

Parkcare Homes Limited

Annual Report

for the year ended 31 December 2006

Registered number 2155276

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Parkcare Homes Limited

Annual report for the year ended 31 December 2006

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Parkcare Homes Limited

Directors and advisors

Executive directors

Ted Smith
Charles Cameron
Denise Keating
Julian Spurling
Christine Cameron
Peter Cavanagh
Anne Bailey

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

Barlow Lyde & Gilbert
Beaufort House
15 St Botolph Street
London
EC3A 7NJ

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 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

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, despite the overall loss for the year. The Directors expect that the Company's performance will improve in the coming year.

The Company is part of the Craegmoor Limited Group that currently has certain security arrangements for its external funding. The Directors of the Group are of the view that the securitisation is no longer the most suitable financing structure for the Group and therefore announced in March 2007 that they were in exploratory discussions with banks regarding a more appropriate structure. Whilst the discussions are at an early stage the Directors believe there is a reasonable prospect of a successful outcome.

Results and dividends

The profit and loss account shows a loss after tax for the year of £4,062,000 (2005 £6,967,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 £Nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Craegmoor Limited, its ultimate parent company, and are not managed separately. Accordingly, the principal risks and uncertainties of Craegmoor Limited, which include those of the Company, are discussed in the Directors' Report of Craegmoor Limited which does not form part of this report.

Key Performance Indicators ("KPIs")

The Directors of Craegmoor Limited manage the Craegmoor Group's operations on a group-wide basis. For this reason, the Directors of the Company believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Craegmoor Limited Group, which includes the Company, is discussed in the Directors' Report of Craegmoor Limited which does not form part of this report.

Directors

The following directors have held office for the whole year unless otherwise stated

Ted Smith

Denise Keating

Julian Spurling

Christine Cameron

Margaret Hill

Resigned 7 April 2006

Mary Preston

Resigned 20 April 2006

Charles Cameron

Appointed 15 March 2006

David Fothergill

Appointed 20 April 2006

Resigned 15 December 2006

Peter Cavanagh

Appointed 1 July 2006

Carol Smit

Appointed 1 July 2006

Resigned 16 October 2006

Anne Bailey

Appointed 15 December 2006

Changes in fixed assets

The movements in intangible and tangible fixed assets during the year are set out in notes 11, 12 and 13 to the financial statements.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2006 (continued)

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 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 £334,410,000 of group debt, in the form of loan notes, is repayable over 17 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, 95% of the Group's borrowings are at fixed rates of interest.

Credit risk

A fellow subsidiary company, Craegmoor Facilities Company Limited, bears the credit risk for the Company.

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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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.

Statement of disclosure of information to auditors

Each of the persons who are directors at the date that this report is approved confirm that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2006 (continued)

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

A handwritten signature in black ink, appearing to be 'Charles Cameron', with a long horizontal flourish extending to the right.

Charles Cameron
Director
14 June 2007

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 2006 which comprise the Profit and Loss Account, the Balance Sheet, the 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Independent auditors' report to the members of Parkcare Homes Limited (continued)

Emphasis of Matter - Going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in Note 1 to the financial statements (*Going Concern*) concerning the Directors' consideration of the ability of the Group to meet its future covenants under current financing arrangements, and the associated impact on the Company. The financial statements of the Company have been prepared on a going concern basis, the validity of which depends on the Group complying with its covenants or, should they be breached, the pursuit of alternative strategies which would result in the Group remaining a going concern. This condition indicates the existence of an uncertainty for the Company relating to going concern. The financial statements do not include any adjustments that would result from a failure to meet the covenant requirements. Our opinion is not qualified in this respect.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 June 2007

