

Parkcare Homes Limited

Annual Report

for the year ended 31 December 2005

Registered number: 2155276



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Parkcare Homes Limited

Annual report for the year ended 31 December 2005

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Parkcare Homes Limited

Directors and advisors

Executive directors

A E Smith
C Cameron
D Keating
J Spurling
D Fothergill
C I Cameron
W Smit
P Cavanagh

Secretary

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

Registered office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Registered Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

Bankers

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

Parkcare Homes Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the Company is the management and operation of care facilities.

Review of business and future developments

Both the level of continuing business and the year end position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

On 31 December 2004 the Company's current assets, current liabilities and employees were transferred to Craegmoor Facilities Company Limited, a fellow group company, at no gain or loss. Following this transfer, the Company has retained only fixed assets and associated leases, intercompany balances and tax balances. Revenue is recognised by the Company in accordance with its accounting policy (see note 1 to the financial statements), although the sales ledger balances arising are transferred to Craegmoor Facilities Company Limited, who also retain the risk with respect to bad and doubtful amounts. Craegmoor Facilities Company Limited also charges the Company a management fee for administering its working capital and employees. As such, the Company only recognises turnover, management charges, depreciation, amortisation, property rental charges, interest and tax charges in its profit and loss account.

Dividends and transfers to reserves

The profit and loss account shows a loss after tax for the year of £6,967,000 (2004: £5,360,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: £Nil).

Directors and their interests

The following directors have held office since 1 January 2005:

A E Smith	
M Hill	Resigned 7 April 2006
D Keating	Appointed 21 December 2005
J Spurling	Appointed 21 December 2005
D Fothergill	Appointed 20 April 2006
M Preston	Resigned 20 April 2006
M Byrne	Resigned 18 November 2005
C Andrews	Resigned 8 February 2005
K Hall	Resigned 18 November 2005
A Murray	Resigned 31 December 2005
D Pointer	Resigned 13 April 2005
P Hayes	Resigned 21 October 2005
C Cameron	Appointed 15 March 2006
W Smit	Appointed 1 July 2006
P Cavanagh	Appointed 15 March 2006

No director had any share interests in respect of Parkcare Homes Limited.

Ted Smith, Denise Keating and Julian Spurling are directors of the ultimate parent company in the United Kingdom, Craegmoor Limited, and their share interests are shown in the directors' report of that company.

No other director had any interest in the share capital of Craegmoor Limited.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2005 (continued)

No directors, other than those listed below, held any share options over the ordinary share capital of Craegmoor Limited.

	31 December 2005*	1 January 2005
Paul Hayes	-	7,500
Andrew Murray	-	1,750
Karen Hall	-	1,750
Michael Byrne	-	1,750
Mary Preston	1750	1,750
Margaret Hill	4000	4,000

* At date of resignation if earlier

These share options have an exercise price of £1 each and may be exercised on the sale of Craegmoor Limited by its current shareholders.

Changes in fixed assets

The movements in fixed assets during the year, including the revaluation of properties, are set out in notes 12, 13 and 14 of the financial statements.

Financial instruments

The Company's financial instruments primarily comprise debtors and creditors with other group companies arising directly from its operations. No trading in financial instruments has been undertaken.

There are no significant risks arising directly from the Company's financial instruments. However, the Company is reliant on the ongoing support of the Craegmoor Group, which has long term financing and overdraft facilities in place. The Board of Craegmoor Limited, the ultimate parent undertaking, has reviewed and agreed the policies for managing the risks related to these facilities as set out below:

Liquidity and credit risk:

The Group has secured long term financing and overdraft facilities with financial institutions who have high credit ratings that are designed to ensure the Company has sufficient available funds for operations. The £320,148,000 of debt, in the form of loan notes, is repayable over 18 years.

Interest rate and cash flow risk:

The Group has entered into interest rate swaps to ensure certainty over future interest cashflows. As a consequence, 94% of the Group's borrowings are at fixed rates of interest.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2005 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with *United Kingdom Generally Accepted Accounting Practice*, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors

The Company has elected, in accordance with section 386 of the Companies Act UK 1985, to dispense with the obligation to appoint auditors annually.

