

Lifestyle Care Management Limited

Directors' Report and Financial Statements

31 October 2018



Lifestyle Care Management Limited

Financial Statements

Period ended 31 October 2018

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Lifestyle Care Management Limited

Officers and Professional Advisers

The board of directors

D Johnson
L Lee

Registered office

The Hamlet
Hornbeam Park
Harrogate
North Yorkshire
HG2 8RE

Auditor

KPMG LLP
Chartered Accountants & 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

Directors' Report

Year ended 31 October 2018

The directors present their report and the financial statements of the company for the year ended 31 October 2018.

Principal activity

The company operates care homes under a management agreement with Life Style Care (2011) PLC (in administration) and the owner of the care home properties. Orchard Care Homes.Com Limited ("Orchard"), an intermediate parent company, provides the management services including central and field based staff, and the company pays Orchard a management fee for these services. The structure of the agreement is that the Orchard group is only entitled to the management fee for operating the care homes. Orchard and the company are not entitled to retain any profits generated from the care homes, after payment of the management fee, and are not required to fund any losses for any care homes. Any profits after the management fee are payable to the owner of the care home properties by way of licence fee in lieu of monthly rent, and any cash required to fund losses is deducted from the accrued licence fee.

The management agreement was a temporary agreement to enable the Orchard group to operate the care homes on behalf of the administrators and the owner to enable longer term lease agreements to be negotiated with a third party/parties. During 2016 a decision was made to end the management agreement and commence transfer of the care homes to third parties. The business of the care homes was sold by the company for £nil in several transfers, the final transfer completed on 31 July 2017. The assets and liabilities of the company were retained but the company ceased trading. The net cash in the company after debtors have been collected and creditors settled is payable to the owner to settle the licence fee creditor.

Directors

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

TA Brookes (resigned 4 October 2019)
D Johnson
L Lee

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.

Lifestyle Care Management Limited

Directors' Report *(continued)*

Year ended 31 October 2018

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 19/11/19 and signed on its behalf 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 Directors' Report and the Financial Statements

Year ended 31 October 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 3 the directors do not believe that it is appropriate to prepare these financial statements 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Lifestyle Care Management Limited ("the company") for the year ended 31 October 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 3 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Lifestyle Care Management Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
20 November 2019

Lifestyle Care Management Limited

Statement of Comprehensive Income

Year ended 31 October 2018

	Note	2018 £	2017 £
Turnover	4	28,779	44,422,031
Cost of sales (2018 – credit)		175,898	(36,660,141)
Gross profit		204,677	7,761,890
Administrative expenses		(204,677)	(7,761,890)
Operating result		—	—
Tax on result on ordinary activities	6	—	—
Result for the financial year and total comprehensive income		—	—

All the activities of the company are from discontinued operations.

The notes on pages 11 to 15 form part of these financial statements.

Lifestyle Care Management Limited

Balance Sheet

As at 31 October 2018

	Note	2018 £	2017 £
Current assets			
Debtors	10	179,721	7,929,651
Cash at bank and in hand		241,699	1,520,368
		<u>421,420</u>	<u>9,450,019</u>
Creditors: amounts falling due within one year	11	<u>(421,419)</u>	<u>(9,450,018)</u>
Net current assets		<u>1</u>	<u>1</u>
Total assets less current liabilities		<u>1</u>	<u>1</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	-	-
Shareholders' funds		<u>1</u>	<u>1</u>

These financial statements were approved by the board of directors and authorised for issue on 19/11/19, and are signed on behalf of the board by:



D Johnson
Director

Company registration number: 09662234

The notes on pages 11 to 15 form part of these financial statements.

Lifestyle Care Management Limited

Statement of Changes in Equity

Year ended 31 October 2018

	Called up share capital £	Profit and loss account £	Total £
At 31 October 2016	1	—	1
Result for the year	—	—	—
Total comprehensive income for the year	—	—	—
At 31 October 2017	1	—	1
Result for the year	—	—	—
Total comprehensive income for the year	—	—	—
At 31 October 2018	1	—	1

The notes on pages 11 to 15 form part of these financial statements.

