

Avalon Nursing Homes Limited

**Directors' report and financial
statements**

Registered number 2653123

31 March 2003



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Directors' report

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

Principal activities

The principal activity of the company is the ownership and management of nursing and care homes.

Business review

On 12 February 2003, the entire issued share capital of the company was acquired by Barchester Healthcare Homes Limited.

The directors are satisfied with the result for the period and are confident of continued profitability. Details of the result for the period are set out in the profit and loss account on page 4.

Proposed dividend

An interim dividend of £77,000 (2002: £61,000) was paid during the year. The directors do not recommend the payment of a final dividend (2002: £20,000).

Directors and directors' interests

The directors who held office during the period were as follows:

MJ Newman	(resigned 12 February 2003)
CJ Atkinson	(resigned 12 February 2003)
SA Newman	(resigned 12 February 2003)
D Duncan	(appointed 12 February 2003)
M Parsons	(appointed 12 February 2003)

None of the directors who held office at the end of the financial period had any disclosable interests in the shares of the company.

The directors' interests in the shares of the parent company are detailed in the directors' report of that company.

Auditors

PKF resigned as auditors on 12 February 2003 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D Duncan
Company Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

19 APRIL

2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.



Plym House
3 Longbridge Road
Marsh Mills
Plymouth PL6 8LT
United Kingdom

Independent auditors' report to the members of Avalon Nursing Homes Limited

We have audited the financial statements on pages 4 to 12.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27 April 2004

Profit and loss account
for the year ended 31 March 2003

	<i>Notes</i>	2003	2002
		£000	as restated £000
Turnover	<i>1</i>	4,694	4,358
Cost of services		(2,975)	(3,098)
Gross profit		1,719	1,260
Administrative expenses		(818)	(598)
Operating profit	<i>3</i>	901	662
Interest receivable and similar income	<i>6</i>	3	2
Interest payable and similar charges	<i>7</i>	(228)	(293)
Profit on ordinary activities before taxation		676	371
Tax on profit on ordinary activities	<i>8</i>	(4)	(216)
Profit on ordinary activities after taxation		672	155
Equity dividends	<i>9</i>	(77)	(81)
Profit retained for the financial period		595	74

A statement of movements on reserves is given in note 16.

There were no acquisitions or discontinued activities in either period.

Statement of total recognised gains and losses
for the year ended 31 March 2003

	2003	2002
	£000	as restated £000
Profit for the financial year	672	155
Total recognised gains and losses relating to the financial year	672	155
Prior year adjustment (as explained in note 2)	(1,681)	
Total gains and losses recognised since last annual report	(1,009)	

Balance sheet
at 31 March 2003

	Notes	2003		2002 as restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		6,036		6,152
Current assets					
Stocks	11	3		3	
Debtors	12	83		41	
Cash at bank and in hand		448		2	
		<u>534</u>		<u>46</u>	
Creditors: amounts falling due within one year	13	<u>(594)</u>		<u>(1,185)</u>	
Net current liabilities			(60)		(1,139)
Total assets less current liabilities			5,976		5,013
Creditors: amounts falling due after more than one year	14		(3,417)		(2,851)
Provisions for liabilities and charges	15		(143)		(341)
Net assets			<u>2,416</u>		<u>1,821</u>
Capital and reserves					
Called up share capital	18		100		100
Share premium account	16		20		20
Profit and loss account	16		2,296		1,701
Equity shareholder's funds			<u>2,416</u>		<u>1,821</u>

These financial statements were approved by the board of directors on 19 APRIL 2004 and were signed on its behalf by:



M Parsons
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

During the year the directors formed the opinion that the annual revaluation of freehold property was not the most appropriate accounting policy for the company. Consequently, the accounting policy was changed to one of holding freehold property at cost. The comparative figures have been restated accordingly.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barchester Healthcare Limited and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Fixtures and fittings	-	10 years
Motor vehicles	-	4 years

Freehold land is not depreciated.

