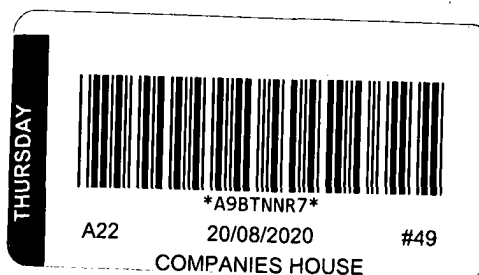


RICHMOND CARE VILLAGES HOLDINGS LIMITED

Registered Number: 05105798

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**



Contents

	Page
Strategic Report	1
Directors' Report	5
Statement of Directors' Responsibilities	8
Independent Auditor's Report to the Members of Richmond Care Villages Holdings Limited	9
Profit and Loss Account and Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to Financial Statements	14

Strategic Report

The Directors present their Strategic Report for Richmond Care Villages Holdings Limited ("the Company") for the year ended 31 December 2019.

Business Review

The principal activity of the Company for the year was to develop care homes and villages and market these for sale on completion. 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 £3,153,000 (2018: £10,430,000). The Company had net assets of £59,390,000 (2018: £56,237,000).

Key Performance Indicators

During the year, the business delivered a profit before tax of £3,891,000 (2018: £12,877,000). This result was driven by the completion and sale of a care home and one care village.

Business Model

The Company holds investments in subsidiaries that own and operate care villages. It also constructs care homes and villages which are operated by other Bupa group undertakings.

The Company completed the construction and sale of a care village and care homes in the previous year and has ongoing construction for 1 additional care village.

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 133 care homes to around 8,500 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 increases to the National Living Wage, first introduced in April 2016 which rose by 4.9% in April 2019 with a further 6.2% increase in April 2020. 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, other staff, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response to this we have introduced new schemes to ensure long term availability of skilled workers, such as an apprenticeship programme.

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. A similar announcement was made in 2019, however the 2020 Budget did not contain any measures to support social care. While this funding is welcome, it is insufficient to address the long-term funding issues faced by the social care sector.

Strategic Report (continued)

Future Outlook (continued)

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 White Paper. It is unclear when this will be published and there is little clarity regarding the Government's plans for the sector beyond a 2019 manifesto commitment that "nobody needing care should be forced to sell their home to pay for it".

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.

The Post Balance Sheet Event note in the Director's report includes an assessment of Covid 19's impact.

Engaging with our stakeholders (section 172(1) statement)

The Board has a duty to promote the success of the Company for the benefit of its members as a whole having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers and our people. Our suppliers, regulators and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas from performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term success.

Customers

Customers are at the heart of our business. We aim to deliver truly outstanding, customer experiences, ensuring great clinical outcomes and value for money.

Key issues for customers include:

- affordability of health insurance
- high quality products with broad coverage and high standards of care
- simpler and quicker access to services, such as through digital applications

People

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves. A twice-yearly people survey (People Pulse) is run across Bupa in order to assess engagement across the group.

Key issues for employees across the Bupa Group, based on the People Pulse survey include:

- Company Prospects – being excited about Bupa's future;
- Customer focus – helping to deliver a great customer experience
- Collaboration – focusing on efficient and effective working practices across teams;
- Empowerment – feeling empowered to make decisions regarding their work.

Our approach is led locally with all teams planning actions in the light of the People Pulse results and the Board and management team have engaged with our people on the issues important to them.

Regulators

The Company's care homes are regulated by the Care Quality Commission and other relevant regulators. Regulators ultimately aim to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre.

Strategic Report (continued)

Engaging with our stakeholders (continued)

Our regulators expect us to:

- have robust and effective processes and controls in place to mitigate risks to protect our customers
- provide a high-quality, clinically robust services
- ensure we operate in a sustainable way.

We have an open and honest relationship with the CQC and self-report incidents, work with the CQC to ensure we meet regulatory requirements and act quickly to address any issues or concerns raised.

Suppliers

Suppliers are critical to delivering a high-quality service to our customers and include systems suppliers and suppliers of products to our care homes. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct. We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

Communities and environment

We play an active role in the communities in which we operate and take care of the environment. The Bupa Group has dedicated Foundations in Australia, Spain and the UK to channel some of our investment. Community and the environment form two pillars of Bupa's CRS strategy and we currently have a global focus on mental wellbeing and resilience. Bupa has recently partnered with Mind in the UK to provide mental health resources for children and young people and for those who support them. Bupa is evaluating the business risks and opportunities associated with climate change, closely managing our environmental impact and actively promoting positive environmental practices. In 2019, the Bupa Group started to define our new set of ambitions to respond to the current environment of climate emergency.

