

**ST. ANDREWS
HOMES LIMITED**

REPORT & ACCOUNTS

4 March 2004

Registered number 359470



ST. ANDREWS HOMES LIMITED

DIRECTORS: A C Parker (resigned 13 September 2004)
G R L Windle
S P Lambert
P Dempsey (appointed 13 September 2004)

SECRETARY: E A Thorpe (resigned 30 January 2004)
R W Fairhurst (appointed 30 January 2004)
D C Lowry (appointed 30 January 2004)

AUDITORS: Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE: 25th Floor
CityPoint
One Ropemaker Street
London
EC2Y 9HX

REGISTERED NUMBER: 359470

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ended 4 March 2004.

Principal activity and review of business development

The company operates thirteen nursing and residential homes for the elderly. The homes are managed by Highfield Group under a management contract. On 2 March 2003 the trade and assets of the subsidiary St Martins Care Homes Investments Limited were transferred to the company.

Results and dividends

The loss for the year after tax amounted to £320,447 (2002/3 - 553,813). The directors do not recommend the payment of a dividend.

Directors

The Directors of the company at the year end are listed on page 1.

Directors' interests

The beneficial interests of the directors in shares and options over the ordinary shares in the holding company, Whitbread PLC including shares under the Whitbread PLC Share Ownership Scheme are disclosed in the accounts of Whitbread Plc (AC Parker) and Whitbread Hotel Company Limited (GRL Windle and SP Lambert).

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the company and a resolution proposing their re-appointment will be put to shareholders at the AGM.

By order of the board



SECRETARY

31 JAN 2004/5 

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN
RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 12 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of St. Andrews Homes Limited

We have audited the company's financial statements for the year ended 4 March 2004 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

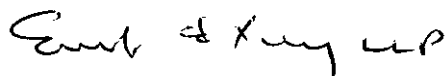
Basis of audit opinion

We conducted our audit in accordance with 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 at 4 March 2004 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

31 JAN 2004/5

PROFIT AND LOSS ACCOUNT

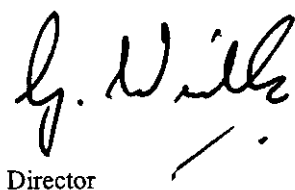
<u>Year ended 4 March 2004</u>	<u>Notes</u>	<u>2003/4</u> £	<u>2002/3</u> (restated) £
TURNOVER		10,422,542	9,661,506
Cost of Sales		(8,880,455)	(7,567,956)
GROSS PROFIT		1,542,087	2,093,550
Administrative expenses		(1,879,050)	(2,868,949)
Operating loss before operating exceptional items		(336,963)	(775,399)
Operating exceptional items			
Impairment of investment	2	(124,505)	-
OPERATING LOSS	2	(461,468)	(775,399)
Dividend receivable from subsidiary	7	113,535	-
Non operating items			
Loss on disposal of fixed assets		25	(461)
LOSS BEFORE INTEREST		(347,908)	(775,860)
Interest	4	23,520	2,655
LOSS BEFORE TAXATION		(324,388)	(773,205)
Taxation	5	3,941	219,392
RETAINED LOSS FOR THE YEAR	13	(320,447)	(553,813)

All activities were continuing during the year.

There were no recognised gains or losses in the year other than those reported in the profit and loss account.

BALANCE SHEET**4 March 2004**

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
FIXED ASSETS			
Tangible fixed assets	6	815,180	315,642
Investments	7	<u>2</u>	<u>124,507</u>
		815,182	440,149
CURRENT ASSETS			
Debtors	8	5,165,758	4,571,881
Cash at bank and in hand		<u>103,036</u>	<u>246,428</u>
		5,268,794	4,818,309
CREDITORS - amounts falling due within one year	9	<u>(4,754,999)</u>	<u>(3,605,093)</u>
NET CURRENT ASSETS		<u>513,795</u>	<u>1,213,216</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,328,977	1,653,365
CREDITORS - amounts falling due after more than one year	10	(286,492)	(286,492)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(4,654)	(8,595)
TOTAL ASSETS LESS LIABILITIES		<u>1,037,831</u>	<u>1,358,278</u>
CAPITAL AND RESERVES			
Called up share capital	12	307,133	307,133
Profit and loss account	13	730,698	1,051,145
EQUITY SHAREHOLDERS' FUNDS	14	<u>1,037,831</u>	<u>1,358,278</u>


Director

G.V.

