

# REGISTRAR OF COMPANIES

Company Registration No. 03320455 (England and Wales)

**LONDON RESIDENTIAL HEALTHCARE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

TUESDAY



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# LONDON RESIDENTIAL HEALTHCARE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Rubinstein L Golani (Appointed 13 November 2019)
<b>Company number</b>	03320455
<b>Registered office</b>	12 - 14 Langley Avenue Surbiton Surrey KT6 6QL
<b>Auditor</b>	Harold Everett Wreford LLP 2nd floor 38 Warren Street London W1T 6AE
<b>Bankers</b>	Barclays Bank PLC PO Box 299 Birmingham B1 3PF

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# LONDON RESIDENTIAL HEALTHCARE LIMITED

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# **LONDON RESIDENTIAL HEALTHCARE LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present the strategic report and financial statements for the year ended 31 December 2019.

### **Review of the business**

The directors' policy is to continue to expand the business organically whilst endeavouring to maintain gross margins.

The company has actively sought to increase its client base by increasing capacity and standards in some of its existing homes.

### **Principal risks and uncertainties**

The directors are responsible for setting the financial risk management policy and objectives, and approve the parameters within which the various aspects of financial risk are operated.

The directors have overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors receive regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### *Credit risk*

Credit risk arises principally from the Company's trade and other receivables and cash and cash equivalents. It is a risk that the counterparty fails to discharge its obligations in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements

#### *Liquidity risk*

The directors are responsible for setting the financial risk management policy and objectives, and approve the parameters within which the various aspects of financial risk are operated.

The Company does not have any significant transactions in any currency other than UK Sterling and therefore the directors do not consider there to be any significant foreign exchange exposure.

Liquidity risk arises principally from the Company's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Company arise in respect of operational and administrative expenditure, trade and other payables and the servicing of interest bearing debt. The directors receive cash flow projections on a regular basis as well as information on cash balances.

#### *Capital*

There have been no significant changes to the Company's management objectives, policies and processes in the period nor has there been any change in what the Company's considers to be capital.

#### *Currency risk*

The Company is not exposed to any significant currency risk.

The Company does not have any significant transactions in any currency other than UK Sterling and therefore the directors do not consider there to be any significant foreign exchange exposure.

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Review of the business

#### Financial key performance indicators

The position of the company at the balance sheet date can be summarised as follows:

Gross assets - £80.8 million (2018 - £77.3 million)

Net current liabilities - £14.7 million (2018 - £20.7 million)

Total equity - £52.9. million (2018 - £47.6 million).

Key performance indicators include:

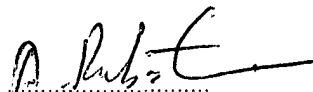
Revenue - £34,615,784 (2018 - £30,039,734)

Gross profit - £13,660,649 (2018 - £11,413,983)

Operating profit - £6,710,734 (2018 - £4,866,026)

Profit before taxation - £5,974,406 (2018 - £4,078,674)

On behalf of the board



A Rubinstein

Director

16/3/2020

# **LONDON RESIDENTIAL HEALTHCARE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### **Principal activities**

The principal activities of the company continued to be those of proprietors and managers of nursing homes.

#### **Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Rubinstein

E Robson

L Golani

(Resigned 13 November 2019)

(Appointed 13 November 2019)

#### **Directors' insurance**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

#### **Supplier payment policy**

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

#### **Market value of land and buildings**

In the opinion of the directors the current market value of the company's interests in land and buildings is not materially different from the net book value as shown in the financial statements.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The company's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present.

#### **Future developments**

There are no plans for any significant changes during the next financial year.