Board decisions and their impact on stakeholders

The table below sets out a number of decisions taken by the Board during the year and how stakeholder views' were taken into account.

Decision	How we took stakeholders into account	Long-term implications
Modern slavery	<p>People, suppliers and communities</p> <p>The Company is required to publish a modern slavery statement each year setting out the steps it has taken to prevent modern slavery and human trafficking in its businesses and supply chains. The Board noted the activities taken by management during the year to help ensure Bupa Group's businesses and supply chains are free from modern slavery and human trafficking and approved the Company's modern slavery statement which is available on bupa.com.</p>	<p>The steps the Bupa Group takes in this area help protect our people, the people employed or contracted by our suppliers and the wider communities in which we operate.</p>

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 continued increases in the National Living Wage, making it difficult to plan and mitigate for such policies effectively. 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The ongoing negotiations regarding the UK's post-Brexit relationship with the EU also bring risks and uncertainties. BCS is monitoring political developments closely and preparing for the operational, commercial and legal implications of the UK-EU future relationship. This involves considering a range of scenarios, including a situation where no trade deal is agreed by the end of the transition period, currently scheduled for 31 December 2020. The Company is examining an extensive list of issues and working through steps to protect BCS' position in these areas, including the UK's future immigration system; the impact of the future relationship on the Company's supply chain; and the wider impact of the future relationship negotiations on the UK economy.

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 immigration plans 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.

The Post Balance Sheet Event note in the Director's report includes an assessment of Covid 19's impact.

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

14 August 2020

By Order of the Board



Michael Harrison

Director

Directors' Report

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

Going Concern and Post Balance Sheet Event

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019. Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Directors note, as at the date of approval of these financial statements, there has been no significant disruption in the Company's business up to the date of approval of these financial statements. However, as at the date of approval of these financial statements, it is not currently considered that there are any significant doubts over the Company's ability to continue as a going concern for at least a year from the date of approval of these financial statements. We continue to monitor our business for potential impacts and to manage the associated risks.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from its intermediate parent company, Bupa Finance plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Bupa Finance plc not seeking repayment of the amounts currently due from BCS, which at 31 December 2019 amounted to £398,048,000, and providing additional financial support during that period. The directors have considered the impact of the COVID-19 pandemic on the ability of BUPA Finance plc to provide the financial support required by the company. BUPA Finance PLC's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance PLC has adequate resources to operate for at least the next 12 months from the approval of these financial statements. Therefore the directors are confident that BUPA Finance Plc can provide financial support up to the level required for at least the next 12 months. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

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

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.

Dividends

The Directors do not recommend the payment of a dividend for the year (2018: £nil).

Directors Report (continued)

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
J M Elliott
P J Fieldhouse
M Harrison
C A Richardson

Bupa Secretaries Limited is the Company Secretary and is not a present director.

Political and Charitable Donations

No political or charitable donations or contributions were made during the year (2018: £nil).

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.

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.

Directors Report (continued)

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.

The Bupa Audit Committee agreed to put the external audit of the Group out to tender to comply with EU Audit Regulation (Regulation 537/2014/EU) transitional arrangements, which require the Group to rotate its audit firm at the time of next appointment on or after 17 June 2020.

The Bupa Annual Report 2019 sets out the full audit tender process, outcome and timeline.

The Bupa Board agreed to appoint PwC as the Group's External Auditor from 1 January 2021 and the Company's Board will formally appoint PwC for the year ended 31 December 2021 following the Bupa AGM in May 2021.

Registered Office:

1 Angel Court

London
EC2R 7HJ

By Order of the Board



Michael Harrison
Director

14 August 2020

Statement of Directors' Responsibilities in Respect of the Strategic Report the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 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 Care Villages Holdings Limited

Opinion

We have audited the financial statements of Richmond Care Villages Holdings Limited ("the company") for the year ended 31 December 2019 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 2019 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.

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 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.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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.

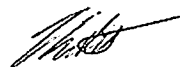
Auditor's responsibilities

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.



