

Retirement Villages Group Limited

Report and Financial Statements

Year Ended

31 March 2016

Company Number 05335724

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Retirement Villages Group Limited

Report and financial statements for the year ended 31 March 2016

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Directors

| | | |
|-----------------------|------------|------------------------------|
| Nigel Welby | | Executive Chairman |
| Sarah Burgess | | Sales and Marketing Director |
| Neil Donaldson | ACMA | Finance Director |
| David Phillips | MRICS | Commercial Director |
| William Crawford | MRICS | Development Director |
| David Thomas | RGN CMIOSH | Care Director |
| Oscar Russell | MIRPM | Group Estates Director |
| Christina Edwards CBE | RGN MBA | Non Executive Director |

Secretary and registered office

John MacLeod ACA MBA, 1st Floor, Brunswick House, Regent Park, 297-299 Kingston Road, Leatherhead, Surrey KT22 7LU

Company number

05335724

Auditor

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

Retirement Villages Group Limited

Chairman's statement for the year ended 31 March 2016

Headline results

The results for the year to 31 March 2016 represent a third year of progress towards returning the Group to profitability with the loss after tax reduced from £365,000 to £143,000. Care sales increased for the 10th consecutive year to £15,858,000 with record EBITDA of £3,302,000. Whilst developments sales declined due to lack of new stock to sell the completion of some projects enabled the group to recognise record development EBITDA of £2,907,000. For the second year the number of re-sales dropped which is a function of the number becoming available for the company to re-sell. This may appear somewhat perverse given the growth of the group and the ageing of its residents but is testimony to the ever increasing life expectancy of residents as they enjoy the benefits of social interaction within the supported environments of our villages. A change in sales mix also adversely affected both property re-sales and EBITDA which dropped back to £3,488,000 but with the inevitability that the passage of time creates, more stock will become available and this trend will reverse.

Total group EBITDA was a record £6,019,000 and the Group returned a profit before tax for the first time in five years of £353,000. Cash generation remained positive at £827,000 after drawing a net increase of £11,652,000 of loans the majority of which has gone to funding additional new development activity with work in progress increasing by £13,359,000 to £33,991,000 which bodes well for future sales.

Board changes, management and staff

During the financial year 1 director resigned. Since then 2 directors and 1 non executive director have joined the board, as detailed on the list of directors on page 7.

Despite the continuing growth of the business staff numbers employed directly by the Group reduced for the third year running from 621 to 606 while those employed through the village service charge accounts have also dropped from 218 to 214. For the sake of clarity, however, this reduction is more a reflection of the lower number of part-time staff versus full-time staff employed within the Group. Many of our staff undertake repetitive, difficult and physically arduous jobs often working anti-social hours and we acknowledge the huge contribution they make to the success of the group along with all our management. I would like to thank them for their continuing support and enthusiasm.

Residents

As at 31 March 2016 there were 1,646 (2015 - 1,609) residents living in our villages and care facilities.

Those who are prepared to put their names forward to stand as members of our residents' associations and financial monitoring groups provide a vital link between our management and residents and we are very grateful to them for the many hours of work they invest for the pleasure of all. In the same way those volunteers who organise the many activities within our villages are also central to the success of the Group and represent the very essence of village life. We thank them all and hope that more volunteers will continue to offer their skills and services in retirement.

Corporate Social Responsibility

The Group has a Corporate Social Responsibility policy which is available on our website at www.retirementvillages.co.uk and is regularly reviewed to provide an up-to-date statement of our commitments and activities in this important area.

Retirement Villages Group Limited

Chairman's statement for the year ended 31 March 2016 (*continued*)

Conclusion and future prospects

The demand for the housing and services provided by the group continues to expand rapidly as the tidal wave of demand from those over 65 is now starting to break. Their expectations for a long, active and, when necessary, supported retirement are met by the products and services provided by the group and the chronic miss-match between supply and demand of housing with care provides huge opportunity for the very small number of operators in the sector with experience.

The positive work of the Law Commission, which has published a consultative code of practice for operators around event fees which it is anticipated will pass into law in 2017, and changes in attitude in favour of housing with care by both Local Planning Authorities and Government coupled with huge investor interest in the sector are the necessary building blocks to trigger massive growth. Retirement Villages Group as the leading and longest established UK operator is best placed to exploit this opportunity and the focus of our work as a board of directors has moved increasingly to preparing the group to manage that growth. With a skilled management team, a profitable business model and a new and substantial development pipeline that has been put in place since the autumn of 2015 the future growth of the business is actively being secured and we are very excited by the prospects for the group.



N Welby
Executive Chairman

Date *21st December 2016*

Retirement Villages Group Limited

Strategic report for the year ended 31 March 2016

Analysis of development, performance and position of the business

The results for the year to 31 March 2016 represent a third year of progress towards returning the group to profitability with the loss after tax reduced from £365,000 to £143,000 on sales of £30,909,000. Cash generation remained positive at £827,000, lower than the previous year but based mainly on an improved trading performance.

