

Company Registration No. 02235118 (England and Wales)

REGENCY OLDHOMES LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2017

THURSDAY



A25 *A7HCCN00* #108
25/10/2018
COMPANIES HOUSE

REGENCY OLDHOMES LIMITED

COMPANY INFORMATION

Directors	Mr R Wilson Mr A Wilson
Secretary	Mr R Wilson
Company number	02235118
Registered office	31/33 Commercial Road Poole Dorset BH14 0HU
Auditor	Morris Lane 31/33 Commercial Road Poole Dorset BH14 0HU

REGENCY OLDHOMES LIMITED

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REGENCY OLDHOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

The directors present the strategic report for the year ended 31 October 2017.

Fair review of the business

The principal trading asset is the 82 bed nursing and dementia home known as Herons Park in Kiddeminster. Throughout the whole trading year, the directors have authorised expenditure on accommodation and equipment upgrades in the home in line with normal company policy. The continued commitment to providing the best quality care, accommodation and customer service is integral to the company's on-going appeal to premium customers.

We also consider:

- The care and welfare of our staff; promoting self-development and career opportunities including training and promotion; supplying access to a counselling service and other healthcare support.
- The environment; Using high energy efficiency building methods and the latest gas boilers.
- Diversity and equal opportunity and all newly introduced Employment Law legislation.
- Social issues; our corporate social responsibility (CSR) page on the royalbay.co.uk web site gives a full breakdown of how the company helps with charitable concerns.

Heron's Park Nursing and Dementia Home performed well, with the home's occupancy achieving an annual average figure as at October 2017 of 85% compared with the previous October 2016 figure of 86%. The Heron's Park occupancy figure is marginally less than the Royal Bay Group's 2016 annual average occupancy of 87%. Fee levels have risen by 11.9% over the same period. Both the Nursing Unit and the Dementia Unit with the addition of a further 24 beds are now achieving target figures of occupancy.

The 24-bed extension at Heron's Park Nursing Home in Kidderminster was completed in September 2011. An accreditation audit was carried out in the first half of 2012 by Stirling University Dementia Service Development Centre and in this year Heron's Park was finally awarded the coveted Gold Standard Award for Design. The Stirling DSDC has undertaken a re-accreditation exercise as part of the ongoing design assessment service and the home has been awarded a 'Highly Commended'.

The company's profit for the year to October 2017, before tax, amounted to £422,329, a 3.4% decrease on the previous year (2016) of £437,364. The Total Equity increased to £4.8m from the 2016 figure of £3.98m, a 21% uplift. The directors consider the position and performance of the company to be satisfactory for the reported trading year and look forward to even better results in 2018.

The company monitors and analyses the home's performance on a number of levels using indicators. These include; monthly fee income and occupancy; key internal spends such as wages, catering, repairs and renewal and energy. All financial data is amalgamated in a monthly management accounts report to show EBITDA per home, comparisons with the previous year's results and the current year's budget to identify any significant variance. As a result, action is taken if need be.

REGENCY OLDHOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

Principal risks and uncertainties

The care industry faces fundamental changes to the public funding framework that would benefit the care sector and provide more realistic care home fees. Overall the balance of the new arrangements appears to be a positive however we are still yet to see the future medium-term impact.

Interest rates are predicted to increase over the next few years. The Bank of England has recently increased base rate from 0.50% to 0.75% as the first small step but will be cautious about applying future increases as BREXIT looms. The directors believe that marginal increases would have little impact on debt serviceability during the next 2 to 3 years. Capital repayments are reducing our outstanding debt level, and this will provide part mitigation against these potential marginal increases in interest rate payments.

In response there has been an effort in recent years to improve our cash flow by streamlining operations, reducing costs as well as increasing profitability, all of which will be carried forward for the next 12 months and beyond. Notable instances include negotiating supplier contracts, taking advantage of group purchasing power (this included a new singular energy contract), removing out dated marketing expenses and maintaining our internet-based Payment Authorisation System for any purchase over £100.