Clare Partridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
17 August 2020

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Turnover	4	30,978	59,489
Cost of sales		(26,040)	(45,126)
Gross profit		4,938	14,363
Administration expenses		(1)	(26)
Other interest receivable and similar income	6	1,383	889
Interest payable and similar charges	7	(2,429)	(2,349)
Profit before taxation		3,891	12,877
Tax charge on profit on ordinary activities	9	(738)	(2,447)
Profit for the financial year		3,153	10,430
Total comprehensive income for the year		3,153	10,430

The profit for the year is all derived from continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

Balance Sheet

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	10	92	92
Current assets			
Stock	11	25,280	32,843
Debtors	12	152,889	153,348
- due within one year		152,869	153,323
- due after one year		20	25
Cash at bank and in hand		1,906	20
		180,075	186,211
Creditors: amounts falling due within one year	13	(17,756)	(10,475)
Net current assets		162,319	175,736
Total assets less current liabilities		162,411	175,828
Creditors: amounts falling due after more than one year	14	(103,021)	(119,591)
Net assets		59,390	56,237
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		59,390	56,237
Shareholders' funds		59,390	56,237

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



Michael Harrison

Director

Registered number: 05105798

14 August 2020

The notes on pages 14 to 24 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019		-	56,237	56,237
Profit for the year		-	3,153	3,153
Balance as at 31 December 2019		-	59,390	59,390

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018		-	45,807	45,807
Profit for the year		-	10,430	10,430
Balance as at 31 December 2018		-	56,237	56,237

The notes on pages 14 to 24 form part of these financial statements.

Notes to 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.

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 (note 3) 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) New standards, amendments and IFRIC interpretations

The new leases standard, IFRS 16 effective from 1 January 2019 has been adopted by the Company but result in not impact as the Company did not identify any contracts which met the definition of a lease.

The following financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2019 and have not been early adopted by the Company. They are not expected to have a significant impact when they are effective.

- IFRS 17 – Insurance Contracts
- IFRS 3 – Business Combinations amendment
- IAS 1 and IAS 8 amendments

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(d) 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 (note 3).

(e) Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from its intermediate parent company, Bupa Finance plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Bupa Finance plc not seeking repayment of the amounts currently due from BCS, which at 31 December 2019 amounted to £398,048,000, and providing additional financial support during that period. The directors have considered the impact of the COVID-19 pandemic on the ability of BUPA Finance plc to provide the financial support required by the company. BUPA Finance PLC's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance PLC has adequate resources to operate for at least the next 12 months from the approval of these financial statements. Therefore the directors are confident that BUPA Finance Plc can provide financial support up to the level required for at least the next 12 months. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

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

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.

(f) 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 constructs care homes and retirement villages on behalf of Bupa Group undertakings and recognises turnover at legal completion.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(g) 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 undertakings are made on a full payment basis.

(h) 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 (continued)

1. Accounting Policies (continued)

(i) Financial Assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or as amortised cost. It does not have any assets categorised as fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and recognises them at fair value.

(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) Amortised cost

Financial assets where the contractual characteristics represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. 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.

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

Under IFRS 9, impairment provisions for expected credit losses ('ECL') are recognised for financial assets measured at amortised cost. An allowance for either 12-month or lifetime ECL is required, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECL reflects a probability-weighted outcome, the time value of money and the best available forward-looking information. The Company measures the loss allowance for trade receivables at an amount equal to the lifetime ECL.

(j) 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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(k) 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.

(l) Share Capital

Ordinary shares are classified as equity.

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) Stock valuations

The Company has a significant stock 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.

3. Immediate and Ultimate Parent Company

The immediate parent undertaking of the Company is Bupa Finance plc, 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.

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

4. Turnover

	2019 £'000	2018 £'000
Stock sales	30,978	59,489

Notes to the Financial Statements (continued)

5. Staff costs and Directors' Remuneration

Staff costs

There were no staff costs for the year ended 31 December 2019 (2018: £nil)

Directors' remuneration

The emoluments of the Directors are borne entirely by other Group companies. Directors may also serve as Directors of other Bupa Group companies and part of their emoluments may be attributed to and disclosed in the financial statements of those companies. The value of the qualifying services provided by the Directors to the Company during the year was £334,000 (2018: £512,000). There were no other employee costs incurred during the year.

The remuneration of the highest paid Director was:

	2019 £'000	2018 £'000
Emoluments	336	805
Company contributions to defined contribution pension schemes	10	10
Amounts receivable under long-term incentive schemes	176	57
	<u>522</u>	<u>872</u>

6. Other Interest Receivable and Similar Income

	2019 £'000	2018 £'000
Bupa Group undertakings	<u>1,383</u>	<u>889</u>

7. Interest Payable and Similar Charges

	2019 £'000	2018 £'000
Bupa Group undertakings	<u>2,429</u>	<u>2,349</u>

8. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	24
Expenses relating to short term leases	<u>13</u>	<u>-</u>

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)

9. Tax on Profit on Ordinary Activities

(i) Tax included in profit or loss

	2019 £'000	2018 £'000
UK corporation tax on profit for the year	733	2,442
Total current tax charge	733	2,442
Deferred tax		
Origination and reversal of timing differences	5	5
Total deferred tax charge	5	5
Total tax charge on profit on ordinary activities	738	2,447

(ii) Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	3,891	12,877
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	739	2,447
Effects of:		
Current income taxation adjustments in respect of prior periods	-	1
Change in taxation rates	(1)	(1)
Tax charge on profit on ordinary activities	738	2,447

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £2,000.

