CARE HOMES

annual report 2003

SECURE SERVICES

SUPPORTED LIVING

WWW.CRAEGMOOR.CO.UK

Craegmoor Healthcare

Caring for the individual

SECURE SERVICES

- Independent hospitals and secure rehabilitation units for people with complex mental health needs
- 418 places in 23 specialist care centres
- Care and rehabilitation provided through high quality holistic, research-based, therapeutic practice

CARE HOMES

- High quality nursing and residential care for adults, children and older people with special needs
- 5,157 places in 250 care homes
- Person-centred care aimed at individual needs and improving the quality of life

SUPPORTED LIVING

- Individualised support for people with special needs in their own tenancies
- 253 places in 40 supported living schemes and care homes
- Supported accommodation providing independent living within local communities

2003 contents

www.craegmoor.co.uk

Craegmoor
Healthcare

Caring for the individual

CRAEGMOOR LIMITED

Registered No: 4204571

Craegmoor is the UK's largest independent provider of long-term care for people with special needs. We operate 313 care homes, independent hospitals and supported living units caring for 5,828 people.

Person-centred, high quality care and a promise of "caring for the individual" are at the heart of our business.

The quality of our 8,000 employees ensures the respect and dignity for all our service users, truly empowering them to achieve maximum potential in life.

"Our mission is to be the leading independent provider of specialist health and social care and the preferred partner of public sector purchasers."

FINANCIAL HIGHLIGHTS IN 2003

Group turnover	up 27%	to £158.6m
Group operating profit[1]	up 6%	to £22.1m
Group EBITDA[2]	up 13%	to £31.9m

CRAEGMOOR PERFORMANCE

[1] Operating profit before goodwill amortisation and exceptional items.
[2] EBITDA represents earnings before interest, tax, depreciation, goodwill amortisation and exceptional items.

hugh aldous

CHAIRMAN'S STATEMENT

Last year I said that the future market was "going to demand better quality homes, better understanding of the needs of those in care and better understanding of care pathways through the use of focused care plans. This will require quality staff, skilled and able management and investment in new homes to meet increasing market demand". Craegmoor has been working towards that in 2003 and will continue to do so. The process involves a lot of change: change in emphasis, in culture, in performance and in people. 2003 has been a year of getting a grip on our future.

Although turnover increased by 27% to £158.6 million, helped by an investment of £51.6 million in new acquisitions and developments, EBITDA suffered from rising staff costs through increased agency usage and from some one-off costs and provisions. The consequent result for the year before goodwill amortisation and exceptional items at £31.9 million (see page 20) means that there was a modest net loss of £1.4 million after depreciation and interest. There were £13.0 million of exceptional items and goodwill amortisation. The elements of trading performance are set out in the Financial Review on page 14. A securitised bond issue in August raised £245 million, of which £157 million was monoline insured and rated AAA. That has reduced the average interest rate on borrowings. At the same time, a £60 million facility was arranged for future investment. Readers of the accounts might note that although we show a loss and the balance sheet shows net liabilities, trading is strongly cash positive and £82.5 million of loan finance is from the shareholders. We start 2004 well positioned with cash in hand and with £55.7 million of available loan facility.

The process of overhauling and improving the entire business has begun. There is now a new top management team. John Newell became Chief Executive as from 1 November 2003; I am pleased with the fresh thinking that he is bringing to the way in which we build a sustainably strong healthcare business. Richard Saville joined as Finance Director in December 2003. He brings a good analytical mind as well as years of experience as Group Finance Director at George Wimpey and from business change at Halfords. Paul Hayes joined the Board in September 2003 from WS Atkins to head up commercial developments and to put our contracting on to a more professional basis. As I write this report we have secured a new Chief Operating Officer: Ted Smith, previously at Boots, WH Smith and the Big Food Group, joins us at the end of April 2004. That gives us four high calibre business managers. The process of re-invigorating Craegmoor will continue and extend to strengthening the HR and clinical sides of the business. We are creating a strongly managed, client focused, high quality care group working principally with the public sector and capable of achieving and demonstrating excellent outcomes for a range of quite challenging clients. Frank Richardson retired at the end of October 2003 and Mike Stratford left in February 2004. They led the group through the growth of the last decade.

Four things matter in creating a good healthcare business: the quality of care; being client (resident) focused in the way that the business is run; anticipating future needs and generating sufficient cash flow to keep investing in the substance of the business and its future.

There is an urgent national requirement to develop the range of services provided by the healthcare industry so as to anticipate future market needs and future ways and standards of providing care. Given that Craegmoor's primary concern is to look after its clients, 2004 will see us concentrating on where to provide the best care in homes, independent hospitals and in supported living that meets best practice. We will be focusing on flagship homes, homes of excellence, and the modernisation of the home portfolio. To start that, we have had a thorough look at ourselves and Craegmoor now has a much better idea of what services are going to be required in the future and how the company is perceived at present. This stems from a recent survey of purchasers (principally local authorities and health authorities), which indicated what is going to be expected of large national groups like Craegmoor. Meeting market needs will be a challenge for the entire healthcare industry but Craegmoor is determined to be at the forefront of improvement.

Last year, we completed Charles House, a state of the art medium secure development; we started on the development of the first of two new medium and low secure developments at Suttons Manor and we acquired one of the leading groups of homes for low secure care and challenging behaviour. We started on a new large home for the elderly infirm in Glasgow and we have half a dozen completely new constructions underway.

No healthcare business could operate without the dedication of its staff. The really inspiring people in Craegmoor are the home managers, the carers and nurses who dedicate themselves to looking after our residents. I spent the first week of January touring all the regions and once again met some inspiring managers and employees from Perthshire to Wales and the South Coast. To all the staff in Craegmoor, I would like to say thank you. The Board is focused on achieving a growing emphasis on quality and performance in managing the individual care of all those in our homes.

2004 is likely to be another year of change in long-term care. As more financial institutions enter the market Craegmoor's future growth strategy will depend far more upon new developments and organic growth than upon acquisitions, for which we are seeing increased pressure on pricing. But above all we will be planning ahead to position the company to offer quality services in the right locations so as to meet the requirements of funders of care.

The Board is confident of a greatly improved performance in 2004 and the impact of the new management team should be increasingly felt. The longer-term opportunities for the company remain very encouraging.

Hugh Aldous

Hugh Aldous
Chairman
2 April 2004

"2004 will see us concentrating on where to provide the best care in homes, independent hospitals and in supported living that meets best practice. We will be focusing on flagship homes, homes of excellence, and the modernisation of the home portfolio."

"Craegmoor's objective is to be the leading provider of specialist care in the UK. We want to be known simply as 'The Best'. We strive to deliver a consistently high quality of care and to deliver returns to our shareholders."

CHIEF EXECUTIVE'S REVIEW

A YEAR OF CONSOLIDATION

Craegmoor Limited is the holding company for the Craegmoor Group of companies ('the Group' or 'Craegmoor'). The Group is the largest provider of long-term specialist care in the UK, owning and operating care homes and other care services at over 300 locations throughout England, Scotland and Wales.

2003 was a year of consolidation for Craegmoor. In addition to significant changes at Board level, we invested in our regional operational management and head office infrastructure. As described in the Financial Review, we also dealt with certain issues related to financial control. Nonetheless, we continued to expand with the addition of new services in our three core lines of business: Care Homes, Secure Services and Supported Living.

Mid-year, we completed a strategic plan for the Group up to 2008. This identified significant opportunities for further growth by acquisition and, increasingly, by development of new services. We completed a successful refinancing of the Group's debt, which enables us to execute the plan. We review our plan annually.

Towards the end of the year, we also took stock of our key business processes. We decided to embark on a major programme of re-building our financial and operational management information systems, to improve internal controls and to position the Group for future scaleable growth.

Craegmoor's objective is to be the leading provider of specialist care in the UK. We want to be known simply as 'The Best'. We believe that our actions during 2003 and our plans for the future take us towards this objective.

STRONG MARKET FUNDAMENTALS

Government policies continue to support a mixed economy of public and private sector care provision, and there is now some evidence of a convergence of health and social care. In addition, the demand for long-term care is forecast to grow, in line with demographic trends.

Regulation of the industry continues to tighten, raising the barriers to new entrants, but placing greater operating demands on incumbents. The care industry has come under renewed media scrutiny, especially in relation to continuing care home closures and care delivery standards.

We believe that these trends are set to continue. For operators, the key to success will be to deliver demonstrable care outcomes for service users and to do so with increased delivery efficiency. Our plans for Craegmoor are designed to position the Group in this way.

KEY PERFORMANCE INDICATORS

Care delivery performance underpins the overall performance of Craegmoor. Good care performance is reflected in good financial performance. We conduct Care Audits of all of our homes and during 2003 we achieved The Health Quality Service ('HQS') independent accreditation of our audit processes.

The results of Care Audits for 2003 were in line with 2002 and on average better than our minimum standards.

The financial performance of Craegmoor at EBITDA level is driven by three key factors: occupancy, fee rates and staff costs. Operational gearing is high, especially in the majority of our small specialist care facilities with semi-fixed staffing levels. We have greater ability to flex staff costs in line with occupancy in our larger elderly nursing homes.

Occupancy: During 2003, the demand for our services remained steady. Occupancy remained firm at 94.4% on a like-for-like basis. The average occupancy for the Group in 2003 was 93.9%, compared with 92.9% in 2002.

Fee rates: Average weekly fees improved by 7.9% to £562 on a like-for-like basis and by 12.6% to £587 for the Group for the full year, which reflected the fee-enhancing acquisitions that we completed during the year.

Staff costs: During the second half of the year, our staff costs increased following a 7% increase in the National Minimum Wage. Costs also increased through greater use of agency staff. Agency usage increased from a historical rate for the Group of some 1% of total staff hours to some 3% at year-end. We attribute this to localised management and labour market issues, where we continually take action.

STAFF RELATIONS

Craegmoor seeks to consult and involve its employees in matters affecting their work providing quarterly team briefing communications, a regular newsletter, and by encouraging its home managers to meet with staff on a monthly basis. Craegmoor seeks to offer competitive terms and conditions of employment and provides equal opportunities including employment for disabled people, ethnic and minority groups.

Craegmoor operates in a sector where historically staff turnover has been high and the recruitment and retention of quality staff can be challenging. However, by the provision of competitive salary packages, a supportive and positive culture and the promotion of career development opportunities, Craegmoor has been able to attract and retain high quality staff.

BUILDING FOR THE FUTURE

We approach 2004 and future years with renewed confidence and vigour. Our plans include the renewal of our business management systems, a programme of cost savings in areas of non-care expenditure and further strengthening of the quality of our senior and middle management teams.

We are now improving the quality of our freehold portfolio, with the twin objectives of creating 'flagship' facilities that are demonstrably better suited to modern service delivery and improving financial returns on our invested capital.

CHIEF EXECUTIVE'S REVIEW

OUR CORE RESIDENTIAL CARE BUSINESS

Our Care Homes business offers some 5,100 places of specialist care principally for adults and older people in some 250 registered residential and nursing care homes throughout England, Scotland and Wales.

A variety of care services are offered including learning disabilities, mental illness and other types of specialist care needs.

Measured by the number of places available, our Care Homes business is the largest provider of specialist care in the UK, with some 3% market share. Craegmoor is the only major corporate care provider having a significant share of both the specialist care and elderly care markets.

