

Lanemile Limited

Annual report and financial statements

For the year ended 30 September 2014

Registered number 02571516

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Company Information

Directors

M R Parish
P J Humphreys (Resigned 07/10/14)
A Culhane (Resigned 29/11/13)
T Siddall (Resigned 31/10/13)
R Pearman (Appointed 29/11/13)
A Knight (Appointed 27/01/14)
M Rosenberg (Appointed 06/05/14)

Secretary

J D Calow

Auditor

KPMG LLP
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

Bankers

HSBC Bank Plc
Midland House
26 North Station Road
Colchester
Essex
CO1 1SY

Registered Office

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

Registered number

02571516

Strategic Report

The directors present their Strategic Report for the year ended 30 September 2014.

Business review

The Key Performance Indicators ("KPIs") used by the company to measure financial performance are revenue, gross profit, gross margin, bed numbers and occupancy.

Revenue has increased in the last year by 7.9% (2013: static) while gross profit increased by 30.6% (2013: 19.4% decrease) over the same period. The increase in the gross margin was a result of the increase in revenue.

Total bed numbers increased to 94 (2013: 92), of which 39 (2013: 39) or 41% (2013: 42%) were block contracted at the year end. The principal financial risk facing the business is the level of non-contract occupancy. During the year this averaged 94.5% (2013: 92.5%).

The directors consider the future prospects to be satisfactory.

Principal risks and uncertainties

Lanemile Limited ("The Company") operates in a highly regulated business environment and failure to comply with regulations could lead to substantial penalties, including the loss of the registration certificates necessary to continue to trade.

The company relies on providing services to publicly funded entities in the United Kingdom such as Local Authorities and the NHS, typically through Clinical Commissioning Groups, for a substantial proportion of its revenue and any material reduction in the revenue earned from such services could adversely impact the company's business, results of operations and financial condition.

The company's strategy is partly based on growth derived from increased levels of consumer demand for its services or the increased influence of consumers in the choice of the provider of care to them and as a result, its future growth is dependent on maintaining the quality of its services, consumer and patient perception of that quality and on its ability to market these services effectively.

By order of the board



M Rosenberg
Director

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

21 January 2015

Directors' Report

The directors present their annual report and financial statements for the year ended 30 September 2014.

Principal activities

The company's principal activity during the year continued to be the operation of two nursing and residential care homes for the elderly.

Results and dividend

The profit for the year after taxation amounted to £724,000 (2013: £591,000).

No interim dividend was paid in the year (2013: £nil). The directors do not recommend a final ordinary dividend to be paid in respect of the current year.

Directors

The directors who served during the year were as follows:

M R Parish	
P J Humphreys	(Resigned 07/10/14)
A Culhane	(Resigned 29/11/13)
T Siddall	(Resigned 31/10/13)
R Pearman	(Appointed 29/11/13)
A Knight	(Appointed 27/01/14)
M Rosenberg	(Appointed 06/05/14)

Employees

It is group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities.

Management regularly visit local offices and discuss matters of current interest and concern to the business with members of staff.

Management have developed a series of internal communications tools, including e-mail notices, newsletters and 'cascade' briefings in order to keep employees informed regarding the progress, financial position and commercial issues of the Care UK group.

Political and charitable donations

The company made no political or charitable donations during the year (2013: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the 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.

Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



M Rosenberg
Director

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

21 January 2015

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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).

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 judgments 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.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Lanemile Limited

We have audited the financial statements of Lanemile Limited for the year ended 30 September 2014 set out on pages 8 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).

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 auditors

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 APB's web-site 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 30 September 2014 and of its profit for the year then ended;
- 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 Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Stephen Muncy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
6 Lower Brook Street
Ipswich
IP4 1AP

21 January 2015

Profit and Loss Account

For the year ended 30 September 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	3,733	3,461
Cost of sales		(2,866)	(2,797)
		<hr/>	<hr/>
Gross Profit		867	664
Administrative Expenses		(301)	-
		<hr/>	<hr/>
Operating profit		566	664
Interest receivable and similar income	3	144	101
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	710	765
Tax on profit on ordinary activities	7	14	(174)
		<hr/>	<hr/>
Profit for the financial year	15,16	724	591
		<hr/> <hr/>	<hr/> <hr/>

All results derive from continuing activities.

The company has no recognised gains or losses other than the profit for the year.

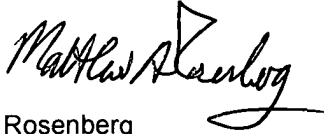
There were no material differences between the result as disclosed in the profit and loss account and that given by an unmodified historical cost basis during the current year.

