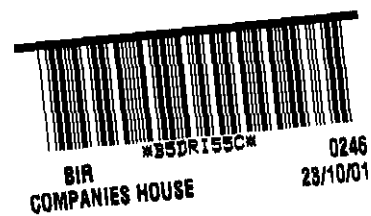


Health and Care Services (UK) Limited
Annual report
for the year ended 31 December 2000

Registered Number 2083074



Health and Care Services (UK) Limited

Annual report for the year ended 31 December 2000

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Health and Care Services (UK) Limited

Directors and Advisors for the year ended 31 December 2000

Executive Directors

G Blackoe

M A Stratford

Secretary

BLG (Professional Services) Limited

Beaufort House

15 St. Botolph Street

London

EC3A 7NS

Auditors

PricewaterhouseCoopers

Temple Court

35 Bull Street

Birmingham

B4 6JT

Solicitors

Simon Bishop & Partners

"Hillcairn"

St. Andrew's Road

Droitwich

Worcestershire

WR9 8DJ

Registered Office

"Hillcairn"

St. Andrew's Road

Droitwich

Worcestershire

WR9 8DJ

Bankers

National Westminster Bank plc

Cheltenham & Gloucester Business Centre

68-70 Suffolk Road

Cheltenham

Gloucestershire

GL50 2ED

Health and Care Services (UK) Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company continues to be the operation of nursing homes.

Review of business and future developments

Both the level of 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 for the year of £2,284,695 (1999: £1,177,184). The directors paid an interim dividend of £2,750,000 on 13 September 2000 (1999: £Nil). No final dividend has been proposed for the year ended 31 December 2000 (1999: £Nil).

Directors and their interests

The directors who held office during the year are listed on page 1.

M A Stratford is a director of the ultimate parent company in the United Kingdom, Craegmoor Group Limited and his share interests are shown in the directors' report of that company. No other director had at 31 December 2000 any interests in the share capital of Health and Care Services (UK) Limited or Craegmoor Group Limited.

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 10 to the financial statements.

On 13 September 2000 the company transferred its investment in Concept Care Limited to Craegmoor Group Limited, its ultimate parent company in the United Kingdom, in exchange for a reduction in the group loan payable. This resulted in a profit on disposal of £456,681 being recorded in the year.

Introduction of the Euro

The company neither imports goods and services nor exports goods and services to the Euro zone.

The company has confirmed that the software upgrades are available for its packaged accounting system to cater for the Euro, which can be installed if confirmation of entry is announced.

New computer hardware purchased from 1 January 2000 has been validated to ensure that it is Euro compliant and that the appropriate currency symbol is available.

Upon announcement that the country is to enter the Euro system, the company will form an appropriate project team to deal with this matter.

Health and Care Services (UK) Limited

Directors' report for the year ended 31 December 2000 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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:

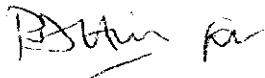
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare 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 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.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting

By order of the Board



BLG (Professional Services) Limited
Company Secretary
12 July 2001

Health and Care Services (UK) Limited

Auditors' report to the members of Health and Care Services (UK) Limited

We have audited the financial statements on pages 5 to 18

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
12 July 2001

Health and Care Services (UK) Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	5,274,306	5,268,924
Cost of sales		(2,834,212)	(2,763,263)
Gross profit		2,440,094	2,505,661
Administrative expenses		(771,929)	(742,592)
Operating profit	7	1,668,165	1,763,069
Income from fixed asset investment		500,000	-
Profit on disposal of fixed asset investment	8	456,681	-
Net interest payable	6	(2,414)	(6,885)
Profit on ordinary activities before taxation		2,622,432	1,756,184
Tax on profit on ordinary activities	9	(337,737)	(579,000)
Profit for the financial year		2,284,695	1,177,184
Dividends paid		(2,750,000)	-
Retained (loss)/profit for the financial year	18	(465,305)	1,177,184

All activities relate to continuing operations.

Health and Care Services (UK) Limited

Statement of total recognised gains and losses

	2000	1999
For the year ended 31 December 2000	£	£
Profit for the financial year	2,284,695	1,177,184
Unrealised surplus on revaluation of properties	-	6,250,000
Total recognised gains for the year	2,284,695	7,427,184

Health and Care Services (UK) Limited

Note of historical cost profit and losses

	2000	1999
For the year ended 31 December 2000	£	£
Reported profit on ordinary activities before taxation	2,622,432	1,756,184
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	213,173	113,995
Historical cost profit on ordinary activities before taxation	2,835,605	1,870,179
Historical cost (loss)/profit for the year retained after taxation and dividends	(252,132)	1,291,182

