# Lanemile Limited

## Directors' report and financial statements

30 September 1999
Registered number 2571516

# Directors' report and financial statements

## Contents

# Directors' report

The directors present their annual report and the audited financial statements for the year to 30 September 1999.

### Principal activities

The company's principal activity is that of the development and operation of nursing homes and provision of care for the elderly.

### Business review

Both of the company's nursing homes have traded profitably during the year, and the directors expect this to continue.

### Proposed dividend and transfer to reserves

The directors recommend an ordinary dividend of £450,000 to be paid *(1998: £300,000).*

The profit transferred to reserves during the year is £57,000 *(1998: £63,000)*

### Directors and directors' interests

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

RS Clough
S Kenney
GC Lomer
DL Gee
JRS Bryant
DJ Bates
C Isaac (appointed 1 August 1999)

None of the directors who held office at the end of the financial year had any interest in the shares of the company.

The interests of Mr RS Clough, Mr JRS Bryant and Mr S Kenney in the shares of the ultimate parent company, Care UK plc are shown in the financial statements of that company.

The interests of Mr GC Lomer, Mr DL Gee, Mr DJ Bates and Mrs C Isaac in the shares of the ultimate holding company, Care UK plc are shown in the financial statements of Care UK Community Partnerships Group Limited.

## Directors' report *(continued)*

### Employees

Employees are based at various locations within the UK with the vast majority involved in day to day caring for people within the company's Nursing Homes. The company has established structures and procedures for consultation, communication and negotiation with its employees. Importance is placed on this aspect of the business and all managers have a responsibility to this end.

The company, where possible, gives equal opportunity and consideration to applications for employment from disabled persons. It is company policy, wherever practicable, to continue to employ and promote the careers of existing employees who become disabled. Suitable procedures are in operation to support the company's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

### Political and charitable contributions

The company made no political or charitable contributions during the year.

### Year 2000

The company is participating in the Care UK plc group programme which remains active for dealing with issues connected with computer systems and embedded chips in relation to Year 2000. This involved identifying and subsequent monitoring of systems and equipment supplied to the group and testing the results of any modifications. Where necessary normal upgrading work was accelerated to ensure all systems were Year 2000 compliant.

To date all the group's business systems have been found to be compliant.

The total incremental expenditure for ensuring that all technology systems will be Year 2000 compliant has not been material.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**G C Lomer**
Secretary

Crown House
Stephenson Road
Severalls Park
Colchester
C044QR

## 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 of the company 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 maintaining 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

KPMG Audit Plc
6 Lower Brook Street
IPSWICH
Suffolk
IP4 1AP

## Auditors' report to the members of Lanemile Limited

*We have audited the financial statements on pages 5 to 14.*

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**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 as at 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

*Chartered Accountants*
*Registered Auditor*

26 July 2000

## Profit and loss account

*for the year ended 30 September 1999*

| | *Note* | **1999** **£000** | 1998 £000 |
|---|---|---|---|
| **Turnover** | *2* | 2,163 | 2,071 |
| Cost of sales | | (1,400) | (1,328) |
| **Gross profit** | | 763 | 743 |
| *Administrative expenses* | | *(104)* | *(140)* |
| **Operating profit** | | 659 | 603 |
| Interest payable and similar charges | *5* | (95) | (111) |
| **Profit on ordinary activities before taxation** | *3* | 564 | 492 |
| Tax on profit on ordinary activities | *6* | (57) | (129) |
| **Profit on ordinary activities after tax** | *15* | 507 | 363 |
| Dividends | *7* | (450) | (300) |
| **Retained profit for the financial year** | | 57 | 63 |
| Retained profit brought forward | | 756 | 693 |
| **Retained profit carried forward** | | 813 | 756 |

The above results are wholly attributable to the continuing activities of the company.

There are no recognised gains or loss for either year, other than those shown above.

There were no differences between the results shown above and the results which would be shown on an unmodified historical cost basis.

