

Lifestyle Care Management Limited
Directors' Report and Financial Statements
31 October 2017



Lifestyle Care Management Limited

Financial Statements

Year ended 31 October 2017

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Lifestyle Care Management Limited

Officers and Professional Advisers

The board of directors

T A Brookes
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 2017

The directors present their report and the financial statements of the company for the year ended 31 October 2017.

Principal activities

The Company operates the 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"), 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 the prior year 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:

PC Mancey (resigned 20 June 2017)
D Johnson
T A Brookes (appointed 20 June 2017)
L Lee (appointed 20 June 2017).

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.

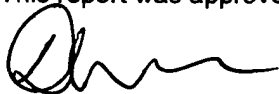
The auditors, KMPG LLP, indicated their willingness to continue in office, and were therefore reappointed by the directors under s.485 of the Companies Act 2006.

Lifestyle Care Management Limited

Directors' Report (*continued*)

Year ended 31 October 2017

This report was approved by the board of directors on October 2018 and signed on its behalf by:



D Johnson
Director

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

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

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 Reduced Disclosure Framework.

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;
- 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 31st October 2017 which comprise the Statement of Comprehensive Income, Balance sheet, Statement of changes in equity, Cash flow statement and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reason set out in note 1. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st October 2017 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.

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 a going concern basis for the reason 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.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such

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

Directors' responsibilities (*continued*)

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.



Chris Butt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign street
Leeds
LS1 4DA

12th October 2018

Lifestyle Care Management Limited

Statement of Comprehensive Income

Year ended 31 October 2017

		Year ended 31 Oct 17 £	Period from 29 Jun 15 to 31 Oct 16 £
	Note		
Turnover	4	44,422,031	57,291,182
Cost of sales		(36,660,141)	(43,687,826)
Gross profit		7,761,890	13,603,356
Administrative expenses		(7,761,890)	(13,603,356)
Result on ordinary activities before taxation		–	–
Tax on profit on ordinary activities	5	–	–
Result for the financial year/period and total comprehensive income		–	–

All the activities of the company are from discontinued operations.

The notes on pages 10 – 16 form part of these financial statements.

Lifestyle Care Management Limited

Balance Sheet

Year ended 31 October 2017

	Note	2017 £	2016 £
Current assets			
Tangible assets	10	–	1,027,202
Debtors	9	7,929,651	9,343,483
Cash at bank and in hand		1,520,368	3,450,021
		<u>9,450,019</u>	<u>13,820,706</u>
Creditors: amounts falling due within one year	10	<u>(9,450,018)</u>	<u>(13,820,705)</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	13	1	1
Profit and loss account	14	–	–
Shareholders' funds		<u>1</u>	<u>1</u>

The notes on pages 10 -15 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on October 2018, and are signed on behalf of the board by:



D Johnson
Director

Company registration number: 09662234

Lifestyle Care Management Limited

Statement of Changes in Equity

Year ended 31 October 2017

	Called up share capital £	Profit and loss account £	Total £
At 9 November 2015	–	–	–
Profit for the period	–	–	–
Total comprehensive income for the period	–	–	–
Issue of shares	1	–	1
Total investments by and distributions to owners	1	–	1
At 31 October 2016	1	–	1
Profit for the year	–	–	–
Total comprehensive income for the year	–	–	–
At 31 October 2017	1	–	1

The notes on pages 10 – 15 form part of these financial statements.

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year/period	–	–
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	–	139,361
Fixed assets expensed as incurred	1,866,222	–
Related party management fees paid	1,914,803	–
Related party licence fees received	(1,522,444)	–
<i>Changes in:</i>		
Decrease/(increase) in trade and other debtors	5,682,829	(9,343,483)
(Decrease)/increase in trade and other creditors	(4,028,441)	12,793,503
Cash generated from operations	<u>1,654,388</u>	<u>3,589,381</u>
Net cash from operating activities	<u>1,654,388</u>	<u>3,589,381</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,866,222)	(1,166,563)
Net cash used in investing activities	<u>(1,866,222)</u>	<u>(1,166,563)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	1
Paid to related parties	(3,976,400)	–
Proceeds from related parties	–	1,027,202
Net cash used in investing activities	<u>(1,717,819)</u>	<u>1,027,203</u>
Net (decrease)/increase in cash and cash equivalents	(1,929,653)	3,450,021
Cash and cash equivalents at beginning of period	3,450,021	–
Cash and cash equivalents at end of period	<u>1,520,368</u>	<u>3,450,021</u>

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

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.

The Company operates the 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"), 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 the prior year 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 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.

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

Revenue recognition *(continued)*

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.

Tangible assets

In 2016, tangible assets were transferred to current assets and measured at the lower of cost and net realisable value.

In 2017, all expenditure on fixtures and fittings was expensed to the profit and loss account when incurred.

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)*

Year ended 31 October 2017

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:

	Year ended 31 Oct 17 £	Period from 29 Jun 15 to 31 Oct 16 £
Rendering of services	44,422,031	57,291,182

5. Operating profit

Operating profit is stated after charging:

	Year ended 31 Oct 17 £	Period from 29 Jun 15 to 31 Oct 16 £
Depreciation of tangible assets	–	139,361
Assets expensed as incurred	1,866,222	–
Management fees	1,914,803	2,389,478
Licence fee	(1,522,444)	6,804,644

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

6. Staff costs

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

	Year ended 31 Oct 17 No.	Period from 29 Jun 15 to 31 Oct 16 No.
Number of care staff	1,073	1,361

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

	Year to 31 Oct 17 £	Period from 29 Jun 15 to 31 Oct 16 £
Wages and salaries	25,372,304	32,143,099
Social security costs	1,998,882	2,437,766
Other pension costs	202,944	229,089
	<u>27,574,130</u>	<u>34,809,954</u>

7. 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.

8. Tangible assets

£1,866,222 worth of fixtures and fittings were purchased and expensed as incurred.

9. Debtors

	2017 £	2016 £
Trade debtors	3,641,502	7,488,248
Amounts owed from related parties	4,269,689	691
Prepayments and accrued income	18,461	1,686,369
Other debtors	–	168,175
	<u>7,929,652</u>	<u>9,343,483</u>

10. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	515,382	845,067
Amounts owed to related parties	6,255,212	6,597,550
Accruals and deferred income	2,222,769	5,773,550
Social security and other taxes	445,182	604,633
Other creditors	11,476	–
	<u>9,450,020</u>	<u>13,820,705</u>

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

11. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 202,944, (2016: £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 £Nil (2016: £40,071) were payable to the fund at the year end.

12. Financial instruments

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

	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost - Trade receivables	3,641,502	7,488,248
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost - Trade Creditors	515,382	845,066
Financial liabilities measured at amortised cost - Accruals and deferred income	2,222,769	5,773,456
	<u>2,738,151</u>	<u>6,618,522</u>

13. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

14. Reserves

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

15. Related party transactions

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

	Transaction value 31 Oct 17 £	Balance owed by/(owed to) 31 Oct 17 £
Life Style Care (2011) PLC (in administration)	(1,522,444)	(1,985,523)
Orchard Care Homes.com Limited	1,914,803	-
	<u></u>	<u></u>

Lifestyle Care Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 October 2017

15. Related party transactions *(continued)*

As at the 31st October 2017, a licence fee of £1,985,523 was payable from Life Style Care (2011) PLC (in administration) (2016: £6,804,644 was payable to Life Style Care). 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 (2011) PLC (in administration) is the owner of the care home properties.

16. 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.