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### Auditor

In accordance with the company's articles, a resolution proposing that Harold Everett Wreford LLP be reappointed as auditor of the company will be put at a General Meeting.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

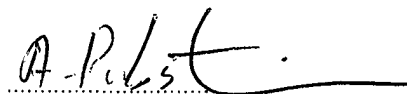
### Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



A Rubinstein

Director

Date: 16/3/2020

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LONDON RESIDENTIAL HEALTHCARE LIMITED

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#### Opinion

We have audited the financial statements of London Residential Healthcare Limited (the 'company') for the year ended 31 December 2019 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



# LONDON RESIDENTIAL HEALTHCARE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF LONDON RESIDENTIAL HEALTHCARE LIMITED

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#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 for the audit of the financial statements

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

**D J Scott (Senior Statutory Auditor)**  
for and on behalf of Harold Everett Wreford LLP

16 March 2020

**Chartered Accountants**  
**Statutory Auditor**

2nd floor  
38 Warren Street  
London  
W1T 6AE

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018 as reclassified
	Notes	£	£
Revenue	4	34,615,784	30,039,734
Cost of sales		(21,223,116)	(19,137,323)
<b>Gross profit</b>		<b>13,392,668</b>	<b>10,902,411</b>
Other operating income		105,444	213,594
Administrative expenses		(6,787,378)	(6,249,979)
<b>Operating profit</b>	<b>5</b>	<b>6,710,734</b>	<b>4,866,026</b>
Investment revenues	7	42,023	22,462
Finance costs	8	(778,351)	(809,814)
<b>Profit before taxation</b>		<b>5,974,406</b>	<b>4,078,674</b>
Income tax expense	9	(670,748)	(451,888)
<b>Profit and total comprehensive income for the year</b>	<b>23</b>	<b>5,303,658</b>	<b>3,626,786</b>

The income statement has been prepared on the basis that all operations are continuing operations.

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	10	68,834,013	69,406,672
<b>Current assets</b>			
Inventories	11	294,281	228,346
Trade and other receivables	12	2,596,352	2,286,944
Cash and cash equivalents		9,038,799	5,424,913
		11,929,432	7,940,203
<b>Total assets</b>		80,763,445	77,346,875
<b>Current liabilities</b>			
Trade and other payables	15	2,646,409	2,170,839
Current tax liabilities		549,493	216,480
Lease liabilities	16	73,608	-
Borrowings	14	23,382,293	26,249,312
		26,651,803	28,636,631
<b>Net current liabilities</b>		(14,722,371)	(20,696,428)
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	973,620	1,133,137
Lease liabilities	16	257,257	-
		1,230,877	1,133,137
<b>Total liabilities</b>		27,882,680	29,769,768
<b>Net assets</b>		52,880,765	47,577,107
<b>Equity</b>			
Called up share capital	19	87	87
Share premium account	20	6,499,988	6,499,988
Revaluation reserve	21	19,805,201	19,805,201
Capital redemption reserve	22	25	25
Retained earnings	23	26,575,464	21,271,806
<b>Total equity</b>		52,880,765	47,577,107

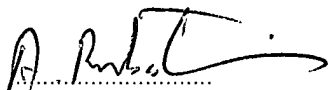
# **LONDON RESIDENTIAL HEALTHCARE LIMITED**

## **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2019**

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The financial statements were approved by the board of directors and authorised for issue on ..... **16 MAR 2020**  
and are signed on its behalf by:



A Rubinstein  
Director

Company Registration No. 03320455

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£	£	£	£	£	£
Balance at 1 January 2018	87	6,499,988	19,805,201	25	17,645,020	43,950,321
Year ended 31 December 2018:						
Profit and total comprehensive income for the year	-	-	-	-	3,626,786	3,626,786
Balances at 31 December 2018	87	6,499,988	19,805,201	25	21,271,806	47,577,107
Year ended 31 December 2019:						
Profit and total comprehensive income for the year	-	-	-	-	5,303,658	5,303,658
Balances at 31 December 2019	87	6,499,988	19,805,201	25	26,575,464	52,880,765

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	8,144,950		5,686,865	
Interest paid		(778,351)		(809,814)	
Tax paid		(497,252)		(792,831)	
<b>Net cash inflow from operating activities</b>		6,869,347		4,084,220	
<b>Investing activities</b>					
Purchase of property, plant and equipment		(411,511)		(392,161)	
Interest received		42,023		22,462	
<b>Net cash used in investing activities</b>		(369,488)		(369,699)	
<b>Financing activities</b>					
Repayment of borrowings		(2,867,019)		(2,385,594)	
Payment of lease liabilities		(18,954)		-	
<b>Net cash used in financing activities</b>		(2,885,973)		(2,385,594)	
<b>Net increase in cash and cash equivalents</b>		3,613,886		1,328,927	
Cash and cash equivalents at beginning of year		5,424,913		4,095,986	
Cash and cash equivalents at end of year		9,038,799		5,424,913	

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

#### **Company information**

London Residential Healthcare Limited is a private company limited by shares incorporated in England and Wales. The registered office is 12 - 14 Langley Avenue, Surbiton, Surrey, KT6 6QL.

