

Cotswold Care Services Limited

Annual report

for the year ended 31 December 2003

Registered number: 3341447



Cotswold Care Services Limited

Annual report for the year ended 31 December 2003

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Cotswold Care Services Limited

Directors and advisors for the year ended 31 December 2003

Executive directors

C Artis	(appointed on 24 March 2003)
K Hall	(appointed on 1 December 2003)
AE Smith	(appointed on 19 April 2004)

Secretary

BLG (Professional Services) Limited
Beaufort House
15 St. Botolph Street
London
EC3A 7NJ

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Simon Bishop & Partners
"Hillcairnie"
St. Andrew's Road
Droitwich
Worcestershire
WR9 8DJ

Registered office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Bankers

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

Cotswold Care Services Limited

Directors' report for the year ended 31 December 2003

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

Principal activities

The principal activity of the Company continues to be the provision of care.

Review of business and future developments

Both the level of business and the year end position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The profit and loss account shows a profit for the year of £14,000 (26 weeks ended 31 December 2002: £152,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (26 weeks ended 31 December 2002: £nil).

Directors and their interests

The directors who held office up to the date of this report are listed on page 1. In addition G Blackoe resigned on 14 March 2003 and M A Stratford resigned on 20 May 2004. S Hughes was appointed on 1 April 2003 and resigned on 30 November 2003.

C Artis held no interest in the share capital of Cotswold Care Services Limited during the year ended 31 December 2003. C Artis held 5,000 shares in the ultimate parent company, Craegmoor Limited as at 31 December 2003 (5,000 shares held at 24 March 2003).

M A Stratford was a director of the ultimate parent company in the United Kingdom, Craegmoor Limited, and his share interests are shown in the directors' report of that company.

No other director at 31 December 2003 had any interests in the share capital of Cotswold Care Services Limited or Craegmoor Limited.

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

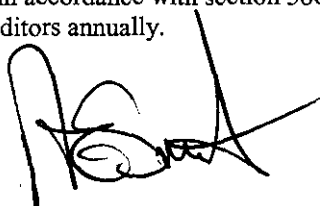
Cotswold Care Services Limited

Directors' report for the year ended 31 December 2003 (continued)

Auditors

The Company has elected, in accordance with section 386 of the Companies Act UK 1985, to dispense with the obligation to appoint auditors annually.

By order of the Board

A handwritten signature in black ink, appearing to be 'AE Smith', written over the text 'By order of the Board'.

AE Smith
Director
23 July 2004

Independent auditors' report to the members of Cotswold Care Services 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 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.

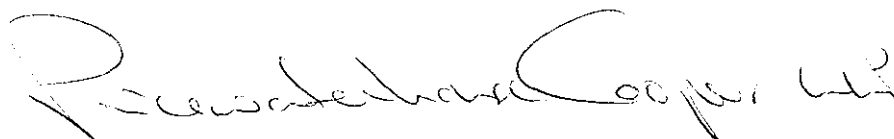
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit 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
23 July 2004

Cotswold Care Services Limited

Profit and loss account for the year ended 31 December 2003

		Year ended 31 December 2003	26 weeks ended 31 December 2002
	Note	£'000	£'000
Turnover	2	1,277	696
Cost of sales		(857)	(372)
Gross profit		420	324
Administrative expenses		(323)	(94)
Operating profit	6	97	230
Interest payable	7	(62)	-
Profit on ordinary activities before taxation		35	230
Tax on profit on ordinary activities	8	(21)	(78)
Profit transferred to reserves	15	14	152

All activities relate to continuing operations.

Cotswold Care Services Limited

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

	Year ended 31 December 2003	26 weeks ended 31 December 2002
	£'000	£'000
Profit for the financial year	14	152
Unrealised surplus on revaluation of properties	-	2,127
Total recognised gains and losses for the year	14	2,279

Note of historical cost profit and losses for the year ended 31 December 2003

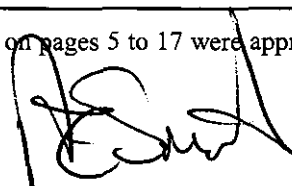
	Year ended 31 December 2003	26 weeks ended 31 December 2002
	£'000	£'000
Reported profit on ordinary activities before taxation	35	230
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	38	19
Historical cost profit on ordinary activities before taxation	73	249
Historical cost profit for the year transferred to reserves	52	171