Health and Care Services (UK) Limited

Balance sheet as at 31 December 2000

	Note	2000 £	1999 £
Fixed Assets			
Tangible assets	10	15,492,173	15,713,244
Investments	11	9	230,001
Current assets			
Stock	12	3,650	3,650
Debtors	13	6,565,284	5,538,494
Cash at bank and in hand		49,429	72,030
		6,618,363	5,614,174
Creditors: amounts falling due within one year	14	(2,942,948)	(1,226,275)
Net current assets		3,675,415	4,387,899
Total assets less current liabilities		19,167,597	20,331,144
Creditors : amounts falling due after more than one year	15	(3,304,531)	(4,002,773)
Provisions for liabilities and charges	16	(69,500)	(69,500)
Net assets		15,793,566	16,258,871
Capital and reserves			
Called up share capital	17	601,300	601,300
Share premium account	18	176,700	176,700
Revaluation reserve	18	11,777,902	11,777,902
Profit and loss account	18	3,194,364	3,659,669
Other reserves	18	43,300	43,300
Total equity shareholders' funds	19	15,793,566	16,258,871

The financial statements on page 5 to 18 were approved by the board of directors and signed on its behalf by:

M. A. Stratford

M A Stratford

Director

12 July 2001

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The company has implemented FRS 15 'Tangible fixed assets,' the effect of this is disclosed in note 10. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting modified by the revaluation of certain fixed assets.

Fixed Assets

The cost of fixed assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Land and buildings are revalued by professionally qualified valuers every five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values, on the following bases:

Freehold Land	Nil
Freehold Buildings – straight line basis	2%
Motor Vehicles – straight line basis	25%
Furniture, fittings, tools and equipment – reducing balance method	15%

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 FRS11, 'Impairment of fixed assets and goodwill'. The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk adjusted weighted cost of capital.

Provisions for impairment in the carrying value of fixed assets to below cost are charged to the profit and loss account.

Investments

Investments are carried at cost. Provision is made for any impairment in the year in which it arises.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable a liability will crystallise.

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

1. Principal accounting policies (continued)

Consolidation

The company has taken advantage of the exemption under section 228(i) of the Companies Act, not to prepare and file consolidated accounts. The results of the company are included within the group accounts of Craegmoor Group Limited its ultimate parent undertaking that is incorporated in the United Kingdom. In accordance with section 228(ii), the company will deliver to the registrar, copies of these group accounts.

Cash flow statement

The company is a wholly owned subsidiary of Craegmoor Group Limited, and its cash flows 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.

Pensions

The cost of providing pensions is charged against profits over employees' working lives. Variations from this regular cost are allocated over the average remaining service lives of the current employees to the extent that these variations do not relate to the estimated cost of providing incremented pension benefits.

2. Turnover

Turnover which excludes value added tax consist entirely of fee income charged for the year in the United Kingdom.

3. 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.

4. Directors' emoluments

Directors' emoluments for the year ending 31 December 2000 were £Nil (1999: £Nil).

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

5. Employee information

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

Nursing, ancillary and administrative	2000	1999
Full time	170	241
Part time	127	57
	297	298

Staff costs (for the above persons)	2000	1999
	£	£
Wages and salaries	2,259,922	2,350,598
Social security costs	144,681	150,001
Other pension costs	35,131	45,146
	2,439,734	2,545,745

6. Net interest payable

	2000	1999
	£	£
Interest payable on bank loans and overdrafts	6,343	7,034
Bank interest receivable	(3,929)	(149)
Net interest payable	2,414	6,885

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

7. Operating profit

	2000	1999
	£	£
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets - owned assets	356,373	264,552
Hire of machinery, equipment and operating lease rentals	-	1,691
Auditors' fees – Audit	7,650	7,300
– Non audit services	1,030	1,079

8. Profit on disposal of fixed asset investment

	2000	1999
	£	£
Profit on the sale of fixed asset investment	456,681	-

On 13 September 2000 the company transferred its investment in Concept Care Limited to Craegmoor Group Limited, its ultimate parent company in the United Kingdom. Craegmoor Group Limited reduced its intercompany loan with the company by £686,673. This generated a profit on disposal of £456,681. No taxation is attributable to this profit.

9. Tax on profit on ordinary activities

	2000	1999
	£	£
Taxation on the profit for the year		
UK corporation tax at 30.0% (1999: 30.25%) – current	560,298	14,997
Group relief	-	564,003
Prior year adjustment for over provision	(222,561)	-
	337,737	579,000

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

10. Tangible fixed assets

	Freehold Land and Buildings £	Fixtures and Fittings £	Motor Vehicles £	Total £
Cost or valuation				
At 1 January 2000	15,369,145	962,499	82,259	16,413,903
Additions	-	104,584	30,718	135,302
At 31 December 2000	15,369,145	1,067,083	112,977	16,549,205
Accumulated Depreciation				
At 1 January 2000	101,283	520,461	78,915	700,659
Charge for the year	273,042	63,644	19,687	356,373
At 31 December 2000	374,325	584,105	98,602	1,057,032
Net book value				
At 31 December 2000	14,994,820	482,978	14,375	15,492,173
At 31 December 1999	15,267,862	442,038	3,344	15,713,244
Cost or valuation at 31 December 2000 is represented by:	£	£	£	£
Valuation in 1999	15,369,145	-	-	15,369,145
Cost	-	1,067,083	112,977	1,180,060
At 31 December 2000	15,369,145	1,067,083	112,977	16,549,205

The company has adopted FRS15 "Tangible Fixed Assets," during the year and has chosen to continue its policy to revalue land and buildings every five years.

