
LANEMILE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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LANEMILE LIMITED

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LANEMILE LIMITED

COMPANY INFORMATION

Directors	M R Parish (resigned 31 October 2019) R Pearman A Knight M Rosenberg P Whitecross (resigned 31 October 2019)
Company secretary	J D Calow
Registered number	02571516
Registered office	Connaught House 850 The Crescent Colchester Business Park Colchester Essex CO4 9QB
Independent auditors	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Bankers	HSBC Bank Plc Midland House 26 North Station Road Colchester Essex CO1 1SY

LANEMILE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Principal activity

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

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 5.8% (2018: 3.0%) while gross profit decreased by 13.2% (2018: 14.9% increase) over the same period. The decrease in the gross profit was a result of higher agency usage.

Total beds remained at 96 (2018: 96), of which none (2018: nil) 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 82.8% (2018: 88.3%) following the end of a block contract at each home during the year ended 30 September 2018.

The consequences and potential risks arising from the decision in the 2016 referendum to leave the European Union relate principally to the labour market for essential health care workers.

The company manages these risks through extensive recruitment and retention initiatives, seeking to ensure that the company offers its staff attractive work and career development opportunities, while also maintaining strong relationships with agency staff providers to ensure a flexible and efficient workforce.

The directors consider the future prospects to be satisfactory.

Results and dividends

The profit for the year, after taxation, amounted to £219,000 (2018 - £257,000).

No interim dividend (2018: £nil) was paid in the year. No final ordinary dividend (2018: £nil) was paid in respect of the current year.

Directors

The directors who served during the year were:

M.R Parish (resigned 31 October 2019)
R Pearman
A Knight
M Rosenberg
P Whitecross (resigned 31 October 2019)

Political and charitable donations

The company made no political or charitable donations during the year (2018: £nil).

LANEMILE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Employee involvement

Management regularly visit local services 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.

Disabled 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

LANEMILE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Post balance sheet events

There are been no significant events affecting the Company since the year end.

Covid-19

As at the date of signing the accounts, the world is fighting the Covid-19 virus pandemic. These are unprecedented times, and as reported in the media, the care sector is at the forefront.

The Board and Management have taken steps to steer their way through this crisis. Key metrics have been, and continue to be, monitored closely, such as: home level outbreaks and testing; occupancy and staffing levels; and supply of Personal Protective Equipment (PPE). Management have worked alongside key suppliers, in particular of PPE, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, NHS, relatives and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

During March to June, occupancy rates were significantly impacted, with death rates materially above historic levels. Subsequently during July to September occupancy levels have improved, although still remain below pre-COVID levels. In addition, operating costs have been impacted by increased cost of procuring PPE and sanitisation.

The impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group has obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of PIK interest on the term loan, matched by a further £15m internal transfer from cash reserves in the Group, but outside of the Care UK & Health and Social Care Investments group banking arrangement, to the banking group. To date £1.6m of loan has been rolled into the PIK interest. In September 2020 £10.5m has been injected into the banking group.

Nonetheless, the Directors cannot readily predict the longer term impact of the crisis upon the Group, including:

- (i) what the NHS / Local Authority and self-pay medium to long term demand for vacant beds will be;
- (ii) what the further impact of the crisis, including a second wave, will be on the death rate and occupancy levels within the Group's care homes;
- (iii) what the further impact of self-isolation, care home isolation and other social distancing measures, including PPE and sanitisation, will have on operating costs, particularly in light of a second wave.

Based on the above bank support, the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. Nevertheless the Directors consider the downside risks of COVID-19 on the group's occupancy levels and cashflows and the impact this might have on the group's ability to meet its bank covenants to represent a material uncertainty that may cast doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

For further information, please see note 2 in the Accounting Policies section of these financial statements.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

LANEMILE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

This report was approved by the board on 30 September 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'M. Rosenberg', with a stylized flourish at the end.

M Rosenberg
Director

LANEMILE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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.

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 to enable them to ensure that they 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 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF LANEMILE LIMITED

Opinion

We have audited the financial statements of Lanemile Limited (the 'Company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit 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.

