

RICHMOND VILLAGES OPERATIONS LIMITED

Registered Number: 04779288

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 DECEMBER 2017

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Strategic Report

The Directors present their Strategic Report for Richmond Villages Operations Limited ("the Company") for the year ended 31 December 2017.

Business Review

The principal activity of the Company for the year was that of owning and operating nursing and residential care villages primarily for the elderly. The Company, together with fellow UK subsidiary undertakings of The British United Provident Association Limited ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

Results

The loss for the year, after taxation, amounted to £2,560,000 (2016: Loss £532,000). The Company had net assets of £15,020,000 (2016: £17,442,000).

Key Performance Indicators

The increase in loss before tax during the year was primarily due to a reduction in both the margins on sales of living units and care home operations.

The key drivers of the business are;

	2017	2016	Analysis
Loss before tax (£'000)	(3,932)	(969)	The loss has increased from the previous year as a result of opening the care home element at two new villages which run at a loss until the home occupancy increases to cover the running costs of the home. Both Villages have increasing occupancy and are expected to make a positive contribution in 2018.
Available beds	923	697	Available beds have increased due to the completion of 2 new sites.

Definitions and Method of Calculation

Occupancy percentage is defined as the average occupied beds divided by the average available beds for the year.

Available beds are the average number of beds available for occupation during the year.

Business Model

The Company provides nursing and residential care in 7 care villages to around 750 residents of which 20% are funded wholly or partly by the public sector through Local Authorities ("LAs"), NHS Clinical Commissioning Groups ("CCGs") and other public sector commissioners.

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 146 care homes to around 7,300 residents of which 65% are funded wholly or partly by the public sector.

BCS is focused on meeting the changing healthcare needs and concerns of its customers and society. By investing in its people and services, BCS will continue to address the health and care needs of the UK's growing ageing population whilst making the case for appropriate investment from national and local government in the health and social care system to meet the cost of delivering care.

The UK aged care sector remains under pressure with increased costs including the ongoing impact of the National Living Wage, first introduced in April 2016. BCS continues to take a disciplined approach to fee negotiations with LAs, CCGs and other commissioners in order to recover the true cost of caring for publicly-funded residents.

Strategic Report (continued)

Business Model (continued)

The combination of a national shortage of appropriately qualified nurses, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response, in 2016, there was an increase in the NHS Funded Nursing Care ("FNC") payments contribution in England to the cost of providing registered nursing care.

Future Outlook

BCS is committed to working to ensure that public funds for adult social care are used to the best effect. It will continue its disciplined approach to fee negotiations and has seen success in its focus on recovering the cost of caring for residents from local authority contracts.

Since the 2015 Spending Review which announced new powers for councils to meet their funding obligations for social care, the Government have taken further, albeit limited, steps to increase funds for adult social care. The 2017 Budget announced new funding for councils to meet their funding obligations for social care, including an extension and increase to the annual Council Tax precept to 3% as well as increased allocations into the Better Care Fund and Adult Social Care Support Grant.

Following the 2017 general election, the outlook for longer term reform of the social care funding system in England remains unclear. The Government have committed to publishing proposals for long term reform of the social care funding system for consultation in summer 2018. During 2018, BCS, along with others in the sector, will continue to push for adequate funding in the sector, both in the short term and over the longer term, and for local authorities and other public sector commissioners to pay for the true cost of care.

BCS is committed to providing high quality facilities and services for the UK's growing ageing population and will continue to invest in its portfolio of care homes.

Principal risks and uncertainties

The Company and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of chronic underfunding of social care in the UK and policy changes such as the introduction of a National Living Wage, making it difficult to plan and mitigate for such policies effectively.

The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, there remains significant uncertainty as to how the UK's exit will affect the Company's business, customers and employees. While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, uncertainties remain relating to changes in immigration rules post-Brexit and the impact on the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the wider impact on the UK economy.

Further information relating to the Company, as applicable to Bupa and its subsidiaries and holding companies or subsidiaries of such holding companies ("Bupa Group") as a whole, is provided within the discussion of business risks and uncertainties section of the Bupa Group's annual report and accounts, which does not form part of this report.