After several years of Local Authority and CCG fee freezes or low percentage increases a new reality seems to have taken over and a more pragmatic approach to fee increases is being adopted. This, together with Royal Bay's attention to both improving average fees whilst controlling costs and overheads, will allow the group to enhance its profitability. There is a continuing drive to provide community care services to keep the elderly at home for as long as possible, but it was not meeting all of the needs of the elderly in the U.K. and sheer numbers created by demographics meant that residential care was still in demand and would continue to increase. Recent estimates quote the need for a further 100,000 residential beds to be supplied by 2025 but this figure is now being appraised.

Ultimately it is an objective of the group to move toward an even higher ratio of private to Local Authority and Continuing Healthcare NHS funded clients, thus reducing some of the complications involved with dealing with a third party.

There are three principal underlying wage pressures that will have an impact on care and nursing staff salaries:

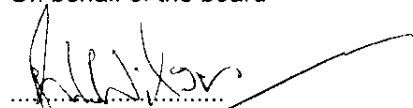
First, Herons Park has auto-enrolment pensions in place and the current 1% contributions from each party, employer and staff member, are to be increased on 1st April 2018 to 2% and 3% contributions respectively.

Second, there is intense competition from the residential care sector, the domiciliary care sector and the N.H.S. for all grades of staff compounded by the reduction in numbers of nursing and medical graduates and overseas nurses taking up posts in the U.K. being restricted. This is leading to serious wage competition in South-West Birmingham.

Third, the introduction of the National Living Wage NLW and a stated target of £9.90 per hour by 2020 means that wage budgets are rising in excess of normal annual fee increases. This pressure can be reduced by accelerating fee increases way above RPI levels for private payers (already happening) and relying more on 'costed care plans' as the basis for fee determination with the local authorities and the NHS.

The company is adjusting its budget expenditures and fee income decisions to make realistic forward plans to meet all of the pressures from the points outlined above and the directors are confident that the trading performance will improve over the next 12 months.

On behalf of the board



Mr R Wilson

Director

24 October 2018

REGENCY OLDHOMES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

The directors present their annual report and financial statements for the year ended 31 October 2017.

Principal activities

The principal activity of the company continued to be that of care home operation.

Directors

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

Mr R Wilson

Mr A Wilson

Results and dividends

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

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

Financial instruments

Treasury operations and financial instruments

The company's activities expose it to a variety of financial risks. The Board reviews and agrees policies for managing these risks at regular intervals dependant on circumstances. The company's principal financial instruments include assets and liabilities such as trade receivables and trade payables arising directly from its operations. In accordance with company's treasury policy, derivative instruments are not entered into for speculative purposes.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on floating rate deposits, bank overdrafts and loans. The cash flow interest rate risk is managed within the company's business projections and planning, in the monitoring of financial covenants and through negotiation of facility terms with the provider of the borrowing facility at specified intervals.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. All residents who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary. The company is not exposed to commodity price risk.

Future developments

Further information in respect of future developments is provided in the Strategic Report.

Auditor

The auditor, Morris Lane, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

REGENCY OLDHOMES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr R Wilson

Director

Date: 24 October 2018

REGENCY OLDHOMES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGENCY OLDHOMES LIMITED

Opinion

We have audited the financial statements of Regency Oldhomes Limited (the 'company') for the year ended 31 October 2017 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REGENCY OLDHOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF REGENCY OLDHOMES LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Morris Lane

Michelle Pettifer (Senior Statutory Auditor)
for and on behalf of Morris Lane

25 October 2018

Chartered Accountants
Statutory Auditor

31/33 Commercial Road
Poole
Dorset
BH14 0HU

REGENCY OLDHOMES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	2016 £
Revenue	3	2,691,654	2,495,130
Administrative expenses		(2,274,745)	(2,062,222)
Other operating income		6,179	6,727
		<hr/>	<hr/>
Operating profit	4	423,088	439,635
Finance costs	6	(759)	(2,271)
		<hr/>	<hr/>
Profit before taxation		422,329	437,364
Tax on profit	7	(208,988)	(63,609)
		<hr/>	<hr/>
Profit for the financial year		<u>213,341</u>	<u>373,755</u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

