

Challenge Care Limited

Annual report

for the year ended 31 December 2004

Registered number: 1973823



Challenge Care Limited

Annual report for the year ended 31 December 2004

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Directors and advisors for the year ended 31 December 2004

Directors

A E Smith (appointed on 19 April 2004)
M Preston (appointed on 21 December 2005)

Secretary

BLG (Professional Services) Limited
Beaufort House
15 St. Botolph Street
London
EC3A 7NJ

Solicitors

Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

Registered office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Bankers

Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Challenge Care Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities and review of business

On 6 August 2003 the company transferred its trade and net assets to Parkcare Homes (No. 2) Limited at book value. Following the transaction the company ceased to trade. The directors do not expect the current circumstances to change in the foreseeable future.

Results and dividends

The profit and loss account shows a profit after tax for the year of £Nil (2003: £314,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: £2,927,000).

Directors and their interests

The directors who held office up to the date of this report are listed on page 1. In addition M A Stratford resigned on 20 May 2004 and C Artis resigned on 6 August 2004. L Chaplin was appointed on 1 January 2004 and resigned on 31 July 2004 and M Byrne was appointed on 5 August 2004 and resigned on 18 November 2005.

M A Stratford was a director of the ultimate parent company in the United Kingdom, Craegmoor Limited, and his share interests are shown in the directors' report of that company. A E Smith is a director of the ultimate parent company in the United Kingdom, Craegmoor Limited, and his share interests are shown in the directors' report of that company.

C Artis held no interest in the share capital of Challenge Care Limited during the year ended 31 December 2004. C Artis held 5,000 shares in the ultimate parent company, Craegmoor Limited as at 6 August 2004 (31 December 2003: 5,000).

No other director at 31 December 2004 or 31 December 2003 held any interest in the share capital of Challenge Care Limited or Craegmoor Limited.

M Byrne held 1,750 share options over the ordinary shares of Craegmoor Limited as at 31 December 2004 (5 August 2004: None). C Artis held 2,500 share options over the ordinary shares of Craegmoor Limited as at 6 August 2004 (31 December 2003: 2,500). L Chaplin held 1,750 share options over the ordinary shares of Craegmoor Limited as at 31 July 2004 (1 January 2004: 1,750). These options have an exercise price of £1 each and may be exercised on the sale of Craegmoor Limited by its current shareholders. No other directors of Challenge Care Limited held any share options in Craegmoor Limited at 31 December 2004 or 31 December 2003.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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 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.

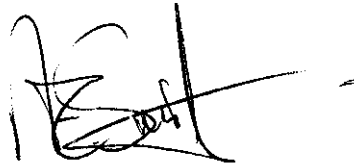
Challenge Care Limited

Directors' report for the year ended 31 December 2004 (continued)

Auditors

The directors have relied upon the provisions of Section 249AA of the Companies Act 1985 and have resolved not to appoint auditors.

By order of the Board

A handwritten signature in black ink, appearing to be 'A E Smith', with a long horizontal line extending to the right.

A E Smith
Director
12 January 2006

Challenge Care Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover	2	-	1,147
Cost of sales		-	(550)
Gross profit		-	597
Administrative expenses		-	(179)
Operating profit	6	-	418
Net interest receivable/(payable)	7	-	1
Profit on ordinary activities before taxation		-	419
Tax on profit on ordinary activities	8	-	(105)
Profit on ordinary activities after taxation		-	314
Dividend payable		-	(2,927)
Loss transferred from reserves		-	(2,613)

All activities relate to operations discontinued from 6 August 2003.

There are no recognised gains and losses other than these shown above and therefore no separate statement of recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and the historical cost equivalent.

Challenge Care Limited

Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Current assets			
Debtors	9	-	-
Net assets			
Capital and reserves			
Called up share capital	10	-	-
Total equity shareholders' funds			

For the year ended 31 December 2004 the company was entitled to the exemption under section 249AA(1) of the Companies Act 1985.

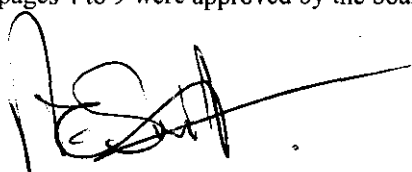
Members have not required the company to obtain an audit in accordance with section 249(B)(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

- (i) ensuring the company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as is applicable to the Company.

The financial statements on pages 4 to 9 were approved by the board of directors on 12 January 2006 signed on its behalf by:

A E Smith
Director



Challenge Care Limited

Notes to the financial statements for the year ended 31 December 2004

1 Principal accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

2 Turnover

Turnover, which excludes value added tax, consists entirely of fee income for care services provided in the year in the United Kingdom. Where fees are billed in advance they are deferred to match the period in which care is provided.

3 Related party transactions

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and not disclosed any transactions with other group companies.

4 Directors' emoluments

Directors' emoluments for the year ended 31 December 2004 were £Nil (2003: £Nil). The emoluments of the directors were paid by Craegmoor Healthcare Company Limited, a fellow subsidiary of Craegmoor Limited. The directors were also directors of a number of other fellow subsidiaries during the year ended 31 December 2004 and 31 December 2003 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments have been included above for these directors.

Challenge Care Limited

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2004	2003
	Number	Number
Nursing, ancillary and administrative		
Full time	-	31
Part time	-	8
	-	39

	2004	2003
	£'000	£'000
Staff costs for the above persons		
Wages and salaries	-	475
Social security costs	-	33
	-	508

6 Operating profit

	2004	2003
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	-	33
Hire of plant and machinery	-	2
Auditors' fees – Audit	-	5

7 Net interest receivable

	2004	2003
	£'000	£'000
Interest receivable	-	3
Interest payable on bank loans and overdrafts	-	(2)
	-	1

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8 Tax on profit on ordinary activities

	2004	2003
	£'000	£'000
Current taxation		
UK corporation tax at 30% (2003: 30%)	-	129
Adjustment in respect of previous periods	-	(9)
Total current taxation	-	120
Deferred taxation	-	
Current year – origination and reversal of timing differences	-	(15)
Tax charge	-	105

The tax for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Profit on ordinary activities	-	419
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	-	125
Effects of:		
Capital allowances for the year in excess of depreciation	-	4
Adjustment to tax charge in respect of previous periods	-	(9)
Current tax charge	-	120

9 Debtors

Amounts falling due within one year

	2004	2003
	£'000	£'000
Amounts owed by group undertakings	-	-

The amount owed by group undertakings is £100 owed by Parkcare Homes (No 2) Limited.

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10 Called up share capital

	2004	2003
	£'000	£'000
Authorised		
100 ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-

11 Capital commitments and contingent liabilities

In 2003 the Craegmoor Group completed a refinancing project and as a result the previous charging and guarantee arrangements with Craegmoor Funding PLC ceased. These were replaced with a new charge over the assets of the Company and a cross guarantee in respect of the external loan undertaken by Craegmoor Funding (No. 2) Limited.

12 Immediate and ultimate parent companies

The directors regard Parkcare Homes (No. 2) Limited, a company registered in England and Wales, as the immediate parent company of Challenge Care Limited, and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. The parent companies of the largest and smallest groups in which Challenge Care Limited is consolidated are Craegmoor Limited and Craegmoor Investments Limited respectively. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.