In keeping with contemporary market and regulatory expectations, the majority of our specialist care facilities are small units. These are often 'typical houses in typical streets'. We also have some 43 larger nursing homes that provide nursing care in larger facilities of between 30 and 120 places.

We strive to deliver a consistently high quality of care and to deliver an acceptable return to our shareholders. The directors promote a culture of openness and disclosure, through which we seek continuous improvement and to learn lessons where appropriate.

OPERATING PERFORMANCE

Demand for specialist and elderly care services remained positive throughout 2003, although some local authority purchasers faced funding shortages in the early part of the year. Our occupancy rate remained steady at 94.6% on a like-for-like basis.

It is pleasing to report that average weekly fees increased by 7.8% to £544. This was due to inflation-based awards from public sector purchasers, increases in care-based fees and improvements in service mix that resulted in increased fees.

During the second half of the year, increased staff costs impacted on financial performance, as explained above. The Care Homes business reported an operating profit before goodwill amortisation and exceptional items of £22.8 million, including acquisitions and developments (2002: £22.0 million).

During the year, we received 12 statutory notices from the regulatory bodies in relation to four of our care homes. Whilst these relate to a very small proportion of our portfolio, in each case we rectified the compliance issues raised in a timely way. We have now taken action to strengthen our quality assurance system further still.

PROGRESS WITH OPERATIONAL STRATEGY

During 2003, we strengthened the operational senior and middle management of our Care Homes business. We established a scaleable regional structure that included the addition of new area managers. A new quarterly performance review process was also introduced to encourage better forward planning as well as management of current performance. These changes are bedding down.

We continued to add to our portfolio through five acquisitions of small groups of homes, one development of new services and four contract wins in which we took over existing services from incumbent providers. By the year-end, these had added 263 places to our Care Homes business.

Acquisitive growth has been a hallmark of Craegmoor for many years. We are now extending our management focus to concentrate on organic growth, which is a key value driver. Organic growth demands year-on-year improvements in service quality, fee rates, occupancy and overhead efficiency, and we have established management actions in each of these areas.

During the year, we worked on improvement of our service mix, which is a driver of organic growth. By carefully moving services towards higher client dependencies, we were able to achieve localised improvements in service quality and fee rates. During 2004, this will involve a targeted approach to moving-on suitable clients into Supported Living. With the introduction of better management information systems during 2004 and 2005, we expect to be able to quantify and drive our performance in this respect.

INVESTING FOR THE FUTURE

We plan continuing growth through acquisitions and developments. Towards the end of the year, we improved our acquisition process to concentrate our investment appraisal on the post-acquisition development potential of candidate companies.

Taken together with a significantly increased rate of capital investment in new service developments, our objective is to offer top quality care services delivered through modern facilities that will present attractive living and working environments for clients and staff alike.

For example, we have a new purpose built elderly nursing home in the pipeline that we expect to come on stream during 2004. This will add 88 places to our Care Homes business, supported by multi-year block contract with guaranteed income and excellent earnings visibility.

SERVICES OFFERED

Residential and nursing care
for people and children with:

- Learning disabilities
- Challenging behaviour
- Mental health problems
- Physical difficulties
- Brain injuries
- Autism
- Dementia
- Problems associated with old age
- Lack of a safe family environment in childhood

SERVICES OFFERED

Secure and rehabilitation care for people with:

- Complex mental health problems
- Challenging behaviour
- Psychiatric problems
- Personality disorders
- Learning disabilities
- Neurological and degenerative illnesses
- Functional and organic dementia

CHIEF EXECUTIVE'S REVIEW

A CHALLENGING AND ATTRACTIVE NEW VENTURE

At the beginning of 2003, we decided to create a Secure Services business, initially by bringing together existing units, and then, in May 2003, by combination with the acquired business of Independent Community Living ('ICL') in South Wales.

Our Secure Services business now offers some 418 places of highly specialist care in some 23 facilities in England and Wales most of which are registered as Independent Hospitals. These are principally for people with particularly challenging needs and who often have a forensic mental health record.

Measured by the number of places available, our Secure Services business is the fifth largest provider of this type of care in the UK, with some 7% market share.

The Secure Services market splits into two areas: Low Secure and Medium Secure, both of which are attractive in terms of high entry barriers and good operating margins. Regulatory standards and availability of suitable care staff present higher operating risks than in our Care Homes business.

In-keeping with the Craegmoor ethos, we strive to deliver a consistently high quality of care, as well as an acceptable return to our shareholders. We promote good working relationships with purchasers and with the regulatory bodies. During the year, we have welcomed their advice and support in working with us.

AN ENCOURAGING PERFORMANCE

Demand for places within Secure Services remained positive throughout 2003. The lead times for admissions are typically longer than in Care Homes, due to the pre-admission clinical planning required.

The ICL business exceeded our financial expectations, despite the absorption of post-acquisition management costs associated with integration into Craegmoor.

A number of other facilities in the portfolio required significant management attention to deal with commercial and care delivery issues, including the costs associated with bringing the units up to the required standards for registration as Independent Hospitals. There is still more to be done.

Within the context that our Secure Services business was a 'start-up' during 2003, it is encouraging that the business returned an operating profit before goodwill amortisation and exceptional items of £3.9 million, helped by a £2.2 million contribution from new acquisitions.

We expect the investment made in the business during 2003 to result in a significantly improved performance in 2004.

During the year, we received no statutory notices from the regulatory bodies in relation to our Secure Services facilities. The delivery of a consistently high standard of care is a continuing challenge and top priority for management.

PROGRESS WITH OPERATIONAL STRATEGY

In addition to the acquisition of ICL, we also acquired the business of The James House, Chudleigh. We continued to work in collaboration with the previous management of ICL to develop two new services with an option to acquire when they reach operational maturity.

We also entered into a ten-year block contract agreement with the Bolton, Salford and Trafford Mental Health Trust for the provision of a medium secure service of 24 places in a new purpose-built facility at Charles House, Salford. This became operational in January 2004.

Towards the end of the year, we closed Dove Clinic, Burton-on-Trent. This unit had been a persistently low performer and it completes our exit from mental health services funded wholly by private medical insurance.

By the year-end, these achievements had added a net 125 places to our Secure Services business. During the year, we also invested in additional middle management to support the existing business. We plan further strengthening as we build more service capacity in the future.

INVESTING FOR THE FUTURE

Our objective is to deliver rapid growth in Secure Services, principally through development of new services in partnership with public sector purchasers.

We have another new purpose-built 24 place medium secure facility due to come on stream in late 2004 in Epping Forest. We also have a strong pipeline of other potential projects that offer attractive returns, mostly with block contract cover.

It is hoped that the quality of these projects will enhance the image of Craegmoor in the market, and especially with the NHS, which is the primary purchaser of secure services.

supported living

CHIEF EXECUTIVE'S REVIEW

A SHIFT TOWARDS 'PURE SERVICE'

Government policy has recently encouraged "move-on" for suitable clients from registered residential accommodation into supported living. The supported living model separates support service delivery from housing provision, and specifically excludes the provision of 'care'. Normally, but not always, housing and support services are provided by different organisations.

Supported living represents a distinct and positive strategy shift towards 'pure service', which has a low capital intensity compared with our strategy of freehold ownership elsewhere.

Some care home operators have promoted an active strategy of de-registering care homes and providing a supported living service instead, for which new government funding has been made available.

Supporting living is not currently regulated, although purchasers do now assess services against a Quality Assessment Framework. Entry and exit barriers are relatively low, and purchasers do market-test services periodically to ensure 'best value'.

In June 2003, we drew together some 142 places of existing services into a dedicated new Supported Living business with specialised management with a clear operational focus.

Established operators, many of which are not-for-profit organisations, such as housing associations, currently dwarf our Supported Living business. Although it is currently small, our Supported Living business is complementary to our residential businesses, as it offers a "move-on" into independent living and enables us to improve the service mix and commercial performance of our Care Homes business. Therefore, at the outset, we ruled out de-registration of services as a route to growth, except at the margins as a complement to strong developmental growth.

AN ENCOURAGING PERFORMANCE

Following the appointment of an operations director in June, an experienced area management team was quickly established, bringing skills from other supported living operators. This enabled quality and compliance issues to be tackled quickly and effectively, whilst building networks within the market place.

Occupancy improved during the second half of the year, following the establishment of the business, from 93.8% to 94.1% on a like-for-like basis.

Operating margins of 40% reflect the attractive dynamics of a 'pure service'.

Commercial stability was reached by the year-end and realistic performance targets have been established for 2004.

Quality performance has been good, with 26 reviews carried out by purchasers, with two requiring corrective action. Action plans have been implemented to correct performance.

PROGRESS WITH GROWTH

During the year, we developed eight new services and acquired the business of Victoria House in April and the Cranley Group in October. By the year-end, we had added 111 places to our Supported Living business.

We have set a target of doubling the scale of the business during 2004 by moving on suitable clients from the Care Homes business into Supported Living. We appointed an experienced individual in March 2004 to progress this strategy.

Our long-term aim is to build a Supported Living business that contributes at least 10% to Group profits.

J Newell

John Newell
Chief Executive
2 April 2004

SERVICES OFFERED

- Support and rehabilitation for people with special needs aiming towards independent living in the community
- Support in homes excluding personal care - 'Floating support'
- Supported accommodation for young people leaving care
- Outreach services

FINANCIAL REVIEW

SUMMARY

2003 was a year of further growth in Craegmoor's turnover and underlying operating profits. Turnover grew by 27% to £158.6 million with operating profits before goodwill amortisation and exceptional items of £22.1 million ahead by 6%.

The loss before tax, goodwill amortisation and exceptional items was £1.4 million compared to a loss of £0.7 million in 2002. After goodwill amortisation of £3.1 million and exceptional items of £9.9 million, the pre tax loss for the year was £14.3 million.

EBITDA before goodwill and exceptional items was £31.9 million and represented a 13% increase on 2002.

The highlight of the year was the refinancing of the Group in August by means of a Securitisation Issue to raise £245 million, which permitted the repayment of the majority of existing non-shareholder loans. At the same time a £60 million warehouse facility was put in place to allow for the funding of future acquisitions and developments.

TRADING PERFORMANCE

The sales growth of 27% was helped by £13.9 million from acquisitions made in 2003 and by £10.1 million from a full year contribution from acquisitions made last year. Excluding the net benefit of acquisitions, sales grew by 8%. The average occupancy rate rose from 92.9% to 93.9% and average weekly fees increased by 12.6% to £587 helped by acquisitions in Secure Services with well-above average fees.

The acquisitions made in 2003 contributed £3.8 million to operating profits. In a full year these aquisitions would have contributed a further £2.5 million to operating profits. The contribution to underlying operating profits from the continuing operations fell by £2.5 million. The latter performance can be explained by:

- an increased investment in central costs of £2.8 million as professional fees rose to reflect higher acquisition/development activity; there were also increased marketing and training costs plus additional head office personnel to position the Group for continuing growth;
- an increase of £1 million in regional structure costs to provide the level of operational support to cope with the larger and expanding business;
- the delays in obtaining Criminal Record Bureau reports in the fourth quarter led to a significant increase in the use of agency staff adding £0.6 million to costs.