Parkcare Homes Limited

Profit and loss account for the year ended 31 December 2006

		2006 Before exceptional items	2006 Exceptional items Note 6	2006 Total	2005 Before exceptional items	2005 Exceptional items Note 6	2005 Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Turnover		54,571	-	54,571	57,841	-	57,841
Administrative expenses		(52,494)	2,060	(50,434)	(51,167)	(3,425)	(54,592)
Operating profit	5	2,077	2,060	4,137	6,674	(3,425)	3,249
Profit / (Loss) on disposal of tangible fixed assets	7	-	3,154	3,154	-	(1,779)	(1,779)
Interest receivable and similar income	8	660	-	660	12	-	12
Interest payable and similar charges	9	(13,197)	-	(13,197)	(11,340)	-	(11,340)
(Loss) / Profit on ordinary activities before taxation		(10,460)	5,214	(5,246)	(4,654)	(5,204)	(9,858)
Tax on loss on ordinary activities	10	1,184	-	1,184	2,891	-	2,891
Loss for the financial year	21	(9,276)	5,214	(4,062)	(1,763)	(5,204)	(6,967)

All activities relate to continuing operations

Parkcare Homes Limited

Statement of total recognised gains and losses for the year ended 31 December 2006

	2006	2005
	£'000	£'000
Loss for the financial year	(4,062)	(6,967)
Unrealised surplus on revaluation of properties	3,668	29,490
Reversal of prior years' revaluations on impaired properties	(726)	(2,493)
Total recognised (losses) / gains for the financial year	(1,120)	20,030

Note of historical cost profits and losses for the year ended 31 December 2006


	2006	2005
	£'000	Restated (Note 12) £'000
Reported loss on ordinary activities before taxation	(5,246)	(9,858)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	571	307
Historical cost loss for the year before taxation	(4,675)	(9,551)
Historical cost loss for the financial year	(3,491)	(6,660)

Parkcare Homes Limited

Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 Restated (Note 2) £'000
Fixed assets			
Intangible assets	11	368	395
Tangible assets	12	97,214	99,043
Investments	13	1,781	1,781
		99,363	101,219
Current assets			
Assets held for resale	14	843	6,195
Debtors amounts falling due within one year	15	38,666	36,352
Debtors amounts falling due after more than one year	16	23,236	14,455
		62,745	57,002
Creditors amounts falling due within one year	17	-	(57)
Net current assets		62,745	56,945
Total assets less current liabilities		162,108	158,164
Creditors amounts falling due after more than one year	18	(125,069)	(124,920)
Provisions for liabilities and charges	19	(165)	-
Net assets		36,874	33,244
Capital and reserves			
Called up share capital	20	4,772	22
Share premium account	21	2,305	2,305
Revaluation reserve	21	42,830	46,601
Profit and loss account	21	(13,033)	(15,684)
Total equity shareholders' funds	22	36,874	33,244

The financial statements on pages 7 to 23 were approved by the Board of Directors on 14 June 2007 and were signed on its behalf by



Charles Cameron
Director

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006

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.

Going concern

The Company is reliant upon the ongoing support of the Craegmoor Limited Group in order to continue as a going concern, and the Group is subject to certain covenants as part of its current financing arrangements.

Whilst trading and cash flow of the Group has improved significantly since last year it is during 2007 that the Group's covenants return to the higher levels set at the time of the securitisation in 2003. Following due review of current trading and the outlook, the Directors are of the view that the headroom on the Group's covenants is limited at certain times and the ability to meet this is dependent on achieving forecast trading results. Those forecasts are inherently uncertain. In the unlikely event that a covenant was to be breached then a number of courses of action would be available to the securitisation bondholders including *in extremis* enforcement of security and debt repayment provisions.

The accounts have been prepared on a going concern basis as the Directors believe that the Craegmoor Limited Group will either achieve compliance with its covenants or alternative strategies could be pursued, which would result in the Company remaining a going concern.

Turnover

Turnover represents amounts invoiced and accrued for care services provided during the period in the UK, 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.

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.

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.

Finance and operating leases

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

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

1 Principal accounting policies (continued)

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 or 50 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 10.0% (2005: 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.

Investments

The carrying value of fixed asset investments is based on historic cost less provision for impairment where necessary in accordance with FRS 11.

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.