REGENCY OLDHOMES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2017

	2017 £	2016 £
Profit for the year	213,341	373,755
Other comprehensive income		
Revaluation of property, plant and equipment	629,475	-
Total comprehensive income for the year	<u>842,816</u>	<u>373,755</u>

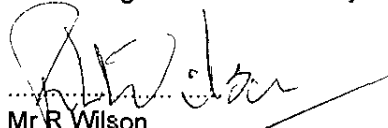
REGENCY OLDHOMES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Non-current assets					
Intangible assets	8		3,074		-
Property, plant and equipment	9		5,846,774		5,298,202
			<u>5,849,848</u>		<u>5,298,202</u>
Current assets					
Inventories	11	3,469		3,469	
Trade and other receivables	12	141,559		135,647	
Cash and cash equivalents		64		323	
		<u>145,092</u>		<u>139,439</u>	
Current liabilities	13	(428,025)		(829,413)	
Net current liabilities			(282,933)		(689,974)
Total assets less current liabilities			5,566,915		4,608,228
Provisions for liabilities					
Deferred tax liability	14	741,710		625,839	
		<u>(741,710)</u>		<u>(625,839)</u>	
Net assets			<u>4,825,205</u>		<u>3,982,389</u>
Equity					
Called up share capital	16	150,000		150,000	
Revaluation reserve	17	2,913,645		2,436,965	
Retained earnings	17	1,761,560		1,395,424	
Total equity		<u>4,825,205</u>		<u>3,982,389</u>	

The financial statements were approved by the board of directors and authorised for issue on 24/10/2018 and are signed on its behalf by:


 Mr R Wilson
 Director

Company Registration No. 02235118

REGENCY OLDHOMES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2017

	Share capital £	Revaluation reserve £	Retained earnings £	Total £
Balance at 1 November 2015	150,000	2,439,174	1,019,460	3,608,634
Year ended 31 October 2016:				
Profit and total comprehensive income for the year	-	-	373,755	373,755
Transfers	-	(2,209)	2,209	-
Balance at 31 October 2016	150,000	2,436,965	1,395,424	3,982,389
Year ended 31 October 2017:				
Profit for the year	-	-	213,341	213,341
Other comprehensive income:				
Revaluation of property, plant and equipment	-	629,475	-	629,475
Total comprehensive income for the year	-	629,475	213,341	842,816
Transfers	-	(152,795)	152,795	-
Balance at 31 October 2017	150,000	2,913,645	1,761,560	4,825,205

REGENCY OLDHOMES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	22	197,875		155,317	
Interest paid		(759)		(2,271)	
Income taxes paid		(161,340)		(136,333)	
Net cash inflow from operating activities		35,776		16,713	
Investing activities					
Purchase of intangible assets		(3,416)		-	
Purchase of property, plant and equipment		(32,619)		(16,550)	
Net cash used in investing activities		(36,035)		(16,550)	
Net cash used in financing activities		-		-	
Net (decrease)/increase in cash and cash equivalents		(259)		163	
Cash and cash equivalents at beginning of year		323		160	
Cash and cash equivalents at end of year		64		323	

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

Company information

Regency Oldhomes Limited is a company limited by shares incorporated in England and Wales. The registered office is 31/33 Commercial Road, Poole, Dorset, BH14 0HU. The principal business address is Lark Leas Rest Home, Milldown Road, Blandford Forum, Dorset DT11 7DE

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

The company has taken advantage of the transitional exemption in Section 35.10(a) of FRS 102 not to restate any business combination affected prior to the date of transition.