SEGMENTAL ANALYSIS

During early 2003, the decision was made to create three business streams, Care Homes, Secure Services and Supported Living. The results of these business streams are shown in Note 3 to the Accounts.

Care Homes: Sales of £133.2 million were 15% higher than last year helped by £4.4 million from acquisitions. The operating profit before exceptional items and goodwill amortisation was £22.8 million representing a margin of 17%. New acquisitions contributed £1.4 million to operating profits before exceptional items and goodwill amortisation. Average occupancy rates rose by 2.1 percentage points to 94.6% and the average weekly fee increased by £40 to £544 reflecting partly a change in mix of residents.

Secure Services: This activity expanded sharply in 2003 following the acquisition of Independent Community Living in South Wales, which contributed £8.5 million of total revenue of £20 million. Operating profits before exceptional items and goodwill amortisation of £3.9 million were three times the previous year. The operating margin was 20%. Average occupancy rates fell 1.6 percentage points to 89.0% but average weekly fees increased by over 50% to £1,258.

Supported Living: Revenue of £5.5 million was helped by £0.6 million from 2003 acquisitions. The operating profit before exceptional items and goodwill amortisation of £2.2 million was 59% greater than in 2002 with a margin of 40%.

EXCEPTIONAL ITEMS

The major exceptional item was a net impairment of £3.3 million on the carrying value of certain homes. However, this reduction in value should be seen against a net upward revaluation of £8.8 million on homes acquired five years ago as part of the Group's policy of a rolling valuation programme.

The other major exceptional item was the £6.6 million write-off of financing costs associated with the earlier financing of the Group being amortised over the life of the loan and which had no value following the August refinancing.

FINANCIAL CONTROL

The revised approach to the year-end uncovered that there had been shortcomings in financial controls in the Group. This prompted a review of judgements previously made resulting in provisions of £1.6 million being required to compensate for potential irrecoverable sales ledger balances, over-statement of income, and other accounting issues. Following this discovery, the following steps have been taken to improve the controls within the Group:

- appointment of a new Head of Internal Audit and introduction of enhanced audit programmes;
- enhanced budgeting/forecasting systems;
- improved quarterly reviews of trading performance;
- a major review of the finance department structure;
- tightened cost approval process;
- significantly revised management accounting information to focus on underlying changes in performance;
- Board approval for a new accounting system to be implemented in the next 12 months.

The Board are of the opinion that the changes both implemented and planned will correct the historic issues and provide the control framework expected of a large and growing successful Group.

BALANCE SHEET AND CASH FLOW

There was a cash outflow before financing for the year of £33.3 million after a spend of £45.3 million on acquisitions (see page 23). Normal capital expenditure of £13.2 million, including £6.4 million on developments, contrasted with depreciation of £9.8 million. There was a working capital inflow of £8.0 million before provisions and write-offs.

The 2003 year-end balance sheet contained net cash of £21.6 million. The net cash contained £12.8 million of restricted deposits of which £7.1 million had been released to general cash deposits by 31 March 2004. Although shareholders' funds at the year-end were negative, £82.5 million of loans were from shareholders. Reserves include £15.5 million of revaluation reserves. Revaluation reserves were increased by £8.8 million in 2003.

FUNDING

The Group's financial resources consist of £245 million of loan notes issued under the Securitisation, £82.5 million of shareholder loans, a £60 million facility from Barclays Bank, which can be drawn upon to fund acquisitions and developments under certain conditions, and a £5 million overdraft facility.

The Securitisation loan notes consist of £157 million of AAA rated notes guaranteed by MBIA and £88 million of junior notes. The average life of the outstanding debt is 13 years. Only £16 million of the notes are due for repayment in the next three years.

Of the £60 million facility from Barclays Bank, £4 million had been drawn at the year-end. No borrowings were made on the overdraft facility.

The Group has in place interest rate swaps, which cover 96% of the floating rate borrowings. These swaps have an average life of 15 years. In 2003, the average interest rate paid on the debt was 6.8% (2002: 7.7%). A Board decision is required to implement new or amend any existing derivatives. At the end of 2003, the market value of the liability arising from these derivatives was £6.8 million more than the carrying value of £5.0 million.

CONCLUSION

2003 was another year of good growth but also one in which some matters of accounting judgement and control were highlighted. The Board is confident that the problems of last year are largely behind the Group. It believes that the new financial controls, proposed system investments, improved cost controls, a changed cultural environment and considerable growth opportunities will result in significantly better results in the coming year, providing the basis for future value creation for shareholders.

Richard Saville
Group Finance Director
2 April 2004

"2003 was a year of further growth in Craegmoor's turnover and underlying operating profits. Turnover grew by 27% to £158.6 million with operating profits before goodwill amortisation and exceptional items of £22.1 million ahead by 6%."

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors present their report and the audited financial statements for the year ended 31 December 2003.

This Annual Report for Craegmoor Limited presents, on pages 20 to 46, the consolidated financial statements for the Group for the year ended 31 December 2003 and comparative figures for the year ended 31 December 2002.

Both the level of business for the year and the year end financial position are considered in the chief executive's review and financial review.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 32 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The directors do not recommend the payment of an ordinary dividend (2002: £Nil). The loss for the period of £13,740,000 (2002: loss £4,781,000) has been transferred from reserves.

DIRECTORS

The directors of the Company at 31 December 2003 are listed on page 46. Paul Hayes was appointed as a director of the Company on 1 September 2003 and Richard Saville was appointed as a director of the Company on 1 December 2003. Patrick Sellers was appointed a director of the Company on 24 February 2004 and Julian Carr resigned as a director of the Company on 24 February 2004. Frank Richardson resigned as a director of the Company on 2 April 2004.

DIRECTORS' INTERESTS

The interests of the directors in the shares of the company were:

	31 DECEMBER 2003		31 DECEMBER 2002*	
	'A' ORDINARY SHARES	ORDINARY SHARES	'A' ORDINARY SHARES	ORDINARY SHARES
Frank Richardson	11,300	112,711	11,300	210,211
Michael Stratford	8,524	210,211	8,524	210,211
John Newell	-	40,000	-	-
Richard Saville	-	25,000	-	-
Paul Hayes	-	7,500	-	-
Hugh Aldous	11,000	39,000	8,000	20,000
Michael Mowlem	1,101	20	1,101	-
Brian Phillips	3,366	28	3,366	-

*Or at date of appointment if later.

In addition to the shareholdings in Craegmoor Limited shown above Paul Hayes held 7,500 share options over the Ordinary Shares as at 31 December 2003 (1 September 2003: None held). These options have an exercise price of £1 each and may be exercised on the sale of the Company by the current shareholders. No other directors of Craegmoor Limited held any share options at 31 December 2003 or 31 December 2002. Through an indirect shareholding Brain Phillips held warrants to acquire 247 'A' Ordinary shares at 31 December 2003 (2002: 247) and Michael Mowlem held warrants to acquire 81 'A' Ordinary shares at 31 December 2003 (2002: 81).

Apart from the interests disclosed above no director held any interests at any time in the year in the share capital of the Company or other Group companies.

CHANGES IN FIXED ASSETS

The movements in tangible and intangible fixed assets during the year are set out in notes 12, 13 and 14 to the financial statements.

Certain freehold land and buildings have been revalued during the year resulting in an increase in carrying value of certain assets of £8,784,000 together with an impairment reducing the carrying value of certain assets of £3,264,000, with a net overall increase in carrying value of £5,520,000, the details of the adjustments made to the carrying values are described in detail in notes 4 and 13. In accordance with relevant accounting standards, individual increases in carrying value aggregating £8,784,000 have been recognised in the revaluation reserve, whilst impairments of £3,264,000 have been charged to the profit and loss account.

PROPERTY VALUES

In the opinion of the directors there was no significant difference between market and book values of properties at 31 December 2003.

EMPLOYEES

The Group's policy is to consult and discuss with employees on matters likely to affect employees' interests. It is the Group's policy to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

CREDITORS' PAYMENT POLICY

The Company does not have any external creditors. However, for all suppliers, the Group policy is to pay in accordance with its contractual and other legal obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The average creditor days figure for the Group is 30 days (2002: 30 days).

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

FINANCIAL INSTRUMENTS

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has also entered into interest rate transactions to manage the interest rate risk arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

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 Group and of the profit or loss of the Group for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of The Board
BLG (Professional Services) Limited
Company Secretary
2 April 2004

I N D E P E N D E N T   A U D I T O R S '   R E P O R T

TO THE MEMBERS OF CRAEGMOOR LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement, the Company's balance sheet and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board. 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 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. The other information comprises the chairman's statement, the chief executive's review, financial review and the directors' report.

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 affairs of the Company and the Group at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

2 April 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTE	31 DECEMBER 2003 BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION £'000	31 DECEMBER 2003 EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION £'000	31 DECEMBER 2003 TOTAL £'000	31 DECEMBER 2002 BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION £'000	31 DECEMBER 2002 EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION £'000	31 DECEMBER 2002 TOTAL £'000
Turnover							
- Continuing		144,748	-	144,748	124,649	-	124,649
- Acquisitions		13,890	-	13,890	-	-	-
Total turnover	2	**158,638**	-	**158,638**	**124,649**	-	**124,649**
Cost of sales	2	(100,389)	-	(100,389)	(78,282)	-	(78,282)
Gross profit	2	**58,249**	-	**58,249**	**46,367**	-	**46,367**
Administrative expenses excluding depreciation and goodwill amortisation		(26,314)	(3,264)	(29,578)	(18,134)	(375)	(18,509)
EBITDA+		**31,935**	**(3,264)**	**28,671**	**28,233**	**(375)**	**27,858**
Depreciation	9	(9,864)	-	(9,864)	(7,488)	-	(7,488)
Goodwill amortisation	9	-	(3,113)	(3,113)	-	(3,080)	(3,080)
Total administrative expenses		**(36,178)**	**(6,377)**	**(42,555)**	**(25,622)**	**(3,455)**	**(29,077)**
Operating profit							
- Continuing	2	18,233	(6,344)	11,889	20,745	(3,455)	17,290
- Acquisitions	2	3,838	(33)	3,805	-	-	-
Total operating profit	2	**22,071**	**(6,377)**	**15,694**	**20,745**	**(3,455)**	**17,290**
Interest receivable and similar income	7	782	-	782	130	-	130
Interest payable and similar charges	8	(24,223)	(6,587)	(30,810)	(21,597)	-	(21,597)
Loss on ordinary activities before taxation	9	**(1,370)**	**(12,964)**	**(14,334)**	**(722)**	**(3,455)**	**(4,177)**
Taxation credit/(charge) on loss on ordinary activities	10			594			(604)
Loss on ordinary activities after taxation				**(13,740)**			**(4,781)**
Loss for the year	22			**(13,740)**			**(4,781)**

+EBITDA represents earnings before interest, tax, depreciation and goodwill amortisation.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTE	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Loss attributable to shareholders for the financial year		(13,740)	(4,781)
Unrealised surplus on revaluation of properties	13	9,038	4,237
Reversal of an impairment made in the previous year	13	(254)	-
Total recognised losses for the year		**(4,956)**	**(544)**