Notes to the Financial Statements (continued)

10. Investments

	Subsidiary undertakings £'000
Cost or valuation	
At 1 January 2019	18,941
At 31 December 2019	18,941
Impairment	
At 1 January 2019 and at 31 December 2019	18,849
Net Book Value	
At 31 December 2019	92
At 31 December 2018	92

In the opinion of the Directors, the investments in the Company's subsidiaries are worth at least the amounts at which they are stated in the balance sheet.

Related Undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings of the Company as at 31 December 2017, all of which are wholly owned and have their registered office at 1 Angel Court, London, EC2R 7HJ are disclosed below:

Directly Held Related Undertakings	Class of shares
Richmond Coventry Limited	Ordinary
Richmond Care Villages (Property) Limited	Ordinary
Richmond Villages Operations Limited	Ordinary
Richmond Northampton Limited	Ordinary
Richmond Nantwich Developments Limited	Ordinary
Richmond Northampton Management Limited	Ordinary
Indirectly Held Related Undertakings	Class of shares
Richmond Nantwich Properties Limited	Ordinary
Richmond Nantwich Limited	Ordinary
Richmond Letcombe Limited	Ordinary
Bede Village Management Limited	Ordinary
Richmond Painswick Management Company Limited	Ordinary

Notes to the Financial Statements (continued)

11. Stocks

	2019 £'000	2018 £'000
Properties held for resale	25,280	32,843

There is no material difference between the balance sheet value of stocks and their replacement costs.

12. Debtors

Due within one year	2019 £'000	2018 £'000
Amounts owed by Bupa Group undertakings	142,430	152,865
Other debtor	10,439	457
Prepayments and accrued income	-	1
	152,869	153,323

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

Due after one year	2019 £'000	2018 £'000
Deferred tax (note 15)	20	25

13. Creditors – Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Amounts owed to Bupa Group undertakings	14,956	7,006
Other creditors including taxation and social security	-	924
Accruals and deferred income	2,800	2,545
	17,756	10,475

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

Notes to the Financial Statements (continued)

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

	2019 £'000	2018 £'000
Loans from Bupa Group undertakings	103,021	119,591

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

	Date issued	Repayment date	Interest rate	2019 £'000	2018 £'000
Bupa Finance plc	December 2013	December 2023	Six months LIBOR plus 110 basis points	30,575	29,956
Richmond Villages Operations Limited	April 2015	April 2025	Six months LIBOR plus 110 basis points	72,446	89,635
				103,021	119,591

15. Deferred Tax

Deferred taxation is analysed as follows

	2019 Assets £'000	2019 Liabilities £'000	2019 Total £'000	2018 Assets £'000	2018 Liabilities £'000	2018 Total £'000
Accelerated capital allowances	20	-	20	25	-	25

The movement in deferred taxation is as follows

	At 1 January 2019 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2019 £'000
Accelerated capital allowances	25	(5)	-	20

	At 1 January 2018 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2018 £'000
Accelerated capital allowances	30	(5)	-	25
	30	(5)	-	25

As at 31 December 2019, the Company had deductible temporary differences relating to non-trading losses of £2,869,000 (2018: £2,869,000) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Notes to the Financial Statements (continued)

16. Called up Share Capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
Equity interest		
1 (2018: 1) ordinary share of £ 1 each	-	-

17. Contingent Liabilities, Guarantees and Other Financial Commitments

(i) Contingent liabilities

The Company has no contingent liabilities at the end of either year.

(ii) Guarantees

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

(iii) Financial commitments

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

(iv) Capital commitments

The Company has £12,692,845 (2018: £21,567,000) outstanding capital commitments at the end of the year.

18. 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 5 for disclosure of the Directors' remuneration.

19. Post balance sheet event

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019. Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Directors note, as at the date of approval of these financial statements, there has been no significant disruption in the Company's business up to the date of approval of these financial statements. However, as at the date of approval of these financial statements, it is not currently considered that there are any significant doubts over the Company's ability to continue as a going concern for at least a year from the date of approval of these financial statements. We continue to monitor our business for potential impacts and to manage the associated risks.