EBITDA before central costs & exceptional items increased by 18.1% to £9,697,000 and after central costs and exceptional items by 29.3% to £6,019,000 – a record for the Group. EBITDA margin to sales also increased by 6.1% to 19.2% with returns being shared across all three parts of the group for the first time in several years.

Property re-sales volume was down 9% mainly due to very few Mark 1 & stock units being sold in the year, despite an increase in average assignment fees per unit going up by over 10%. Divisional EBITDA before central costs & exceptional items, as a consequence, decreased by 21.8% to £3,488,000.

The care business increased sales by 6.9% with EBITDA before central costs & exceptional items also increasing by 8% to £3,302,000 due mainly to an improved performance at Charters Village, which opened in the previous year, but also at Thamesfield & Moat House care homes. Against this was a poorer performance at Mayford, due to a planned closure and re-opening as a residential support only unit and an embargo on new clients during part of the second half of the year at Roseland.

Development sales decreased by 19.8% to £9,473,000. The first phase of Charters Village saw its final 3 units sold early in the year along with the first 4 unit sales from the second phase of the development which only opened in March 2016. At Moat Park sales continued positively with 11 units sold during the year and the final 6 all selling in the following year. An additional 2 cottages were built and handed over at the end of the year, with their sales taking place again in the following year. Construction of the multi-phase extension continued at Lime Tree Village with 3 units sold from the first phase and 2 from the second in the year, as well as the start of a major upgrade to the village's main clubhouse building. Also at Lime Tree the Group sold a small piece of land to a local housing developer. At Elmbridge Village, construction of the brand new multi-million pound clubhouse continued with completion expected during 2016. The building also contains 19 new residential apartment units with sales of many of these expected next year.

Development EBITDA increased by 317.1% from £697,000 to £2,907,000 with the largest element coming from Charters Village due mainly to an increase in end of project profits based on higher unit sale prices and a lower provision for contingent costs. Profit was also recognised for the first time at Lime Tree due to the disposal of land and the first residential unit sales at the village. The expected end of project performance at Moat Park also improved which meant a previously recognised loss could be reversed and effectively be shown as a profit in this year. The method to calculate EBITDA in the financial year continued to be based on the principle of the proportion of all units sold to date against the expected end of project profit.

The number of completed houses, flats and care beds within the group increased by 2.2 % (2015 - 2%) during the year to 1,583 units in total.

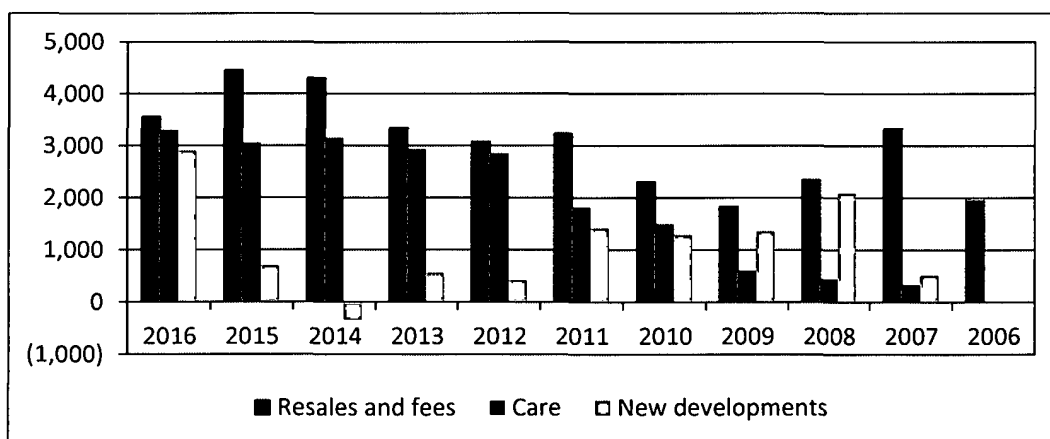
Retirement Villages Group Limited

Strategic report for the year ended 31 March 2016 (*continued*)

