

Company Registration No: 01784060

**RETIREMENT CARE (BH) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**



**RETIREMENT CARE (BH) LIMITED**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

W K Procter  
C C McGill

**SECRETARY**

P A Hallam

**REGISTERED OFFICE**

Molteno House  
302 Regents Park Road  
London  
N3 2JX

**AUDITOR**

BDO LLP  
Arcadia House  
Maritime Walk  
Ocean Village  
Southampton  
SO14 3TL

## **RETIREMENT CARE (BH) LIMITED**

### **DIRECTORS' REPORT**

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The directors submit their report and the audited financial statements for the year ended 31 December 2017.

#### **Principal Activities**

The principal activity of the company during the year was property investment.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £78,340 (2016 restated: £43,832,889 profit). The directors do not recommend payment of a final ordinary dividend (2016: £nil).

#### **Business review and future developments**

The directors consider the affairs of the business to be satisfactory and look forward to the year ahead with confidence having regard to the matters discussed in the accounting policies on page 9.

#### **Insurance of company officers**

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the group.

#### **Directors**

The following directors have held office during the year:

W K Procter  
C C McGill

## **RETIREMENT CARE (BH) LIMITED**

### **DIRECTORS' REPORT (Continued)**

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#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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.

#### **Statement as to disclosure of information to auditor**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

#### **Auditors**

BDO LLP have expressed their willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a strategic report.

By order of the Board:



**W K Procter**

Director

14 | 06 | 2018

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF RETIREMENT CARE (BH) LIMITED**

### **Opinion**

We have audited the financial statements of Tor Sands Freehold Limited ("the Company") for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity 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 Financial Reporting Standard 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 December 2017 and of its loss 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.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF RETIREMENT CARE (BH) LIMITED (CONTINUED)**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **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 Director's report.

We have nothing to report in respect of the following matters in relation to which 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.; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF RETIREMENT CARE (BH) LIMITED  
(CONTINUED)**

**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.

Handwritten signature of BDO LLP in black ink, with the letters 'BDO' and 'LLP' clearly visible and a horizontal line underneath.

Kim Hayward (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Southampton, UK

14 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**RETIREMENT CARE (BH) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Notes</b>	<b>2017</b> £	<b>2016</b> <i>(Restated)</i> £
<b>Turnover</b>	2	1,195,553	1,192,317
Administrative expenses		(202,914)	(206,393)
(Loss)/profit on sale of investment property		(18,171)	1,251
Fair value (loss)/gain on investment property	7	(1,067,489)	51,487,339
<b>Operating (loss)/profit</b>		<u>(93,021)</u>	<u>52,474,514</u>
Interest payable and similar charges	3	(173,517)	(167,625)
<b>(Loss)/profit on ordinary activities before taxation</b>	4	<u>(266,538)</u>	<u>52,306,889</u>
Taxation	6	188,198	(8,474,000)
<b>(Loss)/profit on ordinary activities after taxation</b>		<u>(78,340)</u>	<u>43,832,889</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>(78,340)</u></u>	<u><u>43,832,889</u></u>



**RETIREMENT CARE (BH) LIMITED****STATEMENT OF FINANCIAL POSITION (Company Registration Number: 01784060)****AT 31 DECEMBER 2017**

	<b>Notes</b>	<b>2017</b> <b>£</b>	<b>2016</b> <b>(Restated)</b> <b>£</b>
<b>Fixed assets</b>			
Investment properties	7	125,883,902	127,021,963
<b>Current assets</b>			
Debtors	8	11,424	24,368
<b>Creditors: amounts falling due within one year</b>	9	(106,363)	(75,252)
<b>Net current liabilities</b>		<u>(94,939)</u>	<u>(50,884)</u>
<b>Total assets less current liabilities</b>		<u>125,788,963</u>	<u>126,971,079</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(3,740,143)	(4,638,919)
<b>Provisions for liabilities</b>	11	(12,982,000)	(13,187,000)
<b>Net assets</b>		<u>109,066,820</u>	<u>109,145,160</u>
<b>Capital and reserves</b>			
Called up share capital	12	50,378,950	50,378,950
Profit and loss account		58,687,870	58,766,210
<b>Total equity</b>		<u>109,066,820</u>	<u>109,145,160</u>