Cotswold Care Services Limited

Balance sheet as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	9	2,821	2,808
Current assets			
Debtors	10	2,434	256
Cash at bank and in hand		2	10
		2,436	266
Creditors: amounts falling due within one year	11	(49)	(133)
Net current assets		2,387	133
Total assets less current liabilities		5,208	2,941
Creditors: amounts falling due after more than one year	12	(2,640)	(390)
Provisions for liabilities and charges	13	(4)	(1)
Net assets		2,564	2,550
Capital and reserves			
Called up share capital	14	1	1
Revaluation reserve	15	2,127	2,127
Profit and loss account	15	436	422
Total equity shareholders' funds		2,564	2,550

The financial statements on pages 5 to 17 were approved by the board of directors on 23 July 2004 and signed on its behalf by:



AE Smith
Director

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003

1 Principal accounting policies

Basis of accounting

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:

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 stated at valuations made by directors based on valuations made by independent professionally qualified valuers on an existing use open market value basis. Land and buildings are revalued by professionally qualified valuers every five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on the following bases:

Freehold land	- nil
Freehold buildings	- 2% straight line
Equipment	- 10% to 25% straight line
Furniture and fittings	- 10% to 25% straight line
Motor vehicles	- 25% straight line
Computer equipment	- 25% straight line

Provision is made for any impairment in the year 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 existing use open market value basis.

Any provisions for impairment in the carrying value of fixed assets to below historical cost are charged to the profit and loss account.

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged as incurred.

Leasing agreements which transfer to the Company 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 end. 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 Company does not operate a pension scheme. Pension costs represent amounts paid to employees' private pension schemes.

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the company are included in the consolidated group cash flow statement of that company. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

2 Turnover

Turnover, which excludes value added tax, consists entirely of fee income for care services provided in the year in the United Kingdom. Where fees are billed in advance they are deferred to match the period in which care is provided.

3 Related party transactions

The company has taken advantage of the exemption granted under paragraph 3 (c) of FRS 8 and not disclosed any transactions with other group companies.

4 Directors' emoluments

Directors' emoluments for the year ended 31 December 2003 were £nil (26 weeks ended 31 December 2002: £nil). M A Stratford received no emoluments in respect of his services to the Company for the year ended 31 December 2003 (26 weeks ended 31 December 2002: £nil). The emoluments of C Artis, G Blackoe, S Hughes and K Hall are paid by the intermediate parent company, Craegmoor Healthcare Company Limited. C Artis, G Blackoe, S Hughes and K Hall were also directors of a number of fellow subsidiaries during the year ended 31 December 2003 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments have been included above for these directors.

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

5 Employee information

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

	Year ended 31 December 2003	26 weeks ended 31 December 2002
Nursing, ancillary and administrative	Number	Number
Full time	37	38
Part time	23	29
	60	67

	Year ended 31 December 2003	26 weeks ended 31 December 2002
Staff costs (for the above persons)	£'000	£'000
Wages and salaries	689	309
Social security costs	52	22
	741	331

6 Operating profit

	Year ended 31 December 2003	26 weeks ended 31 December 2002
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	71	33
Hire of plant and machinery	1	1
Auditors' remuneration – audit	3	3

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Interest payable

	Year ended 31 December 2003 £'000	26 weeks ended 31 December 2002 £'000
Interest on amounts owed to group undertakings	62	-

8 Tax on profit on ordinary activities

	Year ended 31 December 2003 £'000	26 weeks ended 31 December 2002 £'000
Current taxation		
UK Corporation tax at 30% (2002: 30%)	22	78
Adjustment in respect of previous periods	(4)	-
Total current taxation	18	78
Deferred taxation		
Current year – origination and reversal of timing differences	3	-
Tax charge	21	78

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Tax on profit on ordinary activities (continued)

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

	Year ended 31 December 2003 £'000	26 weeks ended 31 December 2002 £'000
Profit on ordinary activities	35	230
Profit on ordinary activity multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	10	69
Effects of:		
Expenses not deductible for tax purposes	15	8
Capital allowances for the year in excess of depreciation	(3)	
Adjustment to tax charge in respect of previous years	(4)	1
Current tax charge	18	78

Deferred tax liabilities have not been discounted.