The estimated residual value of the company's freehold buildings reflects the high quality nature of these assets and the group's practice to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time.

Following the acquisition of the company's entire share capital by Barchester Healthcare Homes Limited during the period, some methods of depreciation were changed to align them with those of the company's new parent.

Turnover

Turnover relates to income received from residents of the company's nursing and care homes.

Stocks

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

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Finance and operating leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

2 Prior year adjustment

	Freehold land & buildings Cost £000	Freehold land & buildings Accumulated depreciation £000	Equity shareholders' funds £000
<i>Accounting policy change</i>			
Adjustment to eliminate historic revaluations	(1,695)	14	(1,681)
Total adjustments	(1,695)	14	(1,681)
Balance at 31 March 2002 as previously stated	7,423	(187)	3,502
Balance at 31 March 2002 as restated	5,728	(173)	1,821

During the year the directors formed the opinion that the annual revaluation of freehold property was not the most appropriate accounting policy for the company. Consequently, the accounting policy was changed to one of holding freehold property at cost. The comparative figures have been restated accordingly.

The profit for the year ended 31 March 2002 has increased by £7,000 as a result of this prior year adjustment and the change in accounting policy has also increased profit for the year ended 31 March 2003 by £7,000. The brought forward profit and loss account reserve as at 1 April 2001 has reduced by £79,000 as a result of this prior year adjustment.

3 Operating profit

	2003 £000	2002 £000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration	5	7
Depreciation of owned tangible fixed assets	170	160
Depreciation of fixed assets under finance lease or hire purchase contracts	9	10
Operating lease rentals:		
Plant & machinery	12	14
Other	9	10

4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	144	153

5 Staff numbers and costs

	2003 £000	2002 £000
Wages and salaries	2,288	2,018
Social security costs	162	140
Other pension costs	24	25
	2,474	2,183

Notes (continued)

5 Staff numbers and costs (continued)

The average monthly number of employees, including executive directors, during the year was:

	2003 No.	2002 No.
Administration	5	6
Nursing staff	209	184
	<hr/>	<hr/>
	214	190
	<hr/>	<hr/>

6 Interest receivable and similar income

	2003 £000	2002 £000
Other interest receivable	3	2
	<hr/>	<hr/>

7 Interest payable and similar charges

	2003 £000	2002 £000
On bank loans and overdrafts	225	290
Finance charges payable in respect of finance leases and hire purchase contracts	3	3
	<hr/>	<hr/>
	228	293
	<hr/>	<hr/>

8 Taxation

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the period	194	70
Adjustments in respect of prior periods	8	-
	<hr/>	<hr/>
Total current tax charge	202	70
<i>Deferred tax</i> (see note 15)		
Origination/reversal of timing differences	32	146
Adjustment in respect of previous years	(230)	-
	<hr/>	<hr/>
	4	216
	<hr/>	<hr/>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £000	2002 as restated £000
Current tax reconciliation		
Profit on ordinary activities before tax	676	371
Current tax at 30% (2002: 30%)	203	111
Effects of:		
Expenses not deductible for tax purposes (primarily depreciation on non-qualifying assets)	23	4
Capital allowances in period in excess of depreciation	(32)	(34)
Net decrease in general provisions amortised relief	-	(6)
Marginal relief	-	(5)
Adjustments in respect of prior periods	8	-
Total current tax charge (see above)	202	70

9 Equity dividends

	2003 £000	2002 £000
Ordinary shares		
Interim paid	77	61
Final proposed	-	20
Total dividends	77	81

10 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2002 (as restated)	5,728	1,002	130	6,860
Additions	4	127	14	145
Disposals	-	(41)	(111)	(152)
At 31 March 2003	5,732	1,088	33	6,853
Depreciation				
At 1 April 2002 (as restated)	173	477	58	708
Charge for period	80	77	22	179
On disposals	-	(21)	(49)	(70)
At 31 March 2003	253	533	31	817
Net book value				
At 31 March 2003	5,479	555	2	6,036
At 31 March 2002	5,555	525	72	6,152

The net book value amounts of motor vehicles above include £nil (2002: £41,000) in respect of assets held under finance leases and hire purchase contracts.