By order of the Board



C Cameron

Director
15 September 2006

Independent auditors' report to the members of Parkcare Homes Limited

We have audited the financial statements of Parkcare Homes Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

15 September 2006

Parkcare Homes Limited

Profit and loss account for the year ended 31 December 2005

		2005	2005	2005	2004	2004	2004
		Before exceptional items	Exceptional items	Total	Restated Before exceptional items	Restated Exceptional items	Restated Total
			Notes 4 & 5		Note 2	Notes 2 & 4	Note 2
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	57,841	-	57,841	59,911	-	59,911
Cost of sales		-	-	-	(40,066)	-	(40,066)
Gross profit		57,841	-	57,841	19,845	-	19,845
Administrative expenses excluding depreciation and goodwill amortisation		(47,166)	-	(47,166)	(7,361)	-	(7,361)
EBITDA⁺		10,675	-	10,675	12,484	-	12,484
Depreciation		(3,975)	-	(3,975)	(4,262)	-	(4,262)
Impairments		-	(3,425)	(3,425)	-	(1,936)	(1,936)
Goodwill amortisation		(26)	-	(26)	(26)	-	(26)
Total administrative expenses		(51,167)	(3,425)	(54,592)	(11,649)	(1,936)	(13,585)
Operating profit	8	6,674	(3,425)	3,249	8,196	(1,936)	6,260
Losses on disposals of tangible fixed assets	5	-	(1,779)	(1,779)	-	(844)	(844)
Interest receivable and similar income	9	12	-	12	170	-	170
Interest payable and similar charges	10	(11,340)	-	(11,340)	(11,741)	-	(11,741)
Loss on ordinary activities before taxation		(4,654)	(5,204)	(9,858)	(3,375)	(2,780)	(6,155)
Tax on loss on ordinary activities	11			2,891			795
Loss for the year	21			(6,967)			(5,360)

⁺ Earnings before interest, tax, depreciation and goodwill amortisation.

All activities relate to continuing operations.

Parkcare Homes Limited

Statement of total recognised gains and losses for the year ended 31 December 2005

	Notes	2005 £'000	2004 Restated Note 2 £'000
Loss for the financial year		(6,967)	(5,360)
Unrealised surplus on revaluation of properties	14	29,490	3,846
Reversal of prior years revaluations on impaired properties	14	(2,493)	(1,046)
Total recognised gains / (losses) for the year		20,030	(2,560)
Prior year adjustment	2	109	
Total recognised gains / (losses) since last annual report		20,139	

Note of historical cost profits and losses for the year ended 31 December 2005

	2005 £'000	2004 Restated Note 2 £'000
Reported loss on ordinary activities before taxation	(9,858)	(6,155)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	625	331
Historical cost loss for the year before taxation	(9,233)	(5,824)
Historical cost loss for the year after taxation	(9,233)	(5,029)

Parkcare Homes Limited

Balance sheet as at 31 December 2005

	Notes	2005 £'000	2004 Restated Note 2 £'000
Fixed assets			
Intangible assets	12	395	421
Investments	13	1,781	1,781
Tangible assets	14	105,238	85,883
		107,414	88,085
Current assets			
Debtors: amounts falling due within one year	15	36,352	36,921
Debtors: amounts falling due after more than one year	16	14,455	14,436
		50,807	51,357
Creditors: amounts falling due within one year	17	(57)	-
Net current assets		50,750	51,357
Total assets less current liabilities		158,164	139,442
Creditors: amounts falling due after more than one year	18	(124,920)	(124,501)
Provisions for liabilities and charges	19	-	(1,727)
Net assets		33,244	13,214
Capital and reserves			
Called up share capital	20	22	22
Share premium account	21	2,305	2,305
Revaluation reserve	21	46,601	23,682
Profit and loss account	21	(15,684)	(12,795)
Total equity shareholders' funds	22	33,244	13,214

The financial statements on pages 6 to 23 were approved by the board of directors on 15 September 2006 and were signed on its behalf by:



C Cameron
Director

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below:

