisional fair value adjustment of £1,355,000 was made to creditors in respect of the release of a dilapidations provision which related to properties owned by the FSHC (Guernsey) group.

Notes *(continued)*

16 Acquisitions (continued)

Speciality Care (REIT) Homes Limited and Irvine Care Limited earned a profit after taxation of £15,421,000 in the year ended 31 December 2010 of which £14,964,000 arose in the period from 1 January 2010 to 6 May 2010. The summarised profit and loss account for the period from 1 January 2010 to 6 May 2010, shown on the basis of the accounting policies of Speciality Care (REIT) Homes Limited and Irvine Care Limited prior to the acquisition is as follows:

	£000
Turnover	3,480
Cost of sales	(3,194)
Gross profit	286
Administrative expenses	(1,327)
Operating loss	(1,041)
Other income	125
Exceptional income	15,880
Profit before taxation	14,964
Tax on profit on ordinary and exceptional activities	-
Retained profit for the financial period	14,964

There were no other gains or losses recognised by Speciality Care (REIT) Homes Limited and Irvine Care Limited in the period from 1 January 2010 to 6 May 2010.

Exceptional income relates to the waiver of an intercompany loan within the Craegmoor group prior to the subsidiaries' disposal to the Four Seasons group.

Acquisition of trade and assets from Eton Square Healthcare Limited

On 4 May 2010, the trade and assets of 7 homes were acquired from Eton Square Healthcare Limited by various subsidiaries within the FSHC (Guernsey) Holdings group. The assets acquired were deemed to have no value. Positive goodwill of £52,000 arose on the transaction which related to the professional fees incurred in the acquisition process.

Notes *(continued)*

17 Provisions for liabilities and charges

Group	Deferred taxation £000	Provision for onerous contracts £000	Total £000
At beginning of year	5,130	32,916	38,046
Additional provision for contracts that became onerous in the year	-	1,000	1,000
Charged/(released) to the profit and loss account	8	(1,016)	(1,008)
Utilised	-	(15,267)	(15,267)
Unwinding of discount	-	950	950
At end of year	**5,138**	**18,583**	**23,721**

The elements of deferred taxation are as follows:

Group	**2010 £000**	2009 £000
Difference between accumulated depreciation, amortisation and capital allowances	**5,138**	5,130

There is no deferred tax liability arising in the company at 31 December 2010 or 31 December 2009.

The group has unrecognised deferred tax assets relating to acquired tax losses and accelerated capital allowances.

The provision for onerous contracts will unwind over the period of the relevant contracts.

18 Called up share capital

	Allotted, called up and fully paid No.	£
"A" Ordinary shares	55,396,421	71
"B" Ordinary shares	5,000,000	30
"C" Ordinary shares	200,002	9
"D" Ordinary shares	36,943,578	39
	97,540,001	149

Notes *(continued)*

19 Reserves

	Profit and loss account	Total
	£000	**£000**
Group		
At beginning of year	766	766
Retained profit for the year	6,640	6,640
At end of year	**7,406**	**7,406**
Company		
At beginning of year	-	-
Retained loss for the year	(14)	(14)
At end of year	**(14)**	**(14)**

Included in the group profit and loss account is amortised negative goodwill of £3,536,000 (*2009: £172,000*) which arose on the acquisition of subsidiary undertakings.

20 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2010	Period ended 31 December 2009
	£000	£000
Operating profit	**49,871**	3,756
Depreciation and amortisation	**20,023**	860
Decrease in debtors	**9,246**	3,561
Decrease in creditors	**(5,369)**	(4,635)
Profit on disposal of fixed assets	**(13)**	-
Movement in balances with related undertakings	**3,551**	-
Net cash inflow from operating activities	**77,309**	3,542

Notes *(continued)*

21 Analysis of cash flows

	Year ended 31 December 2010 £000	Period ended 31 December 2009 £000
Returns on investment and servicing of finance		
Interest received	**23**	-
Interest paid	**(68,959)**	-
	(68,936)	-
Capital expenditure		
Purchase of tangible fixed assets	**(20,848)**	(1,497)
Sale of tangible fixed assets	**57**	-
	(20,791)	(1,497)
Acquisitions and disposals		
Purchase of subsidiary undertaking	**(221)**	-
Net cash acquired with subsidiary undertakings	**1,095**	58,396
	874	58,396
Financing		
Debt-like items repaid	**(3,783)**	-
Amounts received from related parties	**-**	14,634
	(3,783)	14,634

22 Analysis of net debt

	At 31 December 2009 £000	Acquisitions £000	Cash flow £000	Non cash items £000	At 31 December 2010 £000
Cash at bank and in hand	75,075	1,095	(22,909)	-	**53,261**
Amounts due to related parties	(14,634)	-	-	-	**(14,634)**
Bank loans due in less than one year	(787,689)	-	3,783	783,906	**-**
Bank loans due in more than one year	-	-	-	(775,190)	**(775,190)**
	(727,248)	1,095	(19,126)	8,716	**(736,563)**

23 Pension schemes

The group operates two number of pension schemes for its United Kingdom and Isle of Man employees. Both schemes are defined contribution schemes. The assets of all schemes are held in separate funds administered by the Trustees and are independent of the group's finances.

At the year end £87,000 (*2009: £nil*) of pension contributions were outstanding.

Notes *(continued)*

24 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

Group	2010 £000	2009 £000
Contracted	**3,038**	4,044

Annual commitments under non-cancellable operating leases are as follows:

Group	2010 £000	2009 £000
Land and buildings - expiring in more than five years	**30,438**	27,735
Equipment, fixtures and motor vehicles - expiring in less than one year	**45**	30
Equipment, fixtures and motor vehicles - expiring between one to five years	**905**	964
	31,388	28,729

The company had no capital or operating lease commitments at 31 December 2010 or 31 December 2009.

25 Related party transactions

At the year end, the group owed the sum of £18,368,000 (*2009: £14,817,000*) to Fino Holdco Limited. Fino Holdco Limited was the parent company of Fino Propco Holdco Limited until 9 December 2009. The loan bears interest at 24%. Interest of £3,551,000 (*2009: £183,000*) was charged in the year and is included in the amount outstanding at the year end.

In addition, to the fees paid to Talbot Hughes McKillop LLP for the provision of a director (as disclosed in note 6), the group paid an additional £420,000 in the year for consultancy services provided by Talbot Hughes McKillop LLP.