Material uncertainty related to going concern

We draw attention to note 2.3 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Care UK Health & Social Care Holdings, and its subsidiaries. The financial statements of Care UK Health & Social Care Holdings include a material uncertainty related to going concern and therefore the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 2.3, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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 AUDITORS' REPORT TO THE SHAREHOLDERS OF LANEMILE 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' exemptions 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 6, 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 further description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LANEMILE LIMITED (CONTINUED)

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.

S Beavis

**Stephanie Beavis (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants**

Botanic House
100 Hills Road
Cambridge
CB2 1AR

30 September 2020

LANEMILE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	4,381	4,142
Cost of sales		(3,853)	(3,534)
Gross profit		528	608
Administrative expenses		(226)	(240)
Operating profit		302	368
Interest receivable and similar income	8	-	53
Interest payable and expenses	9	(97)	(79)
Profit before tax		205	342
Tax on profit	10	14	(85)
Profit for the financial year		219	257
Total comprehensive income for the year		219	257

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 14 to 29 form part of these financial statements.

LANEMILE LIMITED
REGISTERED NUMBER: 02571516

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	2,992	3,152
		<u>2,992</u>	<u>3,152</u>
Current assets			
Stocks	12	5	5
Debtors: amounts falling due after more than one year	13	16	36
Debtors: amounts falling due within one year	13	118	246
Cash at bank and in hand	14	11	11
		<u>150</u>	<u>298</u>
Creditors: amounts falling due within one year	15	(1,528)	(2,053)
Net current liabilities		<u>(1,378)</u>	<u>(1,755)</u>
Total assets less current liabilities		<u>1,614</u>	<u>1,397</u>
Creditors: amounts falling due after more than one year	16	(41)	(43)
Net assets		<u><u>1,573</u></u>	<u><u>1,354</u></u>
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account		1,572	1,353
		<u><u>1,573</u></u>	<u><u>1,354</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2020.



M Rosenberg
Director

The notes on pages 14 to 29 form part of these financial statements.

LANEMILE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2018	1	1,353	1,354
Comprehensive income for the year			
Profit for the year	-	219	219
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	219	219
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2019	1	1,572	1,573

The notes on pages 14 to 29 form part of these financial statements.

LANEMILE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2017	1	1,096	1,097
Comprehensive income for the year			
Profit for the year	-	257	257
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	257	257
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2018	1	1,353	1,354

The notes on pages 14 to 29 form part of these financial statements.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. General information

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

Registered office: Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The disclosure requirements of section 1 'Reduced disclosures for subsidiaries' of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Care UK Health and Social Care Holdings Limited as at 30 September 2019 and these financial statements may be obtained from Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.3 Going concern

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 2.

As at 30 September 2019 the company has a net current liabilities position of £1,394,000 (2018: £1,791,000) (after accounting for debtors due in more than 1 year). The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of 36 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through having obtained support from the banks by way of a covenant waiver, and additional liquidity.

Those forecasts are dependent on Care UK Limited not seeking repayment of the amounts due to the group, which at 30 September 2019 amounted to £1,141,000. Care UK Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, continued support is dependent on the ability of the Care UK Health & Social Care Holdings Limited Group being able to settle its liabilities as they fall due. Notwithstanding the Group's net liabilities of £641.5m at 30 September 2019 and a Group loss before taxation for the year then ended of £61.1m, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

At 30 September 2019 the Care UK Health & Social Care Holdings Limited Group was financed by £52.7m of cash, £250.0m of term loan, £31.8m of Silver Sea financing, £57.0m of loan notes with related parties and the group had outstanding preference share liabilities of £309.6m, with additional accrued interest on the loan notes and preference shares of £382.8m. Subsequent to the year end, the impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group has obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of PIK interest on the term loan, matched by a further £15m internal transfer from cash reserves in the Group, but outside of the Care UK & Health and Social Care Investments group banking arrangement, to date £1.6m of loan has been rolled into the PIK interest. In September 2020 £10.5m has been injected into the banking group. At 31 August 2020 the Group was financed by £79.9m of cash, £195.0m of term loan, £47.6m of Silver Sea financing, £20.0m of RCF, £57.0m of loan notes with related parties and the group has outstanding preference share liabilities of £248.8m and additional accrued interest on these of £323.6m.