Problems arising from closure of the Regional Accounting Centres

In 2004, as part of a process of streamlining the financial operations of the Group, the decision was taken to close 11 regional accounting centres, transfer the processes to a newly established Shared Service Centre in Worcester and at the same time migrate the accounting systems to a new computer software system. Difficulties were encountered with the transfer process that led to a number of serious accounting issues within the Shared Service Centre including, most significantly, difficulties in allocating cash received from debtors against their accounts, the lack of timely completion of key accounting reconciliations and some inaccuracies in the customer invoicing process resulting in the need to subsequently issue credit notes and make provision for doubtful debts. This led to delays for many months in determining the exact recoverability or otherwise of the trade debtor amounts as at 31 December 2004 and consequently to the production of the 2004 statutory accounts while investigations were completed.

The directors took extensive actions to assess the full recoverability of trade debtors, and full provision was made where amounts were determined not to be collectible. Nonetheless, some uncertainty remained at the date the 2004 financial statements were approved by the Board in December 2005. Consequently, the Company did not maintain complete records relating to the allocation of sales transactions and cash receipts during the year ended 31 December 2004. However, by virtue of the transfer of trade debtor balances to another group company before the year-end, the uncertainty was removed from the company balance sheet. The report of the auditors for the year ended 31 December 2004 made reference to the failure to maintain proper accounting records as required by Section 221 of the Companies Act 1985 in respect solely of the allocation of sales transactions and cash receipts.

In 2005 and 2006 further significant progress has been made with key reconciliations now being performed and cash being correctly allocated to the sales ledger. The Company is now maintaining adequate accounting systems which enable it to account for transactions on a day-to-day basis. Further work is ongoing to improve still further the processes within the Shared Service Centre.

Going Concern

In the refinancing (note 26), the funders of the business agreed to waivers of past covenant breaches or to periods of time to enable remedial action to be taken. The directors believe that subsequent covenants have been met and the Group has adequate financial resources. The accounts have therefore been prepared on a going concern basis.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

1 Principal accounting policies (continued)

Corporation tax

UK corporation tax is provided at amounts expecting to be paid (or recovered) using the tax rates and bases that have been enacted or substantially enacted by the balance sheet date. Corporation tax payable is reduced wholly or in part

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is only recognised to the extent that the transfer of economic benefits in the future is deemed to be more likely than not. Deferred tax assets and liabilities recognised are not discounted.

Tangible fixed assets

The cost of fixed assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Freehold land and buildings are revalued by independent, professionally qualified valuers on a five year rolling basis, the first such valuation being five years after acquisition. These valuations are carried out on an existing use, open market value basis, and in the intervening years are updated by the directors with the assistance of independent professional advice as required.

Increases in the revalued amounts of land and buildings are credited to revaluation reserves.

Freehold land is not depreciated. Subsequent to a revaluation, depreciation on freehold properties is based on revalued amounts. Depreciation on other tangible fixed assets is calculated to write off cost, less estimated residual values, by equal annual instalments on the following bases:

Freehold buildings	-over 50 years
Building improvements	-over 20 years
Equipment	-over 7 years
Furniture and fittings	-over 3, 5 or 10 years
Motor vehicles	-over 4 years
Computer equipment	-over 4 years

During the year, a review was performed of the appropriateness of asset lives resulting in the revised lives shown above. The effect of this change on the depreciation charge for the year was not deemed to be material to the financial statements.

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS 11, "Impairment of fixed assets and goodwill". The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk adjusted weighted cost of capital of 8.5% (2004: 8.5%). Realisable value is determined by independent, professional valuers on an existing use, open market value basis.

Provisions for impairment in the carrying value of land and buildings are charged against revaluation reserves in the balance sheet to the extent that they relate to a reversal of prior increases. Impairments to below historical cost are charged to the profit and loss account.

Intangible fixed assets

Intangible fixed assets comprise goodwill, which represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, and is amortised over its useful economic life, which the directors estimate to be 20 years.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

1 Principal accounting policies (continued)

Investments

Investments are stated at cost less any provision for impairment.

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the Company are included in the consolidated group cash flow statement of that company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

Consolidation

The Company has taken advantage of the exemption under section 228(i) of the Companies Act, not to prepare and file consolidated accounts. The results of the Company are included within the group accounts of Craegmoor Investments Limited, an intermediate parent undertaking, which is incorporated in the United Kingdom. In accordance with section 228(ii), the Company will deliver to the registrar, copies of these group accounts.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term.

