

Conquest Care Homes (Peterborough) Limited  
Annual Report  
for the year ended 31 December 2006

Registered number 2706124

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# **Conquest Care Homes (Peterborough) Limited**

## **Annual report for the year ended 31 December 2006**

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# **Conquest Care Homes (Peterborough) Limited**

## **Directors and advisors**

### **Directors**

Ted Smith  
Denise Keating  
Charles Cameron  
Christine Cameron  
Peter Cavanagh

### **Secretary**

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

### **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

### **Registered office**

Craegmoor House  
Perdiswell Park  
Worcester  
WR3 7NW

### **Bankers**

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

# **Conquest Care Homes (Peterborough) 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 activities**

The principal activity of the Company continues to be the provision of care

### **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

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 profit for the year of £14,000 (2005: loss of £99,000). 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		
Mary Preston	Resigned 20 April 2006	
Denise Keating	Appointed 6 March 2006	
Julian Spurling	Appointed 6 March 2006	Resigned 27 November 2006
Charles Cameron	Appointed 15 March 2006	
David Fothergill	Appointed 20 April 2006	Resigned 30 June 2006
Christine Cameron	Appointed 1 July 2006	
Peter Cavanagh	Appointed 1 July 2006	

### **Changes in fixed assets**

Movement in tangible fixed assets during the year is set out in note 10 to the financial statements

# **Conquest Care Homes (Peterborough) 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 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 year.

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.

# **Conquest Care Homes (Peterborough) Limited**

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

### **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

### **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



**Charles Cameron**  
Director  
14 June 2007

## **Independent auditors' report to the members of Conquest Care Homes (Peterborough) Limited**

We have audited the financial statements of Conquest Care Homes (Peterborough) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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 profit 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 Conquest Care Homes (Peterborough) 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Birmingham  
14 June 2007



## Conquest Care Homes (Peterborough) Limited

### Profit and loss account for the year ended 31 December 2006

		2006 Before exceptional items	2006 Exceptional items  Note 2	2006 Total	2005 Total
	Note	£'000	£'000	£'000	£'000
<b>Turnover</b>		<b>2,866</b>	<b>-</b>	<b>2,866</b>	<b>2,523</b>
<b>Administrative expenses</b>		<b>(2,503)</b>	<b>101</b>	<b>(2,402)</b>	<b>(2,348)</b>
<b>Operating profit</b>	6	<b>363</b>	<b>101</b>	<b>464</b>	<b>175</b>
Loss on disposal of tangible fixed assets	3	-	(4)	(4)	-
Interest payable	7	(278)	-	(278)	(289)
Interest receivable	8	-	-	-	2
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>85</b>	<b>97</b>	<b>182</b>	<b>(112)</b>
Tax on profit / (loss) on ordinary activities	9	(168)	-	(168)	13
<b>Profit / (Loss) for the financial year</b>	15	<b>(83)</b>	<b>97</b>	<b>14</b>	<b>(99)</b>

All activities relate to continuing operations

## **Conquest Care Homes (Peterborough) Limited**

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

		<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Profit / (Loss) for the financial year		<b>14</b>	<b>(99)</b>
Unrealised surplus on revaluation of properties	10	<b>93</b>	<b>2,683</b>
Impairment of previously properties	10	<b>(50)</b>	<b>-</b>
<b>Total recognised gains for the year</b>		<b>57</b>	<b>2,584</b>

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Reported profit / (loss) on ordinary activities before taxation	<b>182</b>	<b>(112)</b>
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	<b>24</b>	<b>13</b>
<b>Historical cost profit / (loss) on ordinary activities before taxation</b>	<b>206</b>	<b>(99)</b>
<b>Historical cost profit / (loss) for the financial year</b>	<b>38</b>	<b>(86)</b>

# Conquest Care Homes (Peterborough) Limited

## Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	10	5,355	5,307
<b>Current assets</b>			
Debtors	11	3,222	3,180
		3,222	3,180
Creditors amounts falling due within one year	12	-	(21)
<b>Net current assets</b>		<b>3,222</b>	<b>3,159</b>
<b>Total assets less current liabilities</b>		<b>8,577</b>	<b>8,466</b>
Creditors amounts falling due after more than one year	13	(3,717)	(3,663)
<b>Net assets</b>		<b>4,860</b>	<b>4,803</b>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Share premium account	15	228	228
Revaluation reserve	15	3,540	3,399
Profit and loss account	15	1,092	1,176
<b>Total equity shareholders' funds</b>	16	<b>4,860</b>	<b>4,803</b>

The financial statements on pages 7 to 18 were approved by the Board of Directors on 14 June 2007 and signed on its behalf by



**Charles Cameron**  
Director

# **Conquest Care Homes (Peterborough) 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 on the ongoing support of the Craegmoor Group and whilst trading and cash flow has improved significantly since last year it is during 2007 that the Craegmoor 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 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 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 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 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.

