

Company Registration No. SC284861 (Scotland)

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

COMPANY INFORMATION

Directors Mr P McCormick FCCA
Ms I Neville RMN, RGN, DN

Secretary Mr P McCormick FCCA

Company number SC284861

Registered office Broughton House
31 Dunedin Street
Edinburgh
Midlothian
EH7 4JG

Auditor Thomson Cooper
22 Stafford Street
Edinburgh
EH3 7BD

Bankers HSBC Bank plc
76 Hanover Street
Edinburgh
EH2 1HQ

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
<i>Independent auditor's report</i>	4 - 5
Profit and loss account	6
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 24

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The directors believe the trading performance of the company continues to be a good level in the current market conditions, however the directors are disappointed with the trading performance of the company compared to the previous year. Turnover has increased from the previous year because fees continue to rise in both public sector and privately funded fees and pay increases mirrored that. However, agency costs increased significantly again with difficulty filling all vacancies. While agency levels have increased, the directors believe that their policy on staff remuneration has kept these levels well below industry averages. There were also increases in administrative expenses including security costs for sites and car parking, waste disposal, increased utilities and recruitment costs.

The directors expect underlying profit of the six nursing homes to be maintained next year.

Construction continued on the replacement Muirfield Nursing home in Gullane. Phase 1 was completed and occupied in July 2017 and phase 2 is underway and expected to be completed later in 2018. This new home has provided purpose built facilities and will have more accommodation to allow the group to grow and increase profits. The first phase filled in line with the directors expectations and the fee rates achieved were as planned.

In July 2016 the company purchased a new site in West Lothian, on which it had previously obtained planning permission to build a new nursing home. It is the directors' intention to begin construction of this new nursing home after the new building at Gullane is completed and operational. The directors continue to investigate new sites.

Group management and directors have regular meetings with employees and meetings with residents and their relatives.

The company has processes in place to meet the various environmental requirements, including recent changes in recycling regulations.

Principal risks and uncertainties

The directors have an appropriate risk management structure in place to identify and manage and mitigate business risk. Risk evaluation is carried out throughout the year and the directors are not aware of any such matters which may have a material impact on the group's financial position.

The company operates within a highly regulated environment and changes to the many regulations that apply may have a future impact on performance.

The ongoing changes to the structure of government funding of care for older people is not thought to have a negative impact and may, indeed, produce some positive improvements. Last year's national agreement (for social work funded residents only), effective from April 2017, provided a limited increase in government funding, but required a continued increase in pay to staff. The company exceeded their requirements in implementing these changes with the aim of retaining staff and easing future recruitment, while still maintaining profitability levels. National negotiations continue each year with a view to establishing a new model which the industry expects to better reflect the cost and increase fee levels.

There continues to be a shortage of qualified nursing staff affecting the industry that will only be properly resolved by increased training within the NHS. The directors are monitoring the situation and taking steps to mitigate the risk. While agency use for all staff has increased in recent years, the company continues to outperform the sector in terms of lower agency use and have now recruited a Recruitment Manager to boost our recruitment and retention of staff and obtained a Home Office Sponsorship License to recruit nurses from abroad.

On behalf of the board


Mr P McCormick FCCA

Director

5 October 2018

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the company continued to be that of the ownership and operation of private nursing homes.

Directors

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

Mr P McCormick FCCA

Ms I Neville RMN, RGN, DN

Results and dividends

The results for the year are set out on page 6.

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

Disabled persons

The company has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Employee involvement

Regular staff meetings are held within each home at which staff are able to discuss the company's affairs with management.

Auditor

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

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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

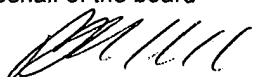
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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 P McCormick FCCA

Director

5 October 2018

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

Opinion

We have audited the financial statements of Randolph Hill Nursing Homes (Scotland) Limited (the 'company') for the year ended 31 March 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, 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 March 2018 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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF RANDOLPH HILL NURSING HOMES (SCOTLAND) 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, set out on page 2, 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.

