

Castle Village Limited

Report and Financial Statements

Year Ended

31 March 2017

Company Number 03870595

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Castle Village Limited

Report and financial statements for the year ended 31 March 2017

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Directors

A Ovey
N Donaldson
S D Burgess

Secretary and registered office

S Rees, 1st Floor Brunswick House, Regent Park, 299 Kingston Road, Leatherhead, Surrey, KT22 7LU

Company number

03870595

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Castle Village Limited

Report of the directors for the year ended 31 March 2017

Principal activities

The company owns the freehold interest in Castle Village, an estate of residential units at Berkhamsted, Hertfordshire. The village is occupied by retired persons under lease agreements. Certain services are provided to the residents and the company consents to the assignment of leases or repurchases the leases and grants new leases for the properties on the estate. The company expects to continue to own and benefit from its freehold interest.

Results and Dividends

The statement of comprehensive income is set out on page 6 and shows the result for the year. Dividends of £Nil were paid to the ordinary shareholders on 31 March 2017 (2016 - £2,440,000).

Directors

The directors of the company during the year and up to the date of this report were:

N Welby	(resigned 29 September 2017)
S D Burgess	
N Donaldson	
A Ovey	(appointed 29 September 2017)

OFT Investigation

In September 2009, the OFT (now the Competition and Markets Authority, or CMA) launched a formal investigation into transfer fees in the retirement housing sector which included some retirement village operators as well as Castle Village and other group companies in Retirement Villages Group. A fuller reference to this enquiry can be found in the financial statements of Retirement Villages Group Limited for the year ended 31 March 2017.

On the basis of advice previously received, the directors continue to hold the opinion that it is appropriate to value investment properties with reference to assignment fee income streams as well as to ground rents, while taking into account the negative impact on sentiment caused by the OFT's activities.

Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

In preparing this directors' report advantage has been taken of the small companies' exemption.

Castle Village Limited

Report of the directors (*continued*) for the year ended 31 March 2017

Post balance sheet event

The largest group in which the results of the company are consolidated is that headed by Retirement Villages Group Limited.

As of 29th September 2017, 100% of the shares in the Retirement Villages Group Limited were acquired by the following:

- Harvitour Limited, registered in England and Wales
- AXA Selectiv' Immo, registered in France; and
- AXA Selectiv' Immoservice, registered in France, represented by the management company, AXA REIM SGP

Also as of 29th September 2017 all care home staff were transferred into a single entity within the Retirement Villages group called RV Care Homes Limited, registered in England and Wales and all village nursing staff and domiciliary care staff were transferred into a single entity within the Retirement Villages group called RV Extra Care Limited, registered in England and Wales. This process was carried under the Transfer of Undertakings (Protection of Employment) or TUPE Regulations.

On the same date and as part of the agreement for the sale of all shares in Retirement Villages Group Limited outlined above, all shares in RV Care Homes Limited and RV Extra Care Limited were sold to HC-One Limited, registered in England and Wales.

Finally on 29th September 2017 all loans within the Retirement Villages Group Limited and all its subsidiary companies were repaid in full, with the exception of a small outstanding balance owed to the RBS Bank plc by Lime Tree Village Limited, registered in England and Wales.

Approval

On behalf of the Board



Neil Donaldson

Director

Date 15 December 2017

Castle Village Limited

Statement of directors' responsibilities

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 company 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 that 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;
- 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.

Castle Village Limited

Independent auditor's report

Independent auditor's report to the members of Castle Village Limited

We have audited the financial statements of Castle Village Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion 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.

Castle Village Limited


Independent auditor's report (*continued*)

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 during the course of the audit, we have not identified material misstatements in 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.
- the directors were not entitled to prepare the financial statements and directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

Date 15 December 2017

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

Castle Village Limited

Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	392,026	750,119
Cost of sales		(6,322)	(34,513)
Gross profit		385,704	715,606
Administrative expenses		(48,445)	(50,997)
Fair value movement on investment property		156,000	-
Operating profit	4	493,259	664,609
Interest payable and similar charges	5	(74)	-
Profit on ordinary activities before taxation		493,185	664,609
Taxation credit on profit on ordinary activities	6	23,890	90,820
Profit and total comprehensive income for the financial year		517,075	755,429

All amounts relate to continuing activities.

The notes on pages 9 to 17 form part of these financial statements.

