

Royal Connaught Residential Home Limited

Annual report and financial statements

For the year ended 31 December 2017

Royal Connaught Residential Home Limited

Annual report and financial statements

For the year ended 31 December 2017

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Royal Connaught Residential Home Limited

Corporate information

Directors

Mrs. E. J. Maxwell
Mr. C. Williams
Miss B. Benfield
Mrs. C. Ireland
Mr. F. Dean

Director
Director (Chairman from 08 June 2017)
Director
Director
Director (Chairman - appointed 29 January 2016 and
resigned 08 June 2017)

Secretary

Mrs. C. Ireland
Mr. C. Williams

Secretary (appointed 01 January 2017)
Secretary (resigned 01 January 2017)

Auditor

KPMG Channel Islands Limited
Chartered Accountants
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 1WR

Banker

National Westminster Bank
35 High Street
St Peter Port
Guernsey
GY1 4BE

Company registration number

1313

Registered office

New Connaught Care Home
The Val
Alderney
GY9 3UL

Royal Connaught Residential Home Limited

Directors' report

For the year ended 31 December 2017

The Directors present their report and financial statements for the Royal Connaught Residential Home Limited (the Company) for the year ended 31 December 2017.

Incorporation

The Company was registered in Alderney, Channel Islands on 10 December 1999 under The Companies (Alderney) Law, 1994, registration number 1313.

Principal activities

The primary purpose of the Company is to provide assistance to residents of Alderney through the provision of residential and sheltered accommodation services.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial results and dividends

The financial results of the Company for the year are set out in detail on pages 6 and 7 supported by the notes to the financial statements on pages 8 to 13 inclusive.

The Directors do not propose the payment of an ordinary dividend (2016: nil).

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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 applicable law and UK Accounting Standards, including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("Section 1A of FRS 102").

The financial statements are required by law to 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 year.

In preparing those financial statements the Directors are required to:

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

Royal Connaught Residential Home Limited

Directors' report (continued)

For the year ended 31 December 2017

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements (continued)

The Directors are responsible for keeping proper accounting records which 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 Government of Alderney Law, 2004, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

KPMG Channel Islands Limited were reappointed as auditor of the Company during the period. A resolution for the re-appointment of KPMG Channel Islands Limited as auditor of the Company will be proposed at a future Board meeting.

By order of the Board



Director



Director

Date: 21 June 2018

Independent auditor's report to the members of Royal Connaught Residential Home Limited

For the year ended 31 December 2017

Our opinion is unmodified

We have audited the financial statements of Royal Connaught Residential Care Home Limited (the "Company"), which comprise the statement of comprehensive income, statement of financial position and notes, comprising significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017, and of the Company's financial performance for the year then ended;
- are prepared in accordance with Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- comply with the Companies (Alderney) Law, 1994

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

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

We have nothing to report on the other information in the directors' report

The directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon or any form of assurance conclusion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the information presented in the Directors' report.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Alderney) Law, 1994 requires us to report to you if, in our opinion:

- proper accounting records in accordance with section 74 have not been kept; or
- the statement of comprehensive income and statement of financial position are not in agreement with accounting records; or
- the Director's report is inconsistent with the statement of comprehensive income and statement of financial position; or
- we have failed to obtain access, information and explanations necessary for the audit.

Independent auditor's report to the members of Royal Connaught Residential Home Limited (continued)

Respective responsibilities

Directors responsibilities

As explained more fully in their statement set out on page 2 and 3, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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

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

The purpose of this report and restrictions on its use by persons other than the Company's members as a body
This report is made solely to the Company's members, as a body, in accordance with section 79 of the Companies (Alderney) Law, 1994. 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.