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Reported loss on ordinary activities before taxation	(14,334)	(4,177)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	120	35
Historical cost loss for the year before taxation	**(14,214)**	**(4,142)**
Historical cost loss for the year retained after taxation	**(13,620)**	**(4,746)**

BALANCE SHEETS
AS AT 31 DECEMBER 2003

	NOTE	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
Fixed assets					
Intangible assets	12	54,302	-	57,243	-
Tangible assets	13	267,691	-	212,767	-
Investments	14	6	3,151	4	3,151
		321,999	**3,151**	**270,014**	**3,151**
Current assets					
Consumable stocks		238	-	185	-
Debtors	15	14,892	512	15,147	465
Restricted deposit accounts	17 (c)	12,809	-	1,370	-
Cash at bank and in hand		11,241	-	3,454	-
		39,180	**512**	**20,156**	**465**
Creditors: amounts falling due within one year	16	(30,228)	(266)	(64,252)	(213)
Net current assets/(liabilities)		**8,952**	**246**	**(44,096)**	**252**
Total assets less current liabilities		**330,951**	**3,397**	**225,918**	**3,403**
Creditors: amounts falling due after more than one year	17	(323,333)	-	(213,043)	-
Provisions for liabilities and charges	20	(10,098)	-	(10,424)	-
Net (liabilities)/assets		**(2,480)**	**3,397**	**2,451**	**3,403**
Capital and reserves					
Called up share capital	21	803	803	778	778
Share premium account	22	2,724	2,724	2,724	2,724
Revaluation reserve	22	15,454	-	6,670	-
Profit and loss account	22	(21,461)	(130)	(7,721)	(99)
Equity shareholders' (deficit)/funds	23	**(2,480)**	**3,397**	**2,451**	**3,403**

The financial statements on pages 20 to 46 were approved by the board of directors on 2 April 2004 and were signed on its behalf by:

Hugh Aldous
Chairman

Richard Saville
Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTE	2003 £'000	2002 £'000
Net cash inflow from operating activities	25	**40,107**	**25,334**
Returns on investments and servicing of finance	26(a)	(15,385)	(10,336)
Taxation - UK corporation tax paid		(1,103)	(427)
Capital expenditure and financial investment	26(b)	(11,652)	(6,896)
Acquisitions and disposals	26(c) & 24	(45,252)	(30,557)
Cash outflow before management of liquid resources and financing		**(33,285)**	**(22,882)**
Financing	26(d)	39,733	21,217
Increase/(decrease) in cash in the year	27	**6,448**	**(1,665)**

Reconciliation of net cash flow to movement in net debt			
Acquisitions	28	560	1,225
Increase/(decrease) in cash in the year	27	5,514	(2,913)
Repayment of loan and lease financing	28	219,397	3,299
Change in net debt resulting from cash flows:			
Repayment of rolled up interest	28	8,304	-
Loan finance obtained net of issue costs	28	(278,848)	(24,611)
New finance leases (non-cash)	28	(749)	(735)
Increase in restricted deposits	28	11,439	99
Amortisation of issue costs (non-cash)	28	(7,865)	(1,946)
Rolled up interest (non-cash)	28	(8,588)	(8,244)
Movement in net debt in year	28	**(50,836)**	**(33,826)**

1 PRINCIPAL ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings up to 31 December 2003. The results of businesses acquired are included in the consolidated profit and loss account from the date control passes.

On the acquisition of a business, the acquired assets and liabilities are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities (with the exception of subsequent adjustments to fair value as permitted by FRS 7, "Fair values in acquisition accounting") and the resulting gains and losses that arise after the Group has gained control of the business are charged to the post acquisition profit and loss account. In the parent company's own accounts, investments in subsidiaries are carried at cost, less any provision for impairment in value.

Turnover

Turnover represents amounts invoiced for services provided during the period, excluding value added tax.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised over its estimated useful economic life typically being a 20 year period.

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 not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

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. Land and buildings are revalued by professionally qualified valuers every five years, on an existing use, open market value basis, 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 of tangible fixed assets, less their estimated residual values, on the following annual straight line bases:

Freehold land	- Nil
Freehold buildings	- 2%
Short term leasehold property	- over lease term
Equipment	- 10% to 25%
Furniture and fittings	- 10% to 25%
Motor vehicles	- 25%
Computer equipment	- 25%

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS 11, "Impairment of fixed assets and goodwill". The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk adjusted weighted cost of capital. Realisable value is determined by professional valuers on an existing use open market value basis.

Where the carrying value is based upon value in use calculations these are revisited each year in order to consider the impact of actual trading results. If actual results indicate that an impairment has arisen this is recognised in accordance with FRS 11, with a charge to the profit and loss account.

Investments

The carrying value of fixed asset investments is based on cost less provision for impairment.

Debtors

Specific provisions are made against those trade debtor amounts where settlement is considered unlikely.

Finance and operating leases

Costs in respect of operating leases are charged as incurred.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms, and the useful lives of equivalent owned assets.

Pension costs

The Group does not operate a pension scheme. Pension costs represent amounts paid to employees' private pension schemes.

Issue costs

The bank arrangement fees and similar charges associated with the loan note issue are written off to the profit and loss account in accordance with FRS 4 "Capital instruments" at a constant rate on the carrying value over the expected term of the instrument.

Stocks

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

Derivatives and financial instruments

The Group's accounting policy for derivatives is only to recognise in the Group profit and loss account gains and losses on interest rate hedges as they crystallise.

2 TURNOVER AND OPERATING PROFIT

Turnover, which excludes Value Added Tax, consists entirely of fee income earned in the United Kingdom from the provision of care services.

	CONTINUING £'000	ACQUISITIONS £'000	31 DECEMBER 2003 TOTAL £'000	31 DECEMBER 2002 TOTAL £'000
Turnover	**144,748**	**13,890**	**158,638**	**124,649**
Cost of sales	(92,715)	(7,674)	(100,389)	(78,282)
Gross profit	52,033	6,216	58,249	46,367
Administrative expenses (before exceptional items and goodwill amortisation)	(33,800)	(2,378)	(36,178)	(25,622)
Exceptional administrative expenses and goodwill amortisation	(6,344)	(33)	(6,377)	(3,455)
Total administrative expenses	(40,144)	(2,411)	(42,555)	(29,077)
Operating profit	**11,889**	**3,805**	**15,694**	**17,290**

3 SEGMENTAL ANALYSIS

The Group's operations are run as three clearly identifiable divisions.

	TURNOVER		OPERATING PROFIT		NET ASSETS	
	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Care Homes	133,197	116,257	16,676	18,805	229,703	226,851
Secure Services	19,978	5,352	3,731	1,124	63,320	25,937
Supported Living	5,463	3,040	2,130	1,315	16,644	12,401
Central Costs/(net liabilities)	-	-	(6,843)	(3,954)	(312,147)	(262,738)
Total	**158,638**	**124,649**	**15,694**	**17,290**	**(2,480)**	**2,451**

Central costs that have not been allocated to any of the divisions relate to salary costs of the directors, the costs associated with the acquisition and development teams, the head office marketing function and the legal costs incurred in connection with the purchase of acquisitions and other central corporate costs.

4 EXCEPTIONAL ITEMS

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Exceptional administrative expenses and interest costs:		
Impairment of tangible fixed assets	4,129	1,894
Reversal of impairment of tangible fixed assets	(865)	(1,519)
Amortisation of issue costs (see note 8)	6,587	-
	9,851	**375**

In accordance with the Group's five year valuation policy the land and buildings acquired during 1998 were revalued by external valuers, Powell Associates, as at 31 December 2003. In addition, the directors reassessed the carrying value of the remaining freehold land and buildings, performing value in use calculations for certain of these properties in accordance with the requirements of FRS 11, "Impairments of Fixed assets and Goodwill". The directors have also reviewed the value in use calculations performed at 31 December 2002 in order to compare the assumed performance to the actual results (a "look back test").

The performance of the look back test indicated the requirement to recognise an impairment charge of £4,129,000. Following the completion of the look back test the directors performed value in use calculations as at 31 December 2003, on an existing use open market value basis. These valuations, which consider the expected future performance of the entities based on all current known conditions, indicate that the impairment had reversed to the extent of £865,000 and this has been reflected in an uplift in the carrying values, resulting in a net impairment charge to the profit and loss account of £3,264,000.

Exceptional interest charges relates to the amortisation of issue costs associated with the loan notes redeemed during the year. At 31 December 2003 these issue costs had no value and therefore it was deemed appropriate to fully amortise the remaining issue costs. The exceptional interest costs are shown in note 8.

5 DIRECTORS' EMOLUMENTS

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Aggregate emoluments (excluding company pension contributions to directors' personal pension schemes of £48,034 (2002: £39,576))	583	346
The number of directors receiving company pension contributions to personal pension schemes is 5 (2002: 3)		
Highest paid director:	£'000	£'000
Aggregate emoluments (excluding company pension contributions to the director's personal pension scheme of £19,316 (2002: £20,243))	218	166

6 EMPLOYEE INFORMATION

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

	31 DECEMBER 2003 NUMBER	31 DECEMBER 2002 NUMBER
Management, nursing, ancillary and administrative staff		
Full time	4,527	4,112
Part time	3,087	2,925
	7,614	**7,037**
Staff costs (for the above persons)	£'000	£'000
Wages and salaries	80,979	63,987
Social security costs	6,196	4,356
Other pension costs	48	56
	87,223	**68,399**

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Interest receivable on restricted deposit accounts	41	35
Other bank interest receivable	671	95
Proceeds from redemption of interest rate swap arrangement	70	-
	782	**130**

8 INTEREST PAYABLE AND SIMILAR CHARGES

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
ON BANK LOANS AND OVERDRAFTS:		
Repayable within 5 years by instalments	20	35
Repayable within 5 years not by instalments	2,030	1,534
ON LOAN NOTES:		
On Series A & Series B floating rate 2005 loan notes repayable within 5 years not by instalments	118	119
On 2013 fixed rate loan notes repayable partly in more than 5 years not by instalments	5,718	5,425
On 2013 floating rate loan notes repayable partly in more than 5 years not by instalments	2,493	3,785
On Class A & Class B floating rate loan notes repayable partly in more than 5 years by instalments	3,970	6,077
On Class A1, Class M and Class B1 secured floating rate loan notes repayable partly in more than 5 years and Class A2 and Class B2 fixed rate loan notes repayable partly in more than 5 years	5,150	-
MBIA guarantee fee and surveillance fees	217	-
On interest cap hedging agreement	2,857	2,542
Release of onerous financing provision	(833)	(853)
Unwind of discount on onerous financing provision	270	299
Amortisation of loan note issue costs	1,446	1,946
Exceptional amortisation of loan note issue costs	6,587	-
On undrawn facilities	178	180
Other bank interest	111	68
ON OTHER LOANS:		
On finance leases	526	485
Release of onerous finance lease provision	(129)	(131)
Unwind of discount on onerous finance lease provision	81	86
	30,810	**21,597**

9 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Loss on ordinary activities before taxation is stated after charging :		
Depreciation of tangible fixed assets:		
owned assets	9,292	7,246
assets held under finance leases	572	62
Amortisation of goodwill	3,113	3,080
Loss on disposal of tangible fixed assets	99	138
Land and buildings operating lease rentals	4,692	4,435
Hire of plant and machinery and other assets	224	164
Auditors' remuneration for:		
Audit (company £10,000 (2002: £9,000))	385	329
Other services to the company and its UK subsidiaries	780	48

During 2003 other non-audit fees amounting to £780,000 were paid to PricewaterhouseCoopers. The majority of these related to work performed in association with the refinancing of the Craegmoor Group.