#### **1.1 Accounting convention**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

#### **1.2 Prior period reclassification**

Certain prior year amounts between cost of sales and administrative expenses were reclassified for consistency with the current year presentation.

#### **1.3 Going concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.4 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 at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Company's revenues are derived from one primary source: contracted services income which is billed monthly in accordance with specific agreement with the residents.

Revenue represents income receivable from health and care provision services rendered and goods supplied.

Revenue is recognised in the accounting period in which the company obtains the right to consideration in exchange for its performance.

#### **1.5 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight-line basis
Right of use asset	20% straight line basis
Fixtures and fittings	15% straight-line basis
Motor vehicles	25% reducing balance basis

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

#### 1.6 Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

#### 1.7 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### 1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.



# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

##### **Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### 1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# **LONDON RESIDENTIAL HEALTHCARE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies**

**(Continued)**

##### **1.16 Leases**

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property. The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Group has elected to measure the right-of-use assets at an amount equal to the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

We have adopted the modified retrospective approach available with the new accounting standard and therefore we have not restated our comparative disclosures for the impact of IFRS 16 which came into effect from 1 January 2019.

##### **Comparative period leases**

Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessees. All other leases were classified as operating leases.

Rental income from operating leases were recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease were added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, were charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

# **LONDON RESIDENTIAL HEALTHCARE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **2 Adoption of new and revised standards and changes in accounting policies**

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

IFRS 16 *Leases* effective for annual periods beginning on or after January 1, 2019. Specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

The change in accounting standard resulted in both an asset value £330,865, and a liability of £330,865 being brought onto the statement of financial position at the year end for the majority of leases where the company is a lessee. The asset is then depreciated, and interest expense would be recognised over the life of the lease. The impact on the income statement for the year is not considered significant.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 16 Leases

1 January 2019

#### **Standards which are in issue but not yet effective**

Any standards and interpretations that have been issued but are not yet effective have not been applied by the company in these financial statements. Application of these Standards and Interpretations are expected to have a material effect on the financial statements in future periods.

### **3 Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### **(i) Revenue recognition**

Revenue represents income receivable from health and care provision services rendered and goods supplied. Revenue is recognised in the accounting period in which the company obtains the right to consideration in exchange for its performance.

#### **(ii) Provisions**

The Company has recognised provisions for impairment of trade receivables, employee bonuses and income tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 4 Revenue

An analysis of the company's revenue is as follows:

	2019 £	2018 £
<b>Revenue analysed by class of business</b>		
Nursing home fees	34,615,784	30,039,734

	2019 £	2018 £
<b>Other significant revenue</b>		
Interest income	42,023	22,462

### 5 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	27,000	27,000
Depreciation of property, plant and equipment	1,333,989	1,260,091
Cost of inventories recognised as an expense	1,212,004	1,116,326

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Administrative staff	33	36
Management	21	19
Caring, domestic and nursing	803	739
	857	794

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	16,535,387	15,146,312
Social security costs	1,111,755	1,053,092
Pension costs	290,016	185,691
	17,937,158	16,385,095

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Employees

(Continued)

There are no key management personnel other than the directors.

### 7 Investment income

	2019 £	2018 £
<b>Interest income</b>		
Bank deposits	41,892	22,171
Other interest income	131	291
	<u>42,023</u>	<u>22,462</u>
Total interest revenue	<u>42,023</u>	<u>22,462</u>

Total interest income for financial assets that are not held at fair value through profit or loss is £41,892 (2018 - £22,171).

