

COMPANY REGISTRATION NUMBER: 09662234

Lifestyle Care Management Limited
Directors' Report and Financial Statements
31 October 2016

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Lifestyle Care Management Limited

Financial Statements

Period from 29 June 2015 to 31 October 2016

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Lifestyle Care Management Limited

Officers and Professional Advisers

The board of directors

P Mancey
D Johnson

Registered office

The Hamlet
Hornbeam Park
Harrogate
North Yorkshire
HG2 8RE

Auditor

KPMG LLP
Chartered accountant & statutory auditor
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Bankers

National Westminster Bank plc
8 Market Place
Huddersfield
HD1 2AL

Solicitors

Pinsent Masons LLP
1 Park Row
Leeds
LS1 5AB

Lifestyle Care Management Limited

Strategic Report

Period from 29 June 2015 to 31 October 2016

Principal activity

The Company's principle activity during the period was the specialist provision of quality long term care through the operation of care homes offering nursing and residential care. Apart from the needs of older people with physical need, the company offers specialist care for service users with dementia and younger people with physical disabilities.

The Company operates the care homes under a management agreement with the landlord. Orchard Care Homes.Com Limited ("Orchard"), intermediate parent company, provides the management services including central and field based staff and the company pays Orchard a management fee for these services. Any profits after paying the management fee are payable to the landlord by way of a licence fee in lieu of monthly rent.

Business review and results

The company operates twenty two care homes with an average occupancy of 87%.

Fee pressure exerted by local authorities continues to have an impact on margins. The average local authority increases in fees in 2015-16 settlements was less than 2% at a time when cost inflation is increasing by up to 5%. To mitigate the impact of low local authority fees, the company continues to focus on improving the number of residents and the percentage of residents who pay privately for care. During the year occupancy increased by an average of 6%.

Market conditions continue to be challenging with wage inflation increasing ahead of fee inflation to attract and retain good staff.

Significant improvements in compliance with mandatory training have been experienced. Better trained staff resulting in a higher quality of care.

The key drivers of the business are:

	2016
Available beds	1,665
Occupancy (%)	87.1%
Revenue	£56.534m
Average weekly fee	£745

Definitions and method of calculation:

Occupancy percentage is defined as the average occupied beds divided by the average available beds for the year. Available beds are the average number of beds available for occupation during the year. Where a bedroom is registered as a double room with the Care Quality Commission ("CQC"), this is counted as one room in the available beds calculation since typically double rooms are only used as single occupancy.

Block contracts

The Company has benefited from 189 block contract beds during the financial year. These contracts are continuing into the next year. The contracts are with local authorities and CCGs and cover respite, residential and nursing care.

Lifestyle Care Management Limited

Strategic Report *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

Matters of strategic importance

The compliance risk is primarily the non-compliance with regulatory standards as set out by the industry regulator, CQC. The company is committed to maintaining an open dialogue with CQC and has dedicated operational resources at Group level which have the responsibility for developing policy and implementing best practice consistently across the Group to ensure policy compliance. A compliance team, who are independent to the operational team, perform regular audits of the homes in conjunction with CQC regulations and local authority framework standards. This team has been strengthened through the appointment of a Director of Quality and Clinical Governance during the year. Additionally, the company continues to forge strong links with local authorities to keep up to date with current issues and promote our services as a first class provider of residential and dementia care for the elderly.

The company has experienced a heightened regulatory environment and awareness following the increasing public and media scrutiny in relation to care homes.

The implementation of National Living Wage ("NLW") will have a significant impact on margins since local authorities already fail to pay an appropriate fee for care.

Based upon the knowledge that the management services agreement with Life Style Care (2011) PLC (in administration) was due to expire on the 31st December 2017 with the provision of services being transferred to a new operator(s), there is uncertainty over the future trading of the company.

This report was approved by the board of directors on 20 June 2017 and signed on behalf of the board by:



D Johnson
Director

Registered office:
The Hamlet
Hornbeam Park
Harrogate
North Yorkshire
HG2 8RE

Lifestyle Care Management Limited

Directors' Report

18 month Period from 29 June 2015 to 31 October 2016

The directors present their report and the financial statements of the company for the period ended 31 October 2016.

Principal activities

The principal activity of the company during the period was the specialist provision of quality long term care through the operation of care homes offering nursing and residential care.

Incorporation

The Company was incorporated on the 29th June 2015 and commencement of trade began on the 3rd November 2015 following CQC registration.

Directors

The directors who served the company during the period were as follows:

P Mancey	(Appointed 29 June 2015)
D Johnson	(Appointed 29 June 2015)

Dividends

The directors do not recommend the payment of a dividend.

Employment of disabled persons

The Company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. During employment the Company seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

Employee involvement

The Company encourages the involvement of its employees in its management through weekly cascades, regular team talk and newsletters which have the responsibility for the dissemination of information of particular concern to employees and for receiving their views.

Financial risk management

The Company's principal financial instruments comprise sterling cash and bank deposits together with trade debtors and trade creditors arising directly from operations.

