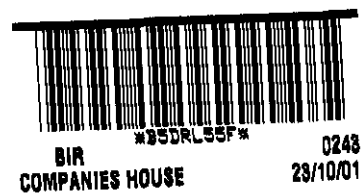


Ferguson Care Limited
Annual report
for the year ended 31 December 2000

Registered Number 2582268



Ferguson Care Limited

Annual report for the year ended 31 December 2000

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Ferguson Care 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

Ferguson Care 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 residential 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 £703,576 (1999: £509,877). The directors paid an interim dividend of £2,550,000 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 as at 31 December 2000 had any interests in the share capital of Ferguson Care Limited or Craegmoor Group Limited.

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

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.

Ferguson Care 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:

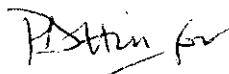
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare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

Ferguson Care Limited

Auditors' report to the members of Ferguson Care Limited

We have audited the financial statements on pages 5 to 16.

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

Ferguson Care Limited

Profit and loss account for the year ended 31 December 2000

| | Note | 2000 £ | 1999 £ |
|---|------|-------------|-------------|
| Turnover | 2 | 3,000,874 | 2,584,764 |
| Cost of sales | | (1,551,332) | (1,347,768) |
| Gross profit | | 1,449,542 | 1,236,996 |
| Administrative expenses | | (420,045) | (466,055) |
| Operating profit | 7 | 1,029,497 | 770,941 |
| Net interest payable | 6 | (1,648) | (3,064) |
| Profit on ordinary activities before taxation | | 1,027,849 | 767,877 |
| Tax on profit on ordinary activities | 8 | (324,273) | (258,000) |
| Profit for the financial year | | 703,576 | 509,877 |
| Dividends paid | | (2,550,000) | - |
| Retained (loss)/profit for the financial year | 16 | (1,846,424) | 509,877 |

All activities relate to continuing operations.

Ferguson Care Limited

Statement of total recognised gains and losses

| | 2000 | 1999 |
|---|----------------|------------------|
| For the year ended 31 December 2000 | £ | £ |
| Profit for the financial year | 703,576 | 509,877 |
| Unrealised surplus on revaluation of properties | - | 500,000 |
| Total recognised gains and losses for the year | 703,576 | 1,009,877 |

Ferguson Care Limited

Note of historical cost profit and losses

| | 2000 | 1999 |
|--|-------------|---------|
| For the year ended 31 December 2000 | £ | £ |
| Reported profit on ordinary activities before taxation | 1,027,849 | 767,877 |
| Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount | 29,334 | 22,566 |
| Historical cost profit on ordinary activities before taxation | 1,057,183 | 790,443 |
| Historical cost (loss)/profit for the year retained after taxation and dividends | (1,817,090) | 532,443 |

Ferguson Care Limited

Balance sheet as at 31 December 2000

| | Note | 2000 £ | 1999 £ |
|---|------|-------------|-----------|
| Fixed Assets | | | |
| Tangible assets | 9 | 4,437,821 | 4,496,297 |
| Current assets | | | |
| Stock | 10 | 8,000 | 8,000 |
| Debtors | 11 | 2,363,122 | 1,612,024 |
| Cash at bank and in hand | | 1,771 | 13,979 |
| | | 2,372,893 | 1,634,003 |
| Creditors: amounts falling due within one year | 12 | (2,828,610) | (311,772) |
| Net current (liabilities)/assets | | (455,717) | 1,322,231 |
| Total assets less current liabilities | | 3,982,104 | 5,818,528 |
| Creditors : amounts falling due after more than one year | 13 | (942,886) | (932,886) |
| Net assets | | 3,039,218 | 4,885,642 |
| Capital and reserves | | | |
| Called up share capital | 15 | 100 | 100 |
| Revaluation reserve | 16 | 1,775,454 | 1,775,454 |
| Profit and loss account | 16 | 1,263,664 | 3,110,088 |
| Total equity shareholders' funds | | 3,039,218 | 4,885,642 |

The financial statements on page 5 to 16 were approved by the board of directors and signed on its behalf by:

M.A. Stratford

M A Stratford
Director
12 July 2001

Ferguson Care 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 9. 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.

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.

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.

Ferguson Care Limited

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

2. Turnover

Turnover which excludes value added tax consists 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 ended 31 December 2000 were £Nil (1999: £Nil).

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 |
|---------------------------------------|--------|--------|
| | number | number |
| Full time | 92 | 115 |
| Part time | 56 | 25 |
| | 148 | 140 |

| Staff costs (for the above persons) | 2000 | 1999 |
|-------------------------------------|-----------|-----------|
| | £ | £ |
| Wages and salaries | 1,266,984 | 1,126,276 |
| Social security costs | 81,269 | 72,947 |
| | 1,348,253 | 1,199,223 |

Ferguson Care Limited

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

6. Net interest payable

| | 2000 | 1999 |
|---|-------|-------|
| | £ | £ |
| Interest on corporation tax payments | 1,660 | 3,064 |
| Bank interest receivable and similar income | (12) | - |
| Net interest payable | 1,648 | 3,064 |

7. Operating profit

| | 2000 | 1999 |
|---|---------|---------|
| | £ | £ |
| Operating profit is stated after charging: | | |
| Depreciation of owned tangible fixed assets | 120,312 | 113,616 |
| Hire of equipment | 68 | 357 |
| Auditors' fee – Audit | 7,860 | 7,510 |
| – Non audit services | 1,060 | 1,100 |