Castle Village Limited

Balance sheet at 31 March 2017

Company number 3870595	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	7		5,803,000		5,699,500
Current assets					
Stocks	8	355,160		302,660	
Debtors	9	900,000		650,000	
Cash at bank and in hand		45,487		4,936	
		<u>1,300,647</u>		<u>957,596</u>	
Creditors: amounts falling due within one year	10	<u>(10,372)</u>		<u>(4,506)</u>	
Net current assets			<u>1,290,275</u>		<u>953,090</u>
Total assets less current liabilities			<u>7,093,275</u>		<u>6,652,590</u>
Provisions for liabilities	11		<u>(1,489,490)</u>		<u>(1,565,880)</u>
Total net assets			<u>5,603,785</u>		<u>5,086,710</u>
Capital and reserves					
Called up share capital	12		1		1
Revaluation reserve			41,999		41,999
Investment property reserve			5,220,890		5,041,000
Profit and loss account			340,895		3,710
			<u>5,603,785</u>		<u>5,086,710</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 15 December 2017

N Donaldson
Director

The notes on pages 9 to 17 form part of these financial statements

Castle Village Limited

Statement of changes in equity For the year ended 31 March 2017

	Share capital	Revaluation reserve	Investment property Reserve	Profit and loss account	Total equity
	£	£	£	£	£
1 April 2016	1	41,999	5,041,000	3,710	5,086,710
Comprehensive income for the year					
Profit for the year	-	-	-	517,075	517,075
Transfer	-	-	129,480	(129,480)	-
Tax rate change	-	-	50,410	(50,410)	-
Total comprehensive income for the year	-	-	179,890	337,185	517,075
Total contributions by and distributions to owners	-	-	-	-	-
31 March 2017	1	41,999	5,220,890	340,895	5,603,785
	Share capital	Revaluation reserve	Investment property Reserve	Profit and loss account	Total Equity
	£	£	£	£	£
1 April 2015	1	41,999	5,041,000	1,688,281	6,771,281
Comprehensive income for the year					
Profit for the year	-	-	-	755,429	755,429
Total comprehensive income for the year	-	-	-	755,429	755,429
Contributions by and distributions to owners					
Dividends	-	-	-	(2,440,000)	(2,440,000)
Total contributions by and distributions to owners	-	-	-	(2,440,000)	(2,440,000)
31 March 2016	1	41,999	5,041,000	3,710	5,086,710

The notes on pages 9 to 17 form part of these financial statements.

Castle Village Limited

Notes forming part of the financial statements for the year ended 31 March 2017

1 Accounting policies

Castle Village Limited is a private company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the director's report.

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

FRS 102 reduced disclosure exemptions

In preparing the separate financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102 to subsidiary undertakings where the parent undertaking prepares publicly available consolidated accounts:

- No cash flow statement has been presented for the company;
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole in the parent undertakings group accounts;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the group as a whole; and
- Under FRS 102 the company is also not required to disclose details of transactions entered into with fellow group members.

The following principal accounting policies have been applied:

Revenue

Revenue represents amounts receivable for the proceeds from the sale of leases and assignment fees from the resale of properties and ground rents. Property sales and assignment fees are recognised on legal completion. Rental income is accrued on straight-line basis over the lease.

Castle Village Limited

Notes forming part of the financial statements (continued) for the year ended 31 March 2017

1 Accounting policies (continued)

Investment properties

Investment property is carried at fair value determined annually by the directors with reference to the most recent external valuation and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

Leased assets

The company sells properties under historic old leases which obliges the company to repurchase a property at the price at which it was last sold or a proportion thereof, either on vacation of the property by the purchaser or on receiving three months' notice. When a property is repurchased by the company in accordance with its obligation under the lease, title to the property will revert to the company and the property will become available for resale in the company's normal course of business.

The granting of the lease is not recognised as a sale as most of the risks and rewards are borne by the company. The company has decided it will treat such properties as leased fixed assets and will create a provision for their repurchase. The properties will be held at a value equivalent to the provision for repurchase of the lease.

Provisions

Provision is made in full for the requirement to repurchase properties leased under historic old leases at their original sale price, at the point the obligation arises and is released on the repurchase of the property.

Provision is also made in respect of liabilities arising from requirements to refurbish properties where an obligation exists at the balance sheet date.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Castle Village Limited

Notes forming part of the financial statements (continued) for the year ended 31 March 2017

1 Accounting policies (continued)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.
- Investment property reserve represents the fair value adjustments of the annual adjustment of investment property to fair value.
- Revaluation reserve represents the revaluation of lease assets to an amount equal to the repurchase provision.

Castle Village Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Investment properties are revalued to fair value annually, by the directors with reference to the latest external valuation performed in July 2014, using a discounted cash flow method, taking into account the quality of different income streams and their attractiveness to a potential acquirer. Key inputs into the valuations were:

- Assignment fee and ground rental income based upon the most recent sales values achieved
- Discount rate of 9%
- Taking account of the concerns of the OFT review (as referred to in the directors' report) the valuation has been discounted by 50%.

3 Analysis of Turnover

	2017 £	2016 £
Analysis by class of business:		
Property assignment fees	323,500	691,245
Rent receivable and ground rents	68,526	58,874
	<u>392,026</u>	<u>750,119</u>

Turnover arises solely within the United Kingdom.

4 Operating profit

Auditor's fees were paid by RV Services Limited, another group undertaking, in the year and the preceding period. The directors received no emoluments in respect of their services to the company. The company has no employees other than the directors.