Key financial figures for the current year and the previous ten years

| Chairman's statement table 2016 | | RVG | | | | | | | | | | |
|--|---------|---------|---------|---------|----------|---------|---------------|---------------|---------------|---------------|----------|-----------------|
| | % +/- | 2016 | 2015 | 2014 | 2013 | 2012 | Restated 2011 | Restated 2010 | Restated 2009 | Restated 2008 | 2007 | annualised 2006 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sales | -12.7% | 30,909 | 35,403 | 28,021 | 23,490 | 23,459 | 24,863 | 23,897 | 17,019 | 27,619 | 15,287 | 9,870 |
| of which: | | | | | | | | | | | | |
| Resales and fees | -31.2% | 5,578 | 8,111 | 8,587 | 7,630 | 6,896 | 6,234 | 4,108 | 4,412 | 5,329 | 5,745 | 4,601 |
| Care | +6.9% | 15,858 | 14,833 | 14,426 | 13,219 | 11,775 | 8,778 | 7,880 | 6,777 | 3,384 | 1,923 | - |
| New developments | -24.0% | 9,473 | 12,459 | 5,008 | 2,641 | 4,788 | 9,851 | 11,909 | 5,830 | 18,906 | 7,619 | 5,269 |
| Administrative expenses | +21.2% | (3,052) | (3,875) | (3,769) | (4,543) | (3,673) | (2,662) | (3,058) | (2,557) | (2,972) | (1,776) | (662) |
| EBITDA before central & exceptional costs of which | +18.9% | 9,769 | 8,213 | 7,114 | 6,839 | 6,352 | 6,480 | 5,096 | 3,801 | 4,888 | 4,182 | 1,960 |
| Resales and fees | -20.2% | 3,560 | 4,460 | 4,305 | 3,349 | 3,079 | 3,241 | 2,309 | 1,836 | 2,345 | 3,335 | 1,960 |
| Care | +8.0% | 3,302 | 3,056 | 3,154 | 2,932 | 2,858 | 1,820 | 1,496 | 608 | 451 | 332 | - |
| New developments | +317.1% | 2,907 | 697 | (345) | 558 | 415 | 1,419 | 1,291 | 1,357 | 2,092 | 515 | - |
| Central costs | -5.4% | (3,751) | (3,560) | (3,254) | (3,330) | (3,255) | (2,585) | (2,779) | (2,701) | (2,581) | (2,187) | (343) |
| Adjusted EBITDA after central costs, pre-exceptional costs | +29.4% | 6,019 | 4,653 | 3,860 | 3,509 | 3,097 | 3,895 | 2,317 | 1,100 | 2,307 | 1,995 | 1,617 |
| Exceptional costs | | - | - | - | (9,355) | (745) | (1,005) | - | - | - | - | - |
| EBITDA | +29.4% | 6,019 | 4,653 | 3,860 | (5,846) | 2,352 | 2,890 | 2,317 | 1,100 | 2,307 | 1,995 | 1,617 |
| Margin EBITDA to sales | | 19.5% | 13.1% | 13.8% | -24.9% | 10.0% | 11.6% | 9.7% | 6.5% | 8.4% | 13.1% | 16.4% |
| Net interest charge | -24.3% | (3,567) | (2,869) | (2,427) | (2,519) | (1,966) | (1,442) | (684) | (1,187) | (1,643) | (1,972) | (1,148) |
| Profit/(loss) before tax | +271.4% | 353 | (206) | (260) | (10,993) | (982) | 608 | 830 | (851) | (161) | (517) | (84) |
| Tax charge | | (496) | (159) | (497) | (690) | (631) | (428) | (408) | (80) | (254) | (112) | (43) |
| Profit/(loss) after tax | +60.8% | (143) | (365) | (757) | (11,683) | (1,613) | 180 | 422 | (931) | (415) | (629) | (127) |
| Net assets | +29.8% | 43,728 | 33,681 | 34,046 | 28,803 | 36,609 | 32,996 | 35,807 | 34,579 | 28,618 | 13,168 | 8,143 |
| Carrying value of properties | -1.0% | 74,927 | 75,649 | 62,524 | 61,826 | 59,499 | 51,357 | 44,243 | 40,786 | 45,359 | 38,488 | 26,282 |
| Loans | +21.5% | 66,762 | 54,956 | 56,530 | 53,442 | 40,121 | 39,552 | 30,055 | 32,637 | 34,275 | 40,809 | 20,772 |
| Increase/(decrease) in cash | -38.4% | 827 | 1,342 | 406 | 57 | (1,834) | 1,268 | (1,066) | 1,540 | 1,079 | (12,594) | 1,824 |

EBITDA breakdown before exceptional costs (£000)



Retirement Villages Group Limited

Strategic report for the year ended 31 March 2016 (*continued*)

The above chart illustrates the change in the mix of EBITDA before central and exceptional costs over the years. Care & Property forms the bulk of the RV Group recurring income and their respective profits have been both consistent and growing for several years. This year also shows a good contribution from New Developments based on the volume of units sold and increased margins which in part are due to improving sales prices. The recurring income streams from care, property resales and fees form the reliable core of the business alongside which the higher risk development activity can operate and add scale to the RV Group.

Key performance indicators

The main financial KPIs of turnover and EBITDA and their historical trends are shown in the chart and table above. Below shows a return in 2016 to care occupancy growth after a small drop in the previous year. This increase is mainly due to higher occupancy at our newest home in Charters Village which has been filling well. The overall occupancy would be even higher were it not for an embargo on new clients at Roseland for 4 months in the latter part of the year and the closure of Mayford nursing home, which was re-opened by the end of the year as a residential support only care home.