8. Tax on profit on ordinary activities

| | 2000 | 1999 |
|--|---------|---------|
| | £ | £ |
| Taxation on the profit for the year | | |
| UK corporation tax at 30% (1999: 30.25%) – current | 331,797 | 133,097 |
| Group Relief | - | 125,000 |
| Prior year adjustment for over provision | (7,524) | (97) |
| | 324,273 | 258,000 |

Ferguson Care Limited

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

9. Tangible fixed assets

| | Freehold Land and Buildings | Fixtures and Fittings | Motor Vehicles | TOTAL |
|---|-----------------------------------|-----------------------------|-------------------|------------------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 January 2000 | 4,338,073 | 307,444 | 94,039 | 4,739,556 |
| Additions | - | 60,728 | 1,108 | 61,836 |
| At 31 December 2000 | 4,338,073 | 368,172 | 95,147 | 4,801,392 |
| Accumulated Depreciation | | | | |
| At 1 January 2000 | 42,000 | 151,278 | 49,981 | 243,259 |
| Charge for the year | 78,768 | 23,424 | 18,120 | 120,312 |
| At 31 December 2000 | 120,768 | 174,702 | 68,101 | 363,571 |
| Net book value | | | | |
| At 31 December 2000 | 4,217,305 | 193,470 | 27,046 | 4,437,821 |
| At 31 December 1999 | 4,296,073 | 156,166 | 44,058 | 4,496,297 |
| Cost or valuation at 31 December 2000 is represented by: | £ | £ | £ | £ |
| Valuation in 1999 | 4,338,073 | - | - | 4,338,073 |
| Cost | - | 368,172 | 95,147 | 463,319 |
| At 31 December 2000 | 4,338,073 | 368,172 | 95,147 | 4,801,392 |

The company has adopted FRS15 'Tangible fixed assets' during the year and has chosen to continue its policy to revalue its land and buildings every five years.

The carrying value of the 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 £500,000, which was credited to the revaluation reserve.

Ferguson Care Limited

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

9. 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 | 2,746,323 | 2,746,323 |
| Aggregate depreciation based on cost | (196,668) | (147,234) |
| Net book value based on cost | 2,549,655 | 2,599,089 |

10. Stocks

| | 2000 | 1999 |
|-------------|-------|-------|
| | £ | £ |
| Consumables | 8,000 | 8,000 |

11. Debtors

| Amounts falling due within one year | 2000 | 1999 |
|-------------------------------------|-----------|-----------|
| | £ | £ |
| Trade debtors | 270,370 | 121,044 |
| Amounts owed by group undertakings | 1,927,921 | 1,479,908 |
| Corporation tax recoverable | 115,892 | - |
| Other debtors | 44,412 | - |
| Prepayments and accrued income | 4,527 | 11,072 |
| | 2,363,122 | 1,612,024 |

Ferguson Care Limited

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

12. Creditors – Amounts falling due within one year

| | 2000 | 1999 |
|-------------------------------------|-----------|---------|
| | £ | £ |
| Trade creditors | 21,489 | 23,763 |
| Bank overdrafts repayable on demand | 11,104 | - |
| Corporation tax | - | 182,946 |
| Amounts owed to group undertakings | 2,550,000 | - |
| Other creditors | 21,950 | 9,480 |
| Taxation and social security | 4,363 | 3,665 |
| Accruals and deferred income | 219,704 | 91,918 |
| | 2,828,610 | 311,772 |

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

| | 2000 | 1999 |
|--|---------|---------|
| | £ | £ |
| Amounts owed to immediate parent company | 932,886 | 932,886 |
| Amounts owed to fellow subsidiary | 10,000 | - |
| | 942,886 | 932,886 |

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

Ferguson Care Limited

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

14. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability at a 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 | - | - | 28,667 | 16,343 |
| Revaluation surplus | - | - | 528,000 | 528,000 |
| | - | - | 556,667 | 544,343 |

15. Called up share capital

| | 2000 | 1999 |
|---|-------|-------|
| | £ | £ |
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 100 ordinary shares of £1 each | 100 | 100 |

16. Reserves

| | Profit and loss account | Revaluation reserve |
|--------------------------------------|----------------------------|------------------------|
| | £ | £ |
| At 1 January 2000 | 3,110,088 | 1,775,454 |
| Retained loss for the financial year | (1,846,424) | - |
| At 31 December 2000 | 1,263,664 | 1,775,454 |

Ferguson Care Limited

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

17. Reconciliation of movement in shareholders' funds

| | 2000 | 1999 |
|--|-------------|-----------|
| | £ | £ |
| Profit for the financial year | 703,576 | 509,877 |
| Other recognised gains relating to the year | - | 500,000 |
| Equity dividends paid | (2,550,000) | - |
| Net (reduction in)/addition to shareholders' funds | (1,846,424) | 1,009,877 |
| Opening equity shareholders' funds | 4,885,642 | 3,875,765 |
| Closing equity shareholders' funds | 3,039,218 | 4,885,642 |

18. Capital commitments

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

19. Contingent liabilities

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 under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Group Limited.

20. Immediate and ultimate parent companies

The directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Ferguson Care 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 be obtained from its registered office, "Hillcairn", St Andrew's 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.