

**Leeland Limited**

**Directors' report and financial  
statements**

**Registered number 3215790**

**31 December 2005**



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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 2005.

### 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. The directors do not recommend the payment of an equity dividend (2004: £100,000).

### Directors and their interests

The directors during the year under review were:

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

The directors did not have any beneficial interest in the shares of the company or group undertakings at the year end.

### 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.

### 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

18 October 2006

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Leeland Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under 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 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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

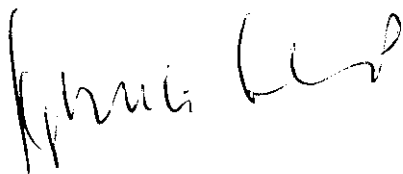
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## Independent auditors' report to the members of Leeland Limited (*continued*)

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

19 October 2006

**Profit and loss account**  
*for the year ended 31 December 2005*

	<i>Note</i>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Turnover</b>	<b>2</b>	<b>1,302</b>	<b>1,165</b>
Cost of sales		<b>(989)</b>	<b>(943)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>313</b>	<b>222</b>
Interest receivable		<b>1</b>	<b>3</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>314</b>	<b>225</b>
Tax on profit on ordinary activities	<b>6</b>	<b>(93)</b>	<b>(2)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>221</b>	<b>223</b>
Equity dividend	<b>7</b>	<b>-</b>	<b>(100)</b>
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>	<b>13</b>	<b>221</b>	<b>123</b>
		<hr/>	<hr/>

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

All amounts relate to continuing operations.

**Balance sheet**  
*at 31 December 2005*

	<i>Note</i>	<b>2005</b>	<b>2004</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	8	120	59
<b>Current assets</b>			
Debtors	9	1,455	1,152
Cash at bank and in hand		-	60
		<hr/>	<hr/>
<b>Creditors:</b> amounts falling due within one year	10	1,455 (1,039)	1,212 (957)
		<hr/>	<hr/>
<b>Net current assets</b>		416	255
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		536	314
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	11	(4)	(3)
		<hr/>	<hr/>
<b>Net assets</b>		532	311
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	532	311
		<hr/>	<hr/>
<b>Shareholders' funds</b>		532	311
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18 October 2006 and were signed on its behalf by:



**N J Mitchell**  
*Director*



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2005*

	2005 £000	2004 £000
Opening shareholders' funds	311	188
Profit for the financial year	221	223
Dividends	-	(100)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>532</b>	<b>311</b>
	<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 financial statements, except that in these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

#### ***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 2005 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

#### ***Leases***

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

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Operating lease rentals for land and buildings	194	189
Depreciation - owned assets	21	14
	<hr/>	<hr/>

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

### 4 Directors' remuneration

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

### 5 Staff numbers and costs

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

	Number of employees 2005	2004
Care and domestic	66	52
Administration	4	4
	<hr/>	<hr/>
	70	56
	<hr/>	<hr/>

The aggregate payroll costs of these persons was as follows:

	2005 £000	2004 £000
Wages and salaries	585	562
Social security costs	36	34
	<hr/>	<hr/>
	621	596
	<hr/>	<hr/>

## Notes (continued)

### 6 Taxation

	2005	2004
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	92	-
Total current tax	92	-
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	1	2
Tax on profit on ordinary activities	93	2

#### *Factors affecting current tax charge*

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are reconciled below:

	2005	2004
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	314	225
Current tax at 30% (2004: 30%)	94	67
<i>Effects of:</i>		
Permanent differences	1	-
Accelerated capital allowances	(3)	-
Group relief without payment	-	(67)
Total current tax charge	92	-

### 7 Dividends paid

	2005	2004
	£000	£000
Equity dividends of £nil per share (2004: £50,000 per share)	-	100

## Notes (continued)

### 8 Tangible fixed assets

	Fixtures and fittings £000	Short leasehold interests £000	Total £000
<b>Cost</b>			
At beginning of year	135	322	457
Additions	82	-	82
	<hr/>	<hr/>	<hr/>
At end of year	217	322	539
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	79	319	398
Charge for the year	21	-	21
	<hr/>	<hr/>	<hr/>
At end of year	100	319	419
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2005	117	3	120
	<hr/>	<hr/>	<hr/>
At 31 December 2004	56	3	59
	<hr/>	<hr/>	<hr/>

### 9 Debtors

	2005 £000	2004 £000
Trade debtors	-	34
Amounts owed by group undertakings	1,419	1,079
Other debtors	36	39
	<hr/>	<hr/>
	1,455	1,152
	<hr/>	<hr/>

Other debtors includes £32,000 (2004: £31,000) 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

	2005 £000	2004 £000
Bank Overdraft	9	-
Trade creditors	13	14
Amounts owed to other group undertakings	828	827
Corporation tax	92	-
Other taxes and social security	7	6
Accruals and deferred income	55	110
Other creditors	35	-
	<u>1,039</u>	<u>957</u>

### 11 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	3
Charge for year (see note 6)	1
	<u>4</u>
At end of year	<u>4</u>

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	4	3

### 12 Share capital

	2005		2004
	No	£	No
<b>Authorised</b>			
Ordinary shares of £1 each	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>
<b>Issued and fully paid</b>			
Ordinary shares of £1 each	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>

### 13 Profit and loss account

	£000
At beginning of year	311
Retained profit for the year	221
	<u>532</u>
At end of year	<u>532</u>

## Notes (continued)

### 14 Commitments

	Land and buildings	
	2005	2004
	£000	£000
Operating leases that expire:		
In over five years	200	194
	<u>200</u>	<u>194</u>

### 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.

### 17 Post balance sheet events

On 31 August 2006, the entire share capital of Healthcare Beteiligungs GmbH, an intermediate parent company, was ultimately acquired by Delta Commercial Property LP, a company incorporated in the Isle of Man. From this date the ultimate parent company is Delta Commercial Property LP.