The financial statements on pages 7 to 19 were approved by the board of directors and authorised for issue on 14/06/2018 and are signed on its behalf by:



**W K Procter**  
Director

**RETIREMENT CARE (BH) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £	Profit and loss account £	Total £
<b>Balance at 1 January 2016 as stated</b>	50,378,950	6,432,321	56,811,271
Prior year adjustment	-	8,501,000	8,501,000
<b>Balance at 1 January 2016 as restated</b>	<u>50,378,950</u>	<u>14,933,321</u>	<u>65,312,271</u>
Profit and total comprehensive income for the year (restated)	-	43,832,889	43,832,889
<b>Balance at 31 December 2016</b>	<u>50,378,950</u>	<u>58,766,210</u>	<u>109,145,160</u>
Loss and total comprehensive income for the year	-	(78,340)	(78,340)
<b>Balance at 31 December 2017</b>	<u><u>50,378,950</u></u>	<u><u>58,687,870</u></u>	<u><u>109,066,820</u></u>

**Prior year adjustment**

In 2016 a prior year adjustment was reflected to increase the company's deferred tax liability to the amount of taxation estimated to be payable should its investment properties be sold for their book value. Subsequently it has been established that this interpretation of the requirements of FRS102 was incorrect. The standard requires that deferred taxation in an entity be based on the difference between book value and cost to the entity with the latter being uplifted for indexation based on tax base cost. The impact of correcting this error is as follows:

- Increase in opening reserves as at 1 January 2016 £8,501k
- Increase to deferred tax charge in 2016 £473k
- Reduction in deferred tax liability as at 31 December 2016 of £8,028k

The amount of tax that would potentially arise on a sale of the portfolio at book value is disclosed in note 7.

This adjustment does not impact the consolidated accounts of the groups of which this company is a member. Where a business combination is accounted for as an acquisition, deferred tax is recognised at its fair value on consolidation which is deemed to be the tax that would arise should the assets be sold at their fair value.

**RETIREMENT CARE (BH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies**

**Company information**

Retirement Care (BH) Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Molteno House, 302 Regents Park Road, London, N3 2JX. The principal activity of the Company during the year was that of property investment.

**1.1 Basis of accounting**

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"), the requirements of the Companies Act 2006, as applicable to companies' subject to the small companies regime, and under the historical cost convention as modified to include investment properties at fair value. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

**1.2 Going concern**

The company is party to a group cross collateralised funding structure along with a number of other companies under common control. The directors have assessed the operation of the structure and have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis. The company is party to cross collateralised loans totalling £694.3m as at 31 December 2017 (2016: £666.7m). The cross collateralised loan balance is due for repayment in January 2080.

The facility is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet liabilities as they fall due for the foreseeable future.

The directors have assessed the operation of the financing structure and have determined that the Company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

**1.3 Functional and presentational currencies**

The financial statements are presented in sterling which is also the functional currency of the Company.

**1.4 Turnover**

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business.

**RETIREMENT CARE (BH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1.5 Investment properties**

The company's holding of Investment Property is comprised of Freehold Reversionary Interests and these are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

These assets, as their name implies, represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The valuation of the entire Freehold Reversionary Interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The directors also recognise, given the unusual nature and lack of a regular market for such significant portfolios of assets, that these carrying values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 7.

**1.6 Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

## RETIREMENT CARE (BH) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2017

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##### 1.6 Taxation (continued)

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 1.7 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, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

###### **Financial assets**

###### *Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

###### **Financial liabilities**

###### *Creditors*

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

###### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

###### **Derecognition of financial assets and liabilities**

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## RETIREMENT CARE (BH) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1.8 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Valuation of investment properties*

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value, as valued by the directors. The company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions, which may in future not prove to be accurate.