Andrew Croxford (Senior Statutory Auditor)
for and on behalf of Thomson Cooper, Statutory Auditor
Edinburgh
5 October 2018

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	3	15,766,513	15,164,537
Cost of sales		(10,939,102)	(10,338,210)
Gross profit		4,827,411	4,826,327
Administrative expenses		(3,153,684)	(2,966,156)
Operating profit	4	1,673,727	1,860,171
Interest payable and similar expenses	7	(504,881)	(405,462)
Profit before taxation		1,168,846	1,454,709
Tax on profit	8	(225,537)	39,596
Profit for the financial year		943,309	1,494,305

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	£	£
Profit for the year	943,309	1,494,305
Other comprehensive income		
Tax relating to other comprehensive income	79,935	(604,815)
Total comprehensive income for the year	<u>1,023,244</u>	<u>889,490</u>

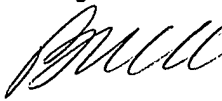
RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	9	46,464,498		43,927,441	
Current assets					
Stocks	11	8,913		7,894	
Debtors	12	709,537		777,364	
Cash at bank and in hand		3,500		3,500	
		721,950		788,758	
Creditors: amounts falling due within one year	13	(6,257,726)		(6,660,888)	
Net current liabilities		(5,535,776)		(5,872,130)	
Total assets less current liabilities		40,928,722		38,055,311	
Creditors: amounts falling due after more than one year	14	(28,516,569)		(26,613,697)	
Provisions for liabilities	17	(373,847)		(426,552)	
Net assets		12,038,306		11,015,062	
Capital and reserves					
Called up share capital	20	2		2	
Revaluation reserve		4,767,459		4,687,524	
Profit and loss reserves		7,270,845		6,327,536	
Total equity		12,038,306		11,015,062	

The financial statements were approved by the board of directors and authorised for issue on 5 October 2018 and are signed on its behalf by:


Mr P McCormick FCCA
Director

Company Registration No. SC284861

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2016	2	3,603,586	6,521,984	10,125,572
Year ended 31 March 2017:				
Profit for the year	-	-	1,494,305	1,494,305
Other comprehensive income:				
Tax relating to other comprehensive income	-	(604,815)	-	(604,815)
Total comprehensive income for the year	-	(604,815)	1,494,305	889,490
Property revaluation adjustments	-	1,688,753	(1,688,753)	-
Balance at 31 March 2017	2	4,687,524	6,327,536	11,015,062
Year ended 31 March 2018:				
Profit for the year	-	-	943,309	943,309
Other comprehensive income:				
Tax relating to other comprehensive income	-	79,935	-	79,935
Total comprehensive income for the year	-	79,935	943,309	1,023,244
Balance at 31 March 2018	2	4,767,459	7,270,845	12,038,306

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	23	3,984,228		6,716,963	
Interest paid		(504,881)		(405,462)	
Income taxes paid		(275,759)		(345,472)	
Net cash inflow from operating activities		3,203,588		5,966,029	
Investing activities					
Purchase of tangible fixed assets		(3,104,996)		(5,816,511)	
Proceeds on disposal of tangible fixed assets		-		8,550	
Net cash used in investing activities		(3,104,996)		(5,807,961)	
Financing activities					
Repayment of borrowings		(512,831)		(3,999)	
Payment of finance leases obligations		(40,056)		(76,689)	
Net cash used in financing activities		(552,887)		(80,688)	
Net (decrease)/increase in cash and cash equivalents		(454,295)		77,380	
Cash and cash equivalents at beginning of year		(14,279)		(91,659)	
Cash and cash equivalents at end of year		(468,574)		(14,279)	
Relating to:					
Cash at bank and in hand		3,500		3,500	
Bank overdrafts included in creditors payable within one year		(472,074)		(17,779)	

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Company information

Randolph Hill Nursing Homes (Scotland) Limited is a private company limited by shares incorporated in Scotland. The registered office is Broughton House, 31 Dunedin Street, Edinburgh, Midlothian, EH7 4JG.