10 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Current taxation:		
UK corporation tax at 30% (2002: 30%)	-	(536)
Adjustment in respect of prior years	663	-
	663	(536)
Deferred taxation:		
Current year	370	(68)
Adjustment in respect of prior years	(439)	-
	(69)	(68)
Tax credit/(charge) on ordinary activities	**594**	**(604)**

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

	31 DECEMBER 2003 £'000	31 DECEMBER 2002 £'000
Loss on ordinary activities	14,334	4,177
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	4,300	1,253
Effects of:		
Expenses not deductible for tax purposes	(2,636)	(1,897)
Capital allowances (less than) / in excess of depreciation	(463)	47
Utilisation of tax losses	-	61
Unrecognised current year tax losses	(1,201)	-
Prior year adjustment	663	-
Current tax credit/(charge)	**663**	**(536)**

The effect of exceptional items on the taxation charge for the year is to increase the tax loss by £1,976,000 (2002: £Nil).

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total amount unprovided for is £29,749,000 (2002: £20,259,000). Deferred tax liabilities have not been discounted.

Deferred tax has not been recognised on an amount of tax losses carried forward due to the uncertainty over their recoverability. The total amount unrecognised is £1,620,000 in respect of losses totalling £5,401,000.

11 LOSS ON ORDINARY ACTIVITIES AFTER TAXATION

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial period was £31,000 (2002: loss of £80,000).

12 INTANGIBLE FIXED ASSETS

GROUP	GOODWILL £'000
Cost	
At 1 January 2003	61,603
Acquisition	172
At 31 December 2003	**61,775**
Amortisation	
At 1 January 2003	4,360
Charge for the year	3,113
At 31 December 2003	**7,473**
Net book value	
At 31 December 2003	**54,302**
At 31 December 2002	57,243

13 TANGIBLE FIXED ASSETS

	FREEHOLD LAND AND BUILDINGS £'000	FURNITURE, FITTINGS, PLANT, EQUIPMENT AND MOTOR VEHICLES £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
Cost/valuation				
At 1 January 2003	211,064	29,026	1,115	241,205
Acquisitions (note 24)	45,374	1,590	-	46,964
Additions	7,268	5,979	-	13,247
Transfers	1,115	-	(1,115)	-
Disposals	(838)	(707)	-	(1,545)
Revaluations (see below)	6,900	-	-	6,900
At 31 December 2003	**270,883**	**35,888**	**-**	**306,771**
Depreciation				
At 1 January 2003	15,351	13,087	-	28,438
Charge for the period	4,163	5,701	-	9,864
Disposals	(250)	(352)	-	(602)
Impairment (see below)	3,264	-	-	3,264
Revaluations (see below)	(1,884)	-	-	(1,884)
At 31 December 2003	**20,644**	**18,436**	**-**	**39,080**
Net book value				
At 31 December 2003	**250,239**	**17,452**	**-**	**267,691**
At 31 December 2002	195,713	15,939	1,115	212,767

Cost or valuation at 31 December 2003				
Valuation in 2001	13,084	-	-	13,084
Valuation in 2002	30,026	-	-	30,026
Valuation in 2003	30,747	-	-	30,747
Cost	197,026	35,888	-	232,914
	270,883	**35,888**	**-**	**306,771**

13 TANGIBLE FIXED ASSETS (CONTINUED)

Included within tangible fixed assets above are assets held for resale. Tangible fixed assets held for resale at 31 December 2003 are shown below (2002: £Nil).

	FREEHOLD LAND AND BUILDINGS £'000	FURNITURE, FITTINGS, PLANT, EQUIPMENT AND MOTOR VEHICLES £'000	TOTAL £'000
Cost/valuation at 31 December 2003	2,117	677	2,794
Depreciation at 31 December 2003	(658)	(450)	(1,108)
Net book value at 31 December 2003	**1,459**	**227**	**1,686**

The Group has followed FRS 15 "Tangible fixed assets" during the year and has chosen to revalue its land and buildings on a rolling basis such that all properties are covered by professional valuations over a five year cycle. In accordance with the Group's accounting policy, the land and buildings occupied by the Group, which were acquired by Craegmoor Group Limited during 1998, were revalued by external valuers, Powell Associates, Chartered Surveyors and Valuers, as at 31 December 2003. This was on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. The directors have also considered the value of the remaining properties at 31 December 2003, and have performed "value in use" calculations for certain of these properties. A risk adjusted weighted average cost of capital of 8.5% was used in these calculations. Similar value in use calculations were performed by the directors at the previous year end.

These have been reviewed in order to compare the assumed performance to the actual results (a "look back test"). Details of the results of these assessments are shown in note 4. This resulted in a gross increase in the carrying value of certain of these properties of £9,038,000, £8,784,000 of which has been credited to the revaluation reserve and £254,000 relating to the reversal of an impairment made in the previous year reduced the gross impairment of £3,518,000 to a net overall impairment of £3,264,000, which has been charged in the profit and loss account.

The net book value of land and buildings includes an amount of £2,565,000 (2002: £2,627,000) in respect of assets held under short term leases (under 50 years).

The net book value of furniture, fittings, plant, equipment and motor vehicles includes an amount of £1,628,000 (2002: £1,090,000) in respect of assets held under finance leases.

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

FREEHOLD LAND AND BUILDINGS	2003 £'000	2002 £'000
Cost	259,655	206,736
Aggregate depreciation based on cost	(21,058)	(17,265)
Net book value based on cost	**238,597**	**189,471**

14 FIXED ASSET INVESTMENTS

GROUP	OTHER INVESTMENTS £'000
Cost and net book value at 1 January 2003	4
Additions	2
Cost and net book value at 31 December 2003	**6**

Other investments includes listed investments with a book value of £1,606 (2002: £1,606) and a market value of £Nil (2002: £Nil) and government gilts with a book value and market value of £2,000 (2002: £Nil).

COMPANY	TOTAL £'000
Cost and net book value at 1 January 2003 and 31 December 2003	**3,151**

Interests in group undertakings

A list of the company's principal interests in group undertakings is included in note 35.

15 DEBTORS

	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
Amounts falling due within one year				
Trade debtors	9,165	-	9,670	-
Amounts owed by subsidiary undertakings	-	440	-	440
Corporation Tax	74	47	-	
Other prepayments	3,599	25	4,033	25
Other debtors	2,054	-	1,444	-
	14,892	**512**	**15,147**	**465**

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
Bank overdraft - unsecured	2,408	-	1,069	-
Loan notes (note 17(a))	3,534	-	2,004	-
Bank loans (note 17(b))	219	-	43,525	-
Trade creditors	2,613	-	1,960	-
Amounts owed to subsidiary undertakings	-	257	-	213
Corporation tax	-	-	863	-
Obligations under finance leases (note 18)	794	-	585	-
Other taxation and social security	2,073	-	1,351	-
Accruals and deferred income	14,073	9	10,583	-
Other creditors	4,514	-	2,312	-
	30,228	**266**	**64,252**	**213**

Loan notes due within one year are shown net of unamortised issue costs totalling £571,000 (2002: £639,000).

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
Loan notes (see (a) below)	315,674	-	209,462	-
Bank loans (see (b) below)	4,341	-	219	-
Obligations under finance leases (note 18)	3,318	-	3,362	-
	323,333	**-**	**213,043**	**-**

(A) Loan notes

	2003 £'000	2002 £'000
Class A1 Secured floating rate 2013 Loan Notes	54,900	-
Class A2 Secured fixed rate 2023 Loan Notes	97,062	-
Class M Secured floating rate 2023 Loan Notes	29,133	-
Class B1 Secured floating rate 2023 Loan Notes	14,566	-
Class B2 Secured fixed rate 2023 Loan Notes	40,955	-
Series A Unsecured floating rate 2005 Loan Notes	498	496
Series B Unsecured floating rate 2005 Loan Notes	2,489	2,479
2013 Unsecured fixed rate Loan Notes	79,605	83,878
2013 Secured floating rate Loan Notes	-	23,984
2013 Secured floating rate Class A Loan Notes	-	64,384
2013 Secured floating rate Class B Loan Notes	-	36,245
	319,208	**211,466**

Class A1 Secured floating rate 2013 Loan Notes, Class A2 Secured fixed rate 2023 Loan Notes, Class M Secured floating rate 2023 Loan Notes, Class B1 Secured floating rate 2023 Loan Notes and Class B2 Secured fixed rate 2023 Loan Notes

On 13 August 2003, Craegmoor Funding (No.2) Limited, a wholly owned subsidiary, entered into financing arrangements to fund the redemption of certain existing loan notes and bank borrowings and to provide resources to fund further acquisitions and new development opportunities of the Group. It issued a combination of fixed and floating rate loan notes with an aggregate nominal value of £244,700,000, comprising £57,500,000 Class A1 Secured floating rate 2013 Loan Notes, £100,000,000 Class A2 Secured fixed rate 2023 Loan Notes, £30,000,000 Class M Secured floating rate 2023 Loan Notes, £15,000,000 Class B1 Secured floating rate 2023 Loan Notes and £42,200,000 Class B2 Secured fixed rate 2023 Loan Notes.

The Class A1 Secured floating rate 2013 Loan Notes are repayable in quarterly instalments commencing on 15 December 2003 and ending on 15 December 2013 when the loan notes will be fully redeemed. During the year £984,400 of the Class A1 loan notes were redeemed. The Class A2 Secured fixed rate 2023 Loan Notes are repayable in quarterly instalments commencing 15 March 2014 and ending on 15 September 2023 when the loan notes will be fully redeemed. The Class M Secured floating rate 2023 Loan Notes, Class B1 Secured floating rate 2023 Loan Notes and Class B2 Secured fixed rate 2023 Loan Notes are due to repaid in 2023.

The Class A1 Secured floating rate 2013 Loan Notes bear interest at a rate equal to LIBOR plus 0.50%; the Class A2 Secured fixed rate 2023 Loan Notes bear interest at a rate equal to 5.321%; the Class M Secured floating 2023 rate Loan Notes bear interest at a rate equal to LIBOR plus 1.65%; the Class B1 secured floating rate 2023 Loan Notes bear interest at a rate equal to LIBOR plus 2.90%; and the Class B2 Secured fixed rate 2023 Loan Notes bear an interest rate of 7.782%.