1.3 Going concern

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

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the supply of care services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided the amounts are recorded as deferred income and included as part of payables due within one year.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

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

Software	10% straight line
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1.6 Property, plant and equipment

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

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

Freehold land and buildings	2% straight line
Plant and equipment	25% reducing balance
Fixtures and fittings	25% reducing balance

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

1.7 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is calculated using the weighted average method.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

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

1.12 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

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

1.15 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.18 Credit risk

The company implements appropriate credit checks on residents and service users prior to providing services. This reduces the exposure of the company in respect of credit risk.

1.19 Liquidity risk

The policy of the company is to maintain a mix of short and long term borrowings to effectively manage liquidity risk.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

1 Accounting policies

(Continued)

1.20 Cash flow and interest rate risk

The company's interest rate risk arises primarily from long-term borrowings issued at variable rates which exposes the company to cash flow interest rate risk. The cash flow interest rate risk is managed within the company's business projections and planning, in the monitoring of financial covenants and through negotiation of facility terms with the provider of the borrowing facility at specified intervals.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

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

	2017 £	2016 £
Revenue analysed by class of business		
Care Services	2,691,654	2,495,130

	2017 £	2016 £
Other significant revenue		
Grants received	-	1,200

	2017 £	2016 £
Revenue analysed by geographical market		
United Kingdom	2,691,654	2,495,130

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging (crediting):		
Exchange losses	84	-
Government grants	-	(1,200)
Fees payable to the company's auditor for the audit of the company's financial statements	13,470	6,270
Depreciation of owned property, plant and equipment	113,522	110,202
Amortisation of intangible assets	342	-

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

5 Employees

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

	2017 Number	2016 Number
Directors	2	2
Care and nursing	95	89
Administrative support	5	5
	<u>102</u>	<u>96</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,689,915	1,513,055
Social security costs	95,881	86,965
Pension costs	11,341	11,048
	<u>1,797,137</u>	<u>1,611,068</u>

6 Finance costs

	2017 £	2016 £
Other finance costs:		
Other interest	759	2,271
	<u>759</u>	<u>2,271</u>

7 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	93,117	101,900
	<u>93,117</u>	<u>101,900</u>
Deferred tax		
Origination and reversal of timing differences	115,871	(38,291)
	<u>115,871</u>	<u>(38,291)</u>
Total tax charge	<u>208,988</u>	<u>63,609</u>

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

7 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	422,329	437,364
Expected tax charge based on the standard rate of corporation tax in the UK of 19.42% (2016: 20.00%)	82,016	87,473
Tax effect of expenses that are not deductible in determining taxable profit	(688)	558
Tax effect of income not taxable in determining taxable profit	-	(240)
Capital allowances in excess of depreciation	11,789	14,109
Deferred tax on accelerated capital allowances	4,057	(132)
Deferred tax on revaluations	111,814	(38,159)
Taxation charge for the year	208,988	63,609

8 Intangible fixed assets

	Software £
Cost	
At 1 November 2016	-
Additions - separately acquired	3,416
At 31 October 2017	3,416
Amortisation and impairment	
At 1 November 2016	-
Amortisation charged for the year	342
At 31 October 2017	342
Carrying amount	
At 31 October 2017	3,074
At 31 October 2016	-

Intangible fixed assets with a carrying amount of £3,074 (2016 - £nil) have been pledged to secure borrowings of the company.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

9 Property, plant and equipment

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 November 2016	5,432,176	15,228	305,440	5,752,844
Additions	2,131	-	30,488	32,619
Revaluation	350,500	-	-	350,500
At 31 October 2017	5,784,807	15,228	335,928	6,135,963
Depreciation and impairment				
At 1 November 2016	186,108	12,439	256,095	454,642
Depreciation charged in the year	92,867	697	19,958	113,522
Revaluation	(278,975)	-	-	(278,975)
At 31 October 2017	-	13,136	276,053	289,189
Carrying amount				
At 31 October 2017	5,784,807	2,092	59,875	5,846,774
At 31 October 2016	5,246,068	2,789	49,345	5,298,202

