

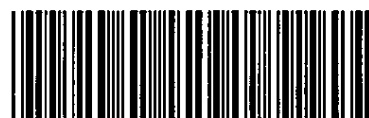
Treehome Limited

Annual Report

for the year ended 31 December 2007

Registered number 2776626

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Treehome Limited

Annual report for the year ended 31 December 2007

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Treehome Limited

Directors and advisors

Executive Directors

Ted Smith
Charles Cameron
Christine Cameron
David Manson

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

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

Treehome 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 activities

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 and the Directors expect that the present level of activity will be sustained for the foreseeable future

Results and dividends

The profit and loss account shows a profit after tax for the year of £115,000 (2006 £44,000 loss) 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

Christine Cameron

Denise Keating

Resigned 28 September 2007

Charles Cameron

David Manson

Appointed 1 November 2007

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 7 to the financial statements

Treehome 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.

Treehome 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 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 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 Treehome Limited

We have audited the financial statements of Treehome Limited for the year ended 31 December 2007 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 2007 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 April 2008

Trehome Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover		779	744
Administrative expenses		(574)	(582)
Operating profit	4	205	162
Interest payable and similar charges	5	(90)	(101)
Profit on ordinary activities before taxation		115	61
Tax on profit on ordinary activities	6	-	(105)
Profit / (Loss) for the financial year	12	115	(44)

All activities relate to continuing operations

Treehome Limited

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

	Note	2007 £'000	2006 £'000
Profit / (Loss) for the financial year		115	(44)
Unrealised surplus on revaluation of properties	7	1,018	-
Total recognised gains / (losses) for the financial year		1,133	(44)

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

	2007 £'000	2006 £'000
Reported profit on ordinary activities before taxation	115	61
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	12	9
Historical cost profit on ordinary activities before taxation	127	70
Historical cost profit / (loss) for the financial year	127	(35)

Treehome Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	7	2,110	1,097
Current assets			
Debtors	8	568	1,227
		568	1,227
Creditors amounts falling due within one year	9	(131)	(1)
Net current assets		437	1,226
Total assets less current liabilities		2,547	2,323
Creditors amounts falling due after more than one year	10	(235)	(1,144)
Net assets		2,312	1,179
Capital and reserves			
Called up share capital	11	5	5
Revaluation reserve	12	1,772	754
Profit and loss account	12	535	420
Total shareholders' funds	13	2,312	1,179

The financial statements on pages 6 to 16 were approved by the Board of Directors on 14 April 2008 and signed on its behalf by



Charles Cameron
Director

Treehome 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.

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 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 a decrease to the depreciation charge for the year of £1,000.

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 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 value being credited to the revaluation reserve.

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.

Treehome Limited

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

1 Principal accounting policies (continued)

Corporation tax

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

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	23	19
Ancillary	1	2
Administration	5	7
	29	28
Staff costs (for the above persons)	£'000	£'000
Management charge in lieu of staff costs	379	386

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.

Treehome Limited

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

4 Operating profit

	2007	2006
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	23	33
Management charges from fellow subsidiaries	551	549

The audit fee for the Company for the year ended 31 December 2007 of £2,000 (2006 £1,000) 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

5 Interest payable and similar charges

	2007	2006
	£'000	£'000
On amounts owed to group undertakings	90	99
Finance lease charges	-	2
	90	101

Treehome Limited

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

6 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Current taxation		
Group relief and balancing payments at 30% (2005 30%)	-	48
Adjustment in respect of previous periods	-	30
Total current taxation	-	78
Deferred taxation		
Current year – origination and reversal of timing differences	-	22
Adjustment in respect of previous periods	-	5
Total deferred taxation	-	27
Tax charge	-	105

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

	2007 £'000	2006 £'000
Profit on ordinary activities	115	61
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	35	18
Effects of		
Expenses not deductible for tax purposes	7	6
Short term timing differences	(3)	-
Capital allowances for the year less than depreciation	-	1
Transfer pricing adjustment and balancing payment	23	23
Adjustment to tax charge in respect of previous periods	-	30
Group relief received not paid for	(62)	-
Current tax charge	-	78

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses. The total amount unprovided for at 28% is £496,000 (2006 £226,000 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 £531,000. Deferred tax liabilities have not been discounted.

Treehome Limited

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

6 Tax on profit on ordinary activities (continued)

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

	2007	2006
	£'000	£'000
Accelerated capital allowances	20	22
Short term timing differences	3	-
	23	22

7 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2007	1,106	211	1,317
Reclassifications (see below)	24	(24)	-
Additions	-	18	18
Revaluations	907	-	907
At 31 December 2007	2,037	205	2,242
Accumulated depreciation			
At 1 January 2007	89	131	220
Reclassifications (see below)	3	(3)	-
Charge for the year	19	4	23
Revaluations	(111)	-	(111)
At 31 December 2007	-	132	132
Net book value			
At 31 December 2007	2,037	73	2,110
At 31 December 2006	1,017	80	1,097

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

The Group 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 Group's accounting policy, the land and buildings occupied by the Group, which were acquired by the Craegmoor 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 and resulted in an increase to the carrying value of freehold land and buildings amounting to £1,018,000 (2006: £Nil), which has been credited to the revaluation reserve.

Treehome Limited

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

7 Tangible fixed assets (continued)

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

	2007	2006
	£'000	£'000
Cost	427	403
Aggregate depreciation	(43)	(33)
Net book value based on cost	384	370

8 Debtors

	2007	2006
	£'000	£'000
Amounts owed by group undertakings	568	1,227

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

9 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Amounts owed to group undertakings	131	-
Corporation tax payable	-	1
	131	1

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

10 Creditors: amounts falling due after more than one year

	2007	2006
	£'000	£'000
Amounts owed to group undertakings	235	1,144

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

There is no interest charged on amounts owed to group undertakings outstanding as at 31 December 2007. Elements of the debt outstanding at 31 December 2006 were subject to interest at rates linked to the 3 month LIBOR and these have been repaid during the year

Treehome Limited

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

11 Called up share capital

	2007 £'000	2006 £'000
Authorised		
10,000 (2006 10,000) ordinary shares of £1 each	10	10
Allotted, called up and fully paid		
5,000 (2006 5000) ordinary shares of £1 each	5	5

12 Reserves

	Profit and loss account £'000	Revaluation reserve £'000
At 1 January 2007	420	754
Profit for the financial year	115	-
Unrealised surplus on the revaluation of properties (Note 7)	-	1,018
At 31 December 2007	535	1,772

13 Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
Profit / (Loss) for the financial year	115	(44)
Unrealised surplus on the revaluation of properties	1,018	-
Net increase / (decrease) in shareholders' funds	1,133	(44)
Opening equity shareholders' funds	1,179	1,223
Closing equity shareholders' funds	2,312	1,179

14 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"

15 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 £900,000 in respect of an external loan undertaken by a fellow subsidiary undertaking.

16 Capital commitments

As at 31 December 2007 the Company had no capital commitments (2006 £Nil)

Treehome Limited

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

17 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

18 Immediate and ultimate parent companies

The Directors regard Parkcare Homes (No 2) Limited, a company registered in England and Wales, as the immediate parent company of Treehome 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 Treehome 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.