Other key figures:

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|----------------------|------|------|------|------|------|------|------|------|
| Care | | | | | | | | |
| Available Beds | 394 | 390 | 345 | 345 | 314 | 272 | 183 | 183 |
| Average bed occupied | 299 | 297 | 299 | 286 | 248 | 223 | 167 | 174 |
| Average occupancy | 76% | 76% | 87% | 83% | 79% | 82% | 91% | 95% |
| Property | | | | | | | | |
| Resales - Units | 91 | 100 | 107 | 92 | 71 | 82 | 66 | 37 |
| Developments | | | | | | | | |
| New sales - units | 23 | 28 | 11 | 6 | 39 | 16 | 58 | 33 |

Numbers of houses, flats and care beds

| | Completed | | Stock & Under construction | | Granted planning permission | | Total | | | | | | | | | | | |
|------------------|-----------|-------|----------------------------|------|-----------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| | | | | | | | | | | | | | | | | | | |
| Flats & houses | 1,007 | 984 | 94 | 103 | 72 | 89 | 1,173 | 1,176 | 1,166 | 1,163 | 1,080 | 953 | 814 | 812 | 810 | 806 | 770 | |
| Extra care flats | 174 | 174 | 0 | 0 | 0 | 0 | 174 | 174 | 186 | 186 | 186 | 233 | 215 | 215 | 145 | 63 | 0 | |
| Nursing beds | 402 | 390 | 0 | 12 | 0 | 30 | 402 | 432 | 466 | 466 | 405 | 378 | 255 | 238 | 174 | 49 | 0 | |
| TOTAL | 1,583 | 1,548 | 94 | 115 | 72 | 119 | 1,749 | 1,782 | 1,818 | 1,815 | 1,671 | 1,564 | 1,284 | 1,265 | 1,129 | 918 | 770 | |

The reduction in the 2016 figures above is due in part to the removal of the Somerton site (sold in 2015), and as a result of removing the 30 care beds originally planned at Lime Tree Village but which it is planned to replace with extra care residential units as part of the final phase of construction there.

Principal risks and uncertainties

The directors consider the following to be the principal risks and uncertainties facing the business.

Financial liabilities

The group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Retirement Villages Group Limited

Strategic report
for the year ended 31 March 2016 (*continued*)

Principal risks and uncertainties (*continued*)

Interest rates

In order to manage interest risk and hence ensure stability of related cash outflows, all non-bank loans are at fixed rates, ensuring liabilities are known. See note 6 for further details.

Liquidity

The group requires external sources of finance to pay for new developments and acquisitions and to provide continuing funding for its core investment and care businesses. The internally generated cash flows of the business are insufficient to fully exploit planning permissions it has obtained for new developments and to undertake acquisitions without further external funding from banks and from shareholders. It has been assumed that such funding will be available on normal commercial terms. As at the year end, one entity within the group (Avonpark Village (Care Home) Ltd) had breached one of its bank loan covenants as a result of a fall in care client occupancy. The bank accepted a guarantee against the balance of the loan from the RV Group in addition to an 18 month stand still letter, which it was estimated would be the required time before the breach was reversed. It has been assumed that such funding will remain available on normal commercial terms.

Cash forecasts and loan compliance requirements are reviewed regularly in order to identify any potential issues well in advance. In addition, a letter of financial support has been received from the Group's ultimate parent company, Romac Investments Limited, whereby Romac Investments Limited will provide the necessary financial support in order for the group to meet the debts as they fall due for at least twelve months from the date of signing of these accounts.

The housing market and property sales

The group develops and sells on long leases new properties within its retirement villages as well as assisting in the re-sale of existing properties on which it will normally receive an assignment fee. The group is thus exposed to price changes and liquidity variations in the housing market. Because of the nature of the group's product and its customers, the directors believe the group is less exposed to these risks than most others in the general housing market.

Building contractors

The risk of loss on building projects, whether through contractor failure or as a result of projects running over time or budget, is mitigated by tightly drawn contracts, regular close monitoring and measurement and by the use of retentions and contractor bonds.

Standards of safety and care

A failure to manage the health and safety of our residents, employees, contractors and visitors to our villages could lead to proceedings against the group and resultant reputational damage. High general health and safety standards are maintained by an annual cycle of audits and monthly board reporting, backed up by clear procedures and staff training.

The wellbeing of vulnerable individuals in the care of the group is given special attention, where our aim is to meet and exceed statutory requirements through rigorous monitoring procedures and careful vetting and training of care staff.

On behalf of the board

N Welby
Director



Date

21st December 2016

Retirement Villages Group Limited

Report of the directors for the year ended 31 March 2016

Directors

The directors of the company during the year were:

| | |
|----------------|-------------------------------|
| N F Welby | |
| S D Burgess | |
| N Donaldson | |
| D C Phillips | |
| P M Walsh | (resigned 3 June 2016) |
| W E J Crawford | |
| D Thomas | (appointed 24 August 2016) |
| O Russell | (appointed 27 September 2016) |
| C Edwards | (appointed 27 October 2016) |
| J Puckering | (resigned 29 September 2015) |

Results and dividends

The profit and loss account is set out on page 12 and shows the results for the year.

The directors do not recommend the payment of a dividend (2015 - £Nil). The loss for the year is £143,000 (2015 - £365,000 loss).

More detailed reviews of the business performance, key performance indicators and future prospects are set out in the Chairman's statement and the strategic report.

Principal activities

The Group's principal activity is to own and operate retirement villages – private residential communities occupied by retired people living in properties they own or rent or in care homes within the villages. The Group provides a range of care options for those that require them, from basic domiciliary care in residents' own homes through to residential, nursing and dementia care. The Group develops new villages itself and also acquires completed villages from developers and other operators.

