

Parkcare Homes Limited

Annual Report

for the year ended 31 December 2007

Registered number 2155276

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Parkcare Homes Limited

Annual report for the year ended 31 December 2007

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Parkcare Homes Limited

Directors and advisors

Executive Directors

Ted Smith
Charles Cameron
Julian Spurling
Christine Cameron
Peter Cavanagh
Anne Bailey
David Manson

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

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

Parkcare Homes Limited

Directors' report for the year ended 31 December 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the Company continues to be care delivery

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 have put measures in place that they believe will improve the Company's performance in the forthcoming financial year.

Results and dividends

The profit and loss account shows a loss after tax for the year of £9,999,000 (2006 £4,062,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 £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 the Craegmoor Limited Group, 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 | Resigned 28 September 2007 |
| Julian Spurling | |
| Christine Cameron | |
| Charles Cameron | |
| Peter Cavanagh | |
| Anne Bailey | |
| David Manson | Appointed 1 November 2007 |

Changes in fixed assets

The movements in intangible and tangible fixed assets during the year are set out in notes 10, 11 and 12 to the financial statements.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2007 (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, which have high credit ratings that are designed to ensure the Group has sufficient available funds for operations. The £352,299,000 of debt, in the form of loan notes and bank loans, is repayable between 1 and 6 years. Of the total outstanding debt, £232,900,000 is repayable on 17 March 2009.

Interest rate and cash flow risk

The Group has entered into interest rate swaps to ensure certainty over future interest cash flows. As a consequence, 68% (2006: 95%) of the Group's borrowings are at fixed rates of interest. A further 28% (2006: nil) of the Group's borrowings are variable but benefit from an interest rate cap.

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.

Parkcare Homes Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of disclosure of information to auditors

Each of the persons who are directors at the date that this report is approved confirms 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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

By order of the Board



Charles Cameron
Director
14 April 2008

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 2007 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

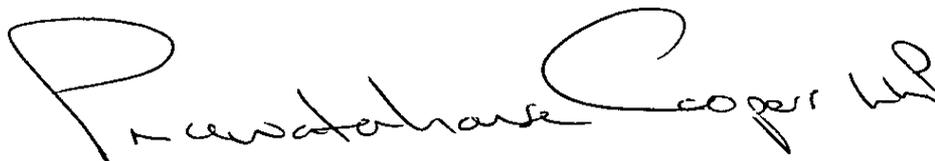
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 April 2008

Parkcare Homes Limited

Profit and loss account for the year ended 31 December 2007

| | | 2007 Before exceptional items | 2007 Exceptional items Note 5 | 2007 Total | 2006 Before exceptional items | 2006 Exceptional items Note 5 | 2006 Total |
|---|------|--|--|-----------------|--|--|---------------|
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | | 53,219 | - | 53,219 | 54,571 | - | 54,571 |
| Administrative expenses | | (51,222) | (758) | (51,980) | (52,494) | 2,060 | (50,434) |
| Operating profit | 4 | 1,997 | (758) | 1,239 | 2,077 | 2,060 | 4,137 |
| (Loss) / Profit on disposal of tangible fixed assets | 6 | - | (631) | (631) | - | 3,154 | 3,154 |
| Interest receivable and similar income | 7 | 877 | - | 877 | 660 | - | 660 |
| Interest payable and similar charges | 8 | (11,649) | - | (11,649) | (13,197) | - | (13,197) |
| (Loss) / Profit on ordinary activities before taxation | | (8,775) | (1,389) | (10,164) | (10,460) | 5,214 | (5,246) |
| Tax on ordinary activities | 9 | 165 | - | 165 | 1,184 | - | 1,184 |
| (Loss) / Profit for the financial year | 20 | (8,610) | (1,389) | (9,999) | (9,276) | 5,214 | (4,062) |