### 8 Finance costs

	2019 £	2018 £
Other interest payable	778,351	809,814
	<u>778,351</u>	<u>809,814</u>

### 9 Income tax expense

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	830,265	499,466
Adjustments in respect of prior periods	-	1,710
	<u>830,265</u>	<u>501,176</u>
<b>Total UK current tax</b>	<u>830,265</u>	<u>501,176</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(159,517)	(49,288)
	<u>(159,517)</u>	<u>(49,288)</u>
Total tax charge	<u>670,748</u>	<u>451,888</u>

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9 Income tax expense

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £	2018 £
Profit before taxation	5,974,406	4,078,674
Expected tax charge based on a corporation tax rate of 19.00%	1,135,137	774,948
Effect of expenses not deductible in determining taxable profit	291	226
Adjustment in respect of prior years	(37,645)	(173,147)
Group relief	(327,053)	(224,736)
Permanent capital allowances in excess of depreciation	(190,322)	(151,467)
Depreciation on assets not qualifying for tax allowances	249,857	239,417
Deferred tax movement	-	(49,288)
Other differences	(159,517)	35,935
<b>Taxation charge for the year</b>	<b>670,748</b>	<b>451,888</b>

#### 10 Property, plant and equipment

	Freehold land and buildings £	Right of use asset £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2018	82,439,826	-	3,009,800	110,118	85,559,744
Additions	-	-	392,161	-	392,161
At 31 December 2018	82,439,826	-	3,401,961	110,118	85,951,905
Additions	-	349,819	398,316	13,195	761,330
Disposals	-	-	-	(1,675)	(1,675)
At 31 December 2019	82,439,826	349,819	3,800,277	121,638	86,711,560
<b>Accumulated depreciation and impairment</b>					
At 1 January 2018	12,430,464	-	2,770,931	83,747	15,285,142
Charge for the year	1,172,591	-	80,912	6,588	1,260,091
At 31 December 2018	13,603,055	-	2,851,843	90,335	16,545,233
Charge for the year	1,172,595	18,954	135,021	7,419	1,333,989
Eliminated on disposal	-	-	-	(1,675)	(1,675)
At 31 December 2019	14,775,650	18,954	2,986,864	96,079	17,877,547

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 10 Property, plant and equipment

(Continued)

	Freehold land and buildings	Right of use asset	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
<b>Carrying amount</b>					
At 31 December 2019	67,664,176	330,865	813,413	25,559	68,834,013
At 31 December 2018	68,836,771	-	550,118	19,783	69,406,672

Land and buildings were revalued at 4 December 2016 by Jones Lang Lasalle ("JLL"), independent valuers not connected with the company, on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The company has valued its freehold properties at deemed cost on the basis of an earlier valuation by Colliers International as at 28 February 2014, impaired to the value of the JLL valuation referred to above.

The revaluation surplus is disclosed in note 20. Unrealised revaluation reserves are not available for distribution.

#### 11 Inventories

	2019 £	2018 £
Work in progress	233,301	160,204
Finished goods	60,980	68,142
	<u>294,281</u>	<u>228,346</u>

#### 12 Trade and other receivables

	2019 £	2018 £
Trade receivables	1,963,161	1,822,262
Provision for bad and doubtful debts	(292,627)	(406,439)
	<u>1,670,534</u>	<u>1,415,823</u>
Other receivables	149,322	154,661
Prepayments and accrued income	776,496	716,460
	<u>2,596,352</u>	<u>2,286,944</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

There are no amounts included above due in more than one year.



# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 13 Trade receivables - credit risk

##### Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

<b>Movement in the allowances for doubtful debts</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Balance at 1 January 2019	406,439	400,400
Additional allowance recognised	(119,851)	276,193
Allowance reversed	6,039	(270,154)
Balance at 31 December 2019	<u>292,627</u>	<u>406,439</u>

#### 14 Borrowings

##### Secured borrowings at amortised cost

Loans from parent undertaking	<u>23,382,293</u>	<u>26,249,312</u>
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##### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Current liabilities	<u>23,382,293</u>	<u>26,249,312</u>

#### 15 Trade and other payables

	<b>Current</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade payables	1,804,208	1,290,574
Accruals	327,112	378,073
Social security and other taxation	315,809	320,480
Other payables	199,280	181,712
	<u>2,646,409</u>	<u>2,170,839</u>

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16 Lease liabilities

	2019 £	2018 £
<b>Maturity analysis</b>		
Within one year	75,816	-
In two to five years	284,310	-
<b>Total undiscounted liabilities</b>	<b>360,126</b>	<b>-</b>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	73,608	-
Non-current liabilities	257,257	-
	<b>330,865</b>	<b>-</b>

All the amounts above are in respect of Right of use asset additions in the year, and arose from the implementation of IFRS 16 by the company for the first time.