The credit risk attributable to trade debtors is minimal as a large proportion of fees are paid by local authorities and the incidence of bad debt on private fee payers has been minimal. The Company has a robust process of debt collection to pursue any accounts where debts fall overdue.

Going concern

Based upon the knowledge that the management services agreement with Life Style Care (2011) PLC (in administration) was due to expire on the 31st December 2017 with the provision of services being transferred to a new operator(s), there is uncertainty over the future trading of the company. As of the date of signing, no formal notice has been served or agreements reached with the new operator(s). However, as it is the intent of the Director's that the entity will be sold within 12 months of the year end at which point the entity will cease trading, these financial statements have not been prepared on a going concern basis.

Lifestyle Care Management Limited

Directors' Report *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

Disclosure of information in the strategic report

In accordance with Section 414(c) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the company has prepared a Strategic Report, which includes information that would have been previously included in the Directors' Report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 20 June 2017 and signed on behalf of the board by:



D Johnson
Director

Registered office:
The Hamlet
Hornbeam Park
Harrogate
North Yorkshire
HG2 8RE

Lifestyle Care Management Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, Directors' Report and the Financial Statements

18 month Period from 29 June 2015 to 31 October 2016

The directors are responsible for preparing the Strategic Report, 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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial reporting standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are 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 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 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. (As explained in note 3 the directors do not believe that it is appropriate to prepare these financial statement on a going concern basis.)

The directors are 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. 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.

Independent Auditor's Report to the Members of Lifestyle Care Management Limited

We have audited the financial statements of Lifestyle Care Management Limited for the period from 29 June 2015 (date of incorporation) to 31 October 2016 set out on pages 9 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 October 2016 and of its result for the period from 29 June 2015 (date of incorporation) to 31 October 2016;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter – non going concern basis of preparation

In forming our opinion of the financial statements which is not modified, we have considered the adequacy of the disclosures in note 3 to the financial statements which explains the financial statements are now not being prepared on the going concern basis for the reasons set out in that note.

Independent Auditor's Report to the Members of Lifestyle Care Management Limited *(continued)*

Matters on which we are required to report by exception

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Chris Butt (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered accountant & statutory auditor
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

21 June 2017

Lifestyle Care Management Limited

Statement of Comprehensive Income

18 month Period from 29 June 2015 to 31 October 2016

		Period from 29 Jun 15 to 31 Oct 16
	Note	£
Turnover	4	57,291,182
Cost of sales		(43,687,826)
Gross profit		13,603,356
Administrative expenses		(13,603,356)
Result on ordinary activities before taxation		—
Tax on profit on ordinary activities		—
Result for the financial period and total comprehensive income		—

All the activities of the company are from continuing operations.

The notes on pages 13 to 18 form part of these financial statements.

Lifestyle Care Management Limited

Balance Sheet

31 October 2016

	Note	31 Oct 16 £
Current assets		
Tangible assets	9	1,027,202
Debtors	10	9,343,483
Cash at bank and in hand		3,450,021
		<u>12,793,504</u>
Creditors: amounts falling due within one year	11	(13,820,705)
Net current liabilities		<u>1</u>
Total assets less current liabilities		<u>1</u>
Net assets		<u>1</u>
Capital and reserves		
Called up share capital	14	<u>1</u>
Shareholders' funds		<u>1</u>

These financial statements were approved by the board of directors and authorised for issue on 20 June 2017, and are signed on behalf of the board by:



D Johnson
Director

Company registration number: 09662234

The notes on pages 13 to 18 form part of these financial statements.

Lifestyle Care Management Limited

Statement of Changes in Equity

18 month Period from 29 June 2015 to 31 October 2016

	Called up share capital £	Profit and loss account £	Total £
Total comprehensive income for the period	—	—	—
Issue of shares	1	—	1
Total investments by and distributions to owners	<u>1</u>	<u>—</u>	<u>1</u>
At 31 October 2016	<u>1</u>	<u>—</u>	<u>1</u>

The notes on pages 13 to 18 form part of these financial statements.

Lifestyle Care Management Limited

Statement of Cash Flows

18 month Period from 29 June 2015 to 31 October 2016

	31 Oct 16 £
Cash flows from operating activities	
Profit for the financial period	–
<i>Adjustments for:</i>	
Depreciation of tangible assets	139,361
<i>Changes in:</i>	
Trade and other debtors	(9,343,483)
Trade and other creditors	12,793,503
Cash generated from operations	3,589,381
Net cash from operating activities	<u>3,589,381</u>
Cash flows from investing activities	
Purchase of tangible assets	(1,166,563)
Net cash used in investing activities	<u>(1,166,563)</u>
Cash flows from financing activities	
Proceeds from issue of ordinary shares	1
Proceeds from loans from group undertakings	1,027,202
Net cash from financing activities	<u>1,027,203</u>
Net increase in cash and cash equivalents	3,450,021
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	<u>3,450,021</u>

The notes on pages 13 to 18 form part of these financial statements.

Lifestyle Care Management Limited

Notes to the Financial Statements

18 month Period from 29 June 2015 to 31 October 2016

1. General information

Lifestyle Care Management (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 0966223 and the registered address is The Hamlet, Hornbeam Park, Harrogate, HG2 8RE.

2. Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

3. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1.

Based upon the knowledge that the management services agreement with Life Style Care (2011) PLC (in administration) was due to expire on the 31st December 2017 with the provision of services being transferred to a new operator(s), there is uncertainty over the future trading of the company. As of the date of signing, no formal notice has been served or agreements reached with the new operator(s). However, based upon this knowledge, the accounts have not been prepared on a going concern basis. No adjustments were necessary to the amounts at which the balances are included in these financial statements.

Judgements and key sources of estimation uncertainty

Estimates and judgements are regularly evaluated and are based on experience and future expectations of current events.

Revenue recognition

Revenue is recognised at the point in which services are supplied to residents. Where services are performed gradually over time, revenue is recognised as the activity progresses by reference to the value of the services provided and the number of days occupied.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

On transfer to current assets the tangible assets are measured at the lower of cost and net realisable value.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and fittings - 20% straight line

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

3. Accounting policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	Period from 29 Jun 15 to 31 Oct 16 £
Rendering of services	<u>57,291,182</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	Period from 29 Jun 15 to 31 Oct 16 £
Depreciation of tangible assets	139,361
Licence fee	<u>6,804,644</u>

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

6. Auditor's remuneration

	Period from 29 Jun 15 to 31 Oct 16 £
Fees payable for the audit of the financial statements	5,000

7. Staff costs

The average number of persons employed by the company during the period, including the directors, amounted to:

	31 Oct 16 No.
Number of care staff	1,361

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 29 Jun 15 to 31 Oct 16 £
Wages and salaries	32,143,099
Social security costs	2,437,766
Other pension costs	229,089
	<u>34,809,954</u>

8. Directors' remuneration

No directors' remuneration is receivable by the directors for their services to this company in the current year. Directors' remuneration is borne by Orchard Care Homes.com Limited and recharged to Lifestyle Care Management Limited as part of the management services fee.

9. Tangible assets

	Fixtures and fittings £
Cost	
Additions	1,166,563
Tangible assets reclassified to current assets	(1,166,563)
At 31 October 2016	<u>-</u>
Depreciation	
Charge for the period	139,361
Tangible assets reclassified to current assets	(139,361)
At 31 October 2016	<u>-</u>
Carrying amount	
At 31 October 2016	<u>-</u>

The carrying value of current tangible assets at the 31 October 2016 was £1,027,202 which was deemed to be the lower of their cost and net realisable value.

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

10. Debtors

	31 Oct 16 £
Trade debtors	7,488,248
Amounts owed by related parties	691
Prepayments and accrued income	1,686,369
Other debtors	168,175
	<u>9,343,483</u>

11. Creditors: amounts falling due within one year

	31 Oct 16 £
Trade creditors	845,066
Amounts owed to related parties	6,597,550
Accruals and deferred income	5,773,456
Social security and other taxes	604,633
	<u>13,820,705</u>

12. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £229,089.

The company operated a defined benefit contributions scheme whose assets are held separately from those of the company in an independently administered fund. Contributions totalling £40,071 were payable to the fund at the year end.

13. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	31 Oct 16 £
Financial assets that are debt instruments measured at amortised cost	
Financial assets that are debt instruments measured at amortised cost - Trade receivables	<u>7,488,248</u>
Financial liabilities measured at amortised cost	
Financial liabilities measured at amortised cost - Trade Creditors	845,066
Financial liabilities measured at amortised cost - Accruals and deferred income	5,773,456
	<u>6,618,522</u>

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

18 month Period from 29 June 2015 to 31 October 2016

14. Called up share capital

Issued, called up and fully paid

	31 Oct 16	
	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Share movements

	No.	£
Ordinary		
At 29 June 2015	—	—
Issue of shares	<u>1</u>	<u>1</u>
At 31 October 2016	<u>1</u>	<u>1</u>

15. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

16. Related party transactions

During the period the company entered into the following transactions with related parties:

	Transaction value 31 Oct 16 £	Balance owed by/(owed to) 31 Oct 16 £
Life Style Care (2011) PLC (in administration)	(6,804,644)	(6,597,550)
Orchard Care Homes.com Limited	<u>(2,389,478)</u>	<u>691</u>

During the year, transactions with related parties included management fees and cost recharges payable to Orchard Care Homes.com Limited which came to £2,389,478 for the year. At the year end £691 was payable to Orchard Care Homes.com Limited.

Licence fee of £6,804,644 was payable at the year end to Life Style Care (2011) PLC (in administration) as part of the MSA agreement in lieu of monthly rental payments. Included within the creditor amount at the year end, are cash movements between Lifestyle Care Management Limited and Life Style Care (2011) during the year.

17. Controlling party

The Company is a subsidiary undertaking of Cortina Race LLP. The ultimate control of Lifestyle Care Management Limited does not sit with Cortina Race LLP, instead the company is controlled by Life Style Care (2011) PLC (in administration).

The Company operates under a licence agreement with Life Style Care (2011) PLC (in administration) who are the ultimate controlling party. The Company has limited authority to make decisions and a licence fee is payable to Life Style Care (2011) PLC each year for the right to occupy and run the homes.