

Craegmoor Healthcare Company Limited
Annual Report
for the year ended 31 December 2006

Registered number 3830455

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Craegmoor Healthcare Company Limited

Annual report for the year ended 31 December 2006

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Craegmoor Healthcare Company Limited

Directors and advisors

Executive directors

Ted Smith
Denise Keating
Charles Cameron

Secretary

BLG (Professional Services) Limited
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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
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B3 2DT

Solicitors

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

Pinsent Masons
3 Colmore Circus
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B4 6BH

DLA Piper (UK) Solicitors LLP
3 Noble Street
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EC2V 7EE

Bankers

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

Craegmoor Healthcare Company Limited

Directors' report for the year ended 31 December 2006

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

Principal activity

The principal activity of the Company continues to be the provision of administration and operational support to care providers within the Craegmoor Limited Group

Review of business and future developments

Both the level of operational costs and the year end position were satisfactory despite an overall loss for the year

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

Results and dividends

The profit and loss account shows a loss after tax for the year of £3,481,000 (2005 restated £6,922,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 £Nil).

Principal risks and uncertainties

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

Key Performance Indicators ("KPIs")

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

Directors

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

Ted Smith

Denise Keating

Julian Spurling

Charles Cameron

Resigned 27 November 2006

Appointed 15 March 2006

Changes in fixed assets

The movements in intangible fixed assets, tangible fixed assets, and fixed asset investments during the year are set out in notes 8, 9 and 10 to the financial statements.

Craegmoor Healthcare Company Limited

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

Financial instruments

The Company's financial instruments primarily comprise debtors and creditors with other group companies arising directly from its operations. No trading in financial instruments has been undertaken.

There are no significant risks arising directly from the Company's financial instruments. However, the Company is reliant on the ongoing support of the Craegmoor Group, which has long term financing and overdraft facilities in place. The Board of Craegmoor Limited, the ultimate parent undertaking, has reviewed and agreed the policies for managing the risks related to these facilities as set out below.

Liquidity risk

The Group has secured long term financing and overdraft facilities with financial institutions who have high credit ratings that are designed to ensure the Company has sufficient available funds for operations. The £334,410,000 of group debt, in the form of loan notes, is repayable over 17 years.

Interest rate and cash flow risk

The Group has entered into interest rate swaps to ensure certainty over future interest cashflows. As a consequence, 95% of the Group's borrowings are at fixed rates of interest.

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.

Craegmoor Healthcare Company 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 Craegmoor Healthcare Company Limited

We have audited the financial statements of Craegmoor Healthcare Company 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

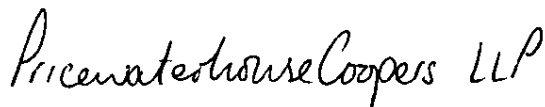
In our opinion

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

Independent auditors' report to the members of Craegmoor Healthcare Company 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 cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 June 2007

Craegmoor Healthcare Company Limited

Profit and loss account for the year ended 31 December 2006

		2006	2005 Restated (Note 2)
	Note	£'000	£'000
Turnover		4,611	2,774
Cost of sales		(4,611)	(2,774)
Gross profit		-	-
Administrative expenses		(7,061)	(11,110)
Operating loss	5	(7,061)	(11,110)
Net interest (payable) / receivable	6	(1)	20
Loss on ordinary activities before taxation		(7,062)	(11,090)
Tax on loss on ordinary activities	7	3,581	4,168
Loss for the financial year	17	(3,481)	(6,922)

All activities relate to continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Craegmoor Healthcare Company Limited

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

	Note	2006 £'000	2005 Restated (Note 2) £'000
Loss for the financial year		(3,481)	(6,922)
Total gains and losses as previously reported		(3,481)	(6,922)
Prior period adjustment	2	(530)	
Total recognised losses since previous annual report		(4,011)	