In December 2017 the Department for Communities and Local Government (DCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year. The main pronouncement affecting the company being that the Government would work with the Law Commission to support existing leaseholders – including making buying a freehold or extending a lease easier, faster, fairer and cheaper. Should such legislation be introduced it is likely that this would reduce the amount of premiums received at the point of lease extension. These premiums are a material component of the valuation of the Investment Properties held by the group. It is unknown what form the legislation, should it be enacted, will take and so it is not possible at this time to assess the impact of any potential legislative changes on the valuation.

Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

##### *Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

##### *Current taxation*

In arriving at the tax charge for the year the directors have been required to consider new legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from the 1st April 2017.

These rules are complex and have a material impact on the group's tax charge. The directors have assumed from 1 April 2017 onwards full restriction on the deductibility of interest applied against the secured loan arising from the corporate interest restriction calculation will be applied within the Beta Centauri Limited group.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate. If this were the case, then the tax charge may change materially.

**RETIREMENT CARE (BH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. Turnover**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Rent receivable	298,220	293,006
Other income	897,333	899,311
	<u>1,195,553</u>	<u>1,192,317</u>

The Company's turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

At 31 December, the expected future lease receipts under non-cancellable leases were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Less than one year	316,513	295,173
Between one and five years	1,437,911	1,329,845
More than five years	43,035,004	41,417,332
	<u>44,789,428</u>	<u>43,042,350</u>

The receipts under the non-cancellable leases are ground rent payments made by the tenants holding leasehold interests issued against the company's investment properties. These leases provide the leaseholder with occupational rights to the property for the duration of the lease to the exclusion of the company. The tenants, where they meet qualifying criteria, do have the right under UK legislation to extend or cancel the lease in return for a premium payable to the freeholder. The company has only calculated the receipts due from these leases for the first 62 years of the lease duration as it is not practical to calculate expected receipts from beyond this time.

**3. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on parent company loan	172,228	166,060
Finance costs recharged	1,289	1,565
	<u>173,517</u>	<u>167,625</u>

**4. (Loss)/profit on ordinary activities before taxation**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
The profit/(loss) on ordinary activities before taxation is stated after charging:		
- Auditor's remuneration	10,170	6,103
	<u>10,170</u>	<u>6,103</u>

**RETIREMENT CARE (BH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. Employees and directors**

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the Company as part of the management charge from Estates & Management Limited. This management charge, which in 2017 amounted to £192,461 (2016: £199,662) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the Company and it is not possible to identify separately the amount relating to the directors' remuneration.

<b>6. Taxation</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>(Restated)</b>
		<b>£</b>
<b>Current tax</b>		
UK corporation tax	16,802	-
<b>Total current tax</b>	<u>16,802</u>	<u>-</u>
<b>Deferred tax:</b>		
Movement on potential chargeable gain liability	(205,000)	8,474,000
<b>Total deferred tax</b>	<u>(205,000)</u>	<u>8,474,000</u>
<b>Total tax on profit/(loss) on ordinary activities</b>	<u>(188,198)</u>	<u>8,474,000</u>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>(Restated)</b>
		<b>£</b>
(Loss)/profit on ordinary activities before tax	(266,538)	52,306,889
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 19.25% (2015: 20%).	(51,299)	10,461,378
Effects of:		
Group relief received without charge	(167,465)	(207,036)
Non-deductible expenditure	-	75
Capital gains indexation	455	(1,823,468)
Capital gains	13,516	9,526
Corporate interest restriction	25,161	-
Tax losses (utilised)/carried forward	(8,567)	33,525
<b>Tax (credit)/charge</b>	<u>(188,198)</u>	<u>8,474,000</u>

The company has estimated tax losses of £8,617,433 (2016: £8,661,944) available to carry forwards against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

Deferred tax on investment properties is recognised at 17% (2016: 17%) in the current period as no material amount is expected to unwind prior to 1 April 2020.



# RETIREMENT CARE (BH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 7. Investment properties

	Freehold reversionary interests	
	2017	2016
	£	£
<b>Fair Value</b>		
As at 1 January	127,021,963	75,583,163
Fair value (loss)/gain	(1,067,489)	51,487,339
Disposals	(70,572)	(48,539)
<b>As at 31 December</b>	<b>125,883,902</b>	<b>127,021,963</b>

The freehold investment properties represent a portfolio of reversionary interests. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 6 October 2015. The directors have reviewed the actuarial valuation as at 6 October 2015 and, based on market changes in the intervening period, have determined their own valuation at the year end.