The Group's main sources of income arise from sales of new properties, resales of existing properties and the provision of care, as well as assignment fees, ground rents and management fees. The group is developing working relationships with third parties, charging fees for the provision of expertise and branding. It also aims to achieve long term growth in the value of its property investments.

OFT and Law Commission Investigations

In September 2009, the Office of Fair Trading (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 Retirement Villages Limited. 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.

In November 2015 the Law Commission published a consultation paper on "event fees" which would include assignment fees. The proposals in the paper would be helpful for newly and recently created leases, and Retirement Villages Ltd has made a submission to the Law Commission. The legal advice as to the lawfulness and enforceability of assignment fee clauses in leases remains unchanged, as does the directors' opinion referred to above.

Retirement Villages Group Limited

Report of the directors for the year ended 31 March 2016 (continued)

Market value of land and buildings

The directors are of the opinion that there is no material difference between the market value of the group's interests in land and buildings and the amounts at which they are shown in the financial statements.

Payment of creditors

The number of average days purchases of the company represented by trade creditors at 31 March 2016 was 30 (2015 - 30).

Funding

At the time of signing these financial statements the group was in talks with banks with the expectation of agreeing terms in the coming months ahead to raise new loans secured on the income of certain of the group's care homes.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Qualifying third party indemnity provisions

The company has arranged qualifying third party indemnity for all of its directors.

Employee involvement

The flow of information to staff is maintained through the group intranet, staff meetings, payroll communications and the staff handbook. Directors and senior management regularly visit the villages and discuss matters of current interest and concern to the business with managers and members of staff.

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approval

This Directors' Report was approved by order of the Board on

On behalf of the board



Neil Donaldson
Director

Date 21st Dec 2016

Retirement Villages Group Limited

Statement of directors' responsibilities for the year ended 31 March 2016

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 group and 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 group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Retirement Villages Group Limited

Independent auditor's report

Independent auditor's report to the members of Retirement Villages Group Limited

We have audited the financial statements of Retirement Villages Group Limited for the year ended 31 March 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement of cash flows 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), including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland.

This report is made solely to the group'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 group'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 group and the group'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 group's and parent company's affairs as at 31 March 2016 and of the group's 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

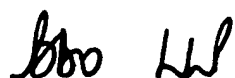
Retirement Villages Group Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



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

Date 21 December 2016

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

Retirement Villages Group Limited

Consolidated statement of comprehensive income for the year ended 31 March 2016

| | Note | 2016 £'000 | 2015 £'000 |
|--|------|-----------------|---------------|
| Turnover | 3 | 30,909 | 35,403 |
| Cost of sales | | (16,870) | (23,314) |
| Gross profit | | 14,039 | 12,089 |
| Administrative expenses | | (10,119) | (9,426) |
| Group operating profit before depreciation, amortisation and exceptional costs (adjusted EBITDA) | | 6,019 | 4,653 |
| Depreciation and amortisation | 4 | (2,097) | (1,990) |
| Profit on ordinary activities before interest and other income | | 3,920 | 2,663 |
| Interest payable and similar charges | 7 | (3,567) | (2,869) |
| Profit / (loss) on ordinary activities before taxation | | 353 | (206) |
| Taxation | 8 | (496) | (159) |
| Loss on ordinary activities after taxation for the financial year | | (143) | (365) |

The notes on pages 18 to 39 form part of these financial statements

Retirement Villages Group Limited

Consolidated balance sheet at 31 March 2016

| <i>Company number 05335724</i> | Note | 2016 £'000 | 2016 £'000 | 2015 £'000 | 2015 £'000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Intangible assets | 10 | | 6,679 | | 7,275 |
| Tangible assets | 11 | | 75,517 | | 76,436 |
| | | | 82,196 | | 83,711 |
| Current assets | | | | | |
| Stocks | 13 | 36,977 | | 23,257 | |
| Debtors | 14 | 1,775 | | 1,995 | |
| Cash at bank and in hand | | 3,715 | | 2,888 | |
| | | 42,467 | | 28,140 | |
| Creditors: amounts falling due within one year | 15 | (16,465) | | (11,749) | |
| Net current assets | | | 26,002 | | 16,391 |
| Total assets less current liabilities | | | 108,198 | | 100,102 |
| Creditors: amounts falling due after more than one year | 16 | (57,037) | | (48,346) | |
| Provisions for liabilities | 18 | (7,433) | | (7,819) | |
| | | | (64,470) | | (56,165) |
| Total net assets | | | 43,728 | | 43,937 |
| Capital and reserves | | | | | |
| Called up share capital | 20 | | 6,193 | | 6,192 |
| Share premium account | | | 38,129 | | 38,129 |
| Equity component of preference shares | | | 2,721 | | 2,721 |
| Revaluation reserve | | | (8,053) | | (7,986) |
| Investment property reserve | | | 27,157 | | 27,157 |
| Profit and loss account | | | (22,419) | | (22,276) |
| | | | 43,728 | | 43,937 |

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

N Welby
Director

21st December 2016

The notes on pages 18 to 39 form part of these financial statements.