Balance Sheet

As at 30 September 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	2,446	2,458
Current assets			
Stocks	9	4	5
Debtors (including £3,029,000 due after more than one year (2013: £1,770,000))	10	3,133	2,028
Cash at bank and in hand		158	158
		3,295	2,191
Creditors: amounts falling due within one year	11	(1,085)	(738)
Net current assets		2,210	1,453
Total assets less current liabilities		4,656	3,911
Creditors: amounts falling due after more than one year	12	(44)	(8)
Provisions for liabilities and charges:			
Deferred taxation	13	(71)	(86)
Net assets		4,541	3,817
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	4,540	3,816
Shareholders' funds	16	4,541	3,817

These financial statements were approved by the board of directors on 21 January 2015 and were signed on its behalf by:


M Rosenberg
Director

Notes on pages 10-18 form part of the financial statements

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 3. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. In addition the company has access to funds provided by Care UK Limited, a parent company. The directors, having assessed the responses of the directors of Care UK Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Care UK group to continue as a going concern. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Care UK Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £819,000 (after accounting for debtors due in more than 1 year). It is not envisaged that the company will be dependent on its parent, Care UK Limited, for working capital funds, but the parent has indicated that it will make available such funds as are needed by the group. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The directors, having assessed the responses of the directors of Care UK Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Lanemile Limited to continue as a going concern.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Care UK Health and Social Care Holdings Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of Care UK Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Care UK Health and Social Care Holdings Limited, within which this company is included, can be obtained from the address given in note 19.

Fixed assets

Freehold and long leasehold land and buildings are carried in the financial statements at cost. The cost of land and buildings includes both the costs of financing assets in the course of construction and other costs that are directly attributable to bringing the asset into working condition for its intended use. Capitalisation of finance and other costs ceases at the date the asset is fully capable of providing the service for which it has been constructed for.

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

Freehold land	No depreciation provided
Freehold buildings	10-50 years
Furniture, fittings and equipment	3 to 10 years

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered managed funds. Contributions to defined contribution personal pension schemes are charged to the profit and loss account in the year in which they become payable.

2 Turnover

Turnover represents sales and services to third party customers in the health and social care sector, stated net of any applicable value added tax. Turnover is recognised when services are provided. All sites operate within the UK..

3 Interest receivable

	2014 £000	2013 £000
Interest received on amounts owed by group undertakings	144	101

4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2014 for their services to the company (2013: *£nil*). The emoluments of A Culhane, R Pearman, A Knight and M Rosenberg are disclosed in the financial statements of Care UK Community Partnerships Limited and the emoluments of M R Parish, P J Humphreys and T Siddall and their share options are disclosed in the financial statements of Care UK Limited.

Retirement benefits under money purchase pension schemes are accruing to 4 directors (2013: 3).

Notes to the financial statements (continued)

5 Staff numbers and cost

No staff were directly employed by the company for the year ended 30 September 2014. All staff working directly with the service provision of this company were employed by other Group companies and the below disclosures relate to these staff.

	Number of employees	
	2014	2013
Care staff	158	151
Administration and Management	-	-
	<hr/>	<hr/>
	158	151
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	1,816	1,906
Social security costs	116	110
Other pension costs	12	6
	<hr/>	<hr/>
	1,944	2,022
	<hr/>	<hr/>

6 Profit on ordinary activities before taxation

	2014	2013
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off owned fixed assets	156	169
Government grants	28	(8)
	<hr/>	<hr/>

Auditors' remuneration of £2,000 (2013: £2,000) was borne by another group undertaking in both financial years.

Notes to the financial statements (continued)

7 Taxation

	2014 £000	2013 £000
UK corporation tax at 22% (2013: 23.5%)	-	216
Adjustments in respect of prior periods	1	2
	<hr/> 1	<hr/> 218
Deferred tax:		
Origination and reversal of timing differences	(11)	(26)
Adjustments in respect of prior periods	(4)	(1)
Effect of decreased tax rate	-	(17)
	<hr/> (14)	<hr/> 174

Current tax reconciliation

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2014 £000	2013 £000
Profit on ordinary activities before tax	710	765
	<hr/> 156	<hr/> 180
Profit on ordinary activities multiplied by the expected rate of corporation tax 22% (2013: 23.5%)		
Effects of:		
Capital allowances for period less than depreciation	35	39
Non taxable income	6	(1)
Group relief claimed	(197)	-
Capitalised revenue expenditure	-	(2)
Adjustments in respect of prior periods	1	2
	<hr/> 1	<hr/> 218
Current tax charge for year	<hr/> <hr/> 1	<hr/> <hr/> 218

Factors that may affect future tax changes

The reduction in the UK corporation tax rate from 23% to 21% was effective from 1 April 2014. The main rate of corporation tax will further reduce to 20% from 1 April 2015, this was substantively enacted on 2 July 2013.

Notes to the financial statements *(continued)*

8 Tangible fixed assets

	Land and buildings	Fixtures fittings and equipment	Total
	£000	£000	£000
Cost			
At 1 October 2013	2,424	1,625	4,049
Additions	-	144	144
Disposals	-	(659)	(659)
	<hr/>	<hr/>	<hr/>
At 30 September 2014	2,424	1,110	3,534
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 October 2013	395	1,196	1,591
Charge for year	28	128	156
Disposals	-	(659)	(659)
	<hr/>	<hr/>	<hr/>
At 30 September 2014	423	665	1,088
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2014	2,001	445	2,446
	<hr/>	<hr/>	<hr/>
At 30 September 2013	2,029	429	2,458
	<hr/>	<hr/>	<hr/>

Land and buildings include depreciable assets with an original cost of £1,437,000 (2013: £1,437,000) including capitalised interest of £36,000 (2013: £36,000)

9 Stocks

	2014 £000	2013 £000
Raw materials and consumables	4	5
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

10 Debtors

	2014	2013
	£000	£000
Trade debtors	90	51
Amounts owed by group undertakings	3,029	1,966
Prepayments	14	11
	<hr/>	<hr/>
	3,133	2,028
	<hr/>	<hr/>

Debtors include amounts owed by group undertakings of £3,029,000 (2013: £1,770,000) due after more than one year.

