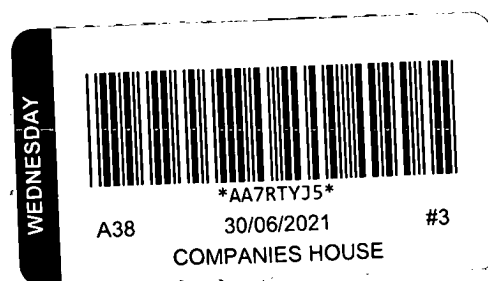

LANEMILE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020



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 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

Lanemile Limited ("the Company") is a subsidiary of Care UK Holdings Limited ("Care UK" or "the Group"), the ultimate controlling parent company.

Lanemile Limited's ongoing strategy is to help older people live happier, healthier and more fulfilling lives. We aim to achieve this by developing our existing care homes. Modern and well-maintained facilities are important to good quality care and the Group will continue to update existing care homes. Whether our customers are publicly or privately funded, the Group will not compromise on meeting individual needs and currently achieved leading quality ratings from UK regulators amongst other similar large providers.

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 main drivers affecting results are:

- the number of beds and the occupancy rates;
- the level of fee increases achievable for local authority spot rates and self-funded residents;
- the level of operating expenses, particularly staff costs given the current labour shortages across the sector, the impact of the newly implemented National Living Wage;
- CQC quality ratings and in particular potential embargoes; and

The table below summarises the key performance indicators for 2020 and 2019:

	2020	2019
Revenue £k	4,212	4,381
Operating profit £k	266	302
Average financial occupancy* (%)	78.6	82.8
Self-funding residents % of annual revenue	16.1	13.2
Number of beds	92	92
Average Weekly Fee £	1,030	959

* Financial occupancy is defined as the total number of paid for beds as a percentage of total beds

Operating result and activities

During the financial year ending 30 September 2020, the Company has been responding to the Covid-19 virus pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact on occupancy and ultimately business performance has been significant. As a result, average physical occupancy has reduced to 78.6% (2019: 82.8%) during the year. NHS and Local Authority short term contracts as a response to the Covid-19 pandemic have partially mitigated this impact in the second half of the financial year, resulting in revenue decreasing year on year by 3.9% (2019: 5.8% increase). Government grant funding of £131,000 (2019: £nil) was received in response to the pandemic and is recognised as other income, see note 5 for more information. Gross profit decreased to £376,000 (2019: £528,000) as a result of the reduced occupancy and additional costs relating to the pandemic.

Taxation

The taxation credit reduced from £34,000 during the year ended 30 September 2019 to a credit of £11,000 during the year ended 30 September 2020.

LANEMILE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Results and dividends

The profit for the year, after taxation, amounted to £133,000 (2019 - £219,000).

No interim dividend (2019: £nil) was paid in the year. No final ordinary dividend (2019: £nil) was paid in respect of the current year.

Post balance sheet events

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

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 (2019: £nil).

LANEMILE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal risks and uncertainties

The board of directors have the overall responsibility for Care UK's approach to assessing risk and the senior management teams are responsible for managing risk and maintaining appropriate control environments.

The principal risks faced by Care UK are set out below:

Covid-19

During the financial year ending 30 September 2020, the world has been fighting the Covid-19 virus pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

As at the date of signing the accounts, the UK has emerged from the 3rd national lockdown, and the rollout of a vaccination programme is well progressed, however precautionary measures and restrictions remain in place.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the company has been considerable. There has been a deduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics have been, and continue to be, monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, 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.

Government support to the sector, and therefore the company, has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough'), the Infection Control Fund (ICF). Claims have been made against these funds, as detailed in note 5 to the accounts.

The impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group 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 of Care UK Property Holdings Limited, a subsidiary of Care UK.

Due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the medium to long term impact of the crisis upon the Group, including:

- (i) the extent of NHS / Local Authority and self pay demand for vacant beds, and the associated speed of admissions recovery;
- (ii) the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;
- (iii) the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to long term; and
- (iv) the impact of new Covid-19 virus variants and mutations on the efficacy of the current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

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 to represent a material uncertainty that may cast doubt on the

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.

Competition and Markets Authority ("CMA")

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 for redress in the statutory accounts.

Market risks

The Group 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 proportion of its revenue and any material reduction in the revenue earned from such services could adversely impact the Group's business, results of operations and financial condition.

A proportion of revenue is derived from contracts with these bodies, and if the Group is unable to renew them or replace them with comparable contracts, it could suffer a substantial reduction in revenues.

