Registered number: 04779288

Richmond Villages Operations Limited

Annual report and financial statements for the year ended 31 December 2018

Richmond Villages Operations Limited

Company information

Directors	N S Barker P J Fieldhouse M Harrison C A Richardson J M Elliott
Company Secretary	Bupa Secretaries Limited
Registered number	04779288
Registered office	1 Angel Court London United Kingdom EC2R 7HJ
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

Richmond Villages Operations Limited

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Richmond Villages Operations Limited

Strategic Report
for the year ended 31 December 2018

The Directors present their Strategic Report for Richmond Villages Operations Limited ("the Company") for the year ended 31 December 2018.

Business review

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes 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 profit for the year, after taxation, amounted to £1,172,000 (2017: loss £2,560,000). The Company had net assets of £16,170,000 (2017: £15,020,000).

Key performance indicators

The key drivers of the Company's results are:

	2018	2017	Analysis
Profit/(loss) before tax (£'000)	953	(3,932)	Profit has increased as a result of improved margins on property sales in the year
Available beds	622	545	Available beds have increased as a result of a full year of ownership in 2 villages acquired in the previous year.

Definitions and method of calculation

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

Business model

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 145 care homes to around 7,637 residents of which 54% 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.

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.

Strategic Report (continued) for the year ended 31 December 2018

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. More recently, the Government announced an additional injection of short-term funding in the 2018 Autumn Budget. While this funding is welcome, it is insufficient to address the long-term funding issues faced by the social care sector.

The outlook for longer term reform of the social care funding system in England remains unclear. The Government has committed to publishing proposals for long term reform of the social care funding system for consultation in the form of a Green Paper. Due to be published in Summer 2018, the consultation document has been delayed a number of times and it is still unclear when it will be released.

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. New guidance on the application of consumer law in care homes, published by the Competition and Market Authority (CMA), has also led to a number of amendments to our T&Cs.

The process of the UK leaving the EU also brings significant risks and uncertainties as a deal between the UK and EU has still not been agreed. The potential of a 'no deal' is still plausible and could lead to significant commercial, operational and legal impacts on UK businesses.

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, its draft post-Brexit immigration rules mainly focus on high-skilled migrants and will impact 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.

This report was approved by the Board on 29 March 2019 and signed on its behalf by:

M Harrison
Director

Registered Office:

1 Angel Court
London
EC2R 7HJ

Richmond Villages Operations Limited

Directors' Report
for the year ended 31 December 2018

The Directors present their annual report and the financial statements of Richmond Villages Operations Limited for the year ended 31 December 2018.

Going concern

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly.

Notwithstanding net current liabilities of £76,982,000 as at 31 December 2018 and a profit for the year then ended of £1,172,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date to other entities of Bupa Finance plc of £203,296,000, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Future development

An indication of the future developments of the Company is included in the Strategic Report.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil).

International Financial Reporting Standards and Financial Reporting Requirements

The ultimate parent undertaking, The British United Provident Association Limited ("Bupa"), has prepared group financial statements 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 financial statements 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' Report (continued)
for the year ended 31 December 2018

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 April 2018)
P J Fieldhouse (appointed 27 April 2018)
M Harrison (appointed 27 April 2018)
C A Richardson (appointed 27 April 2018)
J M Elliott
C E Barton (resigned 27 April 2018)
J S Picken (resigned 27 April 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 6 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.

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.

Political contributions

No political donations were made, nor any political expenditure incurred.

Richmond Villages Operations Limited

Directors' Report (continued)
for the year ended 31 December 2018

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.

This report was approved by the Board on 29 March 2019 and signed on its behalf by:

M Harrison
Director

Registered Office:

1 Angel Court
London
EC2R 7HJ

Statement of Directors' Responsibilities for the year ended 31 December 2018

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 Reduced Disclosure Framework.

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101, 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 2018 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 2018 and of its profit 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent Auditor's Report To The Members Of Richmond Villages Operations Limited (continued)

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 7, 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
LS14DA
29 March 2019

Richmond Villages Operations Limited

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	**56,332**	56,191
Cost of sales		**(49,904)**	(51,669)
Gross profit		**6,428**	4,522
Administrative expenses		**(1,766)**	(2,971)
Other operating expenses		**(2,672)**	(4,391)
Interest receivable and similar income	7	**1,603**	-
Interest payable and similar charges	8	**(2,640)**	(1,092)
Profit/(loss) before taxation	5	**953**	(3,932)
Tax on profit/(loss)	9	**219**	1,372
Profit/(loss) for the financial year		**1,172**	(2,560)
Other comprehensive (expense)/income: items that will not be reclassified to profit or loss			
Movement on deferred tax relating to revaluation reserve		**(22)**	138
Other comprehensive (expense)/income for the year, net of tax		**(22)**	138
Total comprehensive income/(expense) for the year		**1,150**	(2,422)

All activities relate to continuing operations.