As at the date of signing the accounts, the world is fighting the Covid-19 virus pandemic. These are unprecedented times, and as reported in the media, the care sector is at the forefront.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.3 Going concern (continued)

The Board and Management have taken steps to steer their way through this crisis. Key metrics have been, and continue to be, monitored closely, such as: home level outbreaks and testing; occupancy and staffing levels; and supply of Personal Protective Equipment (PPE). Management have worked alongside key suppliers, in particular of PPE, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, the NHS, relatives and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

During March to June, occupancy rates were significantly impacted, with death rates materially above historic levels. Subsequently during July to September occupancy levels have improved, although still remain below pre-COVID levels. In addition, operating costs have been impacted by increased cost of procuring PPE and sanitisation.

The Directors have prepared detailed base case cash flow and covenant compliance forecasts for the Group for the period to 30 September 2023. These forecasts assume that occupancy returns to pre-Covid-19 levels by August 2021, including through the opening of new homes, with tight management of labour costs to accommodate increased running costs due to PPE and sanitisation. The forecasts indicate the Group is able to remain compliant with their covenants (including the revised bank leverage covenant subsequent to September 2021). Net debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance to the Group's objectives, policies and processes, and these have each been considered as part of these forecasts.

Whilst the base case referred to above shows the group remain within the covenant arrangements, the directors understand that the future effect on the business of COVID 19 cannot be readily predicted, including:

- (i) what the NHS / Local Authority and self-pay medium to long term demand for vacant beds will be;
- (ii) what the further impact of the crisis, including a second wave, will be on the death rate and occupancy levels within the Group's care homes; and
- (iii) what the further impact of self-isolation, care home isolation and other social distancing measures, including PPE and sanitisation, will have on operating costs, particularly in light of a second wave.

The Directors have sensitised the base case cash flow forecast and accept that if occupancy were to fall below the base case amounts by a not unreasonable amount then that forecast would show that the covenants could be breached. The Directors have considered this and the uncertainty as to the future impact of COVID-19 as part of the going concern assessment.

Based on the above the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. Nevertheless the Directors consider the downside risks of COVID-19 on the group's occupancy levels and cashflows and the impact this might have on the group's ability to meet its bank covenants to represent a material uncertainty that may cast doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold land	- No depreciation provided
Freehold buildings	- 10 to 50 years
Fixtures, fittings and equipment	- 7 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in accounting for allowances for uncollectable receivables, depreciation and impairment, and taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the year that an adjustment is determined to be required.

Management regularly discusses with the Group Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

4. 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.

	2019 £000	2018 £000
United Kingdom	<u>4,381</u>	<u>4,142</u>

5. Auditors' remuneration

Auditors' remuneration of £2,000 (2018: £2,000) was borne by another group undertaking in both financial years.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

6. Employees

No staff were directly employed by the company for the year ended 30 September 2019. 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.

The average monthly number of employees working directly with the service provision of this company during the year was as follows:

	2019 No.	2018 No.
Care staff	<u>138</u>	<u>141</u>

7. Directors' remuneration

The directors received no emoluments during the financial year ended 30 September 2019 for their services to the company (2018: £nil).

The emoluments of R Pearman, A Knight and M Rosenberg for services to the Care UK Ltd Group are paid by and disclosed within the accounts of Care UK Community Partnerships Ltd.

The emoluments of M Parish and P Whitecross for services to the Care UK Ltd Group are paid by and disclosed within the accounts of Care UK Health and Social Care Investments Ltd.

Retirement benefits under money purchase pension schemes are accruing to 2 directors (2018: 2).

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

8. Interest receivable

	2019 £000	2018 £000
Interest receivable from group companies	<u>-</u>	<u>53</u>

9. Interest payable and similar expenses

	2019 £000	2018 £000
Loans from group undertakings	<u>97</u>	<u>79</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	(34)	56
Total current tax	<u>(34)</u>	<u>56</u>
Deferred tax		
Origination and reversal of timing differences	20	29
Total deferred tax	<u>20</u>	<u>29</u>
Taxation on (loss)/profit on ordinary activities	<u>(14)</u>	<u>85</u>

Factors affecting tax charge for the year

The tax charge for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>205</u>	<u>342</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	39	65
Effects of:		
Expenses not deductible for tax purposes	34	30
Changes in the deferred tax rate	(2)	(4)
Group relief claimed	(40)	(6)
Adjustments to tax charge in respect of prior periods	(45)	-
Total tax charge/(credit) for the year	<u>(14)</u>	<u>85</u>

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Taxation (continued)

Factors that may affect future tax charges

Reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was fully enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2019 has been calculated based on these rates fully enacted at the year-end date.

11. Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 October 2018	2,424	1,914	19	4,357
Additions	-	164	8	172
Disposals	-	(167)	-	(167)
At 30 September 2019	2,424	1,911	27	4,362
Depreciation				
At 1 October 2018	538	661	6	1,205
Charge for the year on owned assets	28	296	8	332
Disposals	-	(167)	-	(167)
At 30 September 2019	566	790	14	1,370
Net book value				
At 30 September 2019	1,858	1,121	13	2,992
At 30 September 2018	1,886	1,253	13	3,152

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

12. Stocks

	2019 £000	2018 £000
Raw materials and consumables	5	5

Stock recognised in cost of sales during the year as an expense was £246,000 (2018 - £244,000) .

The difference between the purchase price or production cost of stocks and their replacement cost is not significant.

13. Debtors

	2019 £000	2018 £000
Due after more than one year		
Deferred tax asset	16	36

	2019 £000	2018 £000
Due within one year		
Trade debtors	80	226
Other debtors	19	20
Prepayments and accrued income	19	-
	<u>118</u>	<u>246</u>

14. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	11	11

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

15. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	110	64
Amounts owed to group undertakings	1,141	1,695
Corporation tax	11	56
Other creditors	33	23
Accruals and deferred income	233	215
	1,528	2,053

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

16. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Accruals and deferred income	41	43
	41	43

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

17. Deferred taxation

	2019 £000
At beginning of year	36
Charged to profit or loss	(20)
At end of year	<u>16</u>

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	16	36
	<u>16</u>	<u>36</u>

18. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1	1

19. 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. As noted in note 6, this company has no direct employees but is recharged for staff working to provide services delivered by this company. Those recharges include costs in relation to those staff's pension contributions which amounted to £35,000 (2018: £21,000).

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

20. Contingent liabilities

Amounts owed to group undertakings

Amounts owed to group undertakings due within one year include an unsecured loan from a parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 30 September 2019. Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties. For amounts owed to Group undertakings due within one year these are unsecured, repayable on demand and carry no interest charge.

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

(a) Terms and conditions

This note details the terms and conditions attached to the Facility B Term Loan Revolving Credit Facility and the loan from related party which were all put in place with effect from January 2019 as part of the re-financing exercise. As part of the re-financing exercise, the Senior Secured Notes totalling £230.0m and the Second Lien Notes totalling £42.6m were fully settled.

(i) Facility B Term Loan

On 25th January 2019, the group successfully completed the refinancing of its 2014 Senior Secured Loan Notes and 2014 Second Lien Notes through a £250m utilisation under a new Facility B Term Loan which was put in place on the same date. The margin payable on any loan utilisation is in the range of 5.0% to 5.5% above LIBOR depending on the total net leverage of the group which is paid in arrears based on agreed utilisation period. At 30 September 2019, the £250m loan had been issued under a 3 month utilisation period. The termination date of Facility B is 25th July 2024.

(ii) Revolving Credit Facility

The Revolving Credit Facility of £65.0m which was due to terminate in May 2019 was replaced with effect from the 25th January by a new revolving credit facility totalling £37.5m. The margin payable on any loan utilisation under the amended RCF is in the range of 2.25% to 3.25% above LIBOR 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 25 January 2024.

Competition and Markets Authority

In February 2019 the CMA issued a claim against Care UK under the Enterprise Act 2002. The claim relates to past conduct when Care UK used to charge a one off upfront admission fee. Care UK stopped charging this fee in August 2018. Care UK has taken advice from specialist legal counsel and believes that it is in a strong position to defend the claim and accordingly no provision has been made in the statutory accounts.

Care Quality Commission

The Care Quality Commission (CQC) have an open legal case against Lanemile Limited in relation to an event which occurred in one of its Care Homes in 2016. The case has not concluded, however a finding against Lanemile Limited could result in a fine, the scale of which is at the discretion of the Court. The Board of Directors are unable to provide an estimate as there is no set guidance in the legal framework for determining the amount, range or maximum fine applicable.

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. Controlling party

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.

The company's immediate parent company is Care UK Community Partnerships 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.