#### **Finance leases**

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.

#### **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.

# Conquest Care Homes (Peterborough) 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

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 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. 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 historic cost, with any amount over and above that value being credited to the revaluation reserve.

### 2 Exceptional administrative expenses

	Note	2006 £'000	2005 £'000
Reversal of prior years' impairments on revalued properties	10	101	-

### 3 Loss on disposals of tangible fixed assets

	2006 £'000	2005 £'000
Loss on disposal of tangible fixed assets realised during the year	4	-

### 4 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.

# Conquest Care Homes (Peterborough) Limited

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 5 Employee information

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

Analysis by function	2006 Number	2005 Number
Nursing	106	117
Ancillary	8	9
Administration	11	9
	125	135

Staff costs for the above persons	2006 £'000	2005 £'000
Management charge in lieu of staff costs	1,718	1,605

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.

#### 6 Operating profit

	2006 £'000	2005 £'000
<b>Operating profit is stated after charging / (crediting):</b>		
Depreciation of tangible fixed assets (Note 10)	100	103
Revaluations (Note 2)	(101)	-
Management charge from fellow subsidiaries	2,403	2,245

The audit fee for the Company for the year ended 31 December 2006 of £1,000 (2005 £2,000) 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.

#### 7 Interest payable

	2006 £'000	2005 £'000
Interest on amounts owed to group undertakings	277	289
Interest on finance leases	1	-
	278	289

#### 8 Interest receivable

	2006 £'000	2005 £'000
Interest on amounts owed from group undertakings	-	2

**Conquest Care Homes (Peterborough) Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2006 (continued)**

**9 Tax on loss on ordinary activities**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current taxation</b>		
Group relief and balancing payments at 30% (2005 30%)	<b>87</b>	<b>-</b>
Adjustment in respect of previous periods	<b>62</b>	<b>3</b>
<b>Total current taxation</b>	<b>149</b>	<b>3</b>
<b>Deferred taxation</b>		
Current year – origination and reversal of timing differences	<b>-</b>	<b>(16)</b>
Adjustment in respect of previous periods	<b>19</b>	<b>-</b>
<b>Total deferred taxation</b>	<b>19</b>	<b>(16)</b>
<b>Tax charge / (credit)</b>	<b>168</b>	<b>(13)</b>

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit / (Loss) on ordinary activities</b>	<b>182</b>	<b>(112)</b>
Profit / (Loss) on ordinary activity multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	<b>55</b>	<b>(34)</b>
<b>Effects of</b>		
Expenses not deductible for tax purposes	<b>19</b>	<b>14</b>
Transfer pricing adjustment and balancing payment	<b>34</b>	<b>(19)</b>
Capital allowances for the year less than depreciation	<b>9</b>	<b>16</b>
Impairment of fixed assets	<b>(30)</b>	<b>-</b>
Unutilised losses	<b>-</b>	<b>23</b>
Adjustment to tax charge in respect of previous periods	<b>62</b>	<b>3</b>
<b>Current tax charge</b>	<b>149</b>	<b>3</b>

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 £1,062,000 (2005 £1,020,000)

# Conquest Care Homes (Peterborough) Limited

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 9 Tax on loss on ordinary activities

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

	2006 £'000	2005 £'000
Accelerated capital allowances	35	-
Short term timing differences	3	-
Losses	-	26
	<b>38</b>	<b>26</b>

#### 10 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2006	5,044	676	75	5,795
Reclassifications (see below)	182	-	-	182
Additions	-	35	-	35
Impairments	(50)	-	-	(50)
Transfers to fellow subsidiaries	-	-	(75)	(75)
Disposals	-	(7)	-	(7)
Revaluations	78	-	-	78
<b>At 31 December 2006</b>	<b>5,254</b>	<b>704</b>	<b>-</b>	<b>5,958</b>
<b>Depreciation</b>				
At 1 January 2006	-	452	36	488
Reclassifications (see below)	182	-	-	182
Charge for the year	59	29	12	100
Transfers to fellow subsidiaries	-	-	(48)	(48)
Disposals	-	(3)	-	(3)
Revaluations	(116)	-	-	(116)
<b>At 31 December 2006</b>	<b>125</b>	<b>478</b>	<b>-</b>	<b>603</b>
<b>Net book value</b>				
<b>At 31 December 2006</b>	<b>5,129</b>	<b>226</b>	<b>-</b>	<b>5,355</b>
At 31 December 2005	5,044	224	39	5,307



# Conquest Care Homes (Peterborough) Limited

## Notes to the financial statements

for the year ended 31 December 2006 (continued)

### 10 Tangible fixed assets (continued)

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 results in a better representation of the individual asset values in the financial statements. The reclassifications shown above led to the reversal of a previous impairment charge of £101,000, which has been credited to the profit and loss account, and necessary in order to bring the financial statements in line with the revised estimation techniques.