The carrying value of land, included in land and buildings above, comprises:

	2017 £	2016 £
Freehold	793,693	793,693

Freehold land and buildings were revalued on 12 February 2018 by Savills (UK) Limited, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	2,846,609	2,844,478
Accumulated depreciation	(690,029)	(637,530)
Carrying value	2,156,580	2,206,948

Property, plant and equipment with a carrying amount of £5,846,774 (2016 - £5,298,202) have been pledged to secure borrowings of the company.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

10 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	51,051	119,116
Carrying amount of financial liabilities		
Measured at amortised cost	250,607	587,485

Further information relating to financial assets and liabilities can be found in notes 12 and 13.

11 Inventories

	2017 £	2016 £
Patient requisites	3,469	3,469

The carrying amount of inventories includes £3,469 (2016 - £3,469) pledged as security for liabilities.

12 Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	51,051	119,116
Prepayments and accrued income	90,508	16,531
	141,559	135,647

The carrying amount of trade and other receivables includes £141,559 (2016 - £135,647) pledged as security for liabilities.

13 Current liabilities

	2017 £	2016 £
Trade payables	57,250	6,786
Amounts due to group undertakings	84,855	497,938
Corporation tax	151,849	220,072
Other taxation and social security	25,569	21,856
Other payables	2,291	2,109
Accruals and deferred income	106,211	80,652
	428,025	829,413

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

14 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	58,262	54,205
Revaluations	683,448	571,634
	<u>741,710</u>	<u>625,839</u>
		2017 £
Movements in the year:		
Liability at 1 November 2016		625,839
Charge to profit or loss		115,871
		<u>741,710</u>
Liability at 31 October 2017		<u>741,710</u>

Of the deferred tax liability set out above, an amount of £1,161 is expected to reverse within 12 months and relates to accelerated capital allowances.

Of the deferred tax liability set out above, an amount of £8,718 is expected to reverse within 12 months and relates to the revaluation of freehold property.

15 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	11,341	11,048
	<u>11,341</u>	<u>11,048</u>

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

16 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
150,000 Ordinary shares of £1 each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

Ordinary shares carry voting rights but have no right to fixed income or fixed repayment of capital

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

17 Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value.

Retained earnings

Retained earnings represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

18 Financial commitments, guarantees and contingent liabilities

At 31 October 2017, the company had secured the Santander borrowings of the parent company, Royal Bay Care Homes Limited, by way of a first legal mortgage over the property, an unlimited inter company guarantee and a fixed and floating debenture over all the assets of the company. As at 31 October 2017, the maximum exposure of the company in respect of amounts drawn by the parent company was £8,487,172 (2016: £9,243,567).

19 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	699	-

20 Related party transactions

The following amounts were outstanding at the reporting end date:

	2017 £	2016 £
Amounts owed to related parties		
Entities with control, joint control or significant influence over the company	84,855	497,938
	<u>84,855</u>	<u>497,938</u>

21 Controlling party

The ultimate parent company is Royal Bay Care Homes Limited, whose registered office is 31/33 Commercial Road, Poole, Dorset, BH14 0HU.

The ultimate controlling parties are Mr R Wilson and Mrs C Wilson by virtue of their 70.1% shareholding of the issued share capital of Royal Bay Care Homes Limited.

The smallest and largest group into which the company is consolidated is Royal Bay Care Homes Limited.

REGENCY OLDHOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2017

22 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	213,341	373,755
Adjustments for:		
Taxation charged	208,988	63,609
Finance costs	759	2,271
Amortisation and impairment of intangible assets	342	-
Depreciation and impairment of property, plant and equipment	113,522	110,202
Movements in working capital:		
(Increase) in inventories	-	(2,477)
(Increase) in trade and other receivables	(5,912)	(71,010)
(Decrease) in trade and other payables	(333,165)	(321,033)
	<hr/>	<hr/>
Cash generated from operations	197,875	155,317
	<hr/>	<hr/>