5 Interest payable and similar charges

	2017 £	2016 £
Other interest payable	74	-
	<u>74</u>	<u>-</u>

Castle Village Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

6 Taxation on profit on ordinary activities

	2017 £	2016 £
<i>UK Corporation tax</i>		
UK corporation tax on surplus of the year	-	-
UK corporation tax on prior years	-	10,000
	<hr/>	<hr/>
Total current tax	-	10,000
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(23,890)	(100,820)
	<hr/>	<hr/>
Taxation (credit) / charge on ordinary activities	(23,890)	(90,820)
	<hr/>	<hr/>

The tax assessed for the year is different from the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	493,185	664,609
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2016 - 20%)	98,637	132,922
Effect of:		
Group relief	(67,437)	(132,922)
Other timing differences	(4,680)	-
Prior year under provision	-	10,000
Tax rate change	(50,410)	(100,820)
	<hr/>	<hr/>
Current tax charge for the year	(23,890)	(90,820)
	<hr/>	<hr/>

The aggregate current and deferred tax relating to items recognised in other comprehensive income is £nil (2016 - £nil).

Castle Village Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

7 Tangible fixed assets

	Investment properties £	Leasehold properties £	Total £
<i>Cost or valuation</i>			
At 1 April 2016	5,041,000	658,500	5,699,500
Revaluation	156,000	-	156,000
Disposals	-	(52,500)	(52,500)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	5,197,000	606,000	5,803,000
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2016	-	-	-
Provided for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2017	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	5,197,000	606,000	5,803,000
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2016	5,041,000	658,500	5,699,500
	<hr/>	<hr/>	<hr/>

Investment property

Investment property relates to assignment fees and ground rental income and as a result has no historic cost.

The investment properties were valued on 1 April 2014 at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 2.

Investment property is revalued annually to fair value by the directors with reference to the above external valuation.

Castle Village Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

8 Stocks

	2017 £	2016 £
Property stock for resale	355,160	302,660
	<u>355,160</u>	<u>302,660</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

9 Debtors

	2017 £	2016 £
Amounts owed by group undertakings	900,000	650,000
	<u>900,000</u>	<u>650,000</u>

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	5,547	2,558
Amounts owed to group undertakings	2,581	-
Other creditors	2,244	1,948
	<u>10,372</u>	<u>4,506</u>

Castle Village Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

11 Provision for liabilities

	Repurchase provision £	Deferred taxation £	Total £
<i>Cost or valuation</i>			
At 1 April 2016	658,500	907,380	1,565,880
Disposals	(52,500)	-	(52,500)
Release of provision	-	(23,890)	(23,890)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	606,000	883,490	1,489,490
	<hr/>	<hr/>	<hr/>

Deferred taxation comprises

	Investment property revaluations 2017 £
Deferred tax liability	883,490
	<hr/>

	Investment property revaluations 2016 £
Deferred tax liability	907,380
	<hr/>

12 Share capital

	Allotted, called up and fully paid 2017 £	2016 £
1 Ordinary share of £1	1	1
	<hr/>	<hr/>

13 Immediate and ultimate parent company

The immediate parent undertaking of the company is Retirement Villages Management Limited, a company incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Retirement Villages Group Limited.

The ultimate parent undertaking at the year end is Romac Investments Limited. Following the transaction on the 29th September 2017 the ultimate parent undertaking will be AXA SA.

The consolidated accounts are available to the public and may be obtained from 1st Floor Brunswick House, Regent Park, 297-299 Kingston Road, Leatherhead, Surrey, KT22 7LU.

Castle Village Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

14 Dividend

	2017 £	2016 £
Ordinary shares interim paid of £Nil per share (2016: £2,440,000 per share)	-	2,440,000

15 Post balance sheet event

The largest group in which the results of the company are consolidated is that headed by Retirement Villages Group Limited.

As of 29th September 2017, 100% of the shares in the Retirement Villages Group Limited were acquired by the following:

- Harvitour Limited, registered in England and Wales
- AXA Selectiv' Immo, registered in France; and
- AXA Selectiv' Immoservice, registered in France, represented by the management company, AXA REIM SGP

Also as of 29th September 2017 all care home staff were transferred into a single entity within the Retirement Villages group called RV Care Homes Limited, registered in England and Wales and all village nursing staff and domiciliary care staff were transferred into a single entity within the Retirement Villages group called RV Extra Care Limited, registered in England and Wales. This process was carried under the Transfer of Undertakings (Protection of Employment) or TUPE Regulations.

On the same date and as part of the agreement for the sale of all shares in Retirement Villages Group Limited outlined above, all shares in RV Care Homes Limited and RV Extra Care Limited were sold to HC-One Limited, registered in England and Wales.

Finally on 29th September 2017 all loans within the Retirement Villages Group Limited and all its subsidiary companies were repaid in full, with the exception of a small outstanding balance owed to the RBS Bank plc by Lime Tree Village Limited, registered in England and Wales.