The carrying value of the freehold land and buildings was reassessed by the directors during 1999, utilising independent professional advice. This resulted in the recognition of an increase in the carrying value of £6,250,000 which has been credited to the revaluation reserve.

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

10. Tangible fixed assets (continued)

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

	2000 £	1999
Cost	3,326,053	3,326,053
Aggregate depreciation based on cost	(383,996)	(324,127)
Net book value based on cost	2,942,057	3,001,926

11. Investments

	Total £
Shares in subsidiary undertakings at cost	
At 1 January 2000	230,001
Disposals	(229,992)
At 31 December 2000	9

The company's subsidiary undertakings are as follows:

Health & Care Services (NW) Limited
Health & Care Services (Yorks) Limited
Health & Care Services (Humbs) Limited

All of the above companies are incorporated in England and Wales and are held by the company itself. Their principal activity is the operation of residential and nursing homes.

12. Stocks

	2000 £	1999 £
Consumables	3,650	3,650

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

13. Debtors

Amounts falling due within one year	2000 £	1999 £
Trade debtors	489,356	296,434
Amounts owed by group undertakings	6,049,575	5,221,972
Prepayments and accrued income	26,353	20,089
	6,565,284	5,538,494

14. Creditors – Amounts falling due within one year

	2000 £	1999 £
Trade creditors	24,284	27,496
Amounts owed to group undertakings	2,447,617	274,506
Corporation tax	124,635	659,849
Other creditors	24,070	11,311
Accruals and deferred income	322,342	253,113
	2,942,948	1,226,275

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

15. Creditors – Amounts falling due after more than one year

	2000	1999
	£	£
Amounts owed to group companies	3,304,531	4,002,773

Amounts owed to the immediate parent undertaking comprise an interest free loan. There are no defined repayment terms but the immediate parent company has confirmed to the directors of the company that it will not seek any repayment of this loan within the next 12 months.

Included in amounts owed to group companies due after more than one year is £10,000 loaned to the company by Craegmoor Funding PLC, a fellow subsidiary of Craegmoor Group Limited, under the Issuer/Borrowers Facility Agreement dated 23 November 2000.

16. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability at a tax rate of 30% (1999: 30%), are as follows:

	Amounts provided		Amounts unprovided	
	2000	1999	2000	1999
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	69,500	69,500	33,870	45,784
Chargeable gains on revaluation	-	-	3,395,000	3,395,000
	69,500	69,500	3,428,870	3,440,784

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

17. Called up share capital

	2000 £	1999 £
Authorised		
700,000 ordinary shares of £1 each	700,000	700,000
Allotted, called up and fully paid		
601,300 ordinary shares of £1 each	601,300	601,300

18. Reserves

	Share premium account £	Profit and loss account £	Revaluation reserve £	Other reserves £
At 1 January 2000	176,700	3,659,669	11,777,902	43,300
Retained loss for the financial year	-	(465,305)	-	-
At 31 December 2000	176,700	3,194,364	11,777,902	43,300

19. Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Profit for the financial year	2,284,695	1,177,184
Equity dividends paid	(2,750,000)	-
Other recognised gains relating to the year	-	6,250,000
Net (reduction in)/addition to shareholders' funds	(465,305)	7,427,184
Opening equity shareholders' funds	16,258,871	8,831,687
Closing equity shareholders' funds	15,793,566	16,258,871

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

20. Capital commitments

The company had no outstanding capital commitments at 31 December 2000 (1999: £Nil)

21. Contingent liability

There is a fixed and floating charge over the property, undertakings and assets of the company in respect of a loan from Craegmoor Funding PLC to the company and its fellow subsidiaries under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Group Limited.

22. Pension scheme

The company operates a defined benefits pension scheme, the "Health and Care Pension and Life Assurance Plan" for staff at one of its homes. The scheme will be professionally valued tri-annually, under the projected unit method.

The Trustees of the "Health and Care Pension and Life Assurance Plan" have appointed an actuary who determines the initial employer contribution rate of 22% with an equivalent employee rate of 5%. The funding method adopted is the project unit method.

Employers' contribution rates will be reviewed on actuarial valuations. The total net pension cost of the company was £35,131 during the year (1999: £45,146)

23. Immediate and ultimate parent companies

The directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Health and Care Services (UK) Limited and Craegmoor Group Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom of Craegmoor Holdings Limited. Copies of Craegmoor Group Limited's consolidated financial statements may now be obtained from its registered office, "Hillcairn", St. Andrews Road, Droitwich, Worcester, WR9 8DJ.

The directors regard Warburg Pincus LP, a company partnership incorporated in the United States of America, as the ultimate parent company. Copies of the ultimate parent company's financial statements are not available to the public.