2 Prior period reclassifications

The Directors have reviewed the presentation of fixed assets held for resale in the balance sheet. As a result, assets held for resale with a carrying value of £843,000 (2005: £6,195,000) are now included in current assets instead of fixed assets and the comparatives have been restated accordingly. This restatement had no impact on the profit for the year, charge for taxation or net assets.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 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 2006 and 31 December 2005 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.

4 Employee information

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

Analysis by function	2006 Number	2005 Number
Nursing	1,692	1,876
Ancillary	395	438
Administration	191	212
	2,278	2,526
Staff costs (for the above persons)	2006 £'000	2005 £'000
Management charge in lieu of staff costs	32,166	31,083

The above disclosures are in respect of employees that carried out work in connection with the Company's operations during the year. However, these persons are employed by a fellow subsidiary company.

5 Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets	3,580	3,975
Impairments (Note 6)	(2,060)	3,425
Amortisation of goodwill	27	26
Operating lease rentals – land and buildings	305	219
Management charge from fellow subsidiaries	48,582	46,947

The audit fee for the Company for the year ended 31 December 2006 of £5,000 (2005 £5,000) is borne by a fellow subsidiary company and included within the management charge. The comparative figures have been restated to take account of the new disclosure requirements of auditors' remuneration.

The management charges from fellow subsidiary undertakings, Craegmoor Facilities Company Limited and Craegmoor Healthcare Company Limited, relate to an allocation of operating costs incurred on behalf of the Company and its fellow subsidiaries.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Exceptional administrative expenses

	Note	2006 £'000	2005 £'000
Impairment of tangible fixed assets	12	511	3,425
Reversal of prior years' impairments on revalued properties	12	(2,571)	-
		(2,060)	3,425

The exceptional administrative expenses had no effect on the charge for taxation for the financial year (2005 £Nil)

7 Profit / (Loss) on disposal of tangible fixed assets

	Note	2006 £'000	2005 £'000
Profit on disposal of tangible fixed assets realised during the year		4,800	582
Loss on disposal of tangible fixed assets realised during the year		(1,163)	(64)
Provision for loss on disposal of assets held for resale	14	(483)	(2,297)
		3,154	(1,779)

The profit / (loss) on disposal of fixed assets had no effect on the charge for taxation for the financial year (2005 £Nil)

8 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest on amounts owed by group undertakings	650	-
Interest on delayed property disposals	10	12
	660	12

9 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest on amounts owed to group undertakings	13,172	11,337
Interest on finance leases	25	3
	13,197	11,340

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Tax on loss on ordinary activities

	2006	2005
	£'000	£'000
Current taxation:		
Group relief and balancing payments at 30% (2005 30%)	(2,808)	(1,099)
Adjustment in respect of previous periods	1,440	(46)
Total current taxation	(1,368)	(1,145)
Deferred taxation:		
Current year – origination and reversal of timing differences	(244)	(1,554)
Adjustment in respect of previous periods	428	(192)
Total deferred taxation	184	(1,746)
Tax credit on ordinary activities	(1,184)	(2,891)
The tax for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below		
	2006	2005
	£'000	£'000
Loss on ordinary activities	(5,246)	(9,858)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(1,574)	(2,957)
Effects of		
Expenses not deductible for tax purposes	725	340
Capital allowances for the year (in excess of) / less than depreciation	(883)	814
Impairment of fixed assets	(618)	675
Transfer pricing adjustments and balancing payment	(458)	(1,035)
Chargeable gain	975	-
Utilisation of current year capital losses	(418)	-
Utilisation of brought forward capital losses	(557)	-
Unutilised losses	-	1,064
Adjustment to tax charge in respect of previous periods	1,440	(46)
Current tax credit	(1,368)	(1,145)

No provision has been made for deferred taxation 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 £12,849,000 (2005 £8,847,000).