31 JAN 2004/5

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of property, and in accordance with applicable Accounting Standards. In accordance with the exemption granted by s228 Companies Act 1985, the company does not prepare consolidated group accounts, as a subsidiary undertaking of a European Economic Area parent company.

Tangible fixed assets

Fixed assets are stated at cost.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives as follows:

- Freehold land is not depreciated
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- Leasehold properties are depreciated to their estimated residual values over the shorter of 50 years, their estimated useful lives and their remaining lease periods.
- Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.
- Motor vehicles are depreciated over 4 to 10 years.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of the fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and net book value at the date of disposal.

Turnover

Turnover is the value of goods and services sold, within the UK, as part of the company's continuing ordinary activities after deducting sales based taxes.

Leases

Assets acquired under finance lease are capitalised in the balance sheet and depreciated over their useful lives. The interest element is charged to the profit and loss account over the term of the contract. Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Cashflow

As permitted by Financial Reporting Standard No.1 (revised) a cashflow has not been prepared as the company is a wholly owned subsidiary of a European Community parent.

Comparative amounts

Comparative amounts are restated where necessary to conform to current presentation.

NOTES TO THE ACCOUNTS**1. CHANGES IN ACCOUNTING POLICIES**

The profit and loss account has been adjusted to reflect the current profile of St Andrews Homes Limited's predominantly retail business. The major change is that costs of its operating outlets are now classified as distribution costs whereas previously they were classified as costs of sale. Comparative figures have been restated accordingly. The effect on the 2003 numbers has been to reduce cost of sales by £983,134 and increase administration expenses by £983,134. There is no effect on operating profit.

2. PROFIT AND LOSS ACCOUNT DETAILS

	<u>2003/4</u>	<u>2002/3</u>
	£	£
Operating loss is after charging:		
Depreciation of tangible fixed assets (see note 6)	107,703	50,405
Operating leases	2,064,993	2,068,277
Other equipment hire	-	23,891
Write down of investment	124,505	-
Audit fees	<u>12,500</u>	<u>9,700</u>

All turnover is derived from the United Kingdom.

3. STAFF COSTS

The company has no direct employees of its own. Staff are provided by Highfield Care Management Ltd who are then recharged. No director received any remuneration from the company during the year.

4. INTEREST

	<u>2003/4</u>	<u>2002/3</u>
	£	£
Interest payable and similar charges		
Bank interest	-	9,780
Finance lease	-	2,259
	-	12,039
Deduct:		
Interest receivable on short term deposits	<u>(23,520)</u>	<u>(14,694)</u>
	<u>(23,520)</u>	<u>(2,655)</u>

NOTES TO THE ACCOUNTS**5. TAX**

	<u>2003/4</u>	<u>2002/3</u>
	£	£
Current tax on losses for the year		
U.K. Corporation Tax	-	(239,867)
Adjustments to UK Corporation Tax for earlier periods	-	12,431
Total current tax	-	(227,436)
Deferred tax		
Timing differences	(12,992)	8,044
Adjustment to deferred tax for earlier years	9,051	-
Total deferred tax	(3,941)	8,044
Total tax (credit) / charge	(3,941)	(219,392)
Factors affecting the tax (credit) / charge for the year		
Loss before tax	(324,388)	(773,205)
Tax at current UK Corporation tax rate of 30% (2002/3 - 30%)	(97,316)	(231,962)
Effect of		
Expenses not deductible for tax purposes	37,352	139
Non taxable income	(34,061)	-
Capital Allowances in excess of Depreciation	(13,212)	(8,044)
Other timing differences	28,724	-
Adjustments to earlier periods	-	12,431
Group relief surrendered	78,513	-
Current tax (credit) / charge for the period	-	(227,436)