Registered Office:

1 Angel Court
London
EC2R 7HJ

18 June 2018

By Order of the Board


J M Elliott
Director

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2017.

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £60,710,000. After making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards and Financial Reporting Requirements

The ultimate parent undertaking, Bupa, has prepared group accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards. As the Company is a wholly owned subsidiary undertaking of Bupa, the Company qualifies for application of Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), which has been adopted for these financial statements. FRS 101 uses the recognition and measurement bases of IFRS, while allowing exemptions from a number of disclosures required by full IFRS.

Directors

Details of the present Directors and any other persons who served as a Director during the year are set out below:

N S Barker	appointed	27/04/2018
P J Fieldhouse	appointed	27/04/2018
M Harrison	appointed	27/04/2018
C A Richardson	appointed	27/04/2018
C E Barton	resigned	27/04/2018
J M Elliott		
J S Picken	resigned	27/04/2018

Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company.

Employees

Details of the number of persons employed and gross remuneration are contained in note 8 to the financial statements.

Every effort is made by the Directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance.

Employment of disabled persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Directors' Report (continued)

Employees (continued)

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

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

Registered Office:

1 Angel Court
London
EC2R 7HJ

18 June 2018

By Order of the Board



J M Elliott
Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS.101.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Richmond Villages Operations Limited

Opinion

We have audited the financial statements of Richmond Villages Operations Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and 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 strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Richmond Villages Operations Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Chris Butt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
26 June 2018

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	4	56,191	55,006
Cost of sales	5	(51,669)	(48,617)
Gross profit		4,522	6,389
Administrative expenses	6	(2,971)	(2,365)
Other operating expenses	7	(4,391)	(3,754)
Interest payable and similar charges	9	(1,092)	(1,239)
Loss before tax		(3,932)	(969)
Tax on loss on ordinary activities	11	1,372	437
Loss for the financial year		(2,560)	(532)

Items that will not be reclassified to profit or loss:

Unrealised gain on revaluation of properties	-	11,114
Movement on deferred tax relating to revaluation reserve	138	(1,662)
Other comprehensive income for the year, net of tax	138	9,452
Total comprehensive (expense)/income for the year	(2,422)	8,920

All activities relate to continuing operations.

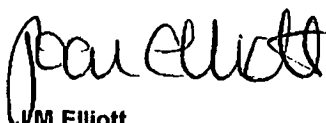
The notes on pages 11 to 24 form part of these financial statements.

Balance Sheet

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	12	100,457	79,221
Investment properties	13	1,822	2,014
Investments	14	-	-
		102,279	81,235
Current assets			
Stock	15	24,395	25,015
Debtors (including £88,032,000 due in more than one year (2016: £nil))	16	90,282	150,311
- due in less than one year		2,250	150,311
- due in more than one year		88,032	-
Cash at bank and in hand		562	92
		115,239	175,418
Creditors: amounts falling due within one year	17	(175,949)	(205,070)
Net current liabilities		(60,710)	(29,652)
Total assets less current liabilities		41,569	51,583
Creditors: amounts falling due after more than one year	18	(24,783)	(32,459)
Provisions for liabilities	19	(1,766)	(1,682)
Net assets		15,020	17,442
Capital and reserves			
Called up share capital	20	1	1
Share premium account		2,499	2,499
Revaluation reserve		11,601	11,463
Profit and loss account		919	3,479
Shareholders' funds		15,020	17,442

These financial statements were approved by the Board of Directors and were signed on its behalf by:



J M Elliott
Director

Registered number: 04779288

18 June 2018

The notes on pages 11 to 24 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2017

	Note	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017		1	2,499	11,463	3,479	17,442
Loss for the year		-	-	-	(2,560)	(2,560)
Other comprehensive income for the year:						
Movement on deferred tax relating to revaluation reserve	20	-	-	138	-	138
Balance as at 31 December 2017		1	2,499	11,601	919	15,020
Balance at 1 January 2016		1	2,499	2,011	4,011	8,522
Loss for the year		-	-	-	(532)	(532)
Other comprehensive income for the year:						
Unrealised gains		-	-	11,114	-	11,114
Movement on deferred tax relating to revaluation reserve	20	-	-	(1,662)	-	(1,662)
Balance as at 31 December 2016		1	2,499	11,463	3,479	17,442

The notes on pages 11 to 24 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of land and buildings, in accordance with applicable UK accounting standards.