The liabilities disclosed are net of the costs incurred in association with the issue of loan notes. These issue costs totalled £7,318,570 of which £218,576 have been amortised through the profit and loss account at 31 December 2003.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The 2013 Secured floating rate Loan Notes and the 2023 Secured fixed and floating rate Loan Notes are secured by fixed and floating charges over the property, undertakings and assets of the security group companies being the following related companies: Alphabet Children's (Fostering) Services Limited, Alphabet Children's Services Limited, Apdale Limited, Boughton Manor Nursing Home Limited, Challenge Care Limited, Comfort Services Limited, Concept Care Limited, Conquest Care Homes (March) Limited, Conquest Care Homes (Norfolk) Limited, Conquest Care Homes (Peterborough) Limited, Conquest Care Homes (Soham) Limited, Cotswold Care Services Limited, Craegmoor Healthcare Company Limited, Craegmoor Holdings Limited, Craegmoor Investments Limited, Ferguson Care Limited, Forward Housing Limited, Grovedraft Limited, GWS Claremont Limited, Health & Care Services Humbs. Limited, Health & Care Services (NW) Limited, Health & Care Services (UK) Limited, Health & Care Services Yorks Limited, Heddfan Care Limited, Independent Community Living (Holdings) Limited, Independent Community Living Limited, Inputrelate Limited, J C Care Limited, Johnston Care Limited, Lansdowne Road Limited, La Pierre Care Homes Limited, Lothlorien Community Limited, London Parkcare Limited, Parkcare Homes Limited, Parkcare Homes (No. 2) Limited, RJ Homes Limited, Southbank Private Nursing Home Limited, Southern Counties Care Limited, Speciality Care (Care Homes) Limited, Speciality Care (Learning Disabilities) Limited, Speciality Care (Rehab) Limited, Speciality Healthcare Limited, Speciality Care (Rest Care) Limited, Spring Crescent Limited, Strathmore Care Services Limited, Strathmore College Limited, Treehome Limited, Ty-Craig Nursing Home Limited, Yorkshire Care Homes Limited and Yorkshire Parkcare Company Limited.

Series A and Series B floating rate unsecured 2005 Loan Notes

On 27 July 2001, Craegmoor No.2 Limited, a wholly owned subsidiary, entered into financing arrangements in order to fund the purchase of Craegmoor Group Limited and its subsidiaries. It issued floating rate loan notes with an aggregate nominal value of £3,440,504, comprising £500,000 Series A Loan Notes and £2,940,504 Series B Loan Notes, due to be repaid in 2005. The loan notes are unsecured and bear interest at a rate equal to LIBOR. Of these Loan Notes £439,824 were issued to the Company and therefore the net amount issued by the Group is £3,000,680.

The liabilities disclosed are net of the costs incurred in association with the issue of the loan notes. These issue costs totalled £50,049, of which £36,483 (2002: £24,176) have been amortised through the profit and loss account.

2013 Unsecured fixed rate Loan Notes

In addition, further unsecured loan notes were issued by Craegmoor No.2 Limited on 27 July 2001 with a nominal value of £76,785,425. Loan notes with a nominal value of £8,830,000 were redeemed on 19 November 2003. The remaining loan notes with a nominal value of £67,955,425 are due to be repaid in 2013. In addition to the redemption of loan notes with a nominal value of £8,830,000 interest of £1,469,351 accruing from 27 July 2001 to 19 November 2003 on these loan notes was paid on 19 November 2003. The loan notes bear interest at a fixed rate of 6.75%. Interest which accrues on the principal amount from 27 July 2001 to 28 September 2005, will be capitalised and added to the principal amount of the loan notes on which interest shall accrue. During the year this amounted to £5,717,664 (2002: £5,424,572). The total accrued interest at 31 December 2003 on these loan notes is £11,917,844 (2002: £7,669,531). The first payment is to be made on 28 March 2006 in respect of the period from 29 September 2005.

The associated liabilities disclosed are net of the costs incurred in association with the issue of the loan notes. These issue costs totalled £1,117,000. Issue costs of £128,450 relating to the £8,830,000 of principal redeemed on 19 November 2003 were amortised on redemption resulting in issue costs of £988,550 being carried forward (2002: £1,117,000). Amortisation that had been charged through the profit and loss account to the date of redemption on the loan notes redeemed on 19 November 2003 totalled £88,520. This resulted in a net amortisation charge of issue costs at redemption of £39,930 on the loan notes redeemed. At 31 December 2003 a total of £720,436 (2002: £539,578) of the issue costs had been amortised through the profit and loss account. The amortisation charge against the remaining issue costs of £988,550 relating to the loan notes that were not redeemed during the year was £269,378.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

2013 Secured floating rate Loan Notes

In addition to the above loan notes, further loan notes with a nominal value of £21,559,496 were issued on 27 July 2001. The notes bear interest at a rate equal to the aggregate of LIBOR, a 12% margin and a formulaic calculation of an additional cost rate which reflects the cost to the Noteholder of compliance with all mandatory reserve asset, liquidity, cash margin, fee or other requirements of the Bank of England and the Financial Services Authority. During 2003, the additional cost rate equated to approximately 0.01% (2002: 0.01%). The interest element relating to the margin is settled through the issuance of additional loan notes, with a nominal value equal to the amount of cash interest due. These additional notes have the same maturity date, interest rate and are subject to the same terms and conditions as the 2013 secured floating rate loan notes.

On 13 August 2003 all of the issued loan notes with a nominal value of £21,559,496 were redeemed. Loan notes issued in settlement of the interest element relating to the margin were redeemed, and all accrued interest for which loan notes had not been issued at the date of redemption relating to the margin was paid, resulting in a payment of £5,867,235.

The costs associated with the issue of the loan notes totalled £2,978,752. During the year up to the date of redemption £427,280 of issue costs were amortised and charged to the profit and loss account. The unamortised issue costs at the date of redemption of the loan notes totalled £1,112,555. These costs were amortised on redemption bringing the total amortisation charged through the profit and loss account to £2,978,752 (2002: £1,438,917).

2013 secured floating rate Class A and Class B Loan Notes

The existing financing structure at 27 July 2001 of Craegmoor Group Limited and its subsidiaries consisting of secured floating rate loan notes with a nominal value of £110,500,000, comprising £72,500,000 Class A and £38,000,000 Class B Loan notes, remained in place at the start of the year. The Class A notes were being redeemed at quarterly intervals commencing on 15 March 2001. At 31 December 2002 a total amount of £4,850,975 had been redeemed.

On 15 September 2003 all of the outstanding loan notes were redeemed bringing the total redemption during the year to £105,649,025. The costs associated with the issue of the loan notes totalled £6,304,191. During the year up to the date of redemption £350,000 of issue costs were amortised and charged to the profit and loss account. The unamortised issue costs at redemption totalled £4,669,987. These costs were amortised on redemption bringing the total amortisation charged through the profit and loss account to £6,304,191 (2002: £1,284,204).

(B) Bank loans

On 16 October 2003 the Group entered into a £60,000,000 warehousing facility agreement to partly fund future acquisitions and developments. This facility is available for a two year period from inception and the amounts drawn down bear interest at commercial rates linked to the 3 month LIBOR rate. At 31 December 2003 the amounts drawn on the facility totalled £4,341,265. This warehouse facility agreement replaced an earlier warehouse facility agreement to partly fund acquisitions and developments. Amounts due under this facility of £55,197,030 were repaid following the refinancing in August 2003. At 31 December 2002 the amounts drawn on the previous facility totalled £43,307,147 and were included in creditors falling due within one year.

The existing financing structure of Craegmoor Group Limited included a bank loan provided under the Expenses Loan Facility Agreement dated 23 November 2000. Under the terms of the agreement the loan is repayable in equal instalments over a four year period, and bears interest at commercial rates linked to 3 month LIBOR. At 31 December 2003 the outstanding amount totalled £218,736 (2002: £437,469).

(C) Restricted deposits

As part of the refinancing, the Issuers/Borrowers Facility Agreement dated 13 August 2003 required the Group to retain £9,808,755 as a restricted deposit. Of this £7,065,512 was released after the year end. In addition the agreement also requires 110% of the securitised value received on the disposal of secured properties to be retained as a restricted deposit. At 31 December 2003 this was £Nil. In addition £3,000,680 was held as a restricted deposit to redeem the Series A and Series B floating rate unsecured 2005 Loan Notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

18 ANALYSIS OF FINANCIAL LIABILITIES

The disclosures in notes 18 and 19 should be read in conjunction with the discussion of the Group's objectives, policies and strategies with regard to financial instruments in the Directors' report on page 18. Short term debtors and creditors arising directly from the Group's operations are excluded from the following disclosures.

After taking into account the various interest rate swaps entered into by the Group, the interest rate profile of the Group's financial and capital liabilities at 31 December 2003 was:

	FLOATING RATE BORROWINGS £'000	FIXED RATE BORROWINGS £'000	TOTAL BORROWINGS £'000	WEIGHTED AVERAGE INTEREST RATE %	WEIGHTED AVERAGE TIME FOR WHICH RATE IS FIXED YEARS
Sterling - financial liabilities					
At 31 December 2003	108,554	221,734	330,288	6.8	14.0
At 31 December 2002	71,772	188,454	260,226	7.7	9.6

The interest rates on floating rate borrowings are determined by reference to the 3 month LIBOR.

Finance leases repayable as follows:

	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
In one year or less	794	-	585	-
Between one and two years	310	-	282	-
Between two and five years	302	-	272	-
Over five years	2,706	-	2,808	-
	4,112	-	**3,947**	-

Bank loans, overdrafts and other borrowings repayable as follows:

	GROUP 2003 £'000	COMPANY 2003 £'000	GROUP 2002 £'000	COMPANY 2002 £'000
In one year or less	6,732	-	47,237	-
Between one and two years	11,732	-	3,096	-
Between two and five years	15,077	-	17,301	-
Over five years	300,017	-	195,808	-
Less: Unamortised issue costs	(7,382)	-	(7,163)	-
	326,176	**-**	**256,279**	**-**

At 31 December 2003 the Group had the following undrawn committed borrowing facilities:

	2003 £'000	2002 £'000
Expiring within one year	-	6,693
Expiring in more than one year but not more than two years	55,659	-

19 FINANCIAL INSTRUMENTS

(a) Financial assets

	BANK AND CASH BALANCES 2003 £'000	BANK AND CASH BALANCES 2002 £'000	SHORT TERM LOANS AND DEPOSITS 2003 £'000	SHORT TERM LOANS AND DEPOSITS 2002 £'000
Sterling	11,241	1,487	12,809	3,337

All bank and cash balances are non interest bearing.

Surplus cash is deposited for short term periods typically on the overnight money market. The weighted average interest rate on the deposit account balances is 3.4% (2002: 3.0%).

(b) Currency exposures

As at 31 December 2003 and 31 December 2002 the Group had no currency exposures.

(c) Fair values of financial assets and liabilities

The comparison of fair and book values of all the Group's financial assets and liabilities is set out below:

	2003 BOOK VALUE £'000	2003 FAIR VALUE £'000	2002 BOOK VALUE £'000	2002 FAIR VALUE £'000
Financial instruments held or issued to finance the Group's operations:				
Bank and cash balances	11,241	11,241	1,487	1,487
Short term deposits	12,809	12,809	3,337	3,337
Short term borrowings and current portion of long term borrowings	(6,732)	(6,732)	(47,237)	(47,231)
Long term borrowings	(326,826)	(325,879)	(216,205)	(215,643)
Finance leases	(4,112)	(3,142)	(3,947)	(2,929)
Financial instruments held to manage interest rate exposure				
Interest rate swaps	(5,041)	(11,861)	(5,604)	(12,407)
	(318,661)	**(323,564)**	**(268,169)**	**(273,386)**

The following methods and assumptions were used in estimating the fair values for financial instruments:

Short term borrowings, cash and deposits approximate to their short maturities.