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

11 Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2006 and 31 December 2006	526
Amortisation	
At 1 January 2006	131
Charge for the year	27
At 31 December 2006	158
Net book value	
At 31 December 2006	368
At 31 December 2005	395

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

12 Tangible fixed assets

	Short leasehold land and buildings £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture and fittings £'000	Total £'000
Cost or valuation					
At 1 January 2006 as previously reported	-	109,738	609	24,091	134,438
Prior year reclassification (Note 2)	-	(12,605)	-	-	(12,605)
At 1 January 2006 as restated	-	97,133	609	24,091	121,833
Reclassifications (see below)	798	939	-	-	1,737
Additions	-	406	-	1,648	2,054
Transfers to current assets (Note 14)	-	(1,749)	-	(179)	(1,928)
Revaluations (see below)	-	3,344	-	-	3,344
Impairments (see below)	-	(412)	-	-	(412)
Transfers to fellow subsidiaries	-	(125)	(609)	-	(734)
Disposals	-	(2,932)	-	(5,184)	(8,116)
At 31 December 2006	798	96,604	-	20,376	117,778
Accumulated depreciation					
At 1 January 2006 as previously reported	-	12,591	111	16,498	29,200
Prior year reclassification (Note 2)	-	(6,410)	-	-	(6,410)
At 1 January 2006 as restated	-	6,181	111	16,498	22,790
Reclassifications (see below)	79	1,658	-	-	1,737
Charge for the year	167	1,544	135	1,734	3,580
Transfers to current assets (Note 14)	-	(232)	-	(56)	(288)
Revaluations (see below)	-	(2,895)	-	-	(2,895)
Impairments (see below)	-	511	-	-	511
Transfers to fellow subsidiaries	-	-	(246)	-	(246)
Disposals	-	(459)	-	(4,166)	(4,625)
At 31 December 2006	246	6,308	-	14,010	20,564
Net book value					
At 31 December 2006	552	90,296	-	6,366	97,214
At 31 December 2005 as restated (Note 2)	-	90,952	498	7,593	99,043

Reconciliation work was undertaken during the year to review the allocation of value to specific land and buildings owned by the Company where they had been acquired as a group of properties, and assess the accounting treatment of them in prior years. Estimations made in prior years were revised as in the opinion of the Directors the revised estimates result in a better representation of the individual asset values in the financial statements. The reclassifications shown above had no impact upon net assets and are necessary in order to bring the financial statements in line with the revised estimation techniques.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

12 Tangible fixed assets (continued)

The net book value of motor vehicles includes £Nil (2005 £464,000) in respect of assets held under finance leases. Depreciation of £Nil (2005 £17,000) was charged in the year on these assets.

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 1996 and 2001, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 31 December 2006. 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.

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 10.0% (2005 8.5%) was used in these calculations.

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 2006 and compared this performance to that assumed when the test was carried out (a 'look back test').

The impact of these valuation techniques can be summarised as follows:

	2006 £'000	2005 £'000
External valuations		
Upward valuations – credited to revaluation reserve	3,668	29,490
– credited to profit and loss account	567	-
Impairments – charged to revaluation reserve	-	(126)
– charged to profit and loss account	(348)	(2,645)
	3,887	26,719
Directors' valuations (Value in use tests, look back tests and revisions to estimation techniques as described above)		
Upward valuations – credited to profit and loss account	2,004	-
Impairments – charged to revaluation reserve	(412)	(2,302)
– charged to profit and loss account	(163)	(780)
	1,429	(3,082)
	5,316	23,637
Included in profit and loss account	2,060	(3,425)
Included in statement of total recognised gains and losses	3,256	27,062
	5,316	23,637

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

12 Tangible fixed assets (continued)

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

	2006 £'000	2005 (Restated see above) £'000
Cost	60,702	63,717
Aggregate depreciation	(10,687)	(9,995)
Net book value	50,015	53,722

13 Investments

			Shares in subsidiary undertakings £'000
Cost and net book value			
At 1 January 2006 and at 31 December 2006			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	Dormant	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 2006 (continued)