The net book value of motor vehicles includes £Nil (2005 £23,000) in respect of assets held under finance leases. Depreciation of £Nil (2005 £1,000) 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 the Craegmoor Limited Group 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 adjusted weighted average cost of capital of 10% (2005 8.5%) was used in these calculations.

#### b) Look back tests

Where properties had been subject to "value in use" calculations in prior periods, 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:

	Note	2006 £'000	2005 £'000
<b>External valuations</b>			
Upward valuations – credited to revaluation reserve	15	93	2,683
– credited to profit and loss account	2	101	-
		<b>194</b>	<b>2,683</b>
<b>Directors' valuations</b> (Value in use tests, look back tests and revisions to estimation techniques as described above)			
Impairments – charged to revaluation reserve	15	(50)	-
		<b>144</b>	<b>2,683</b>
Included in profit and loss account		101	-
Included in statement of total recognised gains and losses		43	2,683
		<b>144</b>	<b>2,683</b>

**Conquest Care Homes (Peterborough) Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2006 (continued)**

**10 Tangible fixed assets (continued)**

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

	2006	2005 Restated (See above)
	£'000	£'000
Cost	1,942	1,942
Aggregate depreciation based on cost	(235)	(200)
<b>Net book value based on cost</b>	<b>1,707</b>	<b>1,742</b>

**11 Debtors**

	2006	2005
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	3,222	3,140
Corporation tax recoverable	-	21
	<b>3,222</b>	<b>3,161</b>
<b>Amounts falling due after more than one year:</b>		
Deferred taxation	-	19
	<b>3,222</b>	<b>3,180</b>
Amounts owed by group undertakings are interest free and are payable on demand		
<b>The amount recognised for deferred taxation comprises:</b>	<b>2006</b>	<b>2005</b>
	£'000	£'000
Timing differences relating to accelerated capital allowances	-	19

**12 Creditors: amounts falling due within one year**

	2006	2005
	£'000	£'000
Corporation tax payable	-	21

**Conquest Care Homes (Peterborough) Limited**  
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**for the year ended 31 December 2006 (continued)**

**13 Creditors: amounts falling due after more than one year**

	2006	2005
	£'000	£'000
Obligations under finance leases	-	24
Amounts owed to group undertakings	3,717	3,639
	<b>3,717</b>	<b>3,663</b>

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

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

**14 Called up share capital**

	2006	2005
	£'000	£'000
<b>Authorised</b>		
1,000 (2005 1,000) Ordinary shares of £1 each	1	1
<b>Allotted, called up and fully paid</b>		
204 (2005 204) Ordinary shares of £1 each	-	-

**15 Reserves**

	Share premium account	Profit and loss account	Revaluation reserve
	£'000	£'000	£'000
At 1 January 2006	228	1,176	3,399
Transfers (Note 10)	-	(98)	98
Profit for the financial year	-	14	-
Unrealised surplus on revaluation of properties (Note 10)	-	-	93
Impairment of previously revalued properties (Note 10)	-	-	(50)
<b>At 31 December 2006</b>	<b>228</b>	<b>1,092</b>	<b>3,540</b>

**Conquest Care Homes (Peterborough) Limited**  
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**16 Reconciliation of movement in shareholders' funds**

	2006	2005
	£'000	£'000
Profit / (Loss) for the financial year	14	(99)
Unrealised surplus on revaluation of properties	93	2,683
Impairment of previously revalued properties	(50)	-
Net increase in shareholders' funds	57	2,584
Opening equity shareholders' funds	4,803	2,219
Closing equity shareholders' funds	4,860	4,803

**17 Capital commitments**

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

**18 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.

**19 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 £2,530,000 (2005 £2,530,000).

**20 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.

**21 Immediate and ultimate parent companies**

The Directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Conquest Care Homes (Peterborough) 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 Conquest Care Homes (Peterborough) Limited is included 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.