# Balance sheet

*at 30 September 1999*

| | *Note* | 1999 | | 1998 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *8* | | 2,526 | | 2,560 |
| **Current assets** | | | | | |
| Stocks | *9* | 8 | | 6 | |
| Debtors | *10* | 2,233 | | 1,462 | |
| Cash at bank and in hand | | 33 | | 375 | |
| | | 2,274 | | 1,843 | |
| **Creditors:** amounts falling due within one year | *11* | (1,405) | | (1,216) | |
| **Net current assets** | | | 869 | | 627 |
| Total assets less current liabilities | | | 3,395 | | 3,187 |
| **Creditors:** amounts falling due after more than one year | *12* | | 2,447 | | 2,296 |
| **Provisions for liabilities and charges** | *13* | | 134 | | 134 |
| **Capital and reserves** | | | | | |
| Called up share capital | *14* | 1 | | 1 | |
| Profit and loss account | | 813 | | 756 | |
| Equity shareholders' funds | *15* | | 814 | | 757 |
| | | | 3,395 | | 3,187 |

These financial statements were approved by the board of directors on 19 July 2000 and were signed on its behalf by:

**RS Clough**
*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.

***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 Care UK Plc and its cash flows are included within the consolidated cash flow statements of that company.

As the company is a wholly owned subsidiary of Care UK Community Partnerships Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Care UK Community Partnerships Group Limited, within which this company is included, can be obtained from the address given in note 18.

***Fixed assets and depreciation***

Freehold and long leasehold land and buildings are carried in the financial statements at cost or professional valuation. Assets in the course of construction are carried in the financial statements at cost.

The cost of land and buildings includes finance and other costs incurred on bank loans to fund nursing homes in the course of construction; development costs associated with initiating and managing the construction of nursing homes; and expenditure specifically incurred in connection with the commissioning of new nursing homes. Capitalisation of finance and other costs ceases at the date of registration of the nursing home.

With the exception of freehold and long leasehold land and nursing homes, depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on the original cost of the assets at the following rates:

| | |
|---|---|
| Freehold and long leasehold land and nursing homes | Nil |
| Other freehold buildings | 2% |
| Motor vehicles | 25% |
| Furniture, fittings and equipment | 10% to 33% |

It is the Company's practice to maintain its freehold and long leasehold nursing homes in a continual state of sound repair and to make improvements thereto from time to time, and accordingly, the directors consider that, given the long life of these assets and their high residual values, based on the prices prevailing at the time of acquisition or subsequent valuation, depreciation is insignificant. It is the Company's policy to make provision as appropriate in the profit and loss account in respect of any impairment in any individual property value.

## Notes *(continued)*

1 **Accounting policies (continued)**

***Leases***

Annual rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

***Pension costs***
The company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.
Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables the FIFO method is used.

***Taxation***
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year.

3 **Profit on ordinary activities before taxation**

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| *Profit on ordinary activities before taxation is stated after charging* | | |
| Depreciation and other amounts written off tangible fixed assets | 45 | 45 |

**Notes** *(continued)*

## 4 Staff Numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | Number of Employees | |
|---|---|---|
| | **1999** | 1998 |
| Care staff | 154 | 156 |
| Directors | 6 | 6 |
| | 160 | 162 |

The aggregate payroll costs of these persons were as follows:

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | 934 | 867 |
| Social security costs | 56 | 54 |
| Other pension costs (see note 17) | 3 | 3 |
| | 993 | 924 |

## 5 Interest payable and similar charges

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| On bank loans, overdrafts and other loans wholly repayable within five years | 95 | 111 |

## 6 Taxation

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| UK Corporation at 30.5% (1998: 31%) on the profit for the year on ordinary activities | 106 | 129 |
| Adjustment to earlier years | (49) | - |
| | 57 | 129 |

The tax charge for the year represents an effective rate of 10.1% *(1998: 26.2%)*. The rate is influenced by the availability of Group relief.

