

**ST. ANDREWS
HOMES LIMITED**

REPORT & ACCOUNTS

2 March 2002



Registered number 359470

ST. ANDREWS HOMES LIMITED

DIRECTORS:

A C Parker
G R L Windle
S P Lambert

SECRETARY:

M Buxton-Smith (resigned 25 September 2002)
E A Thorpe

AUDITORS:

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London
SE1 7EU

REGISTERED OFFICE:

Whitbread House
Park Street West
Luton
LU1 3BG

REGISTERED NUMBER:

359470

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ended 2 March 2002.

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. The 13 homes were previously in administration and therefore no trading results are shown in the 2001 accounts. The homes came out of administration during November and December 2001 and the 2002 accounts reflect approximately 4 months of trading.

During the year St Andrews Homes received income of £850,734 from the administrators. This related to rents paid by its parent company during the period of administration.

Results and dividends

The loss for the year after tax amounted to £1,046,625 (2000/1 - £9,284). 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

According to the register maintained as required under the Companies Act 1985, 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 as follows:

Ordinary shares	<u>2 March 2002</u>	<u>3 March 2001</u>
A C Parker	11,949	14,009
G R L Windle	13,987	20,211
S P Lambert (appointed 01/02/02)	-	-

R W Parker resigned as director of the Company on 31st December 2001. S P Lambert was appointed on 1st February 2002.

ST. ANDREWS HOMES LIMITED

Options over ordinary shares

During the year the following movements in options over the ordinary share capital of the holding company, Whitbread PLC, took place:-

		<u>Options held at 4.03.01 or date of appointment (*)</u>	<u>Options granted</u>		<u>Options exercised/ (Options lapsed)</u>		<u>Options held at 2.3.02</u>
			<u>Number</u>	<u>Price (p)</u>	<u>Number</u>	<u>Price (p)</u>	
A C Parker	a	146,200	50,000	661.4	-	-	196,200
	b	-	3,839	431.0	-	-	3,839
	c	50,308	-	-	-	-	50,308
G R L Windle	a	58,600	20,000	661.4	1,900	416.2	
					1,600	456.8	
					6,500	498.8	
					17,300	537.6	
							51,300
	b	3,858	-	-	-	-	3,858
S P Lambert	a	22,000 *	-	-	-	-	22,000
	b	2,345 *	-	-	-	-	2,345

(a) the Executive Share Option Scheme

(b) the Savings Related Share Option Scheme

(c) the Long Term Incentive Plan

Details of the performance criteria for the Long Term Incentive Plan are set out in the Whitbread PLC annual report and accounts for 2001/02.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the company. A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the annual general meeting.

By order of the board

A. Thayer

SECRETARY

2 May

2003

**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 5, 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 6 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 2 March 2002 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.

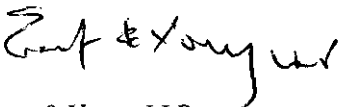
Basis of opinion

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.

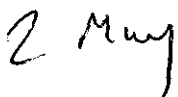
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2 March 2002 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



2003

PROFIT AND LOSS ACCOUNT

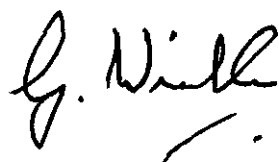
<u>Year ended 2 March 2002</u>	<u>Notes</u>	<u>2001/2</u> £	<u>2000/1</u> £
TURNOVER		2,560,408	-
Cost of Sales		(2,287,160)	-
GROSS PROFIT		273,248	-
Administrative expenses		(637,835)	(13,263)
Operating loss before operating exceptional items		(364,587)	(13,263)
Operating exceptional items			
Other income	2	850,734	-
Impairment of investment	2	(1,382,333)	-
OPERATING LOSS	2	(896,186)	(13,263)
Interest	4	(2,707)	-
LOSS BEFORE TAXATION		(898,893)	(13,263)
Taxation	5	(147,732)	3,979
RETAINED LOSS FOR THE YEAR	13	(1,046,625)	(9,284)

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**2 March 2002**

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
FIXED ASSETS			
Tangible fixed assets	6	124,173	-
Investments	7	124,507	-
		<u>248,680</u>	<u>-</u>
CURRENT ASSETS			
Debtors	8	4,043,677	3,213,737
Cash at bank and in hand		150,192	-
		<u>4,193,869</u>	<u>3,213,737</u>
CREDITORS - amounts falling due within one year	9	<u>(2,243,415)</u>	<u>(255,021)</u>
NET CURRENT ASSETS		<u>1,950,454</u>	<u>2,958,716</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,199,134</u>	<u>2,958,716</u>
CREDITORS - amounts falling due after more than one year	10	(286,492)	-
PROVISIONS FOR LIABILITIES AND CHARGES	11	(551)	-
TOTAL ASSETS LESS LIABILITIES		<u><u>1,912,091</u></u>	<u><u>2,958,716</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	307,133	307,133
Profit and loss account	13	1,604,958	2,651,583
EQUITY SHAREHOLDERS' FUNDS	14	<u><u>1,912,091</u></u>	<u><u>2,958,716</u></u>



Director

2 May 2003

ACCOUNTING POLICIES

Basis of accounts

The 13 homes were previously in administration and therefore no trading results are shown in the 2001 accounts. The homes came out of administration during November and December 2001 and the accounts reflect approximately 4 months of trading.