Retirement Villages Group Limited
Consolidated statement of changes in equity
For the year ended 31 March 2016

| | Share capital £'000 | Share premium £'000 | Equity component of preference shares £'000 | Revaluation reserve £'000 | Investment property reserve £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|------------------------|------------------------|---|------------------------------|--------------------------------------|----------------------------------|-----------------------|
| 1 April 2015 | 6,192 | 38,129 | 2,721 | (7,986) | 27,157 | (22,276) | 43,937 |
| Comprehensive income for the year | - | - | - | - | - | (143) | (143) |
| Loss for the year | - | - | - | - | - | (143) | (143) |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Taxation impact of changes in tax rate on items previously recognised in other comprehensive income | - | - | - | (67) | - | - | (67) |
| Total comprehensive loss for the year | - | - | - | (67) | - | (143) | (210) |
| Contributions by and distributions to owners | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - |
| Shares issued | 1 | - | - | - | - | - | 1 |
| Total contributions by and distributions to owners | 1 | - | - | - | - | - | 1 |
| 31 March 2016 | 6,193 | 38,129 | 2,721 | (8,053) | 27,157 | (22,419) | 43,728 |

| | Share capital £'000 | Share premium £'000 | Equity component of preference shares £'000 | Revaluation reserve £'000 | Investment property reserve £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|------------------------|------------------------|---|------------------------------|--------------------------------------|----------------------------------|-----------------------|
| 1 April 2014 | 6,192 | 38,129 | 2,721 | (7,986) | 27,157 | (21,911) | 44,302 |
| Comprehensive income for the year | - | - | - | - | - | (365) | (365) |
| Loss for the year | - | - | - | - | - | (365) | (365) |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Taxation impact of changes in tax rate on items previously recognised in other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | - | - | (365) | (365) |
| Contributions by and distributions to owners | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - |
| 31 March 2015 | 6,192 | 38,129 | 2,721 | (7,986) | 27,157 | (22,276) | 43,937 |

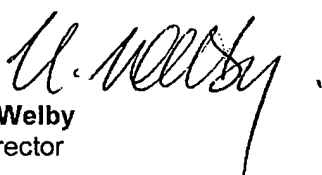
The notes on pages 18 to 39 form part of these financial statements.

Retirement Villages Group Limited

Company balance sheet at 31 March 2016

| <i>Company number 05335724</i> | Note | 2016 £'000 | 2016 £'000 | 2015 £'000 | 2015 £'000 |
|--|------|----------------|-----------------|-----------------|-----------------|
| Fixed assets | | | | | |
| Fixed asset investments | 12 | | 33,211 | | 33,236 |
| Current assets | | | | | |
| Debtors | 14 | 45,529 | | 43,230 | |
| Cash at bank and in hand | | 4 | | 1 | |
| | | <u>45,533</u> | | <u>43,231</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(9,898)</u> | | <u>(14,416)</u> | |
| Net current assets | | | <u>35,635</u> | | <u>28,815</u> |
| Total assets less current liabilities | | | <u>68,846</u> | | <u>62,051</u> |
| Creditors: amounts falling due after more than one year | 16 | | <u>(41,556)</u> | | <u>(32,131)</u> |
| Net assets | | | <u>27,290</u> | | <u>29,920</u> |
| Capital and reserves | | | | | |
| Called up share capital | 20 | | 6,193 | | 6,192 |
| Share premium account | | | 38,129 | | 38,129 |
| Equity component of preference shares | | | 2,721 | | 2,721 |
| Profit and loss account | | | <u>(19,753)</u> | | <u>(17,122)</u> |
| | | | <u>27,290</u> | | <u>29,920</u> |

The financial statements were approved by the board of directors and authorised for issue on 21st December 2016


N Welby
Director

The notes on pages 18 to 39 form part of these financial statements

Retirement Villages Group Limited
Company statement of changes in equity
For the year ended 31 March 2016

| | Share capital £'000 | Share premium £'000 | Equity component of preference shares £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---------------------------|---------------------------|---|--|--------------------------|
| 1 April 2015 | 6,192 | 38,129 | 2,721 | (17,122) | 29,920 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (2,631) | (2,631) |
| Other comprehensive income for the year | | | | | |
| Taxation impact of changes in tax rate on items previously recognised in other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (2,631) | (2,631) |
| Contributions by and distributions to owners | | | | | |
| Shares issued | 1 | - | - | - | 1 |
| Total contributions by and distributions to owners | 1 | - | - | - | 1 |
| 31 March 2016 | 6,193 | 38,129 | 2,721 | (19,753) | 27,290 |

| | Share capital £'000 | Share premium £'000 | Equity component of preference shares £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---------------------------|---------------------------|---|--|--------------------------|
| 1 April 2014 | 6,192 | 38,129 | 2,721 | (15,094) | 31,948 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (2,028) | (2,028) |
| Other comprehensive income for the year | | | | | |
| Taxation impact of changes in tax rate on items previously recognised in other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (2,028) | (2,028) |
| Contributions by and distributions to owners | | | | | |
| Dividends | - | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - | - |
| 31 March 2015 | 6,192 | 38,129 | 2,721 | (17,122) | 29,920 |

The notes on pages 18 to 39 form part of these financial statements.