These risks are mitigated by a diversified by contract income stream, sector leading quality and strong relationship management.

The Group's strategy is partly based on growth derived from increased levels of consumer demand for certain of 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 perception of that quality and on its ability to market these services effectively.

This risk is mitigated by sector leading quality, investment in marketing and close attention to consumer needs and expectations.

Inflation risks

The Group earns revenue from long term contracts and, as a result, a failure accurately to predict and account for future cost increases or to overestimate its ability to efficiently deliver the services that it contracts to provide could affect its profitability.

Future changes in the rate of the National Living Wage ("NLW") will have a significant impact on labour costs for the social care sector and level of recovery through fee increases is uncertain. Failure to recover such costs would have a negative impact on margin.

This risk is mitigated by careful cost control.

Regulatory risks

The Group operates in a highly regulated business environment and failure to comply with regulations could lead to substantial penalties, including embargo of new resident admissions through to the loss of the registration certificates necessary to continue to trade.

The Group operates stringent quality policies and procedures, together with rigorous internal governance audit and oversight to ensure the safety of our residents.

Liquidity risk

The Group has access to a Revolving Credit Facility (RCF) for managing working capital requirements. In addition to this, the Group is funded by a Facility term loan (Facility B Term loan). Covenants apply to these funding arrangements which limit operating and financial flexibility if the Group defaults under these covenants.

LANEMILE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The financing and debt arrangements are subject to an element of variable interest rates and any increases in interest rates in the future could significantly increase costs and reduce cash flow.

There is also a risk, due to macroeconomic factors, that long-term financing, including for the development of new facilities or modifications of existing facilities, may not be available on acceptable terms in the future.

The Group's activities and debt financing expose it to a variety of financial risks, the most significant of which are cash flow interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse impacts on its financial performance.

Strong working relationships are maintained with our banking partners, to facility the regular provision of compliance reporting, and oversight of key issues impacting the business. In addition, prudent liquidity management policies are applied that include the preparation of regular detailed cash flow forecasts to monitor liquidity and compliance with the covenants.

Credit risk

A large proportion of the Group's revenue is derived from privately funded customers, and as a result there is potential exposure to credit risk.

The risk of an extended recessionary period and weak macro economic conditions generally may have an adverse effect on personal disposable income and/or the values of assets available to pay for care fees.

The risk is not considered material, and adequate provisions are made in the financial statements.

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.

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.

This report was approved by the board on 28 June 2021 and signed on its behalf.



M Rosenberg
Director

LANEMILE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 the directors 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also 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 also safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LANEMILE LIMITED

Opinion

We have audited the financial statements of Lanemile Limited (the 'Company') for the year ended 30 September 2020, 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 2020 and of its profit for the year 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 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. These events and conditions, along with other matters explained in note 2.3, constitute a material uncertainty that may cast significant doubt on the group's and the parent 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 MEMBERS 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 exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

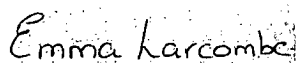
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS 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.



**Emma Larcombe (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants**

Botanic House
100 Hills Road
Cambridge
CB2 1AR

28 June 2021

LANEMILE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	4,212	4,381
Cost of sales		(3,836)	(3,853)
Gross profit		376	528
Administrative expenses		(338)	(226)
Other income	5	131	-
Operating profit		169	302
Interest payable and expenses	9	(67)	(97)
Profit before tax		102	205
Tax on profit	10	31	14
Profit for the financial year		133	219
Total comprehensive income for the year		133	219

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 15 to 31 form part of these financial statements.

LANEMILE LIMITED
REGISTERED NUMBER: 02571516

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	11	2,780	2,992
		<u>2,780</u>	<u>2,992</u>
Current assets			
Stocks	12	5	5
Debtors: amounts falling due after more than one year	13	36	16
Debtors: amounts falling due within one year	13	229	118
Cash at bank and in hand	14	11	11
		<u>281</u>	<u>150</u>
Creditors: amounts falling due within one year	15	(492)	(1,528)
Net current liabilities		<u>(211)</u>	<u>(1,378)</u>
Total assets less current liabilities		<u>2,569</u>	<u>1,614</u>
Creditors: amounts falling due after more than one year	16	(766)	(41)
Provisions	18	(97)	-
		<u>(97)</u>	<u>-</u>
Net assets		<u>1,706</u>	<u>1,573</u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account		1,705	1,572
		<u>1,706</u>	<u>1,573</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 authorised for issue by the board and were signed on its behalf on 28 June 2021.