The directors, in carrying out their valuation at 31 December 2017, have reviewed the basis of the 6 October 2015 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly, the directors have assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2015 valuation, consider the updated valuation of the freehold reversionary interest investment properties of £125,883,902 at 31 December 2017 (2016: £127,021,963) is appropriate for adoption for the purposes of these financial statements.

The basis of the most recent independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio, over 150 years discounted by a risk free rate of return.

The principal assumptions used in this independent actuarial valuation were:

RPI basis for inflation assumptions	- Implied inflation vector taken from the Bank of England website;
Residential property inflation	- derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cash flow date.
Taxation	- no allowance has been made for taxation in projecting the future revenue flow.
Incidence rates for lease extensions the price charged	- historic incidence rates and FTT and valuation.

**RETIREMENT CARE (BH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**7. Investment properties (continued)**

The assumptions with the most significant impact on the valuation are the discount rate and RPI.

- A 1% increase or decrease in the discount rate will reduce or increase the valuation by 39% and 94% respectively
- A 1% increase or decrease in RPI will increase or reduce the valuation by 63% and 29% respectively.

If investment properties were stated on a historical basis rather than a fair value basis, the amounts would have been included as follows:

	<b>Freehold reversionary interests</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cost	48,701,168	48,701,701

The company's investment property is subject to a debenture and charge in connection with a guarantee provided by the company in respect of the indebtedness of the holding company and other related parties (see note 13).

The base cost for tax purposes of the above investment properties is lower than the historic cost stated in these accounts as the properties were acquired from associate companies. If these properties had been sold at the balance sheet date the tax payable on the maximum gain arising would be estimated at £21.0m (2016: £21.2m), however deferred tax has only been provided for on the uplift in value which has been recognised in the company's income statement. The potential deferred tax recognised in these financial statements is £13.0m (2016: £13.2m) (see note 11).

<b>8. Debtors</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade debtors	11,424	24,368
	<u>11,424</u>	<u>24,368</u>
<b>9. Creditors: amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	89,561	75,252
Corporation tax payable	16,802	-
	<u>106,363</u>	<u>75,252</u>
<b>10. Creditors: amounts falling due after more than one year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Amount owed to parent undertaking	3,740,143	4,638,919
	<u>3,740,143</u>	<u>4,638,919</u>

The loan from the parent company is due for repayment in 2085. Interest is charged at 6 month Libor +2.35%.

**RETIREMENT CARE (BH) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>11. Provision for liabilities</b>	<b>Deferred taxation £</b>
As at 1 January 2017 (restated)	13,187,000
Movement in provision in the year	(205,000)
<b>As at 31 December 2017</b>	<b>12,982,000</b>

Provision for deferred tax liabilities recognised by the company is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>(Restated) £</b>
Deferred tax on assets measured at fair value	12,982,000	13,187,000

The company has an unprovided deferred tax asset in respect to losses available to carry forward amounting to £1,464,963 (2016: £1,472,530).

**12. Share capital and reserves**

<b>Share capital</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Allotted, issued and fully paid: 50,378,950 ordinary shares of £1	50,378,950	50,378,950

*Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Reserves**

Reserves of the company represent the following:

*Retained earnings*

Cumulative profit and loss net of distributions to owners

**13. Guarantees**

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Betelgeuse Limited. The guarantee is supported by a debenture and a charge over the company's investment properties. At 31 December 2017 the total amount outstanding subject to that guarantee was £694,263,355 (2016: £666,640,568).

## **RETIREMENT CARE (BH) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **14. Immediate parent company, ultimate parent company and ultimate controlling party**

The company's immediate parent company is Betelgeuse Limited which is the smallest group for which group accounts containing this company are prepared. Betelgeuse Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Beta Centauri Limited, which is the largest group for which group accounts containing this company are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

#### **15. Related party transactions**

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £192,461 (2016: £199,662) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.