

ROTHCARE ESTATES LIMITED

Report and Financial Statements

31 December 2004



ROTHCARE ESTATES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Note of historical cost profits and losses	6
Balance sheet	7
Notes to the accounts	8
Additional information	14
Detailed profit and loss account	15
Notes to detailed profit and loss account	16

ROTHCARE ESTATES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

Officers and professional advisers

Directors

D R Savage
D J Ayers
C Dalton
P F Jephcott

Company Secretary

P F Jephcott

Registered Office

The Manor House
Squire's Hill
Rothwell
Northamptonshire
NN14 6BQ

Bankers

Barclays Bank plc
PO 16294
1-2 Trinity Way
Chingford
London
E4 8US

Solicitors

Halliwell Landau & Co
St. James Court
Brown Street
Manchester
M2 2JF

ROTHCARE ESTATES LIMITED

DIRECTORS' REPORT

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

Principal activities and future prospects

The principal activity of the company during the year was that of holding property occupied by other companies in the Castlecare Group. The directors expect a satisfactory performance from the company in the coming year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend for the year (2003: £nil).

Directors

The directors who served the company during the year and thereafter were as follows:

J G Mackenzie (resigned 6 July 2004)
T R Leigh FCA (resigned 22 June 2004)
D R Savage
D J Ayers
C Dalton
P F Jephcott (appointed 22 July 2004)

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

Auditors

KMPG LLP resigned as auditors during the year and were replaced by Deloitte & Touche LLP. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



24 March 2005

Secretary

ROTHCARE ESTATES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROTHCARE ESTATES LIMITED

We have audited the financial statements of Rothcare Estates Limited for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the additional information contained within the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

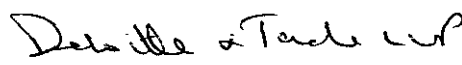
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

15 April 2005

ROTHCARE ESTATES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	2	187,400	171,200
Administrative expenses		(73,471)	(47,613)
OPERATING PROFIT	3	113,929	123,587
Interest payable	5	(70,196)	(87,299)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		43,733	36,288
Tax on profit on ordinary activities	6	(16,039)	(19,265)
PROFIT FOR THE FINANCIAL YEAR		27,694	17,023

All of the activities of the company are classed as continuing.

ROTHCARE ESTATES LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES **Year ended 31 December 2004**

	2004 £	2003 £
Profit on ordinary activities before taxation	43,733	36,288
Difference between the historical cost depreciation charge and the actual charge calculated on the revalued amount	35,439	34,855
Historical cost profit on ordinary activities before taxation	<u>79,172</u>	<u>71,143</u>
Historical cost profit for the year retained after taxation and dividends	<u>63,133</u>	<u>51,878</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 December 2004**

	2004 £	2003 £
Profit for the financial year	27,694	17,023
Unrealised surplus on the revaluation of fixed assets	<u>1,916,728</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>1,944,422</u>	<u>17,023</u>

ROTHCARE ESTATES LIMITED

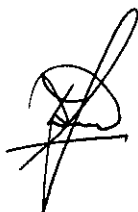
BALANCE SHEET 31 December 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	<u>9,710,000</u>	<u>7,510,839</u>
CURRENT ASSETS			
Debtors – due within one year	8	306	-
Debtors – due after more than one year	8	26,000	405,679
Cash at bank		<u>295</u>	<u>10,009</u>
		26,601	415,688
CREDITORS: Amounts falling due within one year	9	<u>(1,946,431)</u>	<u>(158,265)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,919,830)</u>	<u>257,423</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,790,170	7,768,262
CREDITORS: Amounts falling due after more than one year	10	<u>-</u>	<u>(1,922,514)</u>
NET ASSETS		<u>7,790,170</u>	<u>5,845,748</u>
CAPITAL AND RESERVES			
Called up share capital	13	25,000	25,000
Revaluation reserve	14	7,584,791	5,703,502
Profit and loss account	14	<u>180,379</u>	<u>117,246</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>7,790,170</u>	<u>5,845,748</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

29 March 2005

Director



NOTES TO THE ACCOUNTS
Period ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

As the company is a wholly owned subsidiary of Castlecare Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 and has not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as the ultimate parent company, Castlecare Group Limited, a company incorporated in England and Wales, prepares consolidated financial statements which are publicly available.

Turnover

The turnover shown in the profit and loss account represents amounts receivable for rent during the year.

Tangible fixed assets

Tangible fixed assets are stated at valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings - 2% per annum

Revaluation of properties

Individual freehold properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Taxation

Current taxation is provided at the amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS

Period ended 31 December 2004

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	187,400	171,200

3. OPERATING PROFIT

	2004 £	2003 £
Operating profit is stated after charging:		
Auditors' remuneration	-	2,000
Depreciation	55,079	47,538

The auditors' remuneration is borne by a fellow group company.

4. PARTICULARS OF EMPLOYEES AND DIRECTORS

No salaries or wages have been paid to employees or directors during the year (2003 - £nil).

