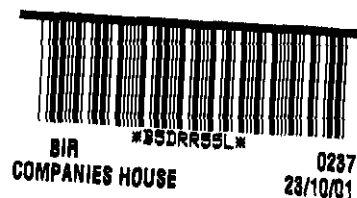


Conquest Care Homes (Norfolk) Limited
Annual report
for the period ended 31 December 2000

Registered Number 2894168



Conquest Care Homes (Norfolk) Limited

Annual report for the period ended 31 December 2000

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Conquest Care Homes (Norfolk) Limited

Directors and Advisors for the period ended 31 December 2000

Directors

M A Stratford	(appointed 14 April 2000)
G H Blackoe	(appointed 14 April 2000)
J Smith	(resigned 14 April 2000)
V J L English	(resigned 14 April 2000)
D Lone	(resigned 14 April 2000)
P Kotowski	(resigned 14 April 2000)

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
P.O. Box 14
Cathedral Square
Peterborough
PE1 1HW

Conquest Care Homes (Norfolk) Limited

Directors' report for the period ended 31 December 2000

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

Principal activities and review of business

The company is principally engaged in the provision of care for the disabled.

On 14 April 2000 the whole of the company's share capital was acquired by Craegmoor Healthcare Limited.

Both the level of business and the period end financial 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 period of £79,470 (period ended 13 April 2000: £48,296).

The directors do not recommend the payment of an ordinary dividend.

Directors and their interests

The directors who held office during the period 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 directors at 31 December 2000 had any interests in the share capital of Conquest Care Homes (Norfolk) Limited or Craegmoor Group Limited.

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.

Conquest Care Homes (Norfolk) Limited

Directors' report for the period 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:

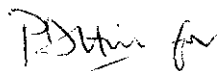
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare 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 board resolution appointing PricewaterhouseCoopers as auditors of the company until the annual general meeting was passed on 14 April 2000. 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

Conquest Care Homes (Norfolk) Limited

Auditors' report to the members of Conquest Care Homes (Norfolk) 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 period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
12 July 2001

Conquest Care Homes (Norfolk) Limited

Profit and loss account for the period ended 31 December 2000

	Note	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 Restated £
Turnover	2	936,584	1,111,064
Cost of sales		(648,149)	(721,842)
Gross profit		288,435	389,222
Administrative expenses		(168,226)	(254,770)
Operating profit	6	120,209	134,452
Interest payable	7	(3,706)	(61,810)
Profit on ordinary activities before taxation		116,503	72,642
Tax on profit on ordinary activities	8	(37,033)	(24,346)
Profit for the financial period	16	79,470	48,296

All activities relate to continuing operations.

Conquest Care Homes (Norfolk) Limited

Statement of total recognised gains and losses

For the period ended 31 December 2000	37 weeks ended 31 December 2000	49 weeks ended 13 April 2000
	£	£
Profit for the financial period	79,470	48,296
Unrealised surplus on revaluation of properties (note 9)	1,286,053	-
Total recognised gains and losses for the period	1,365,523	48,296

Conquest Care Homes (Norfolk) Limited

Note of historical cost profit and losses

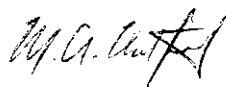
For the period ended 31 December 2000	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
Reported profit on ordinary activities before taxation	116,503	72,642
Difference between historical cost depreciation charge and actual depreciation charge for the period calculated on the revalued	17,804	-
Historical cost profit on ordinary activities before taxation	134,307	72,642
Historical cost profit for the period retained after taxation	97,274	48,296

Conquest Care Homes (Norfolk) Limited

Balance sheet as at 31 December 2000

		31 December 2000	13 April 2000
	Note	£	£
Fixed Assets			
Tangible assets	9	3,181,361	1,277,610
Current assets			
Debtors	10	102,809	47,974
Cash at bank and in hand		3,408	28,845
		106,217	76,819
Creditors: amounts falling due within one year	11	(288,281)	(363,346)
Net current liabilities		(182,064)	(286,527)
Total assets less current liabilities		2,999,297	991,083
Creditors: amounts falling due after more than one year	12	(1,454,363)	(811,672)
Provisions for liabilities and charges	13	(5,000)	(5,000)
Net assets		1,539,934	174,411
Capital and reserves			
Called up share capital	15	100	100
Revaluation reserve	16	1,286,053	-
Profit and loss account	16	253,781	174,311
Total equity shareholders' funds	17	1,539,934	174,411

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



M A Stratford
Director
12 July 2001

Conquest Care Homes (Norfolk) Limited

Notes to the financial statements for the period 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.

Comparatives

The prior period's profit and loss account has been restated to ensure comparability with that of the current period, following the acquisition of the company by Craegmoor Group Limited. This has resulted in costs of £721,842 being transferred from administrative expenses to cost of sales. There has been no impact on operating profit recorded in the period.

Tangible fixed assets and depreciation

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%
Plant and equipment – reducing balance basis	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.

Deferred taxation

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Conquest Care Homes (Norfolk) Limited

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

1 Principal accounting policies (continued)

Lease assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

The company is a wholly owned subsidiary of Craegmoor Group Limited, and its cash flows are included in the consolidated 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 Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax and trade discounts.