All activities relate to continuing operations

Parkcare Homes Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

| | Note | 2007 £'000 | 2006 £'000 |
|--|------|----------------|----------------|
| Loss for the financial year | | (9,999) | (4,062) |
| Unrealised surplus on revaluation of properties | 11 | 6,589 | 3,668 |
| Reversal of prior years' revaluations on impaired properties | 11 | (1,404) | (726) |
| Total recognised losses for the financial year | | (4,814) | (1,120) |

Note of historical cost profits and losses for the year ended 31 December 2007

| | 2007 £'000 | 2006 £'000 |
|--|----------------|----------------|
| Reported loss on ordinary activities before taxation | (10,164) | (5,246) |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 647 | 571 |
| Historical cost loss for the year before taxation | (9,517) | (4,675) |
| Historical cost loss for the financial year | (9,352) | (3,491) |

Parkcare Homes Limited

Balance sheet as at 31 December 2007

| | Note | 2007 £'000 | 2006 £'000 |
|--|------|-----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 10 | 342 | 368 |
| Tangible assets | 11 | 97,322 | 97,214 |
| Investments | 12 | 1,781 | 1,781 |
| | | 99,445 | 99,363 |
| Current assets | | | |
| Assets held for resale | 13 | 13,739 | 843 |
| Debtors amounts falling due after more than one year | 14 | 24,118 | 23,236 |
| Debtors amounts falling due within one year | 15 | 14,359 | 38,666 |
| | | 52,216 | 62,745 |
| Creditors amounts falling due within one year | 16 | (119,601) | - |
| Net current (liabilities) / assets | | (67,385) | 62,475 |
| Total assets less current liabilities | | 32,060 | 162,108 |
| Creditors amounts falling due after more than one year | 17 | - | (125,069) |
| Provisions for liabilities and charges | 18 | - | (165) |
| Net assets | | 32,060 | 36,874 |
| Capital and reserves | | | |
| Called up share capital | 19 | 4,772 | 4,772 |
| Share premium account | 20 | 2,305 | 2,305 |
| Revaluation reserve | 20 | 47,630 | 42,830 |
| Profit and loss account | 20 | (22,647) | (13,033) |
| Total shareholders' funds | 21 | 32,060 | 36,874 |

The financial statements on pages 6 to 22 were approved by the Board of Directors on 14 April 2008 and were signed on its behalf by



Charles Cameron
Director

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007

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.

Turnover

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

Operating leases

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

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 by the surrender of losses by fellow group companies. Payments made, if any, to surrendering companies for losses are reflected in the tax charge.

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 the future, or a right to pay less taxation in the 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.

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 Limited, the ultimate 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.

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 2007 (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. 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 is based on revalued amounts. Depreciation on tangible fixed assets other than land is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases:

| | |
|------------------------------------|-------------------------|
| Freehold buildings | - over 50 years |
| Short leasehold land and buildings | - over the lease term |
| Building improvements | - over 10 years |
| Equipment | - over 7 years |
| Furniture and fittings | - over 3, 5 or 10 years |
| Computer equipment | - over 3 or 5 years |

During the year, a review was performed of the appropriateness of asset lives resulting in the revised bases shown above. The Directors are of the opinion the revised periods better reflect the useful economic lives of the individual assets in the various categories. This change in estimation techniques resulted in an increase to the depreciation charge for the year of £184,000.

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% (2006: 10.0%). 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. Reversals of previous impairments are credited to the profit and loss account to the extent that they return the asset carrying value to its depreciated historical cost, with any amount over and above that being credited to the revaluation reserve.

Investments

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

Assets held for resale

Assets held for resale comprise assets previously used as fixed assets that are transferred once a decision has been made to dispose of them and work has begun on the disposal process. Assets held for resale are stated at their net book value at the point of transfer from fixed assets.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2 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 2007 and 31 December 2006 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.