11 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	79	53
Amounts owed to group undertakings	824	453
Other creditors	22	32
Accruals and deferred income	160	200
	<hr/>	<hr/>
	1,085	738
	<hr/>	<hr/>

The amounts owed to group undertakings are unsecured, repayable on demand and carry no interest charge.

12 Creditors: amounts falling due after more than one year

	2014	2013
	£000	£000
Accruals and deferred income	44	8
	<hr/>	<hr/>

Included within accruals and deferred income in notes 11 and 12 is £53,000 in respect of government grants (2013: £25,000).

Notes to the financial statements (continued)

13 Deferred taxation

	2014 £000	2013 £000
Accelerated capital allowances	71	83
Other short-term timing differences	-	3
	<hr/>	<hr/>
Undiscounted deferred tax provision	71	86
	<hr/>	<hr/>
At 1 October	86	130
Credited to profit and loss account – current year	(11)	(26)
Credited to profit and loss account – prior years	(4)	(1)
Effect of decreased tax rate on opening liability	-	(17)
	<hr/>	<hr/>
At 30 September	71	86
	<hr/>	<hr/>

14 Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
1,000 (2013: 1,000) ordinary shares of £1 each	1	1
	<hr/>	<hr/>

15 Profit and loss account

	2014 £000	2013 £000
At 1 October	3,816	3,225
Profit for the financial year	724	591
	<hr/>	<hr/>
At 30 September	4,540	3,816
	<hr/>	<hr/>

16 Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Opening shareholders' funds	3,817	3,226
Profit for the financial year	724	591
	<hr/>	<hr/>
Closing shareholders' funds	4,541	3,817
	<hr/>	<hr/>

Notes to the financial statements (continued)

17 Pension commitments

The Care UK Limited group has an HMRC approved defined contributions group pension plan. Contributions to this scheme are charged to the profit and loss account evenly throughout the year. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost for the year represents contributions payable by the company to the fund and amounted to £12,000 (2013: £6,000).

18 Contingent liability

The company has an unsecured loan from its immediate parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 30 September 2020. Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties.

In addition the company is a guarantor to the funding arrangements disclosed in the financial statements of Care UK Health and Social Care Investment Limited – please refer to those financial statements for full details; a brief summary of which is given below.

i) Senior Secured Notes

Up until 17 July 2014 Care UK Health & Social Care Plc ("the Issuer") had £325.0m of 9¾% Senior Secured Notes in issue (the "2010 Notes").

On 17 July 2014 the Issuer issued £400.0m of floating rate Senior Secured Notes ("the 2014 Notes"). The proceeds of the issue were used to redeem all of the outstanding 2010 Notes, the associated accrued interest and the related redemption premium. The remaining proceeds were used to repay outstanding amounts under the Revolving Credit Facility and pay transaction fees and expenses in connection with the issue of the 2014 Notes.

The 2014 Notes are divided into two tranches, a First Lien tranche of £325.0m (the "2014 Senior Secured Notes"), which mature on 15 July 2019, and a Second Lien tranche of £75.0m (the "2014 Second Lien Notes"), which mature on 15 January 2020. Interest on the 2014 Senior Secured Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 5.0%. Interest on the 2014 Second Lien Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 7.5%. For both liens interest is payable quarterly in arrears on each of 15 October, 15 January, 15 April and 15 July.

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum. Prior to 15 July 2015, the Issuer may redeem all or part of the 2014 Notes by paying a 'make whole' premium as set out in the Offering Memorandum.

The 2014 Senior Secured Notes are guaranteed on a senior basis and the 2014 Second Lien Notes are guaranteed on a senior subordinated basis by Care UK Health & Social Care Investments Limited and certain subsidiary guarantors.

Notes to the financial statements (continued)

18 Contingent liability (continued)

ii) Super Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the "original RCF") was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF"). On 17 July 2014 the original RCF utilisations were repaid in full from the proceeds of the issue of the 2014 Notes together with utilisations drawn on the amended RCF.

As at 30 September 2014, £4.0m (2013: £46.5m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £10.1m (2013: £9.4m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division and £nil (2013: £0.5m) in relation to other ancillary utilisations.

The margin payable on any loan utilisation under the amended RCF is in the range of 2.25% to 3.25% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 11 May 2019.

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the Group for the 12 months ending on that quarter end).

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Care UK Limited, which is registered in England and Wales.

The company's ultimate parent company and controlling party is Care UK Health and Social Care Holdings Limited, which is registered in England and Wales.

Copies of the financial statements of Care UK Health and Social Care Holdings Limited, which include the consolidated results of this company, are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.