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

	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
Directors' emoluments	-	30,800

Conquest Care Homes (Norfolk) Limited

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

5 Employee information

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

Nursing, ancillary and administrative	37 weeks ended 31 December 2000 number	49 weeks ended 13 April 2000 number
Full time	62	60
Part time	11	11
	73	71

Staff costs for the above persons	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
Wages and salaries	563,849	632,539
Social security costs	39,079	43,840
	602,928	676,379

6 Operating profit

	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	42,761	44,706
- under finance leases	2,090	6,556
Auditors' fees – Audit	3,000	5,500
– Non audit services	404	-

Conquest Care Homes (Norfolk) Limited

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

7 Interest payable

	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
Bank loans and overdrafts	3,206	57,169
Finance lease interest	500	4,641
	3,706	61,810

8 Tax on profit on ordinary activities

	37 weeks ended 31 December 2000 £	49 weeks ended 13 April 2000 £
United Kingdom corporation tax at 30% (13 April 2000: 30.25%)		
Current	38,864	20,000
Deferred	-	2,000
(Over)/under provision in prior years:		
Current	(1,831)	(654)
Deferred	-	3,000
	37,033	24,346

Conquest Care Homes (Norfolk) Limited

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

9 Tangible fixed assets

	Freehold Land and Buildings	Fixtures and Fittings	Total
	£	£	£
Cost or valuation			
At 14 April 2000	1,191,060	191,546	1,382,606
Additions	569,688	92,861	662,549
Revaluations	1,263,364	-	1,263,364
At 31 December 2000	3,024,112	284,407	3,308,519
Depreciation			
At 14 April 2000	22,689	82,307	104,996
Charged for the period	33,134	11,717	44,851
Revaluations	(22,689)	-	(22,689)
At 31 December 2000	33,134	94,024	127,158
Net book value at 31 December 2000	2,990,978	190,383	3,181,361
Net book value at 13 April 2000	1,168,371	109,239	1,277,610
Cost or valuation at 31 December 2000 is represented as follows:	£	£	£
Valuation in 2000	2,454,424	-	2,454,424
Cost	569,688	284,407	854,095
At 31 December 2000	3,024,112	284,407	3,308,519

The net book value of plant and machinery includes £36,824 (13 April 2000: £19,669) in respect of assets held under finance leases and similar hire purchase contracts.

The company has adopted FRS15 'Tangible fixed assets' during the period and has chosen to adopt a policy of revaluing its land and buildings every five years.

The land and buildings were revalued by external valuers, Matthews & Goodman Chartered Surveyors and valuers, as at 14 April 2000. This was on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. This resulted in an increase in the carrying value of land and buildings of £1,286,053, which has been credited to the revaluation reserve.

Conquest Care Homes (Norfolk) Limited

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

9 Tangible fixed assets (continued)

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

	31 December 2000	13 April 2000
	£	£
Cost	1,760,748	1,191,060
Aggregate depreciation based on cost	(38,019)	(22,689)
Net book value based on cost	1,722,729	1,168,371

10 Debtors

	31 December 2000	13 April 2000
	£	£
Trade debtors	57,116	15,360
Other debtors	45,693	32,614
	102,809	47,974

11 Creditors: amounts falling due within one year

	31 December 2000	13 April 2000
	£	£
Bank loans and overdrafts	14,281	85,098
Trade creditors	9,104	39,068
Social security and other taxes	17,518	35,980
Corporation tax	40,420	-
Other creditors	102,381	195,400
Accruals	15,670	-
Amounts owed to group companies	73,444	-
Amounts due under finance leases	15,463	7,800
	288,281	363,346

The bank overdraft and bank loans are secured by a fixed and floating charge on the assets of the company.

Conquest Care Homes (Norfolk) Limited

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

12 Creditors: amounts falling due after more than one year

	31 December 2000	13 April 2000
	£	£
Bank loans	-	793,050
Amounts owed to group undertakings	1,441,162	-
Other creditors	-	8,597
Obligations under finance leases	13,201	10,025
	1,454,363	811,672

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.

13 Provisions for liabilities and charges

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

	Amounts provided		Amounts unprovided	
	31 December 2000	13 April 2000	31 December 2000	13 April 2000
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	5,000	5,000	8,480	-
Revaluation surplus	-	-	385,816	-
	5,000	5,000	394,296	-

Conquest Care Homes (Norfolk) Limited

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

14 Finance leases

Future minimum capital payments under finance leases are as follows:

	31 December 2000	13 April 2000
	£	£
Within one year	15,463	7,800
In more than one year, but not more than five years	13,201	10,025
Total gross payable	28,664	17,825

15 Share capital

	31 December 2000	13 April 2000
	£	£
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 £	Revaluation Reserve £
At 14 April 2000	174,311	-
Surplus on the revaluation of properties	-	1,286,053
Retained profit for the financial period	79,470	-
At 31 December 2000	253,781	1,286,053

Conquest Care Homes (Norfolk) Limited

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

17 Reconciliation of movement in shareholders' funds

	31 December 2000	13 April 2000
	£	£
Profit for the financial period	79,470	48,296
Surplus on revaluation of properties	1,286,053	-
Net addition to shareholders' funds	1,365,523	48,296
Opening equity shareholders' funds	174,411	126,115
Closing equity shareholders' funds	1,539,934	174,411

18 Capital commitments

The company had no capital commitments at 31 December 2000 or 13 April 2000.

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 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.

20 Leasing commitments

There were no operating lease commitments at 31 December 2000 (13 April 2000: £15,594). The leases to which the prior year amounts relate expired as follows:

	31 December 2000	13 April 2000
	£	£
In one year or less	-	15,594

Conquest Care Homes (Norfolk) Limited

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

21 Immediate and ultimate parent companies

The directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Conquest Care Homes (Norfolk) 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.