5. INTEREST PAYABLE

	2004 £	2003 £
On bank loans and overdrafts	70,196	87,299

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2004 £	2003 £
Analysis of charge in year:		
Corporation tax		
Current tax on profit for the year	23,804	19,203
Adjustment in respect of prior years	(7,765)	62
Total tax on profit on ordinary activities	16,039	19,265

NOTES TO THE ACCOUNTS

Period ended 31 December 2004

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	43,733	36,288
Profit on ordinary activities at 30% (2003: 30%)	13,120	10,886
Capital allowances in excess of depreciation	15,398	14,261
Adjustment in respect of prior years	(7,765)	62
Marginal rate of tax	(4,714)	(5,944)
Current tax charge for the year	16,039	19,265

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £
Valuation	
At 1 January 2004	7,617,099
Additions	337,512
Revaluation	1,916,728
At 31 December 2004	9,871,339
Depreciation	
At 1 January 2004	106,260
Charge for the year	55,079
At 31 December 2004	161,339
Net book value	
At 31 December 2004	9,710,000
At 31 December 2003	7,510,839

NOTES TO THE ACCOUNTS
Period ended 31 December 2004

7. TANGIBLE FIXED ASSETS (continued)

Revaluation of fixed assets

The company's freehold land and buildings were professionally valued at £10,440,000 on 6 July 2004 and comprised:

	2004 £
Property	2,790,745
Land	7,649,255
	<u>10,440,000</u>

The valuation was carried out externally by Messrs Sanderson Wetherall, Chartered Surveyors, on the basis of open market value of each freehold property as a fully equipped operational entity and having regard to trading potential, but otherwise with vacant possession.

The directors have updated the value of the freehold land and buildings to their valuation at 31 December 2004 as follows:

	2004 £
Property	2,790,745
Land	6,919,255
	<u>9,710,000</u>

There have been no additions to freehold land and buildings since the date of revaluation.

If the revalued freehold land and buildings had been included in the accounts at historical cost they would have been included at the amounts detailed below:

	2004 £	2003 £
Historical cost of revalued assets	2,216,254	1,878,742
Aggregate depreciation thereon	(91,045)	(71,405)
Historical cost net book value	<u>2,125,209</u>	<u>1,807,337</u>

The value of freehold land on which depreciation is not provided amounts to £6,919,255 (2003: 5,166,454).

8. DEBTORS

	2004 £	2003 £
VAT recoverable	306	-
Amounts owed by group undertakings	26,000	405,679
	<u>26,306</u>	<u>405,679</u>

The debtors below are classified as falling due after more than one year.

	2004 £	2003 £
Amounts owed by group undertakings	<u>26,000</u>	<u>405,679</u>

NOTES TO THE ACCOUNTS

Period ended 31 December 2004

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts	-	136,972
Amounts owed to group undertakings	1,936,198	-
Corporation tax	8,143	19,203
Accruals and deferred income	2,090	2,090
	<u>1,946,431</u>	<u>158,265</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts	-	1,777,021
Amounts owed to group undertakings	-	145,493
	<u>-</u>	<u>1,922,514</u>

Analysis of debt:

Bank loans and overdrafts can be analysed as falling due:

	2004 £	2003 £
Within one year	-	136,972
Between two and five years	-	547,888
In five years or more	-	1,229,133
	<u>-</u>	<u>1,913,993</u>

11. DEFERRED TAX

If the revalued tangible fixed assets were disposed of at their balance sheet value a tax liability of approximately £2,323,839 (2003: £1,700,000) would arise on their disposal, subject to available allowances and reliefs. The directors do not envisage disposing of these assets in the foreseeable future.

12. CONTINGENT LIABILITIES

The company is party to a gross guarantee to secure the bank loans and overdrafts of certain group companies, which are secured on the fixed assets of the company. As at 31 December 2004 total bank loans and overdrafts, subject to this guarantee, were £11,527,385 (2003: £1,969,833).

13. SHARE CAPITAL

	2004 £	2003 £
Authorised share capital:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 2004

14. RESERVES

	Revaluation reserve £	Profit and loss account £
Balance brought forward	5,703,502	117,246
Revaluation in the year (see note 7)	1,916,728	-
Retained profit for the financial year	-	27,694
Transfer excess depreciation on revalued assets	(35,439)	35,439
	<u>7,584,791</u>	<u>180,379</u>
Balance carried forward	<u>7,584,791</u>	<u>180,379</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	27,694	17,023
Other recognised gains in the year (see note 7)	1,916,728	-
	<u>1,944,422</u>	<u>17,023</u>
Net addition to shareholders' funds	1,944,422	17,023
Opening shareholders' funds	5,845,748	5,828,725
Closing shareholders' funds	<u>7,790,170</u>	<u>5,845,748</u>

16. ULTIMATE PARENT COMPANY

The largest group of which the results of the company are consolidated is that headed by Castlecure Group Limited, a company incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from The Manor House, Squires Hill, Rothwell, Northamptonshire, NN14 6BQ. No other consolidated financial statements include the results of the company.

17. ULTIMATE CONTROLLING PARTY

The company is controlled by Granville Baird Capital Partners by virtue of its shareholding in the parent company.

ADDITIONAL INFORMATION

The additional information on pages 15 and 16 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the independent auditors' report thereon.

ROTHCARE ESTATES LIMITED**DETAILED PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2004

	2004	2003
	£	£
TURNOVER	187,400	171,200
OVERHEADS		
Administrative expenses	(73,471)	(47,613)
OPERATING PROFIT	113,929	123,587
Interest payable	(70,196)	(87,299)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>43,733</u>	<u>36,288</u>

ROTHCARE ESTATES LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

	£	2004 £	£	2003 £
ADMINISTRATIVE EXPENSES				
General expenses				
Legal and professional fees	-		-	
Depreciation	55,079		47,538	
		55,079		47,538
Financial costs				
Bank charges		18,392		75
		73,471		47,613
INTEREST PAYABLE				
Bank interest payable		-		48
Bank loan interest		70,196		87,251
		70,196		87,299