3 Employee information

The average monthly number of persons (including Executive Directors) employed during the year was

| | 2007 | 2006 |
|--|--------|--------|
| Analysis by function | Number | Number |
| Nursing | 1,654 | 1,692 |
| Ancillary | 414 | 395 |
| Administration | 107 | 191 |
| | 2,175 | 2,278 |
| Staff costs (for the above persons) | £'000 | £'000 |
| Management charge in lieu of staff costs | 31,079 | 32,166 |

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.

4 Operating profit

| | 2007 | 2006 |
|---|--------|---------|
| | £'000 | £'000 |
| Operating profit is stated after charging / (crediting): | | |
| Depreciation of tangible fixed assets | 2,907 | 3,580 |
| Impairments / (Impairment reversals) (Note 5) | 758 | (2,060) |
| Amortisation of goodwill | 26 | 27 |
| Operating lease rentals – land and buildings | 343 | 305 |
| Management charges from fellow subsidiaries | 47,946 | 48,582 |

The audit fee for the Company for the year ended 31 December 2007 of £30,000 (2006 £40,000) is borne by a fellow subsidiary company and included within the management charge.

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 2007 (continued)

5 Exceptional administrative expenses

| | Note | 2007 £'000 | 2006 £'000 |
|---|------|---------------|---------------|
| Impairment of tangible fixed assets | 11 | 766 | 511 |
| Reversal of prior years' impairments on revalued properties | 11 | (8) | (2,571) |
| | | 758 | (2,060) |

The exceptional administrative expenses had no effect on the charge for taxation for the financial year (2006 £Nil)

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

| | Note | 2007 £'000 | 2006 £'000 |
|--|------|---------------|---------------|
| Profit on disposal of tangible fixed assets sold during the year | | 115 | 4,800 |
| Loss on disposal of tangible fixed assets sold during the year | | (297) | (1,163) |
| Provision for loss on disposal of assets held for resale | 11 | (449) | (483) |
| | | (631) | 3,154 |

The (loss) / profit on disposal of fixed assets had no effect on the charge for taxation for the financial year (2006 £Nil)

7 Interest receivable and similar income

| | 2007 £'000 | 2006 £'000 |
|---------------------------------------|---------------|---------------|
| On amounts owed by group undertakings | 877 | 650 |
| On delayed property disposals | - | 10 |
| | 877 | 660 |

8 Interest payable and similar charges

| | 2007 £'000 | 2006 £'000 |
|---------------------------------------|---------------|---------------|
| On amounts owed to group undertakings | 11,649 | 13,172 |
| Finance lease charges | - | 25 |
| | 11,649 | 13,197 |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tax on ordinary activities

| | 2007 | 2006 |
|---|--------------|----------------|
| | £'000 | £'000 |
| Current taxation: | | |
| Group relief and balancing payments at 30% (2006 30%) | - | (2,808) |
| Adjustment in respect of previous periods | - | 1,440 |
| Total current taxation | - | (1,368) |
| Deferred taxation: | | |
| Current year – origination and reversal of timing differences | - | (244) |
| Adjustment in respect of previous periods | (165) | 428 |
| Total deferred taxation | (165) | 184 |
| Tax credit on ordinary activities | (165) | (1,184) |

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

| | 2007 | 2006 |
|--|-----------------|----------------|
| | £'000 | £'000 |
| Loss on ordinary activities | (10,164) | (5,246) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%) | (3,049) | (1,574) |
| Effects of | | |
| Expenses not deductible for tax purposes | 857 | 725 |
| Capital allowances for the year less than / (in excess of) depreciation | 78 | (883) |
| Impairments / (Impairment reversals) | 362 | (618) |
| Short term timing differences | 25 | - |
| Transfer pricing adjustments and balancing payment | 340 | (458) |
| Chargeable gain | - | 975 |
| Utilisation of current year capital losses | - | (418) |
| Utilisation of brought forward capital losses | - | (557) |
| Unutilised losses | 1,205 | - |
| Adjustment to tax charge in respect of previous periods | - | 1,440 |
| Group relief surrendered not paid for | 182 | - |
| Current tax credit | - | (1,368) |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tax on ordinary activities (continued)

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 or utilise available losses. The total amount unprovided for at 28% is £13,336,000 (2006 £12,849,000 at 30%). The UK Corporation Tax rate changed to 28% on 1 April 2008. Had the rate remained the same, the total amount unprovided for at 31 December 2007 would have been £14,289,000. Deferred tax liabilities have not been discounted.