Craegmoor Healthcare Company Limited

Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 Restated (Note 2) £'000
Fixed assets			
Intangible assets	8	5,141	5,515
Tangible assets	9	2,245	3,229
Investments	10	42,154	38,590
		49,540	47,334
Current assets			
Debtors amounts falling due within one year	11	134,722	145,166
Debtors amounts falling due after more than one year	12	-	825
Cash at bank and in hand		1	1
		134,723	145,992
Creditors amounts falling due within one year	13	(168,359)	(178,944)
Net current liabilities		(33,636)	(32,952)
Total assets less current liabilities		15,904	14,382
Creditors amounts falling due after more than one year	14	(14,446)	(14,446)
Provision for liabilities and charges	15	(253)	-
Net assets / (liabilities)		1,205	(64)
Capital and reserves			
Called up share capital	16	4,750	-
Share premium account	17	35,206	35,206
Profit and loss account	17	(38,751)	(35,270)
Total equity shareholders' funds / (deficit)	18	1,205	(64)

The financial statements on pages 7 to 21 were approved by the Board of Directors on 14 June 2007 and were signed on its behalf by



Charles Cameron
Director

Craegmoor Healthcare Company Limited

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

1 Principal accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Going concern

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

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

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

Turnover

Turnover relates to the recharges made, excluding Value Added Tax, to Craegmoor Group companies in relation to the provision of administration and operational support. 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.

Operating leases

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

Pension costs

The Company does not operate a pension scheme but provides access to a stakeholder plan. Pension costs represent amounts paid to employees' private pension schemes.

Intangible fixed assets

Intangible assets comprise goodwill arising on the transfer of the trade of Craegmoor Group Limited. It 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.

Craegmoor Healthcare Company 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

Depreciation on tangible fixed assets is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases

Short leasehold land and buildings	-over the lease term
Equipment	-over 7 years
Furniture and fittings	-over 3, 5 or 10 years
Motor vehicles	-over 4 years
Computer equipment	-over 4 years

Investments

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

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the Company are included in the consolidated group cash flow statement of that company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement

Consolidated accounts

The Company has taken advantage of the exemption under section 228(i) of the Companies Act, not to prepare and file consolidated accounts. The results of the Company are included within the group accounts of Craegmoor Investments Limited, an intermediate parent undertaking, which is incorporated in England and Wales. In accordance with section 228(ii), the Company will deliver to the registrar, copies of these group accounts

2 Prior period adjustments

During the year, reconciliation work brought to light a number of costs, totalling £530,000, principally relating to complex contractual arrangements and legal provisions that had either not been properly identified or which had been incorrectly recorded when the accounts for the previous year were approved. The Directors are of the opinion that this constitutes a fundamental accounting error and have restated the prior year figures accordingly, increasing the loss and net liabilities in 2005 by £530,000. There was no effect on the charge for taxation charge of this adjustment.

Furthermore, loans to and from Parkcare Homes Limited, a subsidiary undertaking, were disclosed gross in prior periods. The Directors are of the opinion that, on such future date as these balances are repaid, consideration of the net amount of the loans will transfer between the companies and thus to disclose the net balance as one figure is more appropriate and the prior year's amounts have been restated accordingly. There was no effect on the net assets, loss for the year or charge for taxation of this adjustment.

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

3 Directors' emoluments

All directors' emoluments for the Craegmoor Limited Group, with the exception of options granted over the shares of Craegmoor Limited, are paid by Craegmoor Healthcare Company Limited for services provided by the Directors to various companies throughout the Craegmoor Limited Group

The following people served as directors of subsidiary companies within the Craegmoor Limited Group during the year ended 31 December 2006 Ted Smith, Peter Cavanagh, Christine Cameron, Anne Bailey, Julian Spurling, Denise Keating, Charles Cameron, Margaret Hill, Mary Preston, David Fothergill and Carol Smit The total emoluments for these directors' services to the Craegmoor Limited Group are as follows

	2006 £'000	2005 (Restated see below) £'000
Aggregate emoluments (excluding company pension contributions to the Directors' personal pension schemes of £70,529 (2005 £121,569) and FRS 20 share option cost)	1,182	1,739
FRS 20 share option cost for the above directors (incurred by Craegmoor Limited)	(11)	22
	1,171	1,761

The number of directors who received company pension contributions to personal pension schemes in the year was 8 (2005 13)