M Rosenberg
Director



The notes on pages 15 to 31 form part of these financial statements.

LANEMILE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2019	1	1,572	1,573
Comprehensive income for the year			
Profit for the year	-	133	133
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	133	133
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2020	1	1,705	1,706
	<hr/>	<hr/>	<hr/>

The notes on pages 15 to 31 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
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	219	219
Total transactions with owners	-	-	-
At 30 September 2019	1	1,572	1,573

The notes on pages 15 to 31 form part of these financial statements.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 Holdings Limited as at 30 September 2020 and these financial statements may be obtained from Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 Director's Report on page 2. The company has access to funds provided by Care UK Limited, a parent company.

As at 30 September 2020 the company has a net current liabilities position of £247,000 (2019: £1,394,000) (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:

At 30 September 2020 the Group was financed by £73.1m of cash, £201.5m of term loan, £47.7m of Property development facility financing, £20.0m of revolving credit facility, £57.0m of loan notes with related parties and the group had outstanding preference share liabilities of £248.8m, with additional accrued interest on the loan notes and preference shares of £327.2m.

The impact of the virus has had a significant impact on the Group's profitability and cashflow.

At 31 May 2021, the Group was financed by £61.4m of cash, £205.1m of term loan, £75.0m of Property development facility financing, £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 £296.8m.

Covid-19

During the financial year ending 30 September 2020, the world has been fighting the Covid-19 virus pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

As at the date of signing the accounts, the UK has emerged from the 3rd national lockdown, and the rollout of a vaccination programme is well progressed, however precautionary measures and restrictions remain in place.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the group has been considerable. There has been a deduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics have been, and continue to be, monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, 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.

Government support to the sector, and therefore the company, has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough') and the Infection Control Fund (ICF). Claims have been made against these funds, as detailed in note 5 to the accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.3 Going concern (continued)

The impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group 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 of Care UK Property Holdings Limited, a subsidiary of Care UK.

Due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the medium to long term impact of the crisis upon the Group, including:

- (i) the extent of NHS / Local Authority and self-pay demand for vacant beds, and the associated speed of admissions recovery;
- (ii) the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;
- (iii) the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to longterm; and
- (iv) the impact of new Covid-19 virus variants and mutations on the efficacy of the current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.4 Revenue

The Company operates one principal type of contracts with customers, residential spot purchase contracts.

Revenue is recognised when the Company's principal performance obligation is fulfilled, that is typically when a service user has received care services from the Company, which are usually provided on a daily basis.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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	- 50 years on cost, less residual value of 30%
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 profit or loss.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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.

	2020	2019
	£000	£000
United Kingdom	4,212	4,381

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. Other income

	2020 £000	2019 £000
Government grants	131	-
	<u>131</u>	<u>-</u>

During the year ended 30 September 2020 the Company received grant funding totalling £131,000 from the government to support the Care sector through the Covid-19 pandemic. The following grant income was recognised in the financial statements during the year:

- *Infection Control Fund (ICF)* – £55,000 recognised in the income statement for costs incurred for implementing infection control procedures aimed at reducing the rate of Covid-19 transmission. This mainly relates to increased staff costs incurred to complete additional infection control procedures, and staff costs incurred for absence due to Covid-19 sickness or required isolation because of receiving a positive Covid-19 test result. Funding issued by central government, distributed and administered via Local Authorities.
- *Covid-19 Job retention scheme ("Furlough")* - £10,000 recognised in the income statement to fund the staff costs incurred for employees who are shielding, and staff costs relating to employees who would otherwise be made redundant due to the impact on reduced staffing requirements in certain care homes.
- *Covid-19 support payments* – Various Local Authorities have provided home specific additional support payments to contribute towards the increased running costs incurred from the Covid-19 pandemic, mainly relating to the Personal Protective Equipment (PPE) costs incurred. A total of £66,000 has been recognised in the income statement.

The Company has carefully assessed and considered the criteria associated with each stream of grant funding prior to submission of a claim and is of the opinion that all criteria have been met to recognise the amounts detailed above in the financial statements.

All funding streams detailed above are potentially subject to retrospective audit against the criteria of each grant funding scheme.

6. Auditors' remuneration

Auditors' remuneration of £2,000 (2019: £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.

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

7. Employees

No staff were directly employed by the company for the year ended 30 September 2020. 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:

	2020	<i>2019</i>
	No.	<i>No.</i>
Care staff	143	<i>138</i>

8. Directors' remuneration

The directors received no emoluments during the financial year ended 30 September 2020 for their services to the company (2019: £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.

