

South Lakeland Caravans Limited

**Directors' report and financial
statements**

Registered number 2906868

31 January 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2002.

Principal activities

The principal activities of the company are those of buying and selling caravans and operating caravan parks.

Business review

The directors are very pleased with the continued growth in turnover and operating profit during the year.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year retained in the company is £1,953,728 (2001: £1,076,231).

Directors and directors' interests

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

Mr John C Morphet
Mrs Christina Morphet (resigned 12 September 2001)
Mr Graham Hodgson (appointed 1 February 2001)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company.

Ordinary Shares

Mr John C Morphet	100
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According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

During the year our auditors, KPMG, transferred their audit practice to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 21 May 2002 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



P Rossiter
Secretary

South Lakeland House
Main A6
Yealand Redmayne
Nr. Carnforth
Lancashire

22 August 2002

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;
- 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.



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Independent report of the auditors to the members of South Lakeland Caravans Limited

We have audited the financial statements on pages 4 to 18.

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 January 2002 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 August 2002

Profit and loss account
for the year ended 31 January 2002

	Note	2002 £	2001 £
Turnover	1	10,848,444	9,470,579
Cost of sales		(7,524,426)	(6,512,861)
Gross profit		3,324,018	2,957,718
Distribution costs		(227,408)	(193,854)
Administrative expenses		(240,911)	(179,029)
Operating profit		2,855,699	2,584,835
Profit on sale of fixed assets		305,892	74,647
Other interest receivable and similar income	5	8,188	61,150
Interest payable and similar charges	6	(476,659)	(777,352)
Profit on ordinary activities before taxation	2	2,693,120	1,943,280
Tax on profit on ordinary activities	7	(739,392)	(867,049)
Profit for the financial year	17	1,953,728	1,076,231

All of the above relate to the continuing operations of the company.

Statement of total recognised gains and losses
for the year ended 31 January 2002

The profit of £1,953,728 (2001: £1,076,231) as shown in the profit and loss account is the only gain or loss recognised in the accounts.

Balance sheet
at 31 January 2002

	Note	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	8	15,444,406		14,744,283	
Intangible assets	9	454,613		487,280	
Investments	10	6,000		6,000	
		<u>15,905,019</u>		<u>15,237,563</u>	
Current assets					
Stocks	11	1,044,057		984,663	
Debtors	12	780,342		939,913	
Cash at bank and in hand		106,231		267,929	
		<u>1,930,630</u>		<u>2,192,505</u>	
Creditors: amounts falling due within one year	13	(4,491,872)		(4,307,764)	
Net current liabilities		<u>(2,561,242)</u>		<u>(2,115,259)</u>	
Total assets less current liabilities		<u>13,343,777</u>		<u>13,122,304</u>	
Creditors: amounts falling due after more than one year	14	(6,632,653)		(8,533,613)	
Provisions for liabilities and charges	15	(866,070)		(697,365)	
Net assets		<u>5,845,054</u>		<u>3,891,326</u>	
Capital and reserves					
Called up share capital	16	100		100	
Profit and loss account		5,844,954		3,891,226	
Equity shareholders' funds	17	<u>5,845,054</u>		<u>3,891,326</u>	

These financial statements were approved by the board of directors on 22 August 2002 and were signed on its behalf by:


JC Morphet
Director

Cash flow statement

for the year ended 31 January 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	18	2,902,495	3,549,104
Returns on investments and servicing of finance	20	(468,471)	(716,202)
Taxation		(269,006)	-
Capital expenditure	20	(720,208)	(1,352,832)
Financing	20	(1,695,618)	(1,495,958)
Decrease in cash	19	<u>(250,808)</u>	<u>(15,888)</u>

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 by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Change in accounting policy

The directors have adopted the requirements of Financial Reporting Standard Number 19 ("FRS 19") Deferred Taxation, during the current period. FRS 19 requires the adoption of a policy of full recognition for all timing differences, which exist at the Balance Sheet date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence it is more likely than not that all amounts are recoverable.

The adoption of this accounting policy has had no impact on the accounts as this deferred tax was provided in full in prior years.

Fixed assets and depreciation

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

Lodges	-	6% per annum, reducing balance
Hire caravans	-	straight line basis to their estimated value at the date on which they are due for replacement
Motor vehicles	-	25% per annum, reducing balance
Fixtures and fittings	-	25% per annum, reducing balance
Buildings	-	50 years, straight line

No depreciation is provided on freehold land.

Goodwill

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the separable assets acquired on the purchase of a business. Goodwill is written off over a period of fifteen years, this being a fair estimate of its useful economic life.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Notes (continued)

1 Accounting policies (continued)

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Assets leased to customers under agreements which substantially transfer all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Income from finance leasing contracts, being the excess of total rents over the agreed sales price, are taken to profit over the period of the lease.

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 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 in full for deferred tax liabilities in accordance with FRS 19.