Notes (continued)

11 Stocks

	2003 £000	2002 £000
Consumables	3	3

12 Debtors

	2003 £000	2002 £000
Trade debtors	52	32
Prepayments	31	9
	<u>83</u>	<u>41</u>

13 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdrafts	-	538
Obligations under finance leases and hire purchase contracts	-	7
Trade creditors	141	133
Corporation tax	203	68
Other taxation and social security	43	33
Other creditors and accruals	207	386
Proposed dividends	-	20
	<u>594</u>	<u>1,185</u>

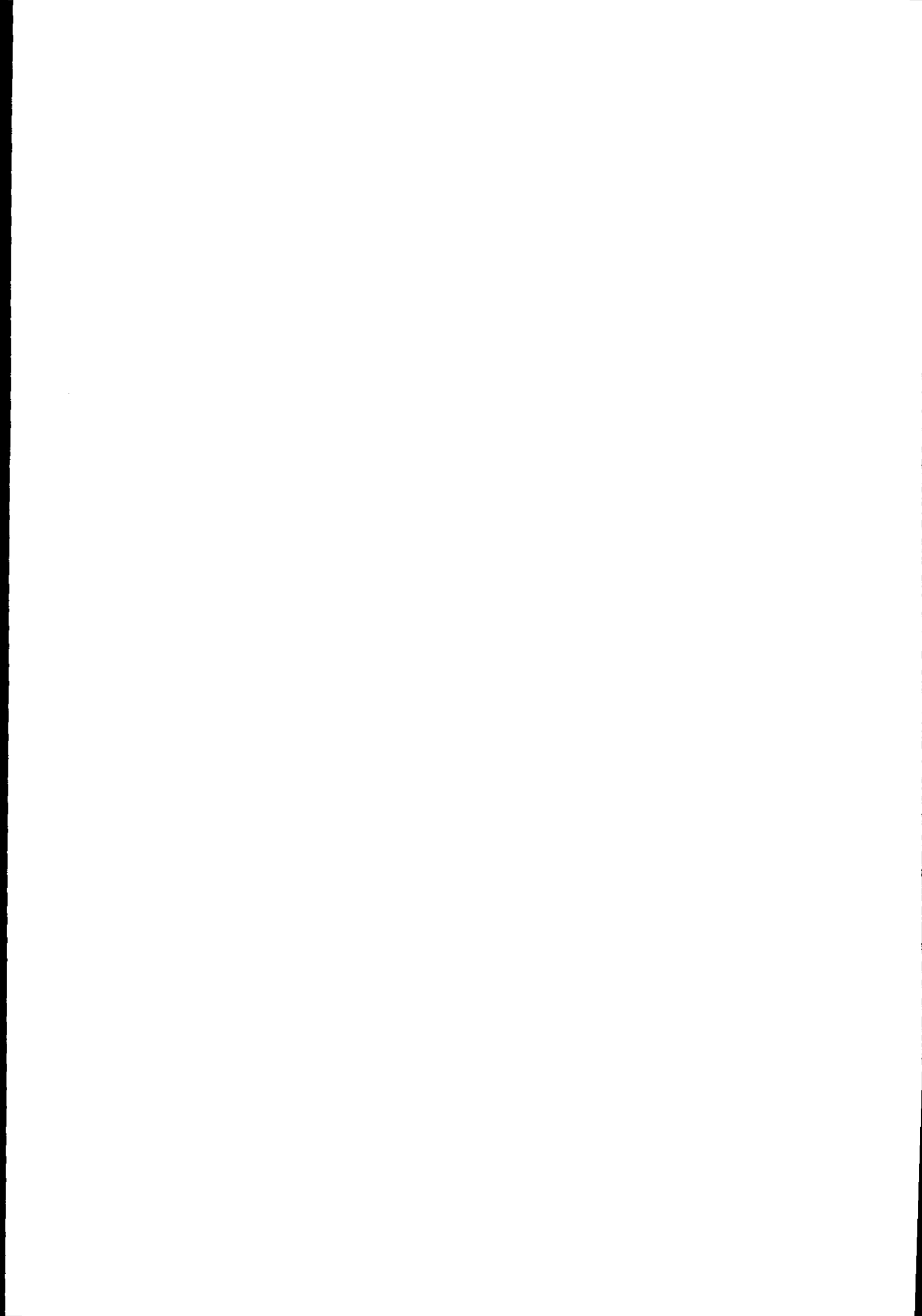
14 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Bank loans and overdrafts	-	2,851
Amount due to parent undertaking	3,417	-
	<u>3,417</u>	<u>2,851</u>