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 certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the balance sheet date, the company had net current liabilities of £5,535,776. Based on the current financial projections the directors are satisfied the company has sufficient sources of current and future funding for the company's needs, and that it is therefore appropriate for the financial statements to be prepared on a going concern basis. The directors have considered a period of at least twelve months from the date of approval of the accounts.

1.3 Turnover

Turnover represents amounts chargeable in respect of the provision of nursing services and residential care. Revenue from contracts for the provision of nursing services and residential care is recognised by reference to the number of days of care provided.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

No depreciation is provided on freehold land. Freehold properties are not depreciated as the directors have assessed the current residual values of the buildings are such that any depreciation charge required would not be material. This will be reflected in subsequent valuations. Carrying values are reviewed for impairment annually.

The directors have adopted an accounting policy of obtaining regular professional valuation of the properties. In addition, the company has a policy and practice of regular maintenance and repair (charges for which are recognised in the profit and loss account) such that the asset is kept to its previously assessed standard.

Depreciation is provided on all other tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life. No depreciation is charged in the year of acquisition. Depreciation is provided as follows:

Land and buildings Freehold	nil
Fixtures, fittings & equipment	4-25% straight line
Motor vehicles	20% straight line

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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

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.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price. Cost comprises direct materials.

1.7 Cash and cash equivalents

Cash at bank and in hand 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.

1.8 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 balance sheet 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 debtors 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.

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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

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, including creditors, 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 creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.9 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.

1.10 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 profit and loss account 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 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 fixed assets.

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.

1.12 Retirement benefits

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.13 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 balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

No depreciation is provided on freehold land. Freehold properties are not depreciated where the directors are of the opinion that the buildings concerned are currently sufficiently well maintained to ensure the residual value of such properties, which are appraised on the basis of prices prevailing at the times of acquisition or subsequent valuation, are not less than the carrying values and accordingly annual depreciation would not be material to the financial statements. Carrying values are reviewed for impairment annually.

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 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Nursing Home income	15,766,513	15,164,537
	<u> </u>	<u> </u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	15,766,513	15,164,537
	<u> </u>	<u> </u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	12,650
Depreciation of owned tangible fixed assets	515,907	485,246
Depreciation of tangible fixed assets held under finance leases	52,033	12,400
Profit on disposal of tangible fixed assets	-	(3,970)
	<u> </u>	<u> </u>

5 Employees

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

	2018 Number	2017 Number
Admin and support	12	11
Other departments	486	472
	<u> </u>	<u> </u>
	498	483
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	8,924,185	8,537,732
Social security costs	704,984	660,324
Pension costs	274,058	201,641
	<u> </u>	<u> </u>
	9,903,227	9,399,697
	<u> </u>	<u> </u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	354,360	349,619
Company pension contributions to defined contribution schemes	20,429	21,005
	<u>374,789</u>	<u>370,624</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	217,060	216,006
Company pension contributions to defined contribution schemes	14,040	14,852
	<u>231,100</u>	<u>230,858</u>

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	499,327	401,422
Interest on finance leases and hire purchase contracts	5,554	4,040
	<u>504,881</u>	<u>405,462</u>

8 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	198,307	275,730
	<u>198,307</u>	<u>275,730</u>
Deferred tax		
Origination and reversal of timing differences	27,230	(308,080)
Changes in tax rates	-	(7,246)
	<u>27,230</u>	<u>(315,326)</u>
Total deferred tax	27,230	(315,326)
	<u>27,230</u>	<u>(315,326)</u>
Total tax charge/(credit)	<u>225,537</u>	<u>(39,596)</u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

8 Taxation

(Continued)

In addition to the amount charged/(credited) to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on:		
Revaluation of property	(79,935)	604,815

The actual charge/(credit) 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:

	2018 £	2017 £
Profit before taxation	1,168,846	1,454,709
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	222,081	290,942
Tax effect of expenses that are not deductible in determining taxable profit	2,612	5,600
Tax effect of income not taxable in determining taxable profit	-	(794)
Adjustments in respect of prior years	(5,056)	-
Other non-reversing timing differences	768	(916)
Deferred tax adjustments in respect of prior years	5,132	(18,496)
Deferred tax asset on revalued properties	-	(315,932)
Taxation charge/(credit) for the year	225,537	(39,596)

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

9 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2017	39,870,390	5,991,473	221,062	46,082,925
Additions	2,557,853	547,143	-	3,104,996
At 31 March 2018	42,428,243	6,538,616	221,062	49,187,921
Depreciation and impairment				
At 1 April 2017	-	2,081,238	74,245	2,155,483
Depreciation charged in the year	-	532,630	35,310	567,940
At 31 March 2018	-	2,613,868	109,555	2,723,423
Carrying amount				
At 31 March 2018	42,428,243	3,924,748	111,507	46,464,498
At 31 March 2017	39,870,390	3,910,235	146,816	43,927,441

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018 £	2017 £
Motor vehicles	115,441	152,036
Computer equipment	51,128	68,171
	166,569	220,207
Depreciation charge for the year in respect of leased assets	52,033	12,400

The properties were revalued on 16 January 2015. The valuation was undertaken by Jones Lang Lasalle, Chartered Surveyors, who are external to the company. The basis of the valuation was as fully equipped operational entities having regard to trading potential. As such, the valuation included the fixtures, fittings and equipment held within each of these homes at that date. For the purpose of the table above, fixtures, fittings and equipment have been included at depreciated historic cost and the balance of the valuation has been attributed to the freehold land and buildings.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

9 Tangible fixed assets

(Continued)

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:

	2018 £	2017 £
Cost	38,824,657	36,266,804
Accumulated depreciation	-	-
Carrying value	<u>38,824,657</u>	<u>36,266,804</u>

Since the year end the company has disposed of part of the original nursing home at Muirfield, Gullane, which is currently under development. The net proceeds of this sale were £696,954.

10 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>655,470</u>	<u>723,643</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>34,389,909</u>	<u>32,827,591</u>

11 Stocks

	2018 £	2017 £
Raw materials and consumables	<u>8,913</u>	<u>7,894</u>

12 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	655,470	723,643
Prepayments and accrued income	54,067	53,721
	<u>709,537</u>	<u>777,364</u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

13 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	15	472,074	17,779
Obligations under finance leases	16	40,001	40,001
Other borrowings	15	1,196,721	1,709,552
Trade creditors		886,116	1,143,487
Amounts due to group undertakings		2,603,304	2,675,535
Corporation tax		198,307	275,759
Other taxation and social security		186,079	171,235
Accruals and deferred income		675,124	627,540
		<u>6,257,726</u>	<u>6,660,888</u>

14 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Obligations under finance leases	16	54,072	94,127
Amounts due to group undertakings		28,462,497	26,519,570
		<u>28,516,569</u>	<u>26,613,697</u>

15 Loans and overdrafts

	2018 £	2017 £
Bank overdrafts	472,074	17,779
Loans from related parties	1,196,721	1,709,552
	<u>1,668,795</u>	<u>1,727,331</u>
Payable within one year	<u>1,668,795</u>	<u>1,727,331</u>

The company pays interest on the £17.65m loan from a group company at a rate of 1.75% over base rate. Other loans are interest free.

16 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	40,001	40,001
In two to five years	54,072	94,127
	<u>94,073</u>	<u>134,128</u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

16 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company for certain motor vehicles and computer equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	18	373,847	426,552

18 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 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	164,899	137,670
Revaluation of properties	208,948	288,882
	<u>373,847</u>	<u>426,552</u>
Movements in the year:		2018 £
Liability at 1 April 2017		426,552
Charge to profit or loss		27,230
Credit to equity		(79,935)
Liability at 31 March 2018		<u>373,847</u>

The deferred tax liability in relation to accelerated capital allowances set out above is expected to reverse within 3 years. The deferred tax which relates to the revaluation of properties will reverse when the properties are sold.

19 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	274,058	201,641

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.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

20 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

21 Financial commitments, guarantees and contingent liabilities

The company has provided standard securities over its land and buildings, as well as a floating charge over all the company's assets, to its parent company bankers for all sums due to the bank by the parent. At the balance sheet date the amount owing to the parent company's bankers was £23,215,853 (2017 - £21,345,155).

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	374,789	370,624
	<u>374,789</u>	<u>370,624</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2018 £	2017 £
Entities with control, joint control or significant influence over the company	1,196,721	1,709,552
	<u>1,196,721</u>	<u>1,709,552</u>

The above values represent amounts due at the balance sheet date to Elliot S Nicholl's Estate. The Estate controls the issued share capital of the company.

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

23 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	943,309	1,494,305
Adjustments for:		
Taxation charged/(credited)	225,537	(39,596)
Finance costs	504,881	405,462
Gain on disposal of tangible fixed assets	-	(3,970)
Depreciation and impairment of tangible fixed assets	567,940	497,646
Movements in working capital:		
(Increase)/decrease in stocks	(1,019)	457
Decrease in debtors	67,827	177,291
Increase in creditors	1,675,753	4,185,368
Cash generated from operations	<u>3,984,228</u>	<u>6,716,963</u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2018

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2018

		2018		2017
	£	£	£	£
Turnover				
Sales of goods		15,766,513		15,164,537
Cost of sales				
Wages and salaries	8,576,452		8,194,223	
Social security costs	659,258		614,844	
Staff pension costs defined contribution	253,629		180,636	
Consumables	509,901		484,899	
Agency Staffing	939,862		863,608	
		<u>(10,939,102)</u>		<u>(10,338,210)</u>
Gross profit		<u>4,827,411</u>		<u>4,826,327</u>
Administrative expenses		<u>(3,153,684)</u>		<u>(2,966,156)</u>
Operating profit		<u>1,673,727</u>		<u>1,860,171</u>
Interest payable and similar expenses				
Bank interest on loans and overdrafts	499,327		401,422	
Hire purchase interest payable	5,554		4,040	
		<u>(504,881)</u>		<u>(405,462)</u>
Profit before taxation		<u><u>1,168,846</u></u>		<u><u>1,454,709</u></u>

RANDOLPH HILL NURSING HOMES (SCOTLAND) LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	£	£
Administrative expenses		
Private health insurance	17,603	14,768
Staff training	28,650	22,201
Directors' remuneration	347,733	343,509
Directors' social security costs	45,726	45,480
Directors' pension costs - defined contribution scheme	20,429	21,005
Rent re licences and other	43,656	42,352
Other establishment expenses	190,570	149,436
Rates	100,750	85,779
Cleaning	155,253	148,905
Waste disposal	91,344	80,591
Power, light and heat	264,116	247,457
Property repairs and maintenance	274,449	320,187
Premises insurance	76,865	68,996
Computer running costs	33,766	34,027
Hire of equipment	3,035	8,174
Motor running expenses	23,153	22,108
Travelling expenses	53,343	40,284
Linen, cutlery & crockery	34,630	27,887
Medical expenses	79,068	71,621
Legal and professional fees	151,968	180,135
Audit fees	13,000	12,650
Charitable donations	3,189	4,826
Bank charges	22,143	10,930
Printing and stationery	78,151	76,915
Advertising	191,680	191,764
Recruitment costs	95,174	62,754
Telecommunications	62,546	47,504
Sundry expenses	83,754	90,235
Depreciation	567,940	497,646
Profit or loss on sale of tangible assets	-	(3,970)
	<u>3,153,684</u>	<u>2,966,156</u>