## Notes *(continued)*

7 **Dividends**

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| Ordinary shares: | | |
| Final dividend proposed | 450 | 300 |

8 **Tangible fixed assets**

| | **Freehold land and buildings** | **Fixtures and fittings** | **Total** |
|---|---|---|---|
| | £000 | £000 | £000 |
| At beginning of year | 2,361 | 442 | 2,803 |
| Additions | 2 | 9 | 11 |
| At end of year | 2,363 | 451 | 2,814 |
| **Depreciation** | | | |
| At beginning of year | - | 243 | 243 |
| Charge for year | - | 45 | 45 |
| At end of year | - | 288 | 288 |
| ***Net book value*** | | | |
| ***At 30 September 1999*** | 2,363 | 163 | 2,526 |
| At 30 September 1998 | 2,361 | 199 | 2,560 |

The freehold land and buildings are not depreciated. The cost includes capitalised interest of £36,000 *(1998: £36,000).*

**Note** ***(continued)***

## 9 Stocks

| | **1999** **£000** | 1998 £000 |
|---|---|---|
| Raw materials and consumables | 8 | 6 |

## 10 Debtors

| | **1999** **£000** | 1998 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | 220 | 4 |
| Amounts owed by group undertakings | 2,012 | 1,448 |
| Other debtors | 1 | 2 |
| Prepayments | - | 8 |
| | 2,233 | 1,462 |

## 11 Creditors: amounts falling due within one year

| | **1999** **£000** | 1998 £000 |
|---|---|---|
| Trade creditors | 30 | 35 |
| Amounts owed to group undertakings | 100 | 2 |
| Other creditors including taxation and social security: | | |
| Corporation tax | 128 | 241 |
| *Taxation and social security* | 14 | 21 |
| Other creditors | 3 | 1 |
| Accruals | 174 | 114 |
| Deferred income | 506 | 502 |
| Proposed dividend | 450 | 300 |
| | 1,405 | 1,216 |

**Notes** *(continued)*

## 12 Creditors: amounts falling due after more than one year

| | 1999 £000 | 1998 £000 |
|---|---|---|
| Bank loans – due in 2 to 5 years | 1,269 | 1,267 |
| Amounts owed to group undertakings | 1,178 | 1,029 |
| | 2,447 | 2,296 |

The bank loans referred to above are part of a group facility.

Since the year-end the loan facility has been reorganised to a 10 year term loan facility of £25m, with repayments of £1m per year from year three and a five year evergreen rolling facility of £25m, with no regular repayments. The loans bear interest at commercial rates with the base interest rate having been fixed at 0.95% over libor.

The facility is supported by a guarantee given by the group's parent company.

## 13 Provisions for liabilities and charges

| | Deferred taxation £000 |
|---|---|
| At beginning of year and at end of year | 134 |

The amounts provided for deferred taxation and the amounts not provided are at the anticipated future Corporation tax rate of 30% (1998: 30%).

| | 1999 Provided £000 | 1999 Unprovided £000 | 1998 Provided £000 | 1998 Unprovided £000 |
|---|---|---|---|---|
| Capital allowances in excess of depreciation | 133 | 75 | 133 | 26 |
| Short-term timing differences | 1 | (1) | 1 | - |
| | 134 | 74 | 134 | 26 |

## Notes *(continued)*

### 14 Called up share capital

| | **1999** | 1998 |
|---|---|---|
| | **£** | £ |
| ***Authorised, allotted, called up and fully paid*** | | |
| 500 'A' Ordinary shares of £ 1 each | 500 | 500 |
| 500 'B' Ordinary shares of £1 each | 500 | 500 |
| | 1,000 | 1,000 |

### 15 Reconciliation of movements in shareholders' funds

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| Profit for the financial year | 507 | 363 |
| Dividends | (450) | (300) |
| Opening shareholder's funds | 757 | 694 |
| Closing shareholders funds | 814 | 757 |

### 16 Commitments

There were no capital commitments at the end of the financial year *(1998: £Nil).*

## Notes *(continued)*

**17 Pension scheme**

The company contributes to a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £3,149 *(1998:£2,615).*

**18 Parent companies**

The company is a wholly owned subsidiary of Care UK Community Partnerships Group Limited, and it ultimate parent company is Care UK plc. Copies of the group financial statements of Care UK Community) Partnerships Group Limited and Care UK Plc, both of which are registered in England and Wales are available from their registered offices at Crown House, Stephenson Road, Severalls Park, Colchester Essex C04 4QR.