2 Prior year adjustments

Prior year impairments have been reclassified on the face of the profit and loss account. The total impairment charged to the profit and loss account of £2,846,000 was previously reported as an exceptional item against administrative expenses excluding depreciation and goodwill amortisation, of this £910,000 was a provision for losses on disposals of properties identified for disposal during 2005 and this has now been included within losses on disposals of fixed assets in accordance with FRS 3. The balance, an impairment of £1,936,000, has now been reclassified as an exceptional item below EBITDA as the Directors consider this presentation more accurately reflects the nature of the expense.

During the year work was carried out on reconciling intercompany balances relating to the allocation of financing between the Company and its fellow subsidiaries. This has resulted in reclassifying prior year amounts between intercompany debtors and creditors as well as between amounts due within one year and amounts due after more than one year.

In addition, prior year realised profits on disposals of tangible assets amounting to £66,000, previously included within administrative expenses, have been reclassified to match current year disclosure in accordance with FRS 3.

There was no effect of these reclassifications on net assets, loss for the financial year or the tax charge for the year.

Also during the year, it was noted that the trading activities, assets and liabilities of an operation of a fellow subsidiary company had been incorrectly accounted for within the accounts of Parkcare Homes Limited in prior years. This situation has now been rectified and an adjustment to prior years' accounts has resulted.

The effect of this adjustment was to increase the net assets by £109,000. However, there was no change to either current year profit or taxation charge.

3 Turnover

Turnover represents amounts invoiced and accrued for services provided during the period, excluding Value Added Tax. Where services are invoiced in advance the related income is deferred to match the period in which the service is provided.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

4 Exceptional items

	2005	2004 Restated Note 2
	£'000	£'000
Exceptional administrative expenses:		
Impairment of tangible fixed assets (see note 14)	3,425	1,936

In accordance with the Company's five year valuation policy the land and buildings acquired during 1995 and 2000 were revalued by external valuers, Christie & Co., as at 31 December 2005. In addition, the directors reassessed the carrying value of the remaining freehold land and buildings, having certain other external valuations carried out, performing value in use calculations for certain of these properties in accordance with the requirements of FRS 11. Value in use calculations performed in the past five years were reviewed in order to compare the assumed performance to the actual results.

5 Losses on disposal of tangible fixed assets

	2005	2004 Restated Note 2
	£'000	£'000
Provisions for losses on assets held for disposal	2,297	910
Losses on disposals realised during the year	64	25
Profits on disposals realised during the year	(582)	(91)
Provisions for losses on assets held for disposal	1,779	844

In addition to the impairment review carried out as described in note 4, the directors have reviewed assets held for resale to ensure that their carrying value does not exceed the lower of cost or estimated net realisable value on disposal. (See note 14)

6 Directors' emoluments

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 2005 and 31 December 2004 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the emoluments of the directors are disclosed within the accounts of Craegmoor Healthcare Company Limited.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

7 Employee information

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

	2005 Number	2004 Number
Analysis by function		
Nursing	-	2,151
Ancillary	-	450
Administration	-	204
	-	2,805

On 31 December 2004, the company's employee contracts were transferred from the company to a fellow subsidiary undertaking, Craegmoor Facilities Company Limited. As such, the directors consider that the company did not have any employees during the year.

	2005 £'000	2004 Restated Note 2 £'000
Staff costs (for the above persons)		
Wages and salaries	-	31,137
Social security costs	-	2,474
	-	33,611

8 Operating profit

	2005 £'000	2004 Restated Note 2 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
Owned assets	3,958	4,260
Assets held under finance lease	17	-
Amortisation of goodwill	26	26
Operating lease rentals:		
Land and buildings	219	256
Plant and machinery	-	62
Auditors' remuneration – Audit	-	160
Management charge from fellow subsidiary	46,947	-

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

The audit fee of £50,000 for the Company for the year ended 31 December 2005 is borne by a fellow subsidiary company and included within the management charge.