KPMG Channel Islands Limited

**KPMG Channel Islands Limited
Chartered Accountants, Guernsey**

Date:

25 June 2018

Royal Connaught Residential Home Limited

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £	2016 £
Income			
Care fees	5	1,214,022	1,016,422
Less: administrative expenses	5	(1,183,842)	(1,042,079)
Operating profit / (loss)		<u>30,180</u>	<u>(25,657)</u>
Other interest receivable and similar income		<u>84,675</u>	<u>24,519</u>
Profit/(loss) on ordinary activities before interest payable and similar expenses		114,855	(1,138)
Interest payable and similar expenses		(17,376)	(11,976)
Total comprehensive income for the year		<u><u>97,479</u></u>	<u><u>(13,114)</u></u>

All activities are derived from continuing activities.

The Company has no components of "other comprehensive income".

The notes on pages 8 to 13 form an integral part of these financial statements.

Royal Connaught Residential Home Limited

Statement of financial position

As at 31 December 2017

	Notes	2017 £	2016 £
Fixed Assets			
Property, plant and equipment	8	246,560	254,430
Capital work in progress		485	-
Total		<u>247,045</u>	<u>254,430</u>
Current assets			
Cash at bank and in hand		287,411	170,743
Debtors	9	50,770	31,703
Total current assets		<u>338,181</u>	<u>202,446</u>
Current liabilities			
Creditors: Amounts falling due within one year	10	103,607	72,736
Total current liabilities		<u>103,607</u>	<u>72,736</u>
Net assets		<u>481,619</u>	<u>384,140</u>
Capital and reserves:			
Shareholder's capital	11	2	2
Profit and loss reserves	12	481,617	384,138
Total shareholder's funds		<u>481,619</u>	<u>384,140</u>

The notes on pages 8 to 13 form an integral part of these financial statements.

The financial statements on pages 6 to 13 were approved by the Board of Directors on *21 June 2018* and are signed on their behalf by:



Director



Director

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

1 Reporting entity

Royal Connaught Residential Home Limited (the "Company") was established on 10 December 1999 and is registered in Alderney. The Company is governed by the provision of the Companies (Alderney) Law, 1994. The principal activity of the Company is to manage the Residential Home and Sheltered accommodation. The company obtained Charitable Status in 2014 from the States of Guernsey income tax.

2 Basis of preparation

The Company's financial statements give a true and fair view, comply with the Companies (Alderney) Law, 1994 and were prepared in compliance with FRS 102 (Section 1A), the Financial Reporting Standard applicable to the UK and Republic of Ireland ("FRS 102"). The financial statements have been prepared on a historical cost basis.

The financial statements are prepared in sterling which is the functional currency of the Company. The Directors consider sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

3 Accounting Policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged to the statement of comprehensive income. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold improvements	5% per annum
Motor vehicles	25% reducing balance per annum
Fixtures and fittings	20% reducing balance per annum
Computer equipment	20% reducing balance per annum

Depreciation is charged in the year of purchase or sale and is calculated in proportion to the period the property, plant or equipment is held.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Capital work in progress is shown separately within the financial statements. This balance represents items of property, plant and equipment that are in the process of being manufactured but are incomplete at the end of the reporting period. Capital work in progress is not depreciated but reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

3 Accounting Policies (continued)

Leases

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rent expense equal to amounts owed to the lessor.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position, comprise cash at banks and in hand. There are no bank overdraft facilities in place.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price, less attributable transaction costs. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Income recognition

Income is recognised on an accruals basis.

Care fees income

Fee income includes care fees and associated fees charged for related services.

Other income

Other income includes income received from casual meals, meals on wheels, deposit interest, States of Alderney grant and donations, fundraising and legacies.

Interest receivable

Interest receivable is recognised as interest accrued using the effective interest method.

Expenses

Expenses, including administration and other expenses are accounted for on an accruals basis and are recognised in the statement of comprehensive income on the transaction date.

Taxation

The Company has charitable status and is a wholly owned by the States of Alderney and is thus not liable to Guernsey company tax.

Financial instruments

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are classified as financial assets and are measured at cost less impairment. Creditors are classified as financial liabilities and are measured at amortised cost.

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

3 Accounting Policies (continued)

Financial instruments (continued)

Recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognised when and only when the contractual rights to the cash flow from the financial assets expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Measurement

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carry amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition

Where indicators exist for a decrease in impairment loss, and the decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

4 Use of judgements and estimates

In preparing these financial statements, the Company has made judgements that affect the application of accounting policies and the reported amounts of assets. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical Accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

4 Use of judgements and estimates (continued)

Critical Accounting judgements and key sources of estimation uncertainty (continued)

Establishing useful economic lives for depreciation purposes of property and equipment

The annual depreciation charge of long-lived assets depends primarily on the estimated lives of each type of asset and estimates of residual values. The Directors regularly review these asset lives. Detail of the useful lives is included in the accounting policies.

Providing for doubtful debts

The Company makes an estimate of the recoverable value of trade debtors. The Company uses estimates based on historical experience in determining the level of debts which, it believes, will not be collected. These estimates include such factors as the ageing profile of debtors and historical experience. The level of provision required is reviewed on an on-going basis.

5 Income and operating profit

The income and operating profit is derived wholly from continuing activities.

		2017	2016
		£	£
Income			
Care fees		1,214,022	1,016,422
		<u>1,214,022</u>	<u>1,016,422</u>
	Note	2017	2016
		£	£
Administrative expenses			
Rent and rates		-	83,954
Wages and social security	7	904,670	731,826
Heat, light and power		71,636	54,256
Depreciation		23,710	23,776
Administration expenses		61,632	34,161
Operational expenses		119,714	109,086
Bad debt provision		(5,020)	5,020
Directors attendance allowance		7,500	-
		<u>1,183,842</u>	<u>1,042,079</u>

6 Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2017	2016
	£	£
Audit of financial statements	<u>8,000</u>	<u>8,000</u>

7 Staff costs

	2017	2016
	£	£
Wages and salaries	849,580	688,282
Social security costs	55,090	43,544
	<u>904,670</u>	<u>731,826</u>

The average monthly number of employees during the year was as follows:

	2017	2016
	No.	No.
Employees	<u>47</u>	<u>36</u>

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

8 Fixed assets	Leasehold improvements	Motor vehicles	Fixtures & equipment	Computer equipment	Total
Cost or valuation	£	£	£	£	£
As at 1 January 2017	301,676	25,428	117,204	4,600	448,908
Disposals	-	(2,400)	-	-	(2,400)
Additions	-	7,000	8,841	-	15,841
As at 31 December 2017	<u>301,676</u>	<u>30,028</u>	<u>126,045</u>	<u>4,600</u>	<u>462,349</u>
Depreciation					
As at 1 January 2017	80,448	24,571	87,542	1,918	194,479
Disposals	-	(2,400)	-	-	(2,400)
Charge for the year	15,084	1,381	6,709	536	23,710
As at 31 December 2017	<u>95,532</u>	<u>23,552</u>	<u>94,251</u>	<u>2,454</u>	<u>215,789</u>
Net book value					
As at 31 December 2017	<u><u>206,144</u></u>	<u><u>6,476</u></u>	<u><u>31,794</u></u>	<u><u>2,146</u></u>	<u><u>246,560</u></u>
Net book value					
As at 31 December 2016	<u><u>221,228</u></u>	<u><u>857</u></u>	<u><u>29,662</u></u>	<u><u>2,682</u></u>	<u><u>254,430</u></u>

Disposals relate to items of fixtures and equipment which were written off during the year. These fixed assets were fully depreciated on date of derecognition.

9 Debtors	2017	2016
	£	£
Trade debtors	47,554	20,757
Prepayments and other accrued income	3,216	10,946
	<u><u>50,770</u></u>	<u><u>31,703</u></u>
10 Creditors - amounts falling due within one year	2017	2016
	£	£
Trade creditors	23,540	10,502
Accruals	12,209	17,830
Other creditors	67,858	44,404
	<u><u>103,607</u></u>	<u><u>72,736</u></u>

The Company has a NatWest credit card facility of £6,000. This facility is paid off in full on a monthly basis. There was £605 (2016: £861) outstanding at year end.

11 Share Capital

There are 2 authorised ordinary shares of £1 each. Two ordinary shares of £1 (2016: two ordinary shares) has been issued and fully paid as at 31 December 2017.

12 Reconciliation of movements in capital and reserves

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance as at 31 December 2016	2	384,138	384,140
Total comprehensive income	-	97,479	97,479
Balance as at 31 December 2017	<u><u>2</u></u>	<u><u>481,617</u></u>	<u><u>481,619</u></u>

Royal Connaught Residential Home Limited

Notes to the financial statements

For the year ended 31 December 2017

13 Dividends paid and other appropriations

The directors of the Company do not propose to pay an ordinary dividend (2016: £nil).

14 Related party transactions

100% of the share capital is held by the States of Alderney and therefore they are the ultimate controlling party. The Company is managed by an independent Board of Directors.

From 1 January 2017, under the new lease agreement, no rental payments have been made to the States of Alderney (refer to Note 15 for further details). During the course of the prior year lease payments of £83,954 were made to the States of Alderney.

From 1 January 2017, as agreed at board meeting of 7 June 2016, directors are paid an attendance allowance of £150 per meeting attended. During the course of 2017, payments of £7500 (2016: nil) were made.

15 Operating lease commitments

The Company had an operating lease ("the Lease") in respect of the occupation of the Royal Connaught Care Home payable to the States of Alderney. The Lease term was for 20 years from 1 August 2011. There was an annual rent review on 1 July each year and at this date, rent was increased by the Guernsey RPIX. Rent was payable to the States of Alderney.

On 5 May 2016, a new operating lease was signed in respect of the occupation of the Royal Connaught Care Home. This lease runs for 5 years. Under the new lease, no rental payments will fall due. The commencement date of the new lease is 1 January 2017.

16 Events after the reporting period

There are no events to note after the end of the reporting period and up to the date of the signing of these financial statements that require further disclosure.

Royal Connaught Residential Home Limited

Detailed profit and loss account (unaudited)

For the year ended 31 December 2017

	Note	2,017 £	2,016 £
Income			
Care fees		1,214,022	1,016,422
Administration expenses			
Rent and rates		-	(83,954)
Telephone and post		(5,387)	(4,696)
Insurance		(9,085)	(8,851)
Advertising, printing and stationery		(2,149)	(1,724)
Accounting, computer and legal fees		(18,480)	(12,525)
Travel		(3,509)	(1,398)
Bank charges		(3,410)	(2,623)
Directors' Attendance Allowance		(7,500)	-
Sundries		(19,612)	(2,489)
Wages and social security		(904,670)	(731,826)
Training		(5,418)	(4,013)
Food and catering		(57,769)	(48,698)
Heat, light and power		(71,636)	(54,257)
Repairs and maintenance		(41,799)	(39,203)
Building maintenance		-	(7,595)
Cleaning and laundry		(12,642)	(7,695)
Bad debt provision		5,020	(5,020)
Medical expenses		-	-
Vehicle expenses		(2,087)	(1,736)
		<u>(1,160,133)</u>	<u>(1,018,303)</u>
Profit on ordinary activities		53,889	(1,881)
Interest receivable and other income			
Casual meals		5,394	4,493
Meals on wheels		22,570	18,714
Deposit interest		127	236
Home Help income		51,143	-
Donations, fundraising and legacies		5,442	1,076
		<u>84,676</u>	<u>24,519</u>
Interest payable and similar expenses			
Home Help expense		(894)	-
Meals on wheels		(16,482)	(11,976)
		<u>(17,376)</u>	<u>(11,976)</u>
Total other comprehensive income		67,300	12,543
Depreciation		(23,710)	(23,776)
Total comprehensive income/(loss) for the year		<u>97,479</u>	<u>(13,114)</u>