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 TO ACCOUNTING POLICIES**

FRS 19 (Deferred Tax) has been adopted in the current year. It has had no effect on the reported figures.

FRS 18 (Accounting Policies) has been adopted in the current year. It has had no effect on the reported figures.

2. PROFIT AND LOSS ACCOUNT DETAILS

	<u>2001/2</u>	<u>2000/1</u>
	£	£
Operating loss is after charging / (crediting):		
Depreciation of tangible fixed assets (see note 6)	9,284	-
Operating leases	451,537	-
Refund of operating lease payments (* see below)	(850,734)	-
Other equipment hire	150	-
Impairment of investment (see note 7)	1,382,333	-
Audit fees	<u>12,296</u>	<u>-</u>

* These relate to rents paid under privity of contract by the parent company prior to the homes being acquired from the receiver.

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>2001/2</u>	<u>2000/1</u>
	£	£
Interest payable and similar charges		
Bank interest	4,314	-
Finance lease	<u>1,926</u>	<u>-</u>
	6,240	-
Deduct:		
Interest receivable on short term deposits	<u>(3,533)</u>	<u>-</u>
	<u>2,707</u>	<u>-</u>

NOTES TO THE ACCOUNTS**5. TAXATION**

	<u>2001/2</u>	<u>2000/1</u>
	£	£
Current taxation on profits for the year		
UK Corporation tax	147,181	(3,979)
	<u>147,181</u>	<u>(3,979)</u>
Deferred tax		
Timing differences	551	-
Total deferred taxation	<u>551</u>	<u>-</u>
Total tax charge	<u>147,732</u>	<u>(3,979)</u>
Factors affecting the tax charge for the year		
Loss before tax	(898,893)	(13,263)
Tax at current UK Corporation tax rate of 30% (2001 - 30%)	(269,668)	(3,979)
Effect of		
Expenses not deductible for tax purposes	2,700	-
Impairment of investment	414,700	-
Capital Allowances in excess of Depreciation	(551)	-
Current tax charge for the period	<u>147,181</u>	<u>(3,979)</u>

6. TANGIBLE FIXED ASSETS

	Retail - Furniture, fixtures & equipment	Total
	£	£
Gross amounts 3 March 2001	-	-
Additions	133,457	133,457
Gross amounts 2 March 2002	<u>133,457</u>	<u>133,457</u>
Depreciation 3 March 2001	-	-
Depreciation for the year	(9,284)	(9,284)
Depreciation 2 March 2002	<u>(9,284)</u>	<u>(9,284)</u>
Net book amounts 2 March 2002	<u>124,173</u>	<u>124,173</u>
Net book amounts 3 March 2001	<u>-</u>	<u>-</u>

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

Shares at cost	£
3 March 2001	-
Additions (see below)	1,506,840
Impairment of investment (see below)	(1,382,333)
2 March 2002	<u>124,507</u>

	Principal activities	Country of incorporation or registration	Country of principal operations	% equity holding
St. Martins Care Home Investments Ltd (formerly Neptune Care Homes Investments Limited)	Care Home	England	England	100

On 12 June 2001 100% of the ordinary share capital of Neptune Care Home Investments Limited was purchased by St. Andrews Homes Limited for a total consideration of £1,506,840 and impaired to the value of the net assets of the company.

8. DEBTORS

	2002 £	2001 £
Trade debtors	542,281	-
Prepayments and accrued income	239,092	-
Other debtors	48,567	-
Amounts due from group and parent undertakings	<u>3,213,737</u>	<u>3,213,737</u>
	<u>4,043,677</u>	<u>3,213,737</u>

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

9. CREDITORS- amounts falling due within one year

	2002 £	2001 £
Trade creditors	111,850	-
Amounts due to group and parent undertakings	1,137,439	-
Corporation Tax	452,289	255,021
Other taxes and social security	61,098	-
Finance leases	9,627	-
Accruals and deferred income	372,563	-
Other creditors	<u>98,549</u>	<u>-</u>
	<u>2,243,415</u>	<u>255,021</u>

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

	2002 £	2001 £
Loan notes	<u>286,492</u>	<u>-</u>
	<u>286,492</u>	<u>-</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.

NOTES TO THE ACCOUNTS**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Deferred Taxation</u>	<u>Total</u>
	£	£
3 March 2001	-	-
Addition	551	551
2 March 2002	<u>551</u>	<u>551</u>

12. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	2002	2001	2002	2001
	£	£	£	£
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

	<u>Profit & loss account</u>
	£
3 March 2001	2,651,583
Profit / (loss) retained	<u>(1,046,625)</u>
2 March 2002	<u>1,604,958</u>

14. MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
	£	£
Shareholders' funds at 3 March 2001	2,958,716	2,968,000
Profit / (loss) retained for ordinary shareholders	<u>(1,046,625)</u>	<u>(9,284)</u>
Shareholders' funds at 2 March 2002	<u>1,912,091</u>	<u>2,958,716</u>

15. LEASE COMMITMENTS

	<u>2002</u>	<u>2001</u>
	£	£
Annual payments under operating leases which expire After five years - property	<u>2,068,059</u>	<u>-</u>
	<u>2,068,059</u>	<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 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 CityPoint, One Ropemaker Street, London EC2Y 9HX.