The amount owed to the parent-undertaking falls due after more than five years and is interest free.

15 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	341
Released to the profit and loss account	(198)
At end of year	<u>143</u>



Notes (continued)

16 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year as previously stated	20	1,609	1,773	3,402
Prior year adjustment (note 2)	-	(1,609)	(72)	(1,681)
	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year as restated	20	-	1,701	1,721
Retained profit for the year	-	-	595	595
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	<u>20</u>	<u>-</u>	<u>2,296</u>	<u>2,316</u>

17 Reconciliation of movements in equity shareholder's funds

	2003 £000	2002 as restated £000
Profit for the financial year	672	155
Dividends	(77)	(81)
	<hr/>	<hr/>
Net addition to shareholder's funds	595	74
Opening shareholder's funds (originally £3,435,000 at 1 April 2001 restated for prior year adjustment of £1,688,000)	1,821	1,747
	<hr/>	<hr/>
Closing equity shareholder's funds	<u>2,416</u>	<u>1,821</u>

18 Called up share capital

	2003 £000	2002 £000
Authorised		
100,000 ordinary shares of £1 each	100	100
230 deferred ordinary shares of £1 each	-	-
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
Allotted, issued and fully paid		
100,000 ordinary shares of £1 each	100	100
230 deferred ordinary shares of £1 each	-	-
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

The deferred ordinary shares have the right to one vote per share. They do not, however, have the right to receive a dividend.

On return of assets on liquidation, holders of ordinary shares will be entitled first to receive a threshold sum. From the surplus after the threshold sum has been paid, the next £100,000 will be paid to holders of deferred ordinary shares. Any remaining surplus remaining after the above has been paid will be split with 80% being payable to ordinary shareholders and 20% to deferred ordinary shareholders.

Notes *(continued)*

19 Related party transactions

During the year, the company sold a car to Michael Newman (a director) for £10,000. The net book value of the car at the date of sale was £10,000.

Colin Atkinson (former director who resigned during the year) purchased a motor vehicle from the company for £5,000. The net book value of the car at the date of the sale was £9,000.

The company has taken advantage of the exemption conferred by FRS 8 and has not disclosed transactions with relevant group undertakings.

20 Pension costs

The pension cost charge in the year, amounting to £24,000 (2002: £25,000) represents contributions payable by the company to personal pension policies of certain employees.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

Avalon Nursing Homes Limited is a wholly owned subsidiary undertaking of Avalon (Guernsey) Limited, a company incorporated in Guernsey.

Avalon (Guernsey) Ltd is a wholly owned subsidiary undertaking of Barchester Healthcare Homes Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent undertaking is Grove Limited, a company incorporated and registered in Jersey.

The smallest group in which the results of the company are consolidated is that headed by Barchester Healthcare Limited. The largest group in which the results of the company will be consolidated is that headed by Grove Limited. The financial statements of Grove Limited are available to the public from the following address.

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The Chambers
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