In accordance with the Craegmoor Group's accounting policy a deferred tax asset has not been recognised due to the uncertainty over the recoverability of the following

| | 2007 | 2006 |
|--------------------------------|-------|-------|
| | £'000 | £'000 |
| Accelerated capital allowances | (490) | - |
| Short term timing differences | 298 | - |
| Losses | 1,124 | - |
| | 932 | - |

10 Intangible fixed assets

| | Goodwill |
|--|----------|
| | £'000 |
| Cost | |
| At 1 January 2007 and 31 December 2007 | 526 |
| Amortisation | |
| At 1 January 2007 | 158 |
| Charge for the year | 26 |
| At 31 December 2007 | 184 |
| Net book value | |
| At 31 December 2007 | 342 |
| At 31 December 2006 | 368 |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets

| | Short leasehold land and buildings £'000 | Freehold land and buildings £'000 | Furniture and fittings £'000 | Total £'000 |
|---------------------------------------|---|--|---------------------------------------|----------------|
| Cost or valuation | | | | |
| At 1 January 2007 | 798 | 96,604 | 20,376 | 117,778 |
| Reclassifications (see below) | 378 | 2,329 | (2,707) | - |
| Additions | 75 | 2,305 | 2,301 | 4,681 |
| Transfers from fellow subsidiaries | 8,002 | 1,011 | 264 | 9,277 |
| Disposals | - | (916) | (897) | (1,813) |
| Revaluations (see below) | - | 5,888 | - | 5,888 |
| Impairments (see below) | - | (1,132) | - | (1,132) |
| Transfers to current assets (Note 13) | - | (13,922) | (3,425) | (17,347) |
| At 31 December 2007 | 9,253 | 92,167 | 15,912 | 117,332 |
| Accumulated depreciation | | | | |
| At 1 January 2007 | 246 | 6,308 | 14,010 | 20,564 |
| Reclassifications (see below) | 98 | 135 | (233) | - |
| Charge for the year | 291 | 1,497 | 1,119 | 2,907 |
| Transfers from fellow subsidiaries | 204 | - | 145 | 349 |
| Disposals | - | (26) | (815) | (841) |
| Revaluations (see below) | - | (709) | - | (709) |
| Impairments (see below) | 351 | 1,136 | - | 1,487 |
| Transfers to current assets (Note 13) | - | (1,145) | (2,602) | (3,747) |
| At 31 December 2007 | 1,190 | 7,196 | 11,624 | 20,010 |
| Net book value | | | | |
| At 31 December 2007 | 8,063 | 84,971 | 4,288 | 97,322 |
| At 31 December 2006 | 552 | 90,296 | 6,366 | 97,214 |

During the financial year the categorisation of fixed assets in prior years was reviewed. The above reclassifications were required so as to more appropriately disclose assets between the categories.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets (continued)

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 Craegmoor Group's accounting policy, the land and buildings occupied by the Company, which were acquired by the Group during 1997 and 2002, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 31 December 2007. 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% (2006: 10.0%) 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 2007 and compared this performance to that assumed when the test was carried out (a 'look back test').

c) Assets held for resale

During 2007 the Directors have identified further properties for disposal that do not meet future business requirements. As a result, the Directors have provided for anticipated losses on disposal by writing down the appropriate assets to estimated net realisable value, prior to transferring them to current assets. The carrying value of those assets expected to generate a profit on disposal has not been adjusted.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets (continued)