Turnover

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

2 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	12,000	13,000
Other services	-	13,550
Depreciation and other amounts written off tangible fixed assets:		
Owned	306,247	273,424
Assets held under hire purchase agreements	18,274	950
Assets held under shorthold lease	1,456	1,456
Charged by associated business for wages	121,197	47,477
Amortisation of intangible assets	32,667	2,722

3 Remuneration of directors

	2002 £	2001 £
Salary	95,166	-
Benefits in kind	6,487	-
	<u>101,653</u>	<u>-</u>

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	
	2002	2001
	£	£
Sales, administration and distribution	105	83

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	1,272,039	938,567
Social security costs	101,945	68,362
	<u>1,373,984</u>	<u>1,006,929</u>

5 Other interest receivable and similar income

	2002	2001
	£	£
Interest on private hire purchase agreements	8,188	61,150

6 Interest payable and similar charges

	2002	2001
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	462,518	760,955
Hire purchase and other interest	14,141	16,397
	<u>476,659</u>	<u>777,352</u>

Notes *(continued)*

7 Taxation

	2002 £	2001 £
UK corporation tax at 30% on the profit for the year on ordinary activities	570,687	458,677
Provision for deferred taxation	168,705	408,372
	<u>739,392</u>	<u>867,049</u>

In April 2001 the company received a tax refund relating to earlier years of £189,671, this has not been recognised as income in the year as the Corporation Tax liability for that year has not yet been agreed with the Inland Revenue. This amount is included in other creditors.

Tax reconciliation

	2002 £000
Profit on ordinary activities before taxation	2,693,120
Profit on ordinary activities multiplied by the rate of corporation tax in the UK at 30%	<u>807,936</u>
Effects of:	
Amortisation not deductible for tax purposes	9,800
Expenses not deductible for tax purposes	6,431
Capital allowances for period in excess of depreciation	(161,712)
Profit on sale of fixed assets	(91,768)
Current tax on income for the period	<u>570,687</u>

Notes (continued)

8 Tangible fixed assets

	Land and buildings £	Hire caravans £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	11,331,756	3,542,260	357,039	95,992	15,327,047
Additions	2,054,018	648,710	171,009	72,534	2,946,271
Disposals	(1,163,512)	(801,110)	(58,622)	(58,814)	(2,082,058)
At end of year	12,222,262	3,389,860	469,426	109,712	16,191,260
Depreciation					
At beginning of year	12,753	374,035	166,746	29,230	582,764
Charge for year	32,180	190,299	78,507	24,991	325,977
On disposals	-	(125,322)	(17,085)	(19,480)	(161,887)
At end of year	44,933	439,012	228,168	34,741	746,854
Net book value					
At 31 January 2002	12,177,329	2,950,848	241,258	74,971	15,444,406
At 31 January 2001	11,319,003	3,168,225	190,293	66,762	14,744,283

Included in freehold land and buildings are depreciable assets of £1,566,630 (2001: £597,036).

Included in fixed assets are assets held under a hire purchase agreement with a net book value of £54,821 (2001: £4,750); depreciation charged £18,274 (2001: £950).

Land and buildings comprises:

	2002 £	2001 £
Freehold land and buildings	12,188,955	11,299,703
Short leasehold land and buildings	33,307	32,053
	<u>12,222,262</u>	<u>11,331,756</u>

Notes *(continued)*

9 Intangible fixed assets

	Goodwill
	£
<i>Cost</i>	
At beginning of year	490,002
Addition	-
At end of year	<u>490,002</u>
<i>Amortisation</i>	
At beginning of year	2,722
Charge for period	32,667
At end of year	<u>35,389</u>
<i>Net book value</i>	
At 31 January 2002	<u>454,613</u>
At 31 January 2001	<u>487,280</u>

Notes *(continued)*

10 Fixed asset investments

	Shares in group undertakings £	Total £
<i>Cost</i>		
At beginning and end of year	6,000	6,000
<i>Net book value</i>		
At 31 January 2002	6,000	6,000
At 31 January 2001	6,000	6,000

The undertaking in which the company's interest at the year end is more than 10% is as follows:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Hechinus Limited (now renamed as South Lakeland Holidays Limited)	UK	Dormant	100%

11 Stocks

	2002 £	2001 £
Goods for resale	1,044,057	984,663

Notes *(continued)*

12 Debtors

	2002 £	2001 £
Trade debtors	592,297	826,762
Prepayments and accrued income	44,804	5,421
Net investment in finance leases	143,241	107,730
	<u>780,342</u>	<u>939,913</u>

Net investment in finance leases include £57,183 (2001: £52,362) due after more than one year.

The cost of stocks acquired for the purpose of sale under finance leases was £68,225 (2001: £82,809).

Total rentals received during the year in respect of finance leases was £43,139.

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Obligations under hire purchase agreements	201,577	475
Bank loans and overdrafts	1,255,818	1,166,706
Payments received on account	992,531	1,170,882
Trade creditors	1,059,257	1,197,330
Other creditors including tax and social security	848,142	606,159
Accruals and deferred income	134,547	166,212
	<u>4,491,872</u>	<u>4,307,764</u>

14 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under hire purchase agreements	198,353	-
Bank loans (repayment falling due between two and five years)	4,196,295	6,384,330
Amounts owed to:		
Subsidiary undertaking	6,000	6,000
South Lakeland Caravans	1,364,266	1,296,870
Hall More Caravan Park	106,818	85,492
Directors loan account	760,921	760,921
	<u>6,632,653</u>	<u>8,533,613</u>

The bank loans are secured by a charge over the company's caravan parks and freehold land and buildings and also fixed and floating debentures over current and future assets. The rate of loan interest is 1.5% over base.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year *(continued)*

Amounts repayable in more than five years:

	2002 £	2001 £
Bank loans and overdrafts	258,049	1,717,506

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2002 £	2001 £
Within one year	18,107	475
In the second to fifth years	19,710	-
	<u>37,817</u>	<u>475</u>

15 Provision for liabilities and charges

	Deferred taxation £
Provision at beginning of year	697,365
Additional provision for accelerated capital allowances	168,705
Provision at end of year	<u>866,070</u>

The amounts provided for deferred taxation are set out below:

	2002 £	2001 £
Difference between accumulated depreciation and capital allowances	866,070	697,365

16 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	100	100

17 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Profit for the financial year	1,953,728	1,076,231
Opening shareholders funds	3,891,326	2,815,095
Closing shareholders funds	<u>5,845,054</u>	<u>3,891,326</u>

18 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	2,855,699	2,584,835
Depreciation charge	358,644	278,552
Increase in stocks	(59,393)	(262,735)
Decrease/(increase) in debtors	159,571	(401,524)
(Decrease)/increase in creditors	(412,026)	1,349,976
Net cash inflow from operating activities	<u>2,902,495</u>	<u>3,549,104</u>

19 Reconciliation of net cash flow to movement in net debt

	£
Decrease in cash in the period	(250,808)
Cash used to reduce medium term borrowings	1,783,866
Net debt at 1 February 2001	<u>(7,283,107)</u>
Net debt at 31 January 2002	<u>(5,750,049)</u>

Notes (continued)

20 Gross cash flows

	2002		2001	
	£	£	£	£
Returns on investments and servicing of finance				
Interest received	8,188		61,150	
Interest paid	(476,659)		(777,352)	
		(468,471)		(716,202)
Capital expenditure				
Payments to acquire tangible fixed assets	(2,946,271)		(1,655,432)	
Receipts from sale of tangible fixed assets	2,226,063		792,600	
Payments to acquire intangible fixed assets	-		(490,000)	
		(720,208)		(1,352,832)
Financing				
Repayments of Hire Purchase agreements	(14,919)		-	
Repayments of medium term borrowings	(2,329,293)		(3,036,040)	
Group borrowings	88,723		779,161	
Directors loan	-		760,921	
New hire purchase agreements	559,871		-	
		(1,695,618)		(1,495,958)

21 Analysis of changes in net debt

	At 1 Feb 2001	Cash flows	At 31 Jan 2002
	£	£	£
Cash in hand and at bank	267,929	(250,808)	17,121
Debt due after 1 year	(6,384,330)	1,989,682	(4,394,648)
Debt due within one year	(1,166,706)	(205,816)	(1,372,522)
	(7,283,107)	1,533,058	(5,750,049)

Notes (continued)

22 Related party disclosures

Mr John Morphet is also proprietor of South Lakeland Caravans and Hall More Caravan Park.

South Lakeland Holidays Limited (formerly Hechinus Limited) is a subsidiary company of South Lakeland Caravans Limited. This company has been dormant during the year.

Transactions with these related parties during the year and the amounts outstanding to/from these parties at the year end were as follows:

	At 31 January 2002 Creditor £	At 31 January 2001 Creditor £
South Lakeland Caravans	1,459,774	1,296,870
Hall More Caravan Park	106,818	85,492
South Lakeland Holidays Limited	6,000	6,000
Directors loan account	760,921	760,921

South Lakeland Caravans paid £121,197 (2001: £47,477) to the company in respect of wages and national insurance paid to employees who had worked for the partnership during the year.

South Lakeland Caravans paid £44,250 (2001: £83,000) to the company for caravan siting and advertising costs during the year.

South Lakeland Caravans charged commissions of £86,543 (2001: £206,421) to the company in respect of sales of caravans made during the year onto their parks.

During the year South Lakeland Caravans Limited paid £75,000 to reduce debt owned to South Lakeland Caravans.

Hall More charged commissions of £16,073 (2001: £29,562) in respect of sales of caravans made during the year onto its park.

There was no movement on the directors loan account.

The company is controlled by John Morphet, by virtue of his 100% shareholding.