Long term borrowings: Bonds - quoted closing market value.

Interest rate instruments - discounted cash flow analysis based on interest rates derived from market yield curves.

(d) Hedges

The Group's policy is to hedge its interest rate exposure using interest rate swaps.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains or losses on instruments used for hedging interest rate exposures and the movements therein, are as follows:

	GAINS £'000	LOSSES £'000	TOTAL NET LOSS £'000
Unrecognised gains and losses on hedges at 1 January 2003	**-**	**(6,803)**	**(6,803)**
Gains and losses arising in 2003 that were not recognised in that year	-	(17)	(17)
Unrecognised gains and losses on hedges at 31 December 2003	**-**	**(6,820)**	**(6,820)**
Expected to be recognised after 2003	-	(6,820)	(6,820)

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	DEFERRED TAX £'000	ONEROUS FINANCE LEASES (SEE BELOW) £'000	ONEROUS FINANCING CONTRACTS (SEE BELOW) £'000	TOTAL £'000
At 1 January 2003	3,802	1,018	5,604	10,424
Acquisitions (note 24)	216	-	-	216
Charge to the profit and loss account	69	-	-	69
Provisions utilised in the year	-	(129)	(833)	(962)
Unwind of discounting	-	81	270	351
At 31 December 2003	**4,087**	**970**	**5,041**	**10,098**

DEFERRED TAXATION	2003 £'000	2002 £'000
Tax effect of timing differences at 30% (2002: 30%) because of:		
Fixed asset timing differences	4,174	4,128
Short term timing differences	(5)	(3)
Losses	(82)	(141)
Deferred tax on previous year fair value adjustments	-	(182)
Potential liability	4,087	3,802

Tax losses of £4,004,000 (£1,201,000 at 30%) have been incurred during the year and a deferred tax asset has not been recognised. This is due to the likelihood of recovering such an asset in future accounting periods.

Onerous financing provisions

Provisions have been recorded for the onerous interest levels on certain finance lease and interest rate swap arrangements. They have been established on the basis of expected future onerous interest payments over the remaining life of the relevant leases and agreements, discounted at the Group's estimated risk weighted average cost of capital. The provisions are expected to be utilised, with the discounts unwinding accordingly, over the remaining terms of the corresponding finance arrangements.

21 CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
600,000 ordinary shares of £1 each	600	600
3,400,000 Class A ordinary shares of 10p each	340	340
	940	**940**
Allotted, called up and fully paid		
485,422 ordinary shares of £1 each (2002: 460,422)	486	461
3,170,000 Class A ordinary shares of 10p each	317	317
	803	**778**

A warrant instrument is attached to the 2013 secured floating rate loan notes. The terms of the warrant instrument entitle the Noteholders to subscribe at a price of £1 for 230,000 'A' ordinary shares in Craegmoor Limited. These subscription rights are exercisable on the occurrence of either a sale, a listing or a change of control.

During the year 25,000 ordinary shares were issued for cash. The nominal value of these shares was £25,000 and the consideration received was £25,000 after deducting expenses of £Nil.

22 OTHER RESERVES

GROUP	SHARE PREMIUM ACCOUNT £'000	REVALUATION RESERVE £'000	PROFIT AND LOSS £'000
At 1 January 2003	2,724	6,670	(7,721)
Loss for the period	-	-	(13,740)
Unrealised surplus on revaluation of properties	-	9,038	-
Reversal of an impairment made in the previous year	-	(254)	-
At 31 December 2003	**2,724**	**15,454**	**(21,461)**

The share premium account is shown net of costs of £129,085 (2002: £129,085), which were incurred in the raising of the share capital of the Company.

COMPANY	SHARE PREMIUM ACCOUNT £'000	PROFIT AND LOSS £'000
At 1 January 2003	2,724	(99)
Loss for the period	-	(31)
At 31 December 2003	**2,724**	**(130)**

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	2003 £'000	2002 £'000
Loss for the financial period	(13,740)	(4,781)
Net proceeds on issue of ordinary share capital	25	20
Surplus on revaluation of properties	8,784	4,237
Net addition to shareholders' funds	(4,931)	(524)
Opening shareholders' funds	2,451	2,975
Closing shareholders' funds	**(2,480)**	**2,451**

COMPANY	2003 £'000	2002 £'000
Loss for the financial period	(31)	(80)
Net proceeds on issue of ordinary share capital	25	20
Net addition to shareholders' funds	(6)	(60)
Opening shareholders' funds	3,403	3,463
Closing shareholders' funds	**3,397**	**3,403**

24 ACQUISITIONS

During the year the Group made acquisitions for a total consideration of £46,186,031. These are analysed below:

	TANGIBLE AND INTANGIBLE ASSETS £'000	CASH £'000	CURRENT ASSETS £'000	CREDITORS £'000	PROVISIONS £'000	TOTAL NET ASSETS AT BOOK VALUE £'000	REVALUATION £'000	TOTAL NET ASSETS AT FAIR VALUE TO THE GROUP £'000
Lansdowne Road Limited	1,587	279	65	(434)	(37)	1,460	2,972	4,432
Independent Community Living Limited & Independent Community Living (Holdings) Limited	6,089	8	2,613	(3,567)	(120)	5,023	20,962	25,985
Strathmore College Limited & Strathmore Care Services Limited	278	632	90	(321)	(14)	665	-	665
Cranley Limited, Greymount Properties Limited and Highway (Burnley) Limited	495	15	73	(187)	(45)	351	2,192	2,543
Other acquisitions	11,916	-	-	-	-	11,916	645	12,561
Total	20,365	934	2,841	(4,509)	(216)	19,415	26,771	46,186

The contribution of the acquisitions to the turnover and operating profit, net operating cash flows and capital expenditure of the Group is set out below. The financing and taxation arrangements of the acquisitions have been integrated into the Group's existing operations and as a result are not separately disclosed.

	DATE OF ACQUISITION	NUMBER OF HOMES ACQUIRED	CONTRIBUTION TO TURNOVER £'000	CONTRIBUTION TO OPERATING PROFIT £'000	CONTRIBUTION TO OPERATING CASHFLOWS £'000	CONTRIBUTION TO CAPITAL EXPENDITURE £'000
Lansdowne Road Limited	24 March 2003	4	1,632	586	697	181
Independent Community Living Limited & Independent Community (Holdings) Limited	7 May 2003	13	8,526	2,036	2,558	50
Strathmore College Limited & Strathmore Care Services Limited	4 July 2003	6	769	121	231	7
Cranley Limited, Greymount Properties Limited and Highway (Burnley) Limited	17 Oct 2003	9	197	113	124	1
Other acquisitions		8	2,766	949	1,086	44
Total		40	13,890	3,805	4,696	283

25 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2003 £'000	2002 £'000
Operating profit	15,694	17,290
Depreciation on tangible fixed assets	9,864	7,488
Loss on disposal of fixed assets	99	138
Impairment of tangible fixed assets	3,264	375
Amortisation of goodwill	3,113	3,080
Decrease/(increase) in debtors	3,111	(2,789)
Decrease in stocks	-	17
Increase/(decrease) in creditors	4,962	(265)
Net cash inflow from operating activities	**40,107**	**25,334**

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2003 £'000	2002 £'000
26(A) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	782	130
Interest paid	(15,639)	(9,981)
Interest element of finance lease rental payments	(526)	(485)
Purchase of investments	(2)	-
Net cash outflow for returns on investments and servicing of finance	**(15,385)**	**(10,336)**
26(B) CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(12,496)	(7,297)
Sale of tangible fixed assets	844	401
Net cash outflow for capital expenditure and financial investment	**(11,652)**	**(6,896)**
26(C) ACQUISITIONS AND DISPOSALS		
Purchase of businesses	(46,186)	(31,805)
Net cash acquired with new acquisitions	934	1,248
Net cash outflow for acquisitions	**(45,252)**	**(30,557)**
26(D) ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD		
Increase of restricted deposit	(11,439)	(99)
New loan finance	278,848	24,611
Debt due beyond a year:		
Repayment of Loan Notes	(145,327)	(2,427)
Repayment of bank loan	(81,416)	(219)
Capital element of finance lease rental payments	(958)	(653)
Issue of ordinary share capital	25	4
Net cash inflow from financing	**39,733**	**21,217**

27 MOVEMENT IN CASH BALANCES

	2003 £'000	2002 £'000
At 1 January 2003	2,385	4,050
Acquisitions	934	1,248
Net cash inflow/(outflow)	5,514	(2,913)
At 31 December 2003	**8,833**	**2,385**

	CASH AT BANK AND IN HAND £'000	BANK OVERDRAFT £'000	TOTAL £'000
Analysis of cash balances			
At 1 January 2003	3,454	(1,069)	2,385
At 31 December 2003	**11,241**	**(2,408)**	**8,833**

28 ANALYSIS OF NET DEBT

	CASH AT BANK AND IN HAND £'000	OVERDRAFTS £'000	RESTRICTED DEPOSIT £'000	LOANS £'000	FINANCE LEASE OBLIGATIONS £'000	NET DEBT £'000
At 1 January 2003	(3,454)	1,069	(1,370)	255,210	3,947	255,402
Acquisitions	(934)				374	(560)
Net cash (inflow)/ outflow	(6,853)	1,339				(5,514)
Increase in restricted deposit			(11,439)			(11,439)
Repayment of loan finance				(218,439)		(218,439)
Payment of principal under finance leases					(958)	(958)
Inception of finance lease contracts (non-cash)					749	749
Amortisation of issue costs (non-cash)				7,865		7,865
New loans drawn down				278,848		278,848
Rolled up interest (non-cash)				8,588		8,588
Repayment of rolled up interest				(8,304)		(8,304)
At 31 December 2003	**(11,241)**	**2,408**	**(12,809)**	**323,768**	**4,112**	**306,238**

29 MAJOR NON-CASH TRANSACTIONS

The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of £749,396 (2002: £734,377).

30 CAPITAL COMMITMENTS

At 31 December 2003 Craegmoor Homes Limited had exchanged contracts to acquire the assets and trade of Oaklands (Derby) for a consideration of £775,000 and Stable Cottage and Tithe Barn for a consideration of £1,700,000. There were no other capital commitments at 31 December 2003 (2002: £Nil).

31 FINANCIAL COMMITMENTS

At 31 December 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	LAND AND BUILDINGS 2003 £'000	LAND AND BUILDINGS 2002 £'000
Expiring between two and five years inclusive	-	66
Expiring in more than five years	4,505	4,220
	4,505	**4,286**

32 POST BALANCE SHEET EVENTS

On 9 January 2004 Craegmoor Homes Limited purchased the assets and trade of Oaklands (Derby) for a consideration of £775,000. On 23 February 2004 Craegmoor Homes Limited purchased the assets and trade of Stable Cottage and Tithe Barn for a consideration of £1,700,000.

33 ULTIMATE PARENT UNDERTAKING

At 31 December 2003, Legal & General Group Plc owned 47.61% of the issued share capital of Craegmoor Limited via an intermediate subsidiary and a limited partnership. The directors consider that there is no single controlling party.

34 RELATED PARTY TRANSACTIONS

The legal fees charged by the legal practice of the Company Secretary to certain Group companies, BLG (Professional Services) Limited, during the period amounted to £1,152,392 (2002: £117,099). The creditor balance outstanding at 31 December 2003 amounted to £117,562 (2002: £48,922).