These financial statements have been prepared in accordance with FRS 101. The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Exemptions from the Requirements of IFRS

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for investments;
- Disclosures in respect of transactions with wholly owned subsidiaries within the consolidated group;
- Disclosures in respect of capital management;
- An additional balance sheet for the beginning of the earliest comparative period following the transition to FRS 101;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

As the consolidated financial statements of Bupa include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

(c) Exemption from Consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Notes to the financial statements (continued)

Accounting Policies (continued)

(d) Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £60,710,000. The company meets its day to day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources, with net assets of £15,020,000 to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(e) Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises turnover when the amount of turnover can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company primarily provides care homes services to residents and recognises turnover when the service has been delivered to the residents. In addition, the Company sells Individual Living Units ("ILU") and Assisted Living Units ("ALU") and provides the related ancillary services. The Company also generates revenue from short term occupancy of ALU's and ILU's which it holds as investment property.

(f) Interest Income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(g) Employee Benefits

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

(h) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

(i) Taxation and Deferred Taxation

The taxation expense on the profit for the year comprises current and deferred taxation. Income taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the statement of comprehensive income.

Current taxation is the expected taxation payable on the taxable profit for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

Notes to the financial statements (continued)

Accounting policies (continued)

(i) Taxation and Deferred Taxation (continued)

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Trading losses surrendered to other Bupa Group subsidiary undertakings are made on a full payment basis.

(j) Tangible Fixed Assets

Land and buildings comprise mainly care homes and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and at every three years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the profit and loss account of the period they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	50 years
Leasehold improvements	Term of the lease
Fixtures, fittings and equipment	3 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the financial statements (continued)

Accounting policies (continued)

(j) Tangible Fixed Assets (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account in the period they arise.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

(k) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties.

(l) Impairment of Non Financial Assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(m) Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.
- (b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables.

Notes to the financial statements (continued)

Accounting policies (continued)

(m) Financial assets (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(n) Trade and Other Receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) Cash and Cash Equivalents

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

(p) Share Capital

Ordinary shares are classified as equity.

(q) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

Accounting policies (continued)

(r) Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Property valuations

The Company has a portfolio of retirement villages and fluctuations in the value of this portfolio can have significant impact on the profit and loss account and balance sheet of the Company.

(b) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(c) Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

Notes to the financial statements (continued)

3. Immediate and Ultimate Parent Company

The immediate parent undertaking of the Company is Richmond Care Villages Holdings Limited, with its registered office at 1 Angel Court, London, EC2R 7HJ.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is Bupa, with its registered office at 1 Angel Court, London, EC2R 7HJ. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc, with its registered office at 1 Angel Court, London, EC2R 7HJ.

Copies of the accounts of all companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

4. Turnover

Turnover comprises

	2017 £'000	2016 £'000
Care homes and retirement village operations	24,502	20,829
Short term rental income	59	74
Stock sales	31,630	34,103
Care homes operations	56,191	55,006

5. Cost of Sales

Cost of sales comprises

	2017 £'000	2016 £'000
Staff	13,428	10,477
Stock	30,760	32,200
Other cost of sales	7,481	5,940
	51,669	48,617

6. Administrative Expenses

Administrative expenses comprises

	2017 £'000	2016 £'000
Printing	197	186
Other administrative expenses	2,774	2,179
	2,971	2,365

Notes to the financial statements (continued)

7. Other Operating Expenses

	2017 £'000	2016 £'000
Staff	4,189	3,574
Travel	202	180
Other operating expenses	4,391	3,754

8. Staff Costs and Directors' Remuneration

(i) Staff costs

The average monthly number of persons employed by the Company during the year, analysed by category, was:

	2017	2016
Health care	695	683

The aggregate payroll costs of those persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	16,520	12,835
Social security costs	1,005	788
Other pension costs	92	134
	17,617	13,757

(ii) Directors' remuneration

The emoluments of the Directors are borne entirely by other Group companies. The value of the qualifying services provided by the Directors to the Company during the year was £91,000 (2016: £68,000).

9. Interest Payable and Similar Charges

	2017 £'000	2016 £'000
Bupa Group undertakings	1,092	1,239

10. Loss on Ordinary Activities Before Taxation

Loss on ordinary activities before taxation is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:		
- Owned	2,527	1,459
Operating lease rentals:		
- land and buildings	49	72
- plant and machinery	38	39
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15	15

Fees for the audit of the Company represent the amount receivable by the Company's auditor. The amount is not borne by the Company.

Notes to the financial statements (continued)

11. Tax on Loss On Ordinary Activities

(i) Tax included in profit or loss

	2017 £'000	2016 £'000
UK corporation tax on profit/(loss) for the year	(828)	104
Adjustments in respect of prior periods	(766)	(133)
Total current tax credit	(1,594)	(29)
Deferred tax		
Origination and reversal of timing differences	299	(209)
Changes in taxation rate	-	(184)
Adjustments in respect of prior periods	(77)	(15)
Total deferred tax charge/(credit)	222	(408)
Total tax credit on loss on ordinary activities	(1,372)	(437)

(ii) Items that are or may be reclassified subsequently to profit or loss

	2017 £'000	2016 £'000
Deferred tax (credit)/charge in respect of:		
Unrealised profit on revaluation of property	(138)	1,662
Total tax included in other comprehensive income	(138)	1,662

(iii) Reconciliation of effective tax rate

The differences between the total tax credit as shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	(3,932)	(969)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	(757)	(194)
Effects of:		
Expenses not deductible for tax purposes	266	52
Adjustments in respect of current income tax of previous years	(766)	(133)
Adjustments in respect of deferred tax of previous years	(77)	(184)
Change in taxation rates	(38)	22
Total tax credit on loss on ordinary activities	(1,372)	(437)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements (continued)

12. Tangible Fixed Assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2017	72,382	11,228	83,610
Additions	20,651	3,112	23,763
At 31 December 2017	93,033	14,340	107,373
Depreciation			
At 1 January 2017	2,245	2,144	4,389
Charge for the year	1,319	1,208	2,527
At 31 December 2017	3,564	3,352	6,916
Net Book Value			
At 31 December 2017	89,469	10,988	100,457
At 31 December 2016	70,137	9,084	79,221

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2016	38,660	7,231	45,891
Additions	22,608	3,997	26,605
Revaluations	11,114	-	11,114
At 31 December 2016	72,382	11,228	83,610
Depreciation			
At 1 January 2016	1,558	1,372	2,930
Charge for the year	687	772	1,459
At 31 December 2016	2,245	2,144	4,389
Net Book Value			
At 31 December 2016	70,137	9,084	79,221
At 31 December 2015	37,101	5,860	42,961

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 31 December 2016 on the basis of existing use. The valuation was made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. These valuations were incorporated into the balance sheet at 31 December 2016. The Directors have performed an impairment review of freehold land and buildings as at 31 December 2017. Based on this review, the Directors are not aware of any material change in value and therefore the valuations set out above have not been updated. Other tangible assets are stated at cost. Other tangible assets are stated at cost.

Notes to the financial statements (continued)

12. Tangible Fixed Assets (continued)

Analysis of cost or valuation of land and buildings

	2017 £'000	2016 £'000
At open market value	41,039	41,039
At cost	51,311	30,660
Aggregate depreciation thereon	(2,881)	(1,562)
	89,469	70,137

If land and buildings had not been revalued they would have been included at the following amounts:

	2017 £'000	2016 £'000
Historical cost of revalued assets	192,399	171,748
Depreciation based on historical cost	(57,217)	(55,599)
Historical cost net book value	135,182	116,149

13. Investments Properties

	£'000
Cost or valuation	
At 1 January 2017	2,014
Disposal	(192)
At 31 December 2017	1,822
Depreciation and impairment	
At 1 January 2017 and 31 December 2017	-
Net Book Value	
At 31 December 2017	1,822
At 31 December 2016	2,014
Cost or valuation	
At 1 January 2016	2,545
Disposal	(531)
At 31 December 2016	2,014
Depreciation and impairment	
At 1 January 2016 and 31 December 2016	-
Net Book Value	
At 31 December 2016	2,014
At 31 December 2015	2,545

Notes to the financial statements (continued)

14. Investments in Subsidiary Undertakings

The subsidiary undertakings of the Company as at 31 December 2017 are listed below:

	Class of shares	Ownership %	Registered Office
Richmond Painswick Management Company Limited	Ordinary	100	1 Angel Court, London, EC2R 7HJ

At 31 December 2017 the cost of the investment was £1 and was fully impaired.

15. Stock

	2017 £'000	2016 £'000
Properties held for resale	24,395	25,015

16. Debtors

	2017 £'000	2016 £'000
Due within one year		
Trade receivables	1,695	1,360
Amounts owed by Bupa Group undertakings	6	148,376
Other debtors	485	536
Prepayments and accrued income	64	39
	2,250	150,311

Trade receivables fall due within one year. Trade receivables are stated after provisions for impairment of £70,000 (2016: £130,000).

Amounts owed by Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

	2017 £'000	2016 £'000
Due after one year		
Loans to Bupa Group undertakings	88,032	-

Loans to Bupa Group undertakings are repayable after five years as follows.

	Date issued	Repayment date	Interest Rate	2017 £'000	2016 £'000
Richmond Care Villages Holdings Limited	April 2015	April 2025	Six months LIBOR plus 110 basis points	88,032	-

Notes to the financial statements (continued)

17. Creditors – Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Amounts owed to Bupa Group undertakings	169,779	192,864
Other creditors including taxation and social security	131	1,014
Accruals and deferred income	6,039	11,192
	175,949	205,070

Amounts owed to Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

18. Creditors – Amounts Falling Due After More Than One Year

				2017 £'000	2016 £'000
Loans from Bupa Group undertakings				24,783	32,459
Loans from Bupa Group undertakings are repayable after five years as follows.					
	Date issued	Repayment date	Interest Rate	2017 £'000	2016 £'000
Bupa Care Homes (ANS) Limited	December 2015	December 2025	Six months LIBOR plus 500 basis points	22,473	21,279
Richmond Care Villages Holdings Limited	December 2015	December 2025	Six months LIBOR plus 110 basis points	-	8,909
Richmond Northampton Limited	April 2015	April 2025	Six months LIBOR plus 110 basis points	2,310	2,271
				24,783	32,459

19. Provisions for Liabilities and Charges

The Company had the following provisions during the year:

	2017 £'000	2016 £'000
Deferred tax liability	1,766	1,682

Deferred Tax

Deferred taxation is analysed as follows

	2017 Assets £'000	2017 Liabilities £'000	2017 Total £'000	2016 Assets £'000	2016 Liabilities £'000	2016 Total £'000
Accelerated capital allowances	-	1,587	1,587	-	1,335	1,335
Revaluation of properties to fair value	-	179	179	-	347	347
	-	1,766	1,766	-	1,682	1,682

Notes to the financial statements (continued)

19. Provisions for Liabilities and Charges (continued)

The movement in deferred taxation is as follows

	At 1 January 2017 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2017 £'000
Accelerated capital allowances	1,335	252	-	1,587
Revaluation of properties to fair value	347	(30)	(138)	179
	1,682	222	(138)	1,766

	At 1 January 2016 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2016 £'000
Accelerated capital allowances	1,676	(341)	-	1,335
Revaluation of properties to fair value	(1,248)	(67)	1,662	347
	428	(408)	1,662	1,682

As at 31 December 2017, the Company had deductible temporary differences relating to trading losses of £1,575,000 (2016: £5,453,000) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

20. Called up Share Capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
Equity interest		
1,000 (2016: 1,000) ordinary shares of £ 1 each	1	1

21. Contingent Liabilities, Guarantees and Other Financial Commitments

(i) Contingent Liabilities

Under a group registration the Company is jointly and severally liable for Value Added Tax due by certain other Bupa Group companies.

(ii) Financial Commitments

The Company has no outstanding commitments at the end of either year.

(iii) Guarantees

The Company has no outstanding guarantees at the end of either year.

22. Related Party Transactions

The Company has applied the disclosure exemptions available under FRS 101 in respect of transactions with wholly owned subsidiaries within the consolidated group.

See note 8 for disclosure of the Directors' remuneration.