Retirement benefits under money purchase pension schemes are accruing to 2 directors (2019: 2).

9. Interest payable and similar expenses

	2020	<i>2019</i>
	£000	<i>£000</i>
Loans from group undertakings	67	<i>97</i>

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	(11)	(34)
Total current tax	<u>(11)</u>	<u>(34)</u>
Deferred tax		
Origination and reversal of timing differences	(20)	20
Total deferred tax	<u>(20)</u>	<u>20</u>
Taxation on loss on ordinary activities	<u>(31)</u>	<u>(14)</u>

Factors affecting tax charge for the year

The tax charge for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19.0% (2019 - 19.5%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>102</u>	<u>205</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	19	39
Effects of:		
Expenses not deductible for tax purposes	26	34
Changes in the deferred tax rate	(4)	(2)
Group relief claimed	(43)	(40)
Adjustments to tax charge in respect of prior periods	(29)	(45)
Total tax charge/(credit) for the year	<u>(31)</u>	<u>(14)</u>

LANEMILE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

10. Taxation (continued)

Factors that may affect future tax charges

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £11,000.

11. Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 October 2019	2,424	1,911	27	4,362
Additions	-	105	2	107
Disposals	-	(113)	(4)	(117)
At 30 September 2020	2,424	1,903	25	4,352
Depreciation				
At 1 October 2019	566	790	14	1,370
Charge for the year on owned assets	29	282	8	319
Disposals	-	(113)	(4)	(117)
At 30 September 2020	595	959	18	1,572
Net book value				
At 30 September 2020	1,829	944	7	2,780
At 30 September 2019	1,858	1,121	13	2,992

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Stocks

	2020 £000	2019 £000
Raw materials and consumables	5	5

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

13. Debtors

	2020 £000	2019 £000
Due after more than one year		
Deferred tax asset	36	16

	2020 £000	2019 £000
Due within one year		
Trade debtors	210	80
Other debtors	-	19
Prepayments and accrued income	19	19
	229	118

14. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	11	11

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	126	110
Amounts owed to group undertakings	-	1,141
Corporation tax	-	11
Other creditors	4	33
Accruals and deferred income	362	233
	<hr/>	<hr/>
	492	1,528
	<hr/>	<hr/>

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

	2020	2019
	£000	£000
Amounts owed to group undertakings	766	-
Accruals and deferred income	-	41
	<hr/>	<hr/>
	766	41
	<hr/>	<hr/>

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

LANEMILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

17. Deferred taxation

	2020 £000
At beginning of year	16
Charged to profit or loss	20
At end of year	36

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	36	16
	36	16

18. Provisions

	Provisions £000
Charged to the profit or loss	97
At 30 September 2020	97

The Care Quality Commission (CQC) had a legal case against the Company in relation to an event which occurred in one of its Care Homes in 2016. The Company pleaded guilty to the offence in October 2020 and was sentenced in June 2021, where a fine of £80,000 with costs of £17,000 was issued.

19. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
1,000 (2019 - 1,000) Ordinary shares of £1.00 each	1	1

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

20. Pension commitments

Care UK 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 7, 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 £42,000 (2019: £35,000).

21. Contingent liabilities

Amounts owed to group undertakings

Amounts owed to group undertakings due after more than 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 2022

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 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. The terms of the Facility B Term Loan was amended as part of a refinancing exercise on 25th September 2020.

(i) Facility B Term Loan

On 25th October 2019, the group disposed of its Healthcare business and repaid £55.0m of the Facility B Term Loan reducing the loan value to £195m. The facility was refinanced on 25th September 2020 to allow for the waiver the leverage covenant until 30 September 2021, and a liquidity injection of up to £15m from the bank in the form of payment-in-kind (PIK) interest. This incurred a £1.95m fee that was added to the loan value. The margin payable on any loan utilisation had a new upper margin added to give a range of interest of 5.0% to 6.0% above LIBOR depending on the total net leverage of the group which is paid in arrears based on the agreed utilisation period. PIK Interest is subject to a further 1% margin. At 30 September 2020, the Loan value, including refinancing fees and PIK interest, stood at £201.5m. The termination date of Facility B is 25th July 2024.

(ii) Revolving Credit Facility

The Revolving Credit Facility of £37.5m was reduced to £20m following the group's disposal of its Healthcare business on 25th October 2019. The margin payable on any loan utilisation under the 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.

22. Controlling party

The company's ultimate parent company and controlling party is Care UK 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 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.