Lifestyle Care Management Limited

Statement of cash flows

Year ended 31 October 2018

	2018	2017
	£	£
Cash flows from operating activities		
Result for the financial year	–	–
<i>Changes in:</i>		
Decrease in trade and other debtors	1,852,195	5,682,829
Decrease in trade and other creditors	(967,823)	(4,028,441)
Cash generated from operations	884,372	1,654,388
Net cash from operating activities	884,372	1,654,388
Cash flows from investing activities		
Purchase of tangible fixed assets	–	(1,866,222)
Net cash used in investing activities	–	(1,866,222)
Cash flows from financing activities		
Paid to related parties	(2,163,041)	(1,717,819)
Net cash used in financing activities	(2,163,041)	(1,717,819)
Net decrease in cash and cash equivalents	(1,278,669)	(1,929,653)
Cash and cash equivalents at beginning of year	1,520,368	3,450,021
Cash and cash equivalents at end of year	241,699	1,520,368

The notes on pages 11 to 15 form part of these financial statements.

Lifestyle Care Management Limited

Notes to the Financial Statements

Year ended 31 October 2018

1. General information

Lifestyle Care Management Limited (the "Company") is a private company incorporated, domiciled and registered in England and the UK. The registered number is 09662234 and the registered address is The Hamlet, Hornbeam Park, Harrogate, North Yorkshire, 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"). The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1.

3. Accounting policies

Basis of preparation

The Company operates care homes under a management agreement with Life Style Care (2011) PLC (in administration) and the owner of the care home properties. Orchard Care Homes.com Limited ("Orchard"), an intermediate parent company, provides the management services including central and field-based staff and the company pays Orchard a management fee for these services. The structure of the agreement is that the Orchard group is only entitled to the management fee for operating the care homes, Orchard and the company are not entitled to retain any profits generated from the care homes, after payment of the management fee, and are not required to fund any losses for any care homes. Any profits after paying the management fee are payable to the owner of the care home properties by way of a licence fee in lieu of monthly rent and any cash required to fund losses is deducted from the accrued licence fee.

The management agreement was a temporary agreement to enable the Orchard group to operate the care homes on behalf of the administrators and the owner to enable longer term lease agreements to be negotiated with a third party/parties. During 2016 a decision was made to end the management agreement and commence transfer of the care homes to third parties. The business of the care homes was sold by the Company for £nil in several transfers, the final transfer completed on 31 July 2017. The assets and liabilities of the company were retained but the company ceased trading. The net cash in the company after debtors have been collected and creditors settled is payable to the owner to settle the licence fee creditor.

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 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)*

Year ended 31 October 2018

3. Accounting policies *(continued)*

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.

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.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Rendering of services	28,779	44,422,031

5. Operating result

Operating profit is stated after charging:

	2018 £	2017 £
Assets expensed as incurred	—	1,866,222
Management fees	—	1,914,803
Operating lease rentals - land and buildings	—	(1,522,444)

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2018

6. Tax on result in ordinary activities

There was no charge to either current or deferred taxation in the current or prior year.

7. Staff costs

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

	2018 No.	2017 No.
Number of care staff	—	1,073

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

	2018 £	2017 £
Wages and salaries	—	25,372,304
Social security costs	—	1,998,882
Other pension costs	—	202,944
	—	27,574,130

8. Directors' remuneration

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

9. Tangible assets

£nil (2017 - £1,866,222) worth of fixtures and fittings were purchased and expensed as Incurred.

10. Debtors

	2018 £	2017 £
Trade debtors	—	3,641,502
Amounts owed from related parties	177,518	4,269,689
Prepayments and accrued income	2,203	18,460
	179,721	7,929,651

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2018

11. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	750	515,382
Amounts owed to related parties	—	6,255,212
Accruals and deferred income	31,678	2,222,769
Social security and other taxes	—	445,182
Other creditors	388,991	11,473
	<u>421,419</u>	<u>9,450,018</u>

12. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £nil (2017: £202,944).

13. Financial instruments

The carrying amount for each category of financial instrument is as follows on a 0% interest rate on amortisation:

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	—	3,641,502
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	750	515,382
Financial liabilities measured at amortised cost	420,669	2,234,245
	<u>421,419</u>	<u>2,749,627</u>

14. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15. Reserves

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

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2018

16. Related party transactions

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

	Transaction value 31 Oct 18 £	Balance owed by/(owed to) 31 Oct 18 £
OCH Management Services Limited	340,882	177,418

As at the 31st October 2018, a licence fee of £nil was payable from Life Style Care (2011) PLC (in administration) (2017 – £1,985,523). The creditor amount at the year end consists of accrued licence fee on profits generated from care home less cash retained to fund care home trading losses and cash paid to Life Style Care (2011) for licence fee. The main creditor which benefits from distributions from the administration of Life Style Care PLC (in administration) is the owner of the care home properties.

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.