Other leasing information is included in note 24.

### 17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs Revaluation s £		Total £
Deferred tax liability at 1 January 2018	1,002,068	180,357	1,182,425
<b>Deferred tax movements in prior year</b>			
Credit to profit or loss	64,214	(113,502)	(49,288)
Deferred tax liability at 1 January 2019	1,066,282	66,855	1,133,137
<b>Deferred tax movements in current year</b>			
Credit to profit or loss	(29,509)	(130,008)	(159,517)
Deferred tax liability at 31 December 2019	<b>1,036,773</b>	<b>(63,153)</b>	<b>973,620</b>

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Deferred taxation

(Continued)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £	2018 £
Deferred tax liabilities	973,620	1,133,137

### 18 Retirement benefit schemes

#### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £290,016 (2018 - £185,691).

### 19 Share capital

2019  
£

2018  
£

#### Ordinary share capital

#### *Issued and fully paid*

8,671 Ordinary shares of 1p each

87

87

### 20 Share premium account

2019  
£

2018  
£

At beginning and end of year

6,499,988

6,499,988

### 21 Revaluation reserve

2019  
£

2018  
£

At beginning and end of year

19,805,201

19,805,201

### 22 Capital redemption reserve

2019  
£

2018  
£

At beginning and end of year

25

25

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 23 Retained earnings

	2019 £	2018 £
At the beginning of the year	21,271,806	17,645,020
Profit for the year	5,303,658	3,626,786
At the end of the year	26,575,464	21,271,806

### 24 Other leasing information

#### Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2019 £	2018 £
Expense relating to leases of low-value assets	84,773	-

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

Operating leases apart from land and buildings	2019 £	2018 £
Within one year	9,581	86,315
Between two and five years	772	163,819
	10,353	250,134

Information relating to lease liabilities is included in note 16.

### 25 Capital risk management

The company is not subject to any externally imposed capital requirements.

The company seeks to manage its capital to ensure that it is able to continue as a going concern. The capital structure of the company consists of loans and equity comprising issued share capital and retained earnings.

### 26 Related party transactions

# LONDON RESIDENTIAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 26 Related party transactions

(Continued)

At the balance sheet date the amount due to the parent company, LRH Care Homes Limited was £23,382,293 (2018 - £26,249,312). Interest paid during the period in respect of the loan amounted to £778,351 (2018 - £809,814).

The Company accrued for management fees amounting to £11,667 to Ravad Limited (2018 - £6,667) and £58,332 to Golden House Limited (2018 - £53,333), the joint ultimate controlling parties of the ultimate parent company.

#### 27 Controlling party

The parent company of London Residential Healthcare Limited is LRH Care Homes Limited, whose registered office address is 12-14 Langley Avenue, Surbiton, Surrey KT6 6QL. LRH Care Homes Limited is owned by Care Investments UK S.à.r.l., a company incorporated in Luxembourg.

The joint ultimate controlling parties are Golden House Limited and Ravad Limited who own Golden House Ravad - Care Homes England, Limited Partnership, the shareholder of Care Investments UK Sarl. Both ultimate controlling parties are incorporated in Israel. LRH Care Homes Limited prepares publicly available consolidated financial statements.

#### 28 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	5,303,658	3,626,786
<b>Adjustments for:</b>		
Taxation charged	670,748	451,888
Finance costs	778,351	809,814
Investment income	(42,023)	(22,462)
Depreciation and impairment of property, plant and equipment	1,333,989	1,260,091
<b>Movements in working capital:</b>		
Increase in inventories	(65,935)	(41,382)
(Increase)/decrease in trade and other receivables	(309,408)	1,159,669
Increase/(decrease) in trade and other payables	475,570	(1,557,539)
<b>Cash generated from operations</b>	<b>8,144,950</b>	<b>5,686,865</b>