The management charge from fellow subsidiary undertaking, Craegmoor Facilities Company Limited, relates to an allocation of operating costs incurred on behalf of the company and its fellow subsidiaries.

9 Interest receivable and similar income

	2005	2004
	£'000	£'000
Bank interest received on restricted deposit account	-	170
Interest receivable on delayed property disposals	12	-
	12	170

10 Interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on bank loans, overdrafts and other loans	-	5
Interest payable on finance leases	3	-
On amounts owed to group undertakings	11,337	11,736
	11,340	11,741

11 Tax on loss on ordinary activities

	2005	2004
	£'000	Restated Note 2 £'000
Current taxation:		
UK corporation tax at 30% (2004: 30%)	(1,099)	(824)
Adjustment in respect of previous periods	(46)	619
Total current taxation	(1,145)	(205)
Deferred taxation:		
Current year – origination and reversal of timing differences	(1,554)	(218)
Adjustment in respect of previous periods	(192)	(372)
Total deferred taxation	(1,746)	(590)
Tax (credit) / charge on ordinary activities	(2,891)	(795)

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

11 Tax on loss on ordinary activities (continued)

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

	2005	2004 Restated Note 2
	£'000	£'000
Loss on ordinary activities	(9,858)	(6,155)
Loss on ordinary activity multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(2,957)	(1,877)
Effects of:		
Expenses not deductible for tax purposes	340	1,355
Capital Allowances for the year less than depreciation	814	217
Transfer pricing adjustments and balancing payment	(1,035)	(444)
Adjustment to tax charge in respect of previous periods	(46)	619
Unutilised losses	1,064	-
Impairment of fixed assets	675	-
Intangible fixed asset disposals	-	(75)
Current tax charge	(1,145)	(205)

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total amount unprovided for is £8,847,000 (2004: £6,265,000).

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

12 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2005 and 31 December 2005	526
Amortisation	
At 1 January 2005	105
Charge for the year	26
At 31 December 2005	131
Net book value	
At 31 December 2005	395
At 31 December 2004	421

13 Investments

			Shares in subsidiary undertakings £'000
Cost and net book value			
At 1 January 2005 and at 31 December 2005			1,781
Interest in group undertakings:			
Name of undertaking	Principal activity	Description of shares held	Proportion of nominal value of issued shares held
Craegmoor Finance PLC	Provision of funds	Ordinary £1 shares	0.002%
Boughton Manor Nursing Home Limited	Dormant	Ordinary £1 shares	100%
Ty Craig Nursing Home Limited	Dormant	Ordinary £1 shares	100%
Southbank Private Nursing Home Limited	Dormant	Ordinary £1 shares	100%
Speciality Care (Rest Care) Limited	Dormant	Ordinary £1 shares	100%
Concept Care Limited	Dormant	Ordinary £1 shares	100%
All subsidiaries are incorporated in England and Wales.			

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

14 Tangible fixed assets

	Freehold land and buildings £'000	Motor Vehicles £'000	Furniture and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2005 (Restated – see * below and Note 2)	91,511	134	20,709	112,354
Additions	1,145	490	3,382	5,017
Disposals	(4,794)	(15)	-	(4,809)
Impairments (see below)	(2,279)	-	-	(2,279)
Revaluation (see below)	24,155	-	-	24,155
At 31 December 2005	109,738	609	24,091	134,438
Depreciation				
At 1 January 2005 (Restated – see * below and Note 2)	12,196	91	14,184	26,471
Charge for the year	1,626	35	2,314	3,975
Disposals	(1,832)	(15)	-	(1,847)
Impairments (see below)	5,936	-	-	5,936
Revaluation (see below)	(5,335)	-	-	(5,335)
At 31 December 2005	12,591	111	16,498	29,200
Net book value				
At 31 December 2005	97,147	498	7,593	105,238
At 31 December 2004 (Restated – see * below and Note 2)	79,315	43	6,525	85,883

* Following extensive reconciliation work on fixed assets during 2005, certain assets were reclassified. In addition to this the opening cost and brought forward depreciation of certain other assets were corrected, although this did not affect the net carrying value of these assets as at that date.

There was no effect of this adjustment on net assets, loss for the financial year or the tax charge for the year.