Aggregate emoluments include £54,183 (2005 £268,359) compensation paid for loss of office

3 (2005 9) directors had share options as at 31 December 2006 totalling £13,750 (2005 £27,500)

Highest paid director:	2006 £'000	2005 £'000
Aggregate emoluments (excluding company pension contributions to the Director's personal pension scheme of £26,062 (2005 £13,000))	187	236

Prior year disclosures have been restated to include the FRS 20 share option cost as Craegmoor Limited first adopted this standard in its financial statements for the year ended 31 December 2006

4 Employee information

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

Analysis by function	2006 Number	2005 Number
Administration	13	137
Staff costs (for the above persons)	2006 £'000	2005 £'000
Wages and salaries	1,121	5,204
Social security costs	75	549
Other pension costs	83	148
	1,279	5,901

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

5 Operating loss

	2006	2005 (Restated see below)
	£'000	£'000
Operating loss is stated after charging:		
Amortisation of goodwill	374	376
Depreciation of tangible fixed assets	1,305	1,212
Loss on disposal of tangible fixed assets	12	61
Operating lease rentals		
Land and buildings	396	325
Plant and machinery	27	-
Auditors' remuneration		
Fee payable to the Company's auditors for the audit of the Company's financial statements	5	10
Fee payable to the Company's auditors for other services		
Taxation services	61	97
Valuation services	78	62

The prior year figures have been restated to take account of the new disclosure requirements of auditors' remuneration

6 Net interest (payable) / receivable

	2006	2005
	£'000	£'000
Bank interest receivable	-	82
Interest payable on hire purchase	-	(11)
Interest payable on finance costs	-	(50)
Interest payable on amounts owed to group undertakings	(1)	(1)
	(1)	20

Craegmoor Healthcare Company Limited

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

7 Tax on loss on ordinary activities

	2006 £'000	2005 £'000
Current taxation		
Group relief and balancing payments at 30% (2005 30%)	(3)	(3,528)
Adjustment in respect of previous periods	(4,403)	8
Total current taxation	(4,406)	(3,520)
Deferred taxation		
Current year – origination and reversal of timing differences	-	(385)
Adjustment in respect of previous periods	825	(263)
Total deferred taxation	825	(648)
Tax credit	(3,581)	(4,168)

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

	2006 £'000	2005 Restated (Note 2) £'000
Loss on ordinary activities	(7,062)	(11,090)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(2,119)	(3,327)
Effects of		
Expenses not deductible for tax purposes	1,077	334
Group relief surrendered and not paid for	120	-
Capital allowances for the year less than depreciation	320	386
Short term timing differences	75	-
Transfer pricing adjustments and balancing payment	524	(921)
Adjustment to tax credit in respect of previous periods	(4,403)	8
Current tax credit	(4,406)	(3,520)

Craegmoor Healthcare Company Limited

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

7 Tax on loss on ordinary activities (continued)

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

	2006	2005
	£'000	£'000
Accelerated capital allowances	742	-
Short term timing differences	573	-
Losses	-	791
	1,315	791

8 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 January 2006 and 31 December 2006	7,500
Amortisation	
At 1 January 2006	1,985
Charge for the year	374
At 31 December 2006	2,359
Net book value	
At 31 December 2006	5,141
At 31 December 2005	5,515

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

9 Tangible fixed assets

	Short leasehold land and buildings £'000	Furniture, fittings, equipment and computers £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2006	-	5,381	1,063	6,444
Reclassifications	13	(13)	-	-
Additions	-	469	24	493
Transfers to fellow subsidiaries	-	-	(983)	(983)
Disposals	-	-	(104)	(104)
At 31 December 2006	13	5,837	-	5,850
Depreciation				
At 1 January 2006	-	2,475	740	3,215
Charge for the year	1	1,129	175	1,305
Transfers to fellow subsidiaries	-	-	(847)	(847)
Disposals	-	-	(68)	(68)
At 31 December 2006	1	3,604	-	3,605
Net book value				
At 31 December 2006	12	2,233	-	2,245
At 31 December 2005	-	2,906	323	3,229