6. TANGIBLE FIXED ASSETS

	Retail - Land & buildings	Retail - Furniture, fixtures & equipment	Total
	£	£	£
Gross amounts 1 March 2003	-	364,120	364,120
Additions	11,750	358,569	370,319
Transfers in from group company	511,300	-	511,300
Gross amounts 4 March 2004	523,050	722,689	1,245,739
Depreciation 1 March 2003	-	(48,478)	(48,478)
Depreciation for the year	-	(107,703)	(107,703)
Transfers in from group company	(274,378)	-	(274,378)
Depreciation 4 March 2004	(274,378)	(156,181)	(430,559)
Net book amounts 4 March 2004	248,672	566,508	815,180
Net book amounts 1 March 2003	-	315,642	315,642

NOTES TO THE ACCOUNTS**7. INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	£
Shares at valuation - 1 March 2003	124,507
Write down of investment (see below)	<u>(124,505)</u>
Shares at valuation - 4 March 2004	<u><u>2</u></u>

Write down of investment

During the year St Martins Care Home Investments Ltd proposed and paid an interim dividend of £113,535 payable to St Andrews Homes Limited clearing its reserves down to £nil. The dividend receivable has been shown within the profit and loss account. This has resulted in a write down of the investment by £124,505 to net asset value.

	<u>Principal activities</u>	<u>Country of incorporation or registration</u>	<u>Country of principal operations</u>	<u>% equity holding</u>
St. Martins Care Home Investments Ltd	Care Home	England	England	100

8. DEBTORS

	<u>2004</u>	<u>2003</u>
	£	£
Trade debtors	1,538,013	514,563
Prepayments and accrued income	304,684	515,786
Other debtors	18,827	237,298
Amounts due from group and parent undertakings	<u>3,304,234</u>	<u>3,304,234</u>
	<u><u>5,165,758</u></u>	<u><u>4,571,881</u></u>

Amounts due from group and parent undertakings have no fixed repayment date.

NOTES TO THE ACCOUNTS**9. CREDITORS - amounts falling due within one year**

	2004	2003
	£	£
Trade creditors	257,346	455,578
Amounts due to group and parent undertakings	3,227,015	2,543,629
Other taxes and social security	87,170	83,130
Finance leases	-	782
Accruals and deferred income	1,119,804	378,443
Other creditors	63,664	143,531
	<u>4,754,999</u>	<u>3,605,093</u>

10. CREDITORS - amounts falling due in greater than one year

	2004	2003
	£	£
Loan notes	286,492	286,492
	<u>286,492</u>	<u>286,492</u>

Interest accrues on a daily basis at a rate of LIBOR minus 0.65%. All or any part of the loan notes are repayable on demand on 12 June 2011 or any day thereafter upto 2013. The loan notes are unsecured but are guaranteed by Whitbread Group Plc.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation	Total
	£	£
1 March 2003	8,595	8,595
Movement in the year	(3,941)	(3,941)
4 March 2004	<u>4,654</u>	<u>4,654</u>

12. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	£	£	£	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>307,133</u>	<u>307,133</u>

13. RESERVES

	Profit & loss account
	£
1 March 2003	1,051,145
Loss retained	(320,447)
4 March 2004	<u>730,698</u>

NOTES TO THE ACCOUNTS**14. MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2004</u>	<u>2003</u>
	£	£
Shareholders' funds at 1 March 2003	1,358,278	1,912,091
Loss retained for ordinary shareholders	<u>(320,447)</u>	<u>(553,813)</u>
Shareholders' funds at 4 March 2004	<u><u>1,037,831</u></u>	<u><u>1,358,278</u></u>

15. LEASE COMMITMENTS

	<u>2004</u>	<u>2003</u>
	£	£
Annual payments under operating leases which expire After five years - property	<u>2,068,277</u>	<u>2,068,277</u>
	<u><u>2,068,277</u></u>	<u><u>2,068,277</u></u>

16. RELATED PARTIES

The company is a wholly owned subsidiary of Whitbread PLC and has taken advantage of the exemption given in Financial Reporting Standard No.8 not to disclose transactions with other group companies.

17. PARENT UNDERTAKING

The company's immediate parent undertaking is Whitbread Hotel Company Limited, registered in England and Wales. It has included the company in its group financial statements, copies of which are available from its registered office: 25th Floor, City Point, One Ropemaker Street, London, EC2Y 9HX.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from its registered office: 25th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9HX.