The fees charged by Legal & General Ventures Limited for professional services rendered during the period amounted to £35,250 (2002: £35,250). The creditor balance outstanding at 31 December 2003 amounted to £Nil (2002: £Nil). There are no other related party transactions requiring disclosure under FRS 8 "Related party disclosures".

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

35 INTERESTS IN GROUP UNDERTAKINGS

NAME OF UNDERTAKING	COUNTRY OF INCORPORATION OR REGISTRATION	DESCRIPTION OF SHARES HELD	PROPORTION OF NOMINAL VALUE OF ISSUED SHARES HELD %
Alphabet Children's (Fostering) Services Limited [5]	England & Wales	Ordinary £1 shares	100
Alphabet Children's Services Limited [5]	England & Wales	Ordinary £1 shares	100
Apdale Limited[16]	England & Wales	Ordinary £1 shares	100
Boughton Manor Nursing Home Limited [6]	England & Wales	Ordinary £1 shares	100
Challenge Care Limited [16]	England & Wales	Ordinary £1 shares	100
Comfort Services Limited [5]	England & Wales	Ordinary £1 shares	100
Concept Care Limited [6]	England & Wales	Ordinary £1 shares	100
Conquest Care Homes (March) Limited [17]	England & Wales	Ordinary £1 shares	100
Conquest Care Homes (Norfolk) Limited [5]	England & Wales	Ordinary £1 shares	100
Conquest Care Homes (Peterborough) Limited [5]	England & Wales	Ordinary £1 shares	100
Conquest Care Homes (Soham) Limited [5]	England & Wales	Ordinary £1 shares	100
Cotswold Care Services Limited [16]	England & Wales	Ordinary £1 shares	100
Craegmoor No. 2 Limited [8]	England & Wales	Ordinary £1 shares	100
Craegmoor Group Limited [10]	England & Wales	Ordinary £1 shares	100
Craegmoor Finance (No 2) PLC [5]	England & Wales	Ordinary £1 shares	100
Craegmoor Finance PLC [5]	England & Wales	Ordinary £1 shares	100
Craegmoor Funding PLC [5]	England & Wales	Ordinary £1 shares	100
Craegmoor Funding (No 2) Limited [5]	Cayman Islands	Ordinary £1 shares	100
Craegmoor Healthcare Company Limited [12]	England & Wales	Ordinary £1 shares	100
Craegmoor Holdings Limited [7]	England & Wales	Ordinary £1 shares	100
Craegmoor Homes Limited [9]	England & Wales	Ordinary £1 shares	100
Craegmoor Investments Limited [9]	England & Wales	Ordinary £1 shares	100
Cranley Limited [9]	England & Wales	Ordinary £1 shares	100
Ferguson Care Limited [5]	England & Wales	Ordinary £1 shares	100
Forward Housing Limited [16]	England & Wales	Ordinary £1 shares	100
Greymount Properties Ltd [11]	England & Wales	Ordinary £1 shares	100
Grovedraft Limited [16]	England & Wales	Ordinary £1 shares	100
GWS Claremont Limited [16]	England & Wales	Ordinary £1 shares	100
Health & Care Services Humbs. Limited [1]	England & Wales	Ordinary £1 shares	100
Health & Care Services (NW) Limited [1]	England & Wales	Ordinary £1 shares	100
Health & Care Services (UK) Limited [5]	England & Wales	Ordinary £1 shares	100
Health & Care Services Yorks Limited [1]	England & Wales	Ordinary £1 shares	100
Heddfan Care Limited [15]	England & Wales	Ordinary £1 shares	100
Highway (Burnley) Limited [11]	England & Wales	Ordinary £1 shares	100
Independent Community Living Limited [14]	England & Wales	Ordinary £1 shares	100
Independent Community Living (Holdings) Limited [13]	England & Wales	Ordinary £1 shares	100
Innova Healthcare Limited [3]	England & Wales	Ordinary £1 shares	100
Inputrelate Limited [12]	England & Wales	Ordinary £1 shares	100
Irvine Care Limited [3]	England & Wales	Ordinary £1 shares	100
J C Care Limited [12]	England & Wales	Ordinary £1 shares	100
Johnston Care Limited [16]	England & Wales	Ordinary £1 shares	100
Lansdowne Road Limited [15]	England & Wales	Ordinary £1 shares	100
La Pierre Care Homes Limited [16]	England & Wales	Ordinary £1 shares	100
London Parkcare Limited [5]	England & Wales	Ordinary £1 shares	100
Lothlorien Community Limited [15]	England & Wales	Ordinary £1 shares	100
		Ordinary £100 shares	100
Parkcare Homes Limited [5]	England & Wales	Ordinary £1 shares	100
Parkcare Homes (No.2) Limited [12]	England & Wales	Ordinary £1 shares	100
RJ Homes Limited [15]	England & Wales	Ordinary £1 shares	100
Southbank Private Nursing Home Limited [6]	England & Wales	Ordinary £1 shares	100

35 INTERESTS IN GROUP UNDERTAKINGS (CONTINUED)

NAME OF UNDERTAKING	COUNTRY OF INCORPORATION OR REGISTRATION	DESCRIPTION OF SHARES HELD	PROPORTION OF NOMINAL VALUE OF ISSUED SHARES HELD %
Southern Counties Care Limited [5]	England & Wales	Ordinary £1 shares	100
Specialised Courses Offering Purposeful Education Limited [2]	England & Wales	Ordinary £1 shares	100
Speciality Care (Addison Court) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care (Care Homes) Limited [5]	England & Wales	Ordinary £1 shares	100
Speciality Care (Cedar Grove) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care (EMI) PLC [3]	England & Wales	10p ordinary shares	100
		10p convertible preference - shares	100
Speciality Care (Learning Disabilities) Limited [5]	England & Wales	Ordinary £1 shares	100
Speciality Care (Medicare) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care (Rehab) Limited [5]	England & Wales	Ordinary £1 shares	100
Speciality Care (Reit Homes) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care (Rest Care) Limited [5]	England & Wales	Ordinary £1 shares	100
Speciality Care (Rest Homes) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care (UK Lease Homes) Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Care Limited [9]	England & Wales	10p ordinary shares	100
		£1 cumulative redeemable preference shares	100
Speciality Equestrian Centre Limited [3]	England & Wales	Ordinary £1 shares	100
Speciality Healthcare Limited [5]	England & Wales	Ordinary £1 shares	100
Spring Crescent Limited [16]	England & Wales	Ordinary £1 shares	100
Strathmore Care Services Limited [15]	England & Wales	Ordinary £1 shares	100
Strathmore College Limited [16]	England & Wales	Ordinary £1 shares	100
Treehome Limited [16]	England & Wales	Ordinary £1 shares	100
Ty-Craig Nursing Home Limited [6]	England & Wales	Ordinary £1 shares	100
Yorkshire Care Homes Limited [4]	England & Wales	Ordinary £1 shares	100
Yorkshire Parkcare Company Limited [5]	England & Wales	Ordinary £1 shares	100

[1] Owned by Health & Care Services (UK) Limited
[2] Owned by Speciality Care (Medicare) Limited
[3] Owned by Speciality Care Limited
[4] Owned by Yorkshire Parkcare Company Limited
[5] Owned by Craegmoor Holdings Limited
[6] Owned by Parkcare Homes Limited
[7] Owned by Craegmoor Healthcare Company Limited
[8] Owned by Craegmoor Limited
[9] Owned by Craegmoor Group Limited
[10] Owned by Craegmoor No 2 Limited
[11] Owned by Cranley Limited
[12] Owned by Craegmoor Investments Limited
[13] Owned by Inputrelate Limited
[14] Owned by Independent Community Living (Holdings) Limited
[15] Owned by JC Care Limited
[16] Owned by Parkcare Homes (No.2) Limited
[17] Owned by Conquest Care Homes (Peterborough) Limited

All the above companies operated in their country of incorporation or registration. With the exception of Craegmoor Finance PLC, Craegmoor Finance (No 2) PLC, Craegmoor Funding PLC, Craegmoor Funding (No 2) Limited, Craegmoor Group Limited, Craegmoor Investments Limited, Craegmoor No.2 Limited, Inputrelate Limited and Speciality Care Limited, the principal activity of all subsidiary undertakings is the operation of care homes. The principal activity of Craegmoor No.2 Limited, Craegmoor Finance PLC, Craegmoor Finance (No 2) PLC, Craegmoor Funding PLC and Craegmoor Funding (No 2) Limited is the provision of funds to Craegmoor Group Limited and its subsidiaries. The principal activity of Craegmoor Group Limited, Craegmoor Investments Limited, Inputrelate Limited, Cranley Limited, Independent Community Living (Holdings) Limited and Speciality Care Limited is as an intermediate holding company.

DIRECTORS AND ADVISERS

NON-EXECUTIVE CHAIRMAN
Hugh Aldous

EXECUTIVE DIRECTORS
John Newell
Richard Saville (appointed 1 December 2003)
Paul Hayes (appointed 1 September 2003)
Michael Stratford
Frank Richardson (resigned 2 April 2004)

NON-EXECUTIVE DIRECTORS
Michael Mowlem
Brian Phillips
Patrick Sellers (appointed 24 February 2004)
Julian Carr (resigned 24 February 2004)

SECRETARY
BLG (Professional Services) Limited
Beaufort House
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
Birmingham B3 2DT

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

Simon Bishop and Partners
Hillcairnie
St Andrew's Road
Droitwich
Worcestershire WR9 8DJ

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

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £M	2002 £M	INCREASE/ (DECREASE)
Turnover	158.6	124.6	27%
Operating profit	15.7	17.3	(9%)
Exceptional items and goodwill amortisation	6.4	3.5	
Operating profit before exceptional items and goodwill amortisation	22.1	20.8	6%
Depreciation	9.8	7.5	
EBITDA[1]	31.9	28.3	13%
Rent[2]	4.7	4.4	
EBITDAR[3]	36.6	32.7	12%

PERFORMANCE SUMMARY

	2003 £M	2002 £M	2001 £M	2000 £M	1999 £M
Turnover	158.6	124.6	104.3	90.8	78.0
Operating profit	15.7	17.3	13.2	10.4	8.8
Exceptional items and goodwill amortisation	6.4	3.5	2.0	2.8	4.0
Operating profit before exceptional items and goodwill amortisation	22.1	20.8	15.2	13.2	12.8
Depreciation	9.8	7.5	5.3	4.5	3.9
EBITDA[1]	31.9	28.3	20.5	17.7	16.7
Rent[2]	4.7	4.4	4.2	4.0	3.5
EBITDAR[3]	36.6	32.7	24.7	21.7	20.2

[1]*EBITDA represents earnings before interest, tax, depreciation, goodwill amortisation and exceptional items.*

[2]*Operating rentals are on land and buildings only.*

[3]*EBITDAR represents earnings before interest, tax, depreciation, goodwill amortisation, exceptional items and rent.*

Craegmoor Limited, Craegmoor House, Perdiswell Park, Worcester WR3 7NW
T: 01905 459 800 F: 01905 459 801 E: enquiries@craegmoor.co.uk
www.craegmoor.co.uk

Craegmoor
Healthcare

Caring for the individual