14 Assets held for resale

	Freehold land and buildings £'000	Furniture and fittings £'000	Total £'000
Cost or valuation			
At 1 January 2006 as restated (Note 2)	12,605	-	12,605
Reclassifications (Note 12)	(5,124)	-	(5,124)
Disposals	(7,481)	-	(7,481)
Transfers from fixed assets (Note 12)	1,749	179	1,928
Impairments (see below)	(166)	-	(166)
At 31 December 2006	1,583	179	1,762
Accumulated depreciation			
At 1 January 2006 as restated (Note 2)	6,410	-	6,410
Reclassifications (Note 12)	(5,124)	-	(5,124)
Disposals	(1,286)	-	(1,286)
Transfers from fixed assets (Note 12)	232	56	288
Impairments (see below)	631	-	631
At 31 December 2006	863	56	919
Net book value			
At 31 December 2006	720	123	843
At 31 December 2005 as restated (Note 2)	6,195	-	6,195

Properties to be disposed

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.

	2006 £'000	2005 £'000
Provisions for losses on disposals		
Amounts charged to revaluation reserve	314	65
Amounts charged to profit and loss account	483	2,297
	797	2,362

Since the year-end, properties with a carrying value of £653,000 have been disposed of at nil gain or loss.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

15 Debtors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed by group undertakings	38,666	36,347
Corporation tax recoverable	-	5
	38,666	36,352

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

16 Debtors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed by group undertakings	23,236	14,436
Deferred tax asset (Note 19)	-	19
	23,236	14,455

There are no defined repayment terms on amounts owed to group undertakings but the Directors of the Company have confirmed they will not seek any repayments of this loan within 12 months after the year-end

17 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Obligations under finance leases	-	57

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

18 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	125,069	124,495
Obligations under finance leases	-	425
	125,069	124,920

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 are repayable as follows:

	2006	2005
	£'000	£'000
In one year or less	-	57
Between one and two years	-	61
Between two and five years	-	364
	-	482

On 31 December 2006 all motor vehicles were transferred to Craegmoor Facilities Company Limited, a fellow subsidiary company, along with the associated finance lease liabilities

19 Provisions for liabilities and charges

	Deferred tax
	£'000
Asset at 1 January 2006 (Note 16)	(19)
Charged in profit and loss account	184
Liability at 31 December 2006	165

The amount provided / (recognised) for deferred taxation comprises:

	2006	2005
	£'000	£'000
Accelerated capital allowances	174	731
Short term timing differences	(9)	(9)
Losses	-	(741)
	165	(19)

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

20 Called up share capital

	2006 £'000	2005 £'000
Authorised		
4,800,000 (2005 50,000) Ordinary shares of £1 each	4,800	50
Allotted, called up and fully paid		
4,772,000 (2005 22,000) Ordinary shares of £1 each	4,772	22

During the year 4,750,000 Ordinary shares of £1 each were issued at par

21 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2006	2,305	46,601	(15,684)
Reclassification (Note 12)	-	(4,862)	4,862
Unrealised surplus on revaluation of properties	-	3,668	-
Reversal of prior years' revaluations on impaired properties	-	(726)	-
Transfer relating to disposal of previously revalued properties	-	(1,851)	1,851
Loss for the financial year	-	-	(4,062)
At 31 December 2006	2,305	42,830	(13,033)

22 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Loss for the financial year	(4,062)	(6,967)
Issue of shares (Note 20)	4,750	-
Unrealised surplus on revaluation of properties	3,668	29,490
Reversal of prior years' revaluations on impaired properties	(726)	(2,493)
Net increase to shareholders' funds	3,630	20,030
Opening equity shareholders' funds	33,244	13,214
Closing equity shareholders' funds	36,874	33,244

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

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 £112,251,00 (2005 £112,251,000)

24 Capital commitments

As at 31 December 2006 the Company had no capital commitments (2005 £Nil)

25 Financial commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Operating leases which expire:		
In less than one year	34	-
In more than one year but less than five years	54	44
In more than five years	202	221
	290	265

26 Post balance sheet events

Subsequent to the year-end the UK Corporation Tax rates were changed from 30% to 28%. These changes have not yet been substantially enacted through the Provisional Collection of Taxes Act and hence not reflected in the deferred tax assets or liabilities as at 31 December 2006

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 its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW