

Registered Number 4076355

Lakewood Limited

Annual report and financial statements

for the year ended 31 July 2012



Lakewood Limited

Annual report and financial statements for the year ended 31 July 2012

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Lakewood Limited

Director and advisers for the year ended 31 July 2012

Director

S Lakhani

Company secretary

I Lakhani

Registered Office

288 St Mary's Lane

Upminster

Essex

United Kingdom

RM14 3DH

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Benson House

33 Wellington Street

Leeds

LS1 4JP

Solicitors

DLA Piper Scotland LLP

Collins House

Rutland Square

Edinburgh

EH1 2AA

Bankers

Barclays Bank plc

54 Lombard Street

London

EC3V 9EX

Bank of Scotland

Telford House

3 Mid New Cutlins

Edinburgh

EH11 4DH

Deutsche Bank AG London

Winchester House

1 Great Winchester Street

London

EC2N 2DB

Lakewood Limited

Director's report for the year ended 31 July 2012

The director presents his annual report and the financial statements for the year ended 31 July 2012

Principal activities

The company's principal activity is the operation and leasing of nursing homes

Business review

The director is satisfied with the performance of the company during the year. Turnover has increased from the prior year due to the rental property (Three Towns) now being operated by the entity since November 2011.

The principal risk facing the company is fee income, which in many cases is funded by local authorities. The company has good relations with the local authorities and works closely with them to ensure that the income rates are appropriate for the services provided.

Since the year end, the director has been involved in discussions with banks to secure a funding package that will enable the redemption of the "Deutsche Bank" borrowing. In April 2013, it has signed terms with Lloyds Bank to take over this borrowing.

The key performance indicators used by the director to assess the performance of the company are turnover, occupancy rates, operating profit, EBITDA and net assets. On all these indicators, the company's performance remained strong in comparison to the previous year.

Future outlook

The director is confident that the company will continue to show sustained growth and increase profitability in the future years.

Financial risk management

The company makes little use of financial instruments other than operational bank accounts and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of its net assets, liabilities, financial position and profit or loss of the company.

Property revaluation

The land and buildings were revalued on 30 November 2012 by Christie & Co. on an open market existing use basis. A downward revaluation of £588,192 (2011: £nil) was charged to the revaluation reserve.

Results and dividends

The profit for the financial year amounted to £15,186 (2011: £21,789). The director recommends that no dividend be paid in respect of the year (2011: £nil).

Director

The director who held office during the year and up to the date of signing the financial statements is given below.

S Lakhani

Lakewood Limited

Director's report for the year ended 31 July 2012 (continued)

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. He is 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.

Disclosures of information to auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. The director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

This report was approved by the board on 19 April 2013 and signed on its behalf



S Lakhami
Director

Lakewood Limited

Independent auditors' report to the members of Lakewood Limited

We have audited the financial statements of Lakewood Limited for the year ended 31 July 2012 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Note of historical cost profits and losses, the Balance sheet, the Accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of director's responsibilities set out on pages 3 the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lakewood Limited

Independent auditors' report to the members of Lakewood Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Arif Ahmad

Arif Ahmad (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
19 April 2013

Lakewood Limited

Profit and loss account for the year ended 31 July 2012

| | Note | 2012 £ | 2011 £ |
|--|------|----------------|----------------|
| Turnover | 1 | 2,873,280 | 1,891,379 |
| Cost of sales | | (2,089,803) | (1,315,167) |
| Gross profit | | 783,477 | 576,212 |
| Administrative expenses | | (406,011) | (228,391) |
| Operating profit | 2 | 377,466 | 347,821 |
| Interest receivable and similar income | 4 | 1 | 27 |
| Interest payable and similar charges | 5 | (313,542) | (320,619) |
| Profit on ordinary activities before taxation | | 63,925 | 27,229 |
| Tax on profit on ordinary activities | 6 | (48,739) | (5,440) |
| Profit for the financial year | 14 | 15,186 | 21,789 |

All amounts relate to continuing operations

Statement of total recognised gains and losses for the year ended 31 July 2012

| | Note | 2012 £ | 2011 £ |
|---|------|------------------|---------------|
| Profit for the financial year | | 15,186 | 21,789 |
| Revaluation | 15 | (588,192) | - |
| Total recognised gains and losses relating to the year | | (573,006) | 21,789 |

Lakewood Limited

Note of historical cost profits and losses for the year ended 31 July 2012

| | 2012 £ | 2011 £ |
|--|----------------|-----------|
| Reported profit on ordinary activities before taxation | 63,925 | 27,229 |
| Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 72,133 | 27,283 |
| Historical cost profit on ordinary activities before taxation | 136,058 | 54,512 |
| Historical profit for the year after taxation | 87,319 | 49,072 |

Lakewood Limited

Balance sheet as at 31 July 2012

| | Note | 2012 £ | 2011 £ |
|---|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 7 | 6,865,353 | 7,515,066 |
| Investments | 8 | 100 | 100 |
| | | 6,865,453 | 7,515,166 |
| Current assets | | | |
| Debtors | 9 | 2,099,043 | 1,822,225 |
| Cash at bank and in hand | | 83,582 | 97 |
| | | 2,182,625 | 1,822,322 |
| Creditors - amounts falling due within one year | 10 | (5,887,155) | (833,184) |
| Net current (liabilities)/assets | | (3,704,530) | 989,138 |
| Total assets less current liabilities | | 3,160,923 | 8,504,304 |
| Creditors - amounts falling due after more than one year | 11 | - | (4,770,375) |
| Net assets | | 3,160,923 | 3,733,929 |
| Capital and reserves | | | |
| Called up share capital | 13 | 100 | 100 |
| Revaluation reserve | 14 | 3,008,992 | 3,597,184 |
| Profit and loss account | 14 | 151,831 | 136,645 |
| Total shareholders' funds | 15 | 3,160,923 | 3,733,929 |

The financial statements on pages 6 to 18 were approved by the board of director on 19 April 2013 and were signed on its behalf by



S Lakhami
Director

Director

Registered Number 4076355

Lakewood Limited

Accounting policies for the year ended 31 July 2012

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention, except for the revaluation of land and buildings, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies are set out below and applied consistently.

Consolidation

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about it as a group.

Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement as the company is included within the consolidated financial statements of The Holmes Care (Group) Limited.

Turnover

Turnover comprises revenue recognised by the Company in respect of operating and leasing of nursing homes, exclusive of Value added tax on an accruals basis.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Tangible assets and depreciation

Tangible assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | | |
|-----------------------------------|---|-----|------------------|
| Land and buildings | - | 2% | straight line |
| Plant and machinery | - | 20% | reducing balance |
| Furniture, fittings and equipment | - | 20% | reducing balance |

Land represents freehold land, therefore has not been depreciated.

Revaluation of tangible assets

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any intervening year where the director considers that a trigger event has occurred.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses, unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

Lakewood Limited

Accounting policies for the year ended 31 July 2012 (continued)

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012

1 Turnover

All turnover arose in the United Kingdom and relates to the principal activity of the Company

2 Operating profit

The operating profit is stated after charging

| | 2012 | 2011 |
|---------------------------------------|---------|--------|
| | £ | £ |
| Depreciation of tangible fixed assets | | |
| - owned by the company | 100,606 | 57,399 |
| Auditors' remuneration | 8,600 | 5,000 |

During the year, the director did not receive any emoluments in respect of his services to the company (2011 £nil)

3 Staff costs

Staff costs were as follows

| | 2012 | 2011 |
|-----------------------|-----------|-----------|
| | £ | £ |
| Wages and salaries | 1,851,403 | 1,160,277 |
| Social security costs | 126,109 | 87,489 |
| | 1,977,512 | 1,247,766 |

The average monthly number of employees (including the director) during the year was as follows

| | 2012 | 2011 |
|------------------------------|--------|--------|
| | Number | Number |
| Nursing staff and management | 145 | 69 |

4 Interest receivable and similar income

| | 2012 | 2011 |
|-----------------|------|------|
| | £ | £ |
| On cash at bank | 1 | 27 |

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

5 Interest payable and similar charges

| | 2012 | 2011 |
|------------------------------|---------|---------|
| | £ | £ |
| On bank loans and overdrafts | 313,542 | 320,619 |

6 Tax on profit on ordinary activities

| | 2012 | 2011 |
|--|--------|-------|
| | £ | £ |
| Current tax | | |
| Adjustment in respect of previous period | 6 | - |
| Total current tax | 6 | - |
| Deferred tax | | |
| Origination and reversal of timing differences | 47,856 | 5,623 |
| Changes in tax rates or law | - | (183) |
| Adjustment in respect of previous period | 877 | - |
| Total deferred tax (see note 12) | 48,733 | 5,440 |
| Tax on profit on ordinary activities | 48,739 | 5,440 |

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

6 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| Profit on ordinary activities before taxation | 63,925 | 27,229 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2011: 20.67%) | 12,785 | 5,628 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 18,808 | - |
| Capital allowances for year (in excess of)/less than of depreciation | (3,879) | 3,709 |
| Utilisation of tax losses | (27,714) | (9,337) |
| Adjustment in respect of previous period | 6 | - |
| Current tax charge for the year | 6 | - |

Factors affecting current and future tax charges

As the latest Finance Act was substantively enacted on 3 July 2012, effectively reducing the standard corporation tax rate to 23% from 1 April 2013, any deferred assets or liabilities released or settled after 1 April 2013 will reverse at 20% or 23%. Therefore we have prepared the provision on this basis and calculated the rate of deferred tax to be 20% and 23.67%.

Further reductions to the UK corporation tax rate were announced in the March 2013 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 21% by 1 April 2014 and 20% by 1 April 2015. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

7 Tangible assets

| | Land and buildings | Plant and Machinery | Furniture, fittings and equipment | Total |
|---------------------------------|-----------------------|------------------------|---|------------------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 August 2011 | 7,580,000 | 22,187 | 132,922 | 7,735,109 |
| Additions | - | 5,846 | 33,239 | 39,085 |
| Revaluation | (780,000) | - | - | (780,000) |
| At 31 July 2012 | 6,800,000 | 28,033 | 166,161 | 6,994,194 |
| Accumulated depreciation | | | | |
| At 1 August 2011 | 97,768 | 14,436 | 107,839 | 220,043 |
| Charge for the year | 94,040 | 1,550 | 5,016 | 100,606 |
| Revaluation | (191,808) | - | - | (191,808) |
| At 31 July 2012 | - | 15,986 | 112,855 | 128,841 |
| Net book amount | | | | |
| At 31 July 2012 | 6,800,000 | 12,047 | 53,306 | 6,865,353 |
| At 1 August 2011 | 7,482,232 | 7,751 | 25,083 | 7,515,066 |

Included in land and buildings is freehold land of £3,116,667 (2011 £3,116,667) which is not depreciated, (cost £1,997,331) Included within the net book amount of land and buildings above are the investment properties at valuation amounting to £nil (2011 £3,220,000)

The freehold land and buildings were revalued in November 2012 by Christie & Co, Chartered Surveyors, on an open market value basis, in accordance with the RICS Appraisal and Valuation Manual

If the freehold land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

| | 2012 | 2011 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cost | 4,162,118 | 4,162,118 |
| Accumulated depreciation | (217,675) | (195,768) |
| Net book amount | 3,944,443 | 3,966,350 |

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

8 Investments

| | Shares in group undertaking £ |
|-----------------------------------|--|
| Cost or valuation | |
| At 1 August 2011 and 31 July 2012 | 100 |

The following was a subsidiary undertaking of the company

| Company name | Principal activity | Ownership |
|--------------------------|--------------------|-----------|
| Lakewood Leisure Limited | dormant | 100% |

The director believes that the carrying value of the investments is supported by their underlying net assets

9 Debtors

| | 2012 £ | 2011 £ |
|--------------------------------------|------------------|------------------|
| Due after more than one year: | | |
| Other debtors | - | 30,370 |
| Due within one year: | | |
| Trade debtors | 177,319 | 58,656 |
| Amounts owed by group undertakings | 1,827,966 | 1,705,146 |
| Amounts owed by related undertakings | 934 | - |
| Other debtors | 28,103 | - |
| Prepayments and accrued income | 64,721 | 28,053 |
| | 2,099,043 | 1,822,225 |

Amounts owed by group and related undertakings are unsecured, repayable on demand and interest-free

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

10 Creditors – Amounts falling due within one year

| | 2012 | 2011 |
|--------------------------------------|------------------|----------------|
| | £ | £ |
| Bank loans and overdrafts | 4,770,375 | 137,425 |
| Trade creditors | 71,530 | 32,794 |
| Amounts owed to group undertakings | 895,302 | 596,084 |
| Amounts owed to related undertakings | 100 | - |
| Social security and other taxes | 29,323 | 21,465 |
| Other creditors | 31,993 | 19,517 |
| Corporation tax | 6 | - |
| Accruals and deferred income | 25,251 | 11,357 |
| Deferred tax (see note 12) | 63,275 | 14,542 |
| | 5,887,155 | 833,184 |

Amounts owed to group and related undertakings are unsecured, repayable on demand and interest-free

Bank loans are secured on the group's freehold land and buildings. These are repayable by quarterly instalments. Interest is payable quarterly in arrears and is charged at a fixed rate of 6.43% per annum.

11 Creditors – Amounts falling due after more than one year

| | 2012 | 2011 |
|------------|------|-----------|
| | £ | £ |
| Bank loans | - | 4,770,375 |

Bank loans were secured on the group's freehold land and buildings. These were repayable by quarterly instalments. Interest was payable quarterly in arrears and was charged at a fixed rate of 6.43% per annum. The balance was due between one to two years.

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

12 Deferred taxation

| | 2012 £ | 2011 £ |
|--------------------------------------|-----------|-----------|
| At beginning of the year | 14,542 | 9,102 |
| Charged during the year | 47,856 | 5,440 |
| Adjustment in respect of prior years | 877 | - |
| At end of year | 63,275 | 14,542 |

The provision for deferred taxation is made up as follows

| | 2012 £ | 2011 £ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 63,275 | 14,542 |

13 Called up share capital

| | 2011 £ | 2010 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 (2011 1,000) ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 100 (2011 100) ordinary shares of £1 each | 100 | 100 |

14 Reserves

| | Revaluation reserve £ | Profit and loss account £ |
|-------------------------------|-----------------------------|---------------------------------|
| At 1 August 2011 | 3,597,184 | 136,645 |
| Profit for the financial year | - | 15,186 |
| Revaluation | (588,192) | - |
| At 31 July 2012 | 3,008,992 | 151,831 |

Lakewood Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

15 Reconciliation of movements in shareholders' funds

| | 2012 | 2011 |
|-----------------------------------|-----------|-----------|
| | £ | £ |
| Opening total shareholders' funds | 3,733,929 | 3,712,140 |
| Profit for the financial year | 15,186 | 21,789 |
| Revaluation | (588,192) | - |
| Closing total shareholders' funds | 3,160,923 | 3,733,929 |

16 Contingent liabilities

The company has guaranteed loans taken out by certain other group companies

17 Post balance sheet event

Since the year end, the Group has been involved in discussions with banks to secure a funding package that will enable the redemption of the "Deutsche Bank" borrowing. In April 2013, the Group has signed terms with Lloyds Bank to take over this borrowing.

18 Related party transaction

Details of the company's balances and investments with group undertakings are provided in Note 8, 9 and 10

19 Ultimate parent undertaking and controlling party

The company is a subsidiary of The Holmes Care Limited, incorporated in England and Wales. The company's ultimate parent company is The Holmes Care (Group) Limited, a company incorporated in England and Wales. Copies of consolidated financial statements for this company are available from Companies House.

The Holmes Care (Group) Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements.

The company is controlled by S Lakhani, the company's director.