

Leeland Limited

**Directors' report and financial
statements**

Registered number 3215790

31 December 2004



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Directors' report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2004.

Principal activity

The principal activity of the company is the operation of care homes for elderly and disabled people.

Review of business

The directors consider the state of affairs of the company to be satisfactory.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An interim dividend of £100,000 (2003: £nil) was paid during the year.

Directors and their interests

The directors during the year under review were:

H D Anstead	(resigned 31 March 2005)
G M Crowe	(resigned 30 June 2005)
A G Heywood	(appointed 31 March 2005)
N J Mitchell	(appointed 31 March 2005)
D J Kay	(appointed 30 June 2005)

The directors' beneficial interest in the share capital of the parent company Four Seasons Health Care Limited are as detailed below. The directors did not have any other beneficial interest in the shares of the company or group undertakings at the year end.

	31 December 2004 Ordinary shares No	31 December 2003 Ordinary shares No
H D Anstead	-	13,502
G Crowe	-	564

Employment policies

The company encourage staff involvement through a process of communication and participation. This involves the provision of information through normal management channels and the group newsletter 'For All Seasons' in which employees have also been encouraged to present their suggestions and views.

The company gives full consideration to application for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continued employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company will be proposed at the next Annual General Meeting.

By order of the board



D J Kay
Secretary

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

27 October 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Leeland Limited

We have audited the financial statements on pages 5 to 13.

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 auditor's 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 3, 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 December 2004 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 October 2005

Profit and loss account

for the year ended 31 December 2004

	<i>Note</i>	Year ended 31 December 2004 £000	16 month period ended 31 December 2003 £000
Turnover	2	1,165	1,418
Cost of sales		(943)	(1,211)
		<hr/> 222	<hr/> 207
Operating profit		3	-
Interest receivable – bank interest		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	225	207
Tax on profit on ordinary activities	6	(2)	(1)
		<hr/> 223	<hr/> 206
Profit on ordinary activities after taxation			
Equity dividend	7	(100)	-
		<hr/>	<hr/>
Retained profit for the financial year	13	123	206
		<hr/> <hr/>	<hr/> <hr/>

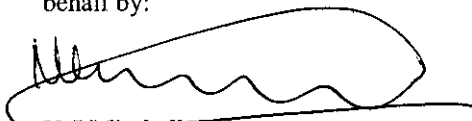
The company has no recognised gains or losses in the current or prior period other than those reported above.

All amounts relate to continuing operations.

Balance sheet
at 31 December 2004

	<i>Note</i>	2004	2003
		£000	£000
Fixed assets			
Tangible assets	8	59	47
Current assets			
Debtors	9	1,152	875
Cash at bank and in hand		60	186
		<u>1,212</u>	<u>1,061</u>
Creditors: amounts falling due within one year	10	<u>(957)</u>	<u>(919)</u>
Net current assets		255	142
Total assets less current liabilities		314	189
Provisions for liabilities and charges	11	(3)	(1)
Net assets		311	188
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	311	188
Shareholders' funds		311	188

These financial statements were approved by the board of directors on *27 October 2005* and were signed on its behalf by:


N J Mitchell
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2004

	2004 £000	2003 £000
Opening shareholders' funds	188	(18)
Profit for the financial year	223	206
Dividends	(100)	-
	<hr/>	<hr/>
Closing shareholders' funds	311	188
	<hr/> <hr/>	<hr/> <hr/>

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.

Basis of preparation

The financial statements have been prepared under the historical cost convention and on the assumption that the company will continue to trade as a going concern for the foreseeable future.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2004 it was a wholly owned subsidiary undertaking of Four Seasons Health Care Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Tangible 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 lives as follows:

Short leasehold interests	-	over the period of the lease
Fixtures and fittings	-	15-20% per annum

During the year the company has revised the depreciation method for plant, fixtures and fittings from reducing balance to straight line. The directors consider this to give a better estimate of the consumption of economic benefits. The directors do not consider it practicable to estimate the impact of the change.

The change has been applied prospectively.

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.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes (continued)

2 Turnover

Turnover represents the amounts (stated net of value added tax) derived from the provision of healthcare services to customers and all arose in the United Kingdom.