The impact of these valuation techniques can be summarised as follows

| | 2007 | 2006 |
|---|----------------|---------------|
| | £'000 | £'000 |
| External valuations | | |
| Upward valuations – credited to revaluation reserve | 6,589 | 3,668 |
| – credited to profit and loss account | 8 | 567 |
| Impairments – charged to profit and loss account | - | (348) |
| | 6,597 | 3,887 |
| 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 | (346) | (412) |
| – charged to profit and loss account | (766) | (163) |
| | (1,112) | 1,429 |
| Provisions for losses on disposal | | |
| Charged to revaluation reserve | (1,058) | (314) |
| Charged to profit and loss account | (449) | (483) |
| | (1,507) | (797) |
| | 3,978 | 4,549 |
| Included in the statement of total recognised gains and losses | 5,185 | 2,942 |
| Included in the profit and loss account | (1,207) | 1,577 |
| | 3,978 | 4,519 |
| If land and buildings had not been revalued they would have been included at the following amounts | | |
| | 2007 | 2006 |
| | £'000 | £'000 |
| Cost | 65,873 | 60,702 |
| Aggregate depreciation | (10,316) | (10,687) |
| Net book value | 55,557 | 50,015 |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

12 Investments

| | | | Shares in subsidiary undertakings £'000 |
|--|--------------------|-------------------------------|--|
| Cost and net book value as at 31 December 2007 and 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 | Provision of funds | Ordinary £1 shares | 0.002% |
| Boughton Manor Nursing Home Limited | Care delivery | Ordinary £1 shares | 100% |
| Ty Craig Nursing Home Limited | Care delivery | Ordinary £1 shares | 100% |
| Southbank Private Nursing Home Limited | Care delivery | Ordinary £1 shares | 100% |
| Speciality Care (Rest Care) Limited | Care delivery | Ordinary £1 shares | 100% |
| Concept Care Limited | Care delivery | 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 2007 (continued)

13 Assets held for resale

| | Freehold land and buildings £'000 | Furniture and fittings £'000 | Total £'000 |
|---------------------------------------|--|---------------------------------------|----------------|
| Cost or valuation | | | |
| At 1 January 2007 | 1,583 | 179 | 1,762 |
| Reclassifications (see below) | 40 | (40) | - |
| Additions | 3 | - | 3 |
| Disposals | (1,431) | (114) | (1,545) |
| Transfers from fixed assets (Note 11) | 13,922 | 3,425 | 17,347 |
| At 31 December 2007 | 14,117 | 3,450 | 17,567 |
| Accumulated depreciation | | | |
| At 1 January 2007 | 863 | 56 | 919 |
| Reclassifications (see below) | 1 | (1) | - |
| Disposals | (785) | (53) | (838) |
| Transfers from fixed assets (Note 11) | 1,145 | 2,602 | 3,747 |
| At 31 December 2007 | 1,224 | 2,604 | 3,828 |
| Net book value | | | |
| At 31 December 2007 | 12,893 | 846 | 13,739 |
| At 31 December 2006 | 720 | 123 | 843 |

During the financial year the categorisation of fixed assets in prior years was reviewed. The above reclassifications were required so as to more appropriately disclose assets between the categories.

Since the year-end, properties with a carrying value of £130,000 have been disposed of for £154,000.

14 Debtors: amounts falling due after more than one year

| | 2007 £'000 | 2006 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 24,118 | 23,236 |

There are no defined repayment terms on amounts owed by 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.

Certain of the amounts owed by group undertakings are subject to interest at 10%, with the remainder being interest free.