Retirement Villages Group Limited

Consolidated cashflow statement for the year ended 31 March 2016

| | 2016 £'000 | 2015 £'000 |
|---|-----------------|----------------|
| (Loss) for the year | (143) | (365) |
| Amortisation of intangible fixed assets | 596 | 597 |
| Depreciation of fixed assets | 1,501 | 1,393 |
| Disposal of fixed assets | 9 | (182) |
| Decrease / (increase) in Stock and Work in Progress | (14,100) | 2,149 |
| Decrease / (increase) in Debtors | 220 | (109) |
| Increase / (decrease) in Creditors | 1,300 | (568) |
| Tax expense | 496 | 159 |
| Interest paid | 3,567 | 2,869 |
| | <hr/> | <hr/> |
| Cash (utilised in) / generated from operations | (6,554) | 5,943 |
| Interest paid | (3,567) | (2,592) |
| Taxation paid | (339) | (8) |
| | <hr/> | <hr/> |
| Net cash (utilised) / generated from operating activities | (10,460) | 3,343 |
| Cash flows from investing activities | | |
| Proceeds from sale of tangible fixed assets | - | (1,495) |
| Purchases of tangible fixed assets | (365) | 1,203 |
| | <hr/> | <hr/> |
| Net cash utilised in investing activities | (365) | (292) |
| Cash flows from financing activities | | |
| Share capital (repaid)/issued | 1 | (1) |
| New loans | 19,273 | 10,495 |
| Loans repaid | (7,622) | (12,203) |
| | <hr/> | <hr/> |
| Net cash generated from / (utilised in) financing activities | 11,652 | (1,709) |
| Net increase in cash and cash equivalents | 827 | 1,342 |
| Cash and cash equivalents at beginning of year | 2,888 | 1,546 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 3,715 | 2,888 |
| Cash and cash equivalents comprise: | | |
| Cash at bank and in hand | 3,715 | 2,888 |
| | <hr/> | <hr/> |
| | 3,715 | 2,888 |
| | <hr/> | <hr/> |

The notes on pages 18 to 39 form part of these financial statements

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies

Retirement Villages Group 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 group's operations and its principal activities are set out in the strategic report. 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.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 24.

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.
- Under FRS102 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:

Basis of consolidation

The consolidated financial statements present the results of Retirement Villages Group Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014. Therefore, the group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Accounting policies (*continued*)

Going concern

The group's business activities, together with the principal risks and uncertainties it faces, are set out in the Report of the Directors on pages 7 to 8, and the financial performance and future prospects of the group are described in the Chairman's Statement and Strategic report on pages 1 to 6.

The financial statements have been prepared on the going concern basis which is supported by group forecasts and projections covering the period to 31 March 2018. The group meets its day to day working capital requirements through bank loan facilities and loans from related companies. In addition, letter of financial support has been received from its ultimate parent company, Romac Investments Limited, whereby Romac Investments Limited will provide the necessary financial support in order for the group to meet its debts as they fall due for at least 12 months from the signing of these accounts.

Based on the above, the directors are confident that the group will have sufficient working capital for the foreseeable future and at least for the twelve months from the date of signing of these financial statements, and consequently believe that it is appropriate for the accounts to be prepared on the going concern basis. These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on the going concern basis. If required, such adjustments would change the balance sheet values of the assets to their recoverable amounts, increase liabilities by making provisions for any closure costs and reclassify fixed assets and long term liabilities as current assets and current liabilities.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the net identifiable assets of the acquired business at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. The directors' estimate of the useful life of goodwill is 20 years. Goodwill is being amortised to 'administrative expenses'.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Turnover

Turnover represents the proceeds from the sale of leases on properties, assignment fees from the resale of properties and income from the provision of care services and property management and rentals.

Sales of properties are recognised on legal completion.

The majority of assignment fees are paid when a long lease is assigned and are recognised in full on legal completion. Where a resident opts to pay the assignment fee up front, whether on a new lease or on an assignment, income is recognised to the extent that a partial refund would not be due in the event of early departure. Rental income is accrued on straight-line basis over the period of the lease.

Income from the provision of care services and property management is recognised in the period the service is provided.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Accounting policies (*continued*)

Lease assets

The group 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 group in accordance with its obligation under the lease, title to the property will revert to the group and the property will become available for resale in the group'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 group 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.

Leased fixed assets are held at a cost equivalent to their respective repurchase prices. These costs are less than the market value which would be ascribed to the underlying assets if they were available for resale. The directors consider that their current unavailability for resale diminishes their value and that the repurchase price of the respective lease is therefore the most appropriate cost to reflect in the financial statements.

Profit recognition on current developments

Revenue and costs, and thus resultant profits are recognised on developments in the course of construction to the extent that it is reasonably certain in the opinion of the directors that profits will occur in the future. The proportion so recognised is estimated by reference to factors which include the degree of completion of the site and the level of sales achieved by the balance sheet date as well as the overall anticipated total profit on the development.