The net book value of motor vehicles includes £464,000 (2004: £Nil) in respect of assets held under finance leases. Depreciation of £17,000 (2004: £Nil) was charged in the year on these assets.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

14 Tangible fixed assets (continued)

Included within tangible fixed assets at 31 December are assets held for resale as follows (2004: total net book value £2,049,000).

	Freehold land and buildings
	£'000
Cost / Valuation at 31 December 2005	12,605
Depreciation at 31 December 2005	(6,410)
Net book value at 31 December 2005	6,195

The Company has followed FRS 15 "Tangible fixed assets" during the year and has chosen to revalue its land and buildings on a rolling basis such that all properties are covered by independent, professional valuations over a five year cycle. In accordance with the Company's accounting policy, the land and buildings occupied by the Company, which were acquired by during 1995 and 2000, were revalued by external valuers, Christie & Co., Chartered Surveyors and Valuers, as at 31 December 2005. The directors have chosen to revalue a number of other properties in addition to those purchased in 1995 and 2000. These valuations were carried out on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. As a result of this independent valuation, certain of these properties have been revalued upwards by a total £29,490,000 (2004: £3,846,000), which has been credited to the revaluation reserve. Certain other properties involved in this exercise have been impaired by a total of £2,771,000 (2004: £1,175,000). Of this, £126,000 (2004: £188,000) represents a reversal of prior years' revaluations and reduces the revaluation reserve. The balance, an impairment of £2,645,000 (2004: £987,000) has been charged to the profit and loss account.

For other properties in the Company's portfolio, the directors have performed various other procedures in order to assess their carrying value:

a) "Value in Use" calculations

The directors have performed "value in use" calculations for certain properties on an existing use open market value basis in accordance with the requirements of FRS 11, "Impairments of fixed assets and goodwill". The valuations considered the expected future performance of the entities based upon all known conditions. A risk weighted average cost of capital of 8.5% was used in these calculations. The directors' value in use calculations at 31 December 2005 identified the need to impair the carrying value of certain properties by £866,000 (2004: £293,000 charged to the profit and loss account). The current year impairment represents a reversal of prior years' revaluations and reduces the revaluation reserve.

b) Look back tests

Where properties had been subject to "value in use" calculations in prior years, the directors have reviewed actual performance of those properties up to 31 December 2005 and compared this performance to that assumed when the test was carried out (a 'look back test'). This review resulted in a total reduction in carrying value of these properties of £2,216,000 (2004: £805,000). Of this, £1,436,000 (2004: £149,000) represented a reversal of prior years' revaluations and has been debited to the revaluation reserve. The balance, an impairment of £780,000 (2004: £656,000), has been charged to the profit and loss account.

c) Properties to be disposed

As referred to also in note 5, the directors have identified certain properties for disposal during 2006 that do not meet future business requirements. As a result, the directors have written these assets down to the lower of cost or estimated net realisable value. The total reduction in carrying value of these properties is £2,362,000 (2004: £1,619,000). Of this, £65,000 (2004: £709,000) represents a reversal of prior years' revaluations and reduces the revaluation reserve. The balance, an impairment of £2,297,000 (2004: £910,000), has been charged to the profit and loss account.

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

14 Tangible fixed assets (continued)

In summary, the above exercises have resulted in the following adjustments to the carrying values of land and buildings in 2005:

	Revaluations	Reversal of prior years' revaluations	Impairments
	£'000	£'000	£'000
Independent valuations	29,490	(126)	(2,645)
Value in use calculations	-	(866)	-
Look back tests	-	(1,436)	(780)
Properties to be disposed	-	(65)	(2,297)
	29,490	(2,493)	(5,722)

If freehold land and buildings had not been revalued they would have been included at the following amounts:

	2005	2004
	£'000	£'000
Freehold land and buildings		
Cost	71,240	70,811
Aggregate depreciation based on cost	(11,163)	(10,162)
Net book value based on cost	60,077	60,649

15 Debtors: amounts falling due within one year

	2005	2004 Restated Note 2
	£'000	£'000
Amounts owed by group undertakings	36,347	36,916
Corporation tax recoverable	5	5
	36,352	36,921

Amounts owed by group undertakings are interest free and are payable on demand.