3 Profit on ordinary activities before tax

	Year ended 31 December 2004 £000	16 month period ended 31 December 2003 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Operating lease rentals for land and buildings	189	183
Depreciation - owned assets	14	29
	<hr/>	<hr/>

The auditors' remuneration for the year and the prior period has been borne by another group undertaking.

4 Directors' remuneration

None of the directors received any remuneration from the company during the current year or prior period.

5 Staff numbers and costs

The average number of persons employed by the company during the period, including both full and part time staff, analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2004	16 month period ended 31 December 2003
Care and domestic	52	67
Administration	4	4
	<hr/>	<hr/>
	56	71
	<hr/>	<hr/>

The aggregate payroll costs of these persons was as follows:

	Year ended 31 December 2004 £000	16 month period ended 31 December 2003 £000
Wages and salaries	562	707
Social security costs	34	38
	<hr/>	<hr/>
	596	745
	<hr/>	<hr/>

Notes (continued)

6 Taxation

	Year ended 31 December 2004		16 month period ended 31 December 2003	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	-	-	-	-
Total current tax	-	-	-	-
<i>Deferred tax (see note 11)</i>				
Origination/reversal of timing differences		2		1
Tax on profit on ordinary activities		2		1

Factors affecting current tax charge

The current tax charge for the year is lower (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are reconciled below:

	Year ended 31 December 2004 £000	16 month period ended 31 December 2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	225	207
Current tax at 30% (2003: 30%)	67	62
<i>Effects of:</i>		
Decelerated/(accelerated) capital allowances	-	3
Group relief without payment	(67)	(65)
Total current tax charge	-	-

7 Dividends paid

	2004 £000	2003 £000
Equity dividends of £50,000 per share (2003: £nil per share)	100	-

Notes (continued)

8 Tangible fixed assets

	Fixtures and fittings	Short leasehold interests	Total
	£000	£000	£000
Cost			
At beginning of year	112	319	431
Additions	23	3	26
	<hr/>	<hr/>	<hr/>
At end of year	135	322	457
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	65	319	384
Charge for the year	14	-	14
	<hr/>	<hr/>	<hr/>
At end of year	79	319	398
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	56	3	59
	<hr/>	<hr/>	<hr/>
At 31 December 2003	47	-	47
	<hr/>	<hr/>	<hr/>

9 Debtors

	2004 £000	2003 £000
Trade debtors	34	38
Amounts owed by group undertakings	1,079	827
Other debtors	39	10
	<hr/>	<hr/>
	1,152	875
	<hr/>	<hr/>

Other debtors includes £30,726 which relates to rent security deposits that are not expected to be recovered within the next 20 years.

Notes (continued)

10 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	14	15
Amounts owed to other group undertakings	827	828
Other taxes and social security	6	7
Accruals and deferred income	110	67
Other creditors	-	2
	<u>957</u>	<u>919</u>

11 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	1
Charge for year (see note 6)	2
	<u>3</u>
At end of year	<u>3</u>

The elements of deferred taxation are as follows:

	2004 £000	2003 £000
Difference between accumulated depreciation and amortisation and capital allowances	<u>3</u>	<u>1</u>

12 Share capital

	2004		2003
	No	£	No
Authorised			
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>
Issued and fully paid			
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>

13 Profit and loss account

	£000
At beginning of year	188
Retained profit for the year	123
	<u>311</u>
At end of year	<u>311</u>

Notes (continued)

14 Commitments

	Land and buildings	
	2004	2003
	£000	£000
Operating leases that expire:		
In over five years	194	183

15 Charges with other parties

Principal Health Care Finance Limited holds a first fixed and floating charge over the property and assets of the company.

16 Ultimate parent company

The company's immediate parent company is Four Seasons Health Care Group Limited.

The largest group in which the results of the company are consolidated is that headed by Allianz AG. The consolidated financial statements of this Company are available to the public and may be obtained from Königinstraße 28, D-80802, Munich. The smallest group in which the results of the company are consolidated is that headed by Four Seasons Health Care Limited. The consolidated financial statements of this company are available to the public and may be obtained from Emerson Court, Alderley Road, Wilmslow, Cheshire, SK9 1NX.

On 18 August 2004, Four Seasons Health Care Limited was acquired by Allianz AG. Prior to this date the ultimate parent company was Alchemy Partners.