Craegmoor Healthcare Company Limited

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

10 Fixed asset investments

	Gilts £'000	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost				
At 1 January 2006 as previously reported	1	35,219	96,908	132,128
Prior period reclassification (Note 2)	-	5,531	(82,823)	(77,292)
At 1 January 2006 as restated	1	40,750	14,085	54,836
Share subscription	-	4,750	-	4,750
Disposals	(1)	-	(1,185)	(1,186)
At 31 December 2006	-	45,500	12,900	58,400
Impairment in value				
At 1 January 2006 and 31 December 2006	-	15,466	780	16,246
Net book value				
At 31 December 2006	-	30,034	12,120	42,154
At 31 December 2005 as restated	1	25,284	13,305	38,590
Share interests in subsidiary undertakings:				
Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held	
Craegmoor Holdings Limited	England & Wales	Ordinary £1 shares	100	

11 Debtors: amounts falling due within one year

	2006 £'000	2005 Restated (Note 2) £'000
Trade debtors	-	345
Amounts owed by group undertakings	134,173	144,081
Prepayments and accrued income	455	619
Other debtors	94	121
	134,722	145,166

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

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

12 Debtors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Deferred taxation	-	825
The amount provided for deferred taxation comprises:	2006	2005
	£'000	£'000
Accelerated capital allowances	-	539
Short term timing differences	-	286
	-	825

13 Creditors: amounts falling due within one year

	2006	2005 Restated (Note 2)
	£'000	£'000
Bank overdrafts	83	150
Trade creditors	1,095	2,739
Amounts owed to group undertakings	161,299	165,935
Corporation tax payable	-	22
Other taxation and social security	4,193	4,983
Other creditors	29	2,158
Accruals and deferred income	1,660	2,957
	168,359	178,944

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

14 Creditors: amounts falling due after more than one year

	2006	2005 Restated (Note 2)
	£'000	£'000
Amounts owed to group undertakings	14,446	14,446

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

Craegmoor Healthcare Company Limited

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

15 Provisions for liabilities and charges

	Claims £'000
At 1 January 2006	-
Charged to profit and loss account	253
At 31 December 2006	253

There are a number of ongoing care related insurance claims that have arisen during the year and appropriate provisions have been made. The Directors anticipate that outstanding claims will be settled over an average of three years.

16 Called up share capital

	2006 £'000	2005 £'000
Authorised		
4,750,100 (2005 100) Ordinary shares of £1 each	4,750	-
Allotted, called up and fully paid		
4,750,100 (2005 100) Ordinary shares of £1 each	4,750	-

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

17 Reserves

	Profit and loss £'000	Share premium £'000
At 1 January 2006 as previously reported	(34,740)	35,206
Prior period adjustment (Note 2)	(530)	-
At 1 January 2006 as restated	(35,270)	35,206
Loss for the financial year	(3,481)	-
At 31 December 2006	(38,751)	35,206

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

18 Reconciliation of movements in shareholders' funds

	2006	2005 Restated (Note 2)
	£'000	£'000
Loss for the financial year	(3,481)	(6,922)
Issue of shares (Note 16)	4,750	-
Net increase / (decrease) in shareholders' funds / (deficit)	1,269	(6,922)
Opening shareholders' (deficit) / funds	(64)	6,858
Closing equity shareholders' funds / (deficit)	1,205	(64)

19 Capital commitments

The company had no capital commitments at 31 December 2006 (2005 £Nil)

20 Contingent liabilities

There is a 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 £10,000 (2005 £10,000)

21 Financial commitments

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

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Operating leases which expire:		
Within one year	-	19
Between two and five years	32	30
More than five years	276	276
	308	325

22 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

23 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

Craegmoor Healthcare Company Limited

Notes to the financial statements

for the year ended 31 December 2006 (continued)

24 Immediate and ultimate parent undertaking

The directors regard Craegmoor Investments Limited, a company registered in England and Wales, as the immediate parent company of Craegmoor Healthcare Company 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 Craegmoor Healthcare Company Limited is consolidated are Craegmoor Limited and Craegmoor Investments Limited respectively. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.