Provision is made for any losses foreseen in completing a site as soon as they become apparent.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

| | |
|---------------------------------|--------------------------------------|
| Buildings | - 1% on a straight line basis |
| Fixtures, fittings and vehicles | - 10% - 33% on a straight line basis |

Where assets within these categories have significantly different useful economic lives they are depreciated over these shorter periods.

Capitalisation of interest

Interest incurred on borrowings financing the construction of tangible fixed assets and assets in the course of construction is capitalised gross of tax relief.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Accounting policies (*continued*)

Investment properties

Investment property is carried at fair value determined annually by external valuers 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.

Freehold land and buildings

Freehold land and buildings comprises buildings used in the course of the group's business and are stated at cost or cost less depreciation as appropriate.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure, an appropriate proportion of attributable overheads and a proportion of interest capitalised on borrowings drawn to finance development work.

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.

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Accounting policies (*continued*)

Accounting for compound instruments

The proceeds received on issue of a compound instrument are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributable to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. The difference between the net proceeds of the instrument and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Interest and finance costs

Interest costs on debt are allocated to periods as incurred, based on applicable interest rates and the carrying amount of the debt. Other finance costs associated with debt are allocated to periods at a constant rate over the period of the debt.

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's subsidiaries operate and generate 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
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

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.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 April 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Pension costs

Contributions by the group to employees' individual defined contribution schemes are charged to the profit and loss account in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Provisions

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

Reserves

- Called up share capital represents the nominal value of the shares issued.
- Share premium account includes the premium on issue of equity shares, net of any issue costs.
- Equity component of preference shares represents the nominal value of the shares issued.
- Revaluation reserve represents the revaluation of the tangible fixed assets as at 1 April 2014 net of associated deferred taxation.
- Investment property reserve represents the revaluation of the investment property assets as at 1 April 2014 net of associated deferred taxation.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*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 professionally valued annually 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 Law Commission review (as referred to in the directors' report) the valuation has been discounted by 50%.

Land and building were revalued to fair value at the date of transition to FRS 102 (see note 24).

The property has been valued by reference to the profits method taking into recent sales transactions of comparable properties. Profits for the property have been multiplied by a year's purchase multiplier ranging from 8 to 9.5 times.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Turnover

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Analysis by class of business: | | |
| Property – resales, fees and rental income | 5,578 | 8,111 |
| Care | 15,858 | 14,833 |
| Property - new sales | 9,473 | 12,459 |
| | <hr/> | <hr/> |
| | 30,909 | 35,403 |
| | <hr/> | <hr/> |

Turnover arises solely within the United Kingdom.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

4 Operating profit

| | 2016 £'000 | 2015 £'000 |
|--|-------------------|-------------------|
| This is arrived at after charging: | | |
| Depreciation of tangible fixed assets | 1,501 | 1,393 |
| Amortisation of positive goodwill | 596 | 597 |
| Hire of plant and machinery - operating leases | 113 | 121 |
| Fees payable to company auditors for the audit of the parent company and consolidated financial statements | 60 | 68 |
| Fees payable to the company's auditors for other services: | | |
| - taxation services - compliance | 75 | 77 |
| - taxation services - advisory | 141 | 90 |
| - audit of company's subsidiaries pursuant to legislation | 30 | 32 |
| | <u> </u> | <u> </u> |

5 Employees

Staff costs (including directors) consist of:

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|-----------------------|------------------------|------------------------|--------------------------|--------------------------|
| Wages and salaries | 9,291 | 8,955 | - | - |
| Social security costs | 836 | 806 | - | - |
| Other pension costs | 98 | 123 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 10,225 | 9,884 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The average number of employees (including directors) during the year was 606 (2015 - 621).

In addition the average number of staff employed by the village management companies on behalf of the residents of the group's villages was 214 (2015 - 218).

The group has automatically enrolled relevant employees into a defined-contribution scheme in accordance with legislation and pays contributions into suitable funds or, where applicable, into qualifying personal pension plans.

During the year the parent company did not have any employees other than the directors whose remuneration is set out in note 6 below and which was paid by one of the company's subsidiary undertakings.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

6 Directors' remuneration

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 548 | 498 |
| Group pension contributions to defined contribution schemes | 32 | 52 |

The total amount payable to the highest paid director in respect of emoluments was £132,372 (2015 - £128,212). Company pension contributions of £8,072 (2015 - £7,677) were made to a defined contribution scheme on his behalf. Pension contributions were made on behalf of 5 other directors (2015 - 4).

7 Interest payable and similar charges

| | 2016 £'000 | 2015 £'000 |
|--------------------------------------|---------------|---------------|
| Interest payable comprises: | | |
| Bank loans and overdrafts | 655 | 699 |
| Interest payable to related entities | 2,912 | 2,170 |
| | <u>3,567</u> | <u>2,869</u> |

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

8 Taxation on loss on ordinary activities

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| <i>UK Corporation tax</i> | | |
| UK corporation tax on surplus of the period | 640 | 184