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Debtors: amounts falling due within one year

| | 2007 | 2006 |
|------------------------------------|--------|--------|
| | £'000 | £'000 |
| Amounts owed by group undertakings | 14,359 | 38,666 |

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

16 Creditors: amounts falling due within one year

| | 2007 | 2006 |
|-----------------------------------|---------|-------|
| | £'000 | £'000 |
| Amounts due to group undertakings | 119,601 | - |

Amounts owed to group undertakings are interest free and repayable on demand

17 Creditors: amounts falling due after more than one year

| | 2007 | 2006 |
|------------------------------------|-------|---------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | - | 125,069 |

Amounts owed to group undertakings were subject to interest at rates linked to the 3 month LIBOR

18 Provisions for liabilities and charges

| | Deferred tax | |
|---|--------------|-------------|
| | £'000 | |
| At 1 January 2007 | | 165 |
| Credited in profit and loss account (Note 9) | | (165) |
| At 31 December 2007 | | - |
| The amount provided for deferred taxation comprises: | 2007 | 2006 |
| | £'000 | £'000 |
| Accelerated capital allowances | - | 174 |
| Short term timing differences | - | (9) |
| | - | 165 |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

19 Called up share capital

| | 2007 | 2006 |
|---|-------|-------|
| | £'000 | £'000 |
| Authorised | | |
| 4,800,000 (2006 4,800,000) Ordinary shares of £1 each | 4,800 | 4,800 |
| Allotted, called up and fully paid | | |
| 4,772,000 (2006 4,722,000) Ordinary shares of £1 each | 4,772 | 4,772 |

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

20 Reserves

| | Share premium account £'000 | Revaluation reserve £'000 | Profit and loss account £'000 |
|---|--------------------------------------|---------------------------------|--|
| At 1 January 2007 | 2,305 | 42,830 | (13,033) |
| Unrealised surplus on revaluation of properties | - | 6,589 | - |
| Reversal of prior years' revaluations on impaired properties | - | (1,404) | - |
| Transfer relating to disposal of previously revalued properties | - | (385) | 385 |
| Loss for the financial year | - | - | (9,999) |
| At 31 December 2007 | 2,305 | 47,630 | (22,647) |

21 Reconciliation of movements in shareholders' funds

| | 2007 | 2006 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Loss for the financial year | (9,999) | (4,062) |
| Issue of shares (Note 19) | - | 4,750 |
| Unrealised surplus on revaluation of properties | 6,589 | 3,668 |
| Reversal of prior years' revaluations on impaired properties | (1,404) | (726) |
| Net (decrease) / increase to shareholders' funds | (4,814) | 3,630 |
| Opening equity shareholders' funds | 36,874 | 33,244 |
| Closing equity shareholders' funds | 32,060 | 36,874 |

Parkcare Homes Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

22 Contingent liabilities

There is a fixed and floating charge over the assets of the Company and certain of its fellow subsidiaries in respect of an external loan undertaken by an intermediate parent undertaking. Amounts drawn down on the facility of £245,000,000 amounted to £235,544,000, inclusive of accrued interest, as at 31 December 2007. As at 31 December 2006 there was a fixed charge over the assets of the Company and a cross guarantee amounting to £112,251,000 in respect of an external loan undertaken by a fellow subsidiary undertaking.

23 Capital commitments

At 31 December 2007 the Company had instructed suppliers to carry out work on ongoing capital projects with a total value of £2,116,000 (2006: £Nil).

24 Financial commitments

At 31 December 2007 the Company had annual commitments for land and buildings under non-cancellable operating leases as follows:

| | 2007 | 2006 |
|--|------------|------------|
| | £'000 | £'000 |
| Operating leases which expire | | |
| In less than one year | 1 | 34 |
| In more than one year but less than five years | 82 | 54 |
| In more than five years | 252 | 202 |
| | 335 | 290 |

25 Post balance sheet events

The Directors do not consider there have been any material events since the year end requiring disclosure in accordance with FRS 21 "Events after the Balance Sheet Date".

26 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.

27 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. Craegmoor Limited is the parent company of the largest and smallest group in which Parkcare Homes Limited is consolidated. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.