16 Debtors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Amounts owed by group undertakings	14,436	14,436
Deferred Tax Asset (see note 19)	19	-
	14,455	14,436

Amounts owed to group undertakings are interest free and are payable on demand.

Parkcare Homes Limited
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for the year ended 31 December 2005 (continued)

17 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Obligations under finance leases	57	-
	57	-

Amounts owed to group undertakings are interest free and are payable on demand.

18 Creditors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Amounts owed to group undertakings	124,495	124,501
Obligations under finance leases	425	-
	124,920	124,501

There are no defined repayment terms on amounts owed to group undertakings but the relevant group undertaking has confirmed to the directors of the Company that it will not seek any repayments of this loan within 12 months after the year-end.

Finance leases repayable as follows:

	2005	2004
	£'000	£'000
In one year or less	57	-
Between one and two years	61	-
Between two and five years	364	-
	482	-

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

19 Deferred tax

	£'000
	Deferred tax
Liability at 1 January 2005	1,727
Released in profit and loss account	(1746)
Asset 31 December 2005 (note 16)	(19)

20 Called up share capital

	2005	2004
	£'000	£'000
Authorised		
50,000 (2004: 50,000) Ordinary shares of £1 each	50	50
Allotted, called up and fully paid		
22,000 (2004: 22,000) Ordinary shares of £1 each	22	22

21 Reserves

	Profit and loss account £'000	Share premium account £'000	Revaluation reserve £'000
At 1 January 2005 as previously reported	(12,904)	2,305	23,682
Prior year adjustment (Note 2)	109	-	-
At 1 January 2005 as restated	(12,795)	2,305	23,682
Unrealised surplus on revaluation of properties	-	-	29,490
Impairment of previously revalued properties	-	-	(2,493)
Disposal of previously revalued properties	4,078	-	(4,078)
Loss for the financial year	(6,967)	-	-
At 31 December 2005	(15,684)	2,305	46,601

Parkcare Homes Limited
Notes to the financial statements
for the year ended 31 December 2005 (continued)

22 Reconciliation of movements in shareholders' funds

	2005	2004 Restated Note 2
	£'000	£'000
Loss for the financial year	(6,967)	(5,360)
Unrealised surplus on revaluation of properties	29,490	3,846
Impairment of previously revalued properties	(2,493)	(1,046)
Net increase / (decrease) to shareholders' funds	20,030	(2,560)
Opening equity shareholders' funds as previously reported	13,214	15,765
Prior year adjustment (Note 2)	-	9
Opening equity shareholders' funds as restated	13,214	15,774
Closing equity shareholders' funds	33,244	13,214

23 Contingent liabilities

There is a fixed charge over the assets of the Company and a cross guarantee in respect of the external loan undertaken by Craegmoor Funding (No. 2) Limited amounting to £112,251,000 (2004 restated: £115,580,000).

The prior year contingent liability figure has been restated as described in note 2.

24 Capital commitments

As at 31 December 2005 the Company had no capital commitments (2004: £Nil).

25 Financial commitments

At 31 December 2005 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	2004
	£'000	£'000
Operating leases which expire:		
In less than one year	-	7
In more than one year but less than five years	44	-
In more than five years	221	253
	265	260

Parkcare Homes Limited
Notes to the financial statements
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26 Post balance sheet events

On 13 March 2006 the Craegmoor Group completed a refinancing exercise with the injection of £8.25m from shareholders following the issue of new loan notes. The capital injection was used to refinance group companies. In addition the Borrower Security Trustee of the securitisation arrangements, to which the Company is a party, agreed to waive past breaches or to provide a period of time in which breaches must be remedied. The Company has complied with the obligations attaching to the waivers.

27 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 where they are more than 90% owned by a common parent.

28 Immediate and ultimate parent companies

The directors regard Craegmoor Holdings Limited, a company registered in England and Wales as the immediate parent company of Parkcare Homes 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 Parkcare Homes Limited is consolidated are Craegmoor Limited and Craegmoor Investments Limited respectively. Copies of Craegmoor Limited's consolidated financial statements may be obtained from Craegmoor Limited at its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.