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2003	2,793	103	2	2,898
Additions	-	84	-	84
At 31 December 2003	2,793	187	2	2,982
Accumulated depreciation				
At 1 January 2003	25	63	2	90
Charge for the year	50	21	-	71
At 31 December 2003	75	84	2	161
Net book value				
At 31 December 2003	2,718	103	-	2,821
At 31 December 2002	2,768	40	-	2,808
Cost or valuation at 31 December 2003 is represented by:	£'000	£'000	£'000	£'000
Valuation in 2002	2,793	-	-	2,793
Cost	-	187	2	189
At 31 December 2003	2,793	187	2	2,982

The land and buildings were valued at 26 June 2002 by the directors on the basis of their existing use being that of residential care homes. The valuation has been made on professional advice received by external property advisers, Matthews and Goodman, Chartered Surveyors and Valuers.

The directors consider that there has been no material change in value since 26 June 2002 and therefore the valuation has not been amended.

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Tangible fixed assets (continued)

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

	2003	2002
	£'000	£'000
Cost	666	666
Aggregate depreciation based on cost	(18)	(6)
Net book value based on cost	648	660

10 Debtors

	2003	2002
Amounts falling due within one year	£'000	£'000
Trade debtors	10	76
Amounts owed by group undertakings	2,407	75
Other debtors	9	70
Prepayments and accrued income	8	35
	2,434	256

11 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Bank loans and overdrafts	9	3
Trade creditors	12	-
Other creditors	3	25
Taxation and social security	-	16
Corporation tax payable	-	20
Accruals and deferred income	25	69
	49	133

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

12 Creditors: amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	2,640	390

Amounts owed to group undertakings include a loan payable to Craegmoor Funding (No.2) Limited under the Issuer/Borrower facility Agreement dated 13 August 2003. The amount of interest paid each year is equal to the total debt service cost incurred by Craegmoor Funding (No.2) Limited in relation to this loan. Craegmoor Funding (No.2) Limited is a fellow subsidiary of Craegmoor Limited. There are no defined repayment terms but the immediate parent has confirmed to the directors of the Company that it will not seek any repayments of this loan within 12 months after year-end.

Included in amounts owed to group undertakings after more than one year in 2002 is £10,000 loaned to the Company by Craegmoor Funding PLC under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Limited. This amount was repaid during 2003 following a refinancing exercise undertaken by the Craegmoor Group.

13 Provisions for liabilities and charges

	£'000
	Deferred tax
At 1 January 2003	1
Charged in profit and loss account	3
At 31 December 2003	4

	2003	2002
	£'000	£'000
The amount provided for deferred taxation comprises:		
Timing differences relating to accelerated capital allowances	4	1

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

14 Called up share capital

	2003	2002
	£'000	£'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
600 ordinary shares of £1 each	1	1

15 Reserves

	Profit and loss account	Revaluation reserve
	£'000	£'000
At 1 January 2003	422	2,127
Profit for the financial year	14	-
At 31 December 2003	436	2,127

16 Reconciliation of movement in shareholders' funds

	2003	2002
	£'000	£'000
Profit for the financial year	14	152
Unrealised gains on revaluation of properties	-	2,127
Net increase in shareholders' funds	14	2,279
Opening equity shareholders' funds	2,550	271
Closing equity shareholders' funds	2,564	2,550

Cotswold Care Services Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

17 Capital commitments and contingent liabilities

During the year the Craegmoor Group completed a refinancing project and as a result the previous charging and guarantee arrangements with Craegmoor Funding PLC ceased. These have been replaced with a new charge over the assets of the Company and a cross guarantee in respect of the external loan undertaken by Craegmoor Funding (No. 2) Limited.

18 Immediate and ultimate parent companies

The directors regard Parkcare Homes (No.2) Limited, a company registered in England and Wales, as the immediate parent company of Cotswold Care Services Limited, and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. The parent companies of the largest and smallest groups in which Cotswold Care Services Limited is included are Craegmoor Limited and Craegmoor Investments Limited respectively. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.