The notes on pages 14 to 32 form part of these financial statements.

Richmond Villages Operations Limited

Registered number: 04779288

Balance Sheet
as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	**182**	-
Tangible assets	11	**119,579**	100,457
Investment properties	12	**1,314**	1,822
Investments	13	**-**	-
		121,075	102,279
Current assets			
Stocks	14	**48,726**	24,395
Debtors: amounts falling due within one year	15	**3,007**	2,250
Debtors: amounts falling due after one year	15	**89,635**	88,032
Cash at bank and in hand		**587**	562
		141,955	115,239
Creditors: amounts falling due within one year	16	**(218,937)**	(175,949)
Net current liabilities		**(76,982)**	(60,710)
Total assets less current liabilities		**44,093**	41,569
Creditors: amounts falling due after more than one year	17	**(26,140)**	(24,783)
Deferred tax liability	18	**(1,783)**	(1,766)
Net assets		**16,170**	15,020
Capital and reserves			
Called up share capital	19	**1**	1
Share premium		**2,499**	2,499
Revaluation reserve		**11,579**	11,601
Profit and loss account		**2,091**	919
Shareholders' funds		**16,170**	15,020

The financial statements were approved by the Board of Directors on 29 March 2019 and were signed on its behalf by:

M Harrison
Director

The notes on pages 14 to 32 form part of these financial statements.

Richmond Villages Operations Limited

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Shareholders ' funds
	£000	£000	£000	£000	£000
At 1 January 2018	1	2,499	11,601	919	15,020
Profit for the year	-	-	-	1,172	1,172
Movement on deferred tax relating to revaluation reserve	-	-	(22)	-	(22)
Other comprehensive expense for the year	-	-	(22)	-	(22)
At 31 December 2018	1	2,499	11,579	2,091	16,170

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

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2017	1	2,499	11,463	3,479	17,442
Loss for the year	-	-	-	(2,560)	(2,560)
Movement on deferred tax relating to revaluation reserve	-	-	138	-	138
Other comprehensive income for the year	-	-	138	-	138
At 31 December 2017	1	2,499	11,601	919	15,020

The notes on pages 14 to 32 form part of these 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.

1.1 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.

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.

1.2 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, intangible and property, plant and equipment.
- 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.

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. These new standards do not have a material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018.

The Company is required to adopt IFRS 16 Leases on 1 January 2019. The standard was endorsed by the EU on 31 October 2017. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 will result in almost all leases being recognised on the balance sheet for lessees, as the distinction between operating and finance leases is removed. The Company, as a lessee, will recognise a lease liability reflecting the discounted obligation to make lease payments and a right-of use asset representing the right to use the underlying asset during the lease term. A depreciation charge for right of use assets and interest expense on lease liabilities will be recognised, whereas under IAS 17 an operating lease expense is recognised on a straight-line basis over the term of the lease and assets and liabilities are recognised only to the extent that there is a timing difference between actual lease payments and the expense recognition.

The Company has assessed the impact of adopting the standard, as described below.

The Company will apply IFRS 16 using the modified retrospective approach, where right of use assets equals the lease liabilities adjusted for prepaid or accrued lease payments. The cumulative effect of adopting the standard is recognised as an adjustment to opening retained earnings at 1 January 2019 with no restatement of comparative information. The Company will also apply the exemption that allows short-term and low value leases to be excluded from the measurement model.

The Company is still assessing the impact on transition but expects to recognise lease liabilities and corresponding right-of-use assets of between £5,000,000 to £7,000,000. Compared to the existing IAS 17 approach of recognising operating lease costs on a smoothed basis through operating expenses, the IFRS 16 approach results in lower operating expenses and higher finance costs. Overall profit is also lower in the early years of the lease and higher in the later years of the lease compared to the existing approach, due to the timing of the recognition of the implicit finance costs on the outstanding liability.

The 2019 profit after tax impact will be dependent on lease activity during the year, but it is expected that profit before tax will be lower than it would have been under IAS 17.

1. Accounting policies (continued)

1.4 Going concern

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly.

Notwithstanding net current liabilities of £76,982,000 as at 31 December 2018 and a profit for the year then ended of £1,172,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date to other entities of Bupa Finance plc of £203,296,000, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.5 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.

1.6 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.

Notes to the Financial Statements
for the year ended 31 December 2018

1. Accounting policies (continued)

1.7 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.

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.

1.8 Post employment benefit

Defined contribution pension schemes

Bupa operates a defined contribution pension scheme, The Bupa Retirement Savings Plan, in which the Company participates. The assets of the scheme are held separately from those of the Company in independently administered funds. This scheme was opened with effect from 1 October 2002 and is available to join on a voluntary basis to permanent employees of Bupa.

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

The National Employment Savings Trust ("NEST") has been used to meet the Company's automatic enrolment duties for UK employees.

1. Accounting policies (continued)

1.9 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of Identifiable and unique software products controlled by the Company are recognised as Intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available to use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product Include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.10 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, with associated cost and depreciation balances restated as required.

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.

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..

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.11 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.

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.

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.12 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 non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.13 Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1.14 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 effect interest method, less provision for impairment.

1.15 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.

1.16 Share capital

Ordinary shares are classified as equity.

2. Critical accounting estimates and judgements

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 significant portfolio of care homes 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 aging profile of receivables and historical experience.

3. Immediate and ultimate parent undertaking

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 financial statements of all companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

4. Turnover

Turnover comprises:

	2018	2017
	£000	£000
Care homes operations	**28,979**	24,502
Short term rental income	**-**	59
Stock sales	**27,353**	31,630
	56,332	56,191

5. Profit/(loss) before taxation

The profit/(loss) before taxation is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- Owned	**3,223**	2,527
Amortisation of intangible assets, including goodwill	**30**	-
Operating lease rentals:		
- land and buildings	**-**	49
- plant and machinery	**71**	38
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**23**	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.

6. Staff costs and directors' remuneration

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

	2018 £000	2017 £000
Health Care	**713**	695

	2018 £000	2017 £000
Wages and salaries	**17,353**	16,520
Social security costs	**1,087**	1,005
Other pension costs	**90**	92
	18,530	17,617

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 £300,000 (2017: £91,000).

Notes to the Financial Statements for the year ended 31 December 2018

6. Staff costs and directors' remuneration (continued)

The remuneration of the highest paid Director was:

	2018 £000	2017 £000
Emoluments	364	-
Amounts receivable under long-term incentive schemes	41	-
	405	-

7. Interest receivable and similar income

	2018 £000	2017 £000
Bupa Group undertakings	1,603	-

8. Interest payable and similar charges

	2018 £000	2017 £000
Other interest payable	27	-
Bupa Group undertakings	2,613	1,092
	2,640	1,092

Notes to the Financial Statements
for the year ended 31 December 2018

9. Tax on profit/(loss)

	2018 £000	2017 £000
Corporation tax		
UK corporation tax on profit/(loss) for the year	(28)	(828)
Adjustments in respect of previous periods	(186)	(766)
Total current tax	(214)	(1,594)
Deferred tax		
Origination and reversal of timing differences	(18)	299
Adjustments in respect of previous periods	13	(77)
Total deferred tax	(5)	222
Tax on profit/(loss)	(219)	(1,372)

Factors affecting tax credit for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) before tax	953	(3,932)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	181	(757)
Effects of:		
Expenses not deductible for tax purposes	177	266
Deferred tax on property movements	(315)	-
Adjustments in respect of current income tax of previous periods	(186)	(766)
Adjustments in respect of deferred tax of previous periods	13	(77)
Change in taxation rates	2	(38)
Movement on deferred tax asset not recognised	(91)	-
Total tax credit for the year	(219)	(1,372)

Factors that may affect future tax charges

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.

Richmond Villages Operations Limited

Notes to the Financial Statements for the year ended 31 December 2018

10. Intangible assets

	Computer software £000
Cost	
Additions	**212**
At 31 December 2018	**212**
Amortisation	
Charge for the year	**30**
At 31 December 2018	**30**
Net book value	
At 31 December 2018	**182**
At 31 December 2017	-

Notes to the Financial Statements for the year ended 31 December 2018

11. Tangible fixed assets

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation			
At 1 January 2018	**93,033**	**14,340**	**107,373**
Additions	**18,341**	**4,004**	**22,345**
Reversal of depreciation on revaluation	**(5,224)**	**-**	**(5,224)**
At 31 December 2018	**106,150**	**18,344**	**124,494**
Depreciation			
At 1 January 2018	**3,564**	**3,352**	**6,916**
Charge for the year on owned assets	**1,660**	**1,563**	**3,223**
Reversal of revaluation	**(5,224)**	**-**	**(5,224)**
At 31 December 2018	**-**	**4,915**	**4,915**
Net book value			
At 31 December 2018	**106,150**	**13,429**	**119,579**
At 31 December 2017	89,469	10,988	100,457

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 a review of freehold land and buildings as at 31 December 2018. This review has resulted in a revaluation against the value of certain freehold land and buildings. Other tangible assets are stated at cost less impairment.

Analysis of cost or valuation of land and buildings:

	2018 £000	2017 £000
At open market value	**41,039**	41,039
At cost	**69,653**	51,311
Aggregate depreciation thereon	**(4,542)**	(2,881)
	106,150	89,469

11. Tangible fixed assets (continued)

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

	2018 £000	2017 £000
Historical cost of revalued assets	**210,740**	192,399
Depreciation based on historical cost	**(58,877)**	(57,217)
	151,863	135,182

12. Investment properties

	Investment properties £000
Cost or valuation	
At 1 January 2018	**1,822**
Revaluations	**(508)**
At 31 December 2018	**1,314**
Depreciation and impairment	
At 1 January 2018 and 31 December 2018	-
Net book value	
At 31 December 2018	**1,314**
At 31 December 2017	1,822

13. Investments

In compliance with Section 409 of the Companies Act 2006, details of the related undertakings of the Company as at 31 December 2018 which are directly and wholly owned and has its registered office at 1 Angel Court, London, EC2R 7HJ is listed below:

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

At 31 December 2018, the cost of the investment was £1 and was fully impaired.

Notes to the Financial Statements for the year ended 31 December 2018

14. Stocks

	2018 £000	2017 £000
Properties held for resale	**48,726**	24,395

15. Debtors

	2018 £000	2017 £000
Due after more than one year		
Loans to Bupa Group undertakings	**89,635**	88,032

	2018 £000	2017 £000
Due within one year		
Trade receivables	**1,937**	1,695
Amounts owed by Bupa Group undertakings	**6**	6
Other debtors	**633**	485
Prepayments and accrued income	**431**	64
	3,007	2,250

Trade receivables fall due within one year. Trade receivables are stated after provisions for impairment of £52,000 (2017: £70,000).

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

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

	Date Issued	Repayment date	Interest rate	2018 £000	2017 £000
Richmond Care Villages Holdings Limited	April 2015	April 2025	Six months LIBOR plus 110 basis points	**89,635**	**88,032**

Notes to the Financial Statements for the year ended 31 December 2018

16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to Bupa Group undertakings	**210,616**	169,779
Accruals and deferred income	**6,765**	6,039
Other taxation and social security	**1,556**	-
Other creditors	**-**	131
	218,937	175,949

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

17. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loans from Bupa Group undertakings	**26,140**	24,783

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

	Date issued	Repayment date	Interest rate	2018 £000	2017 £000
Bupa Care Homes (ANS) Limited	December 2015	December 2025	Six months LIBOR plus 500 basis points	**23,789**	22,473
Richmond Northampton Limited	April 2015	April 2025	Six months LIBOR plus 110 basis points	**2,349**	2,310
Richmond Nantwich Developments Limited	April 2015	April 2025	Six months LIBOR plus 110 basis point	**1**	-
Richmond Nantwich Properties Limited	December 2014	December 2024	Twelve months LIBOR plus 110 basis points	**1**	-
				26,140	24,783

18. Deferred taxation

	2018 £000	2017 £000
At beginning of year	**(1,766)**	(1,682)
Credit/(charge) to profit or loss	**5**	(222)
(Charge)/credit to other comprehensive income	**(22)**	138
At end of year	**(1,783)**	(1,766)

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(1,864)**	(1,587)
Revaluation of properties to fair value	**81**	(179)
	(1,783)	(1,766)

As at 31 December 2018, the Company had deductible temporary differences relating to capital losses of £1,097,000 (2017: £1,575,000) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

19. Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
Equity Interest		
1,000 (2017: 1,000) ordinary shares of £1 each	**1**	1

20. Contingent liabilities

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

21. Financial commitments

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Not later than 1 year	**548**	-
Later than 1 year and not later than 5 years	**2,687**	-
Later than 5 years	**7,309**	-
	10,544	-

22. Capital commitments

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

23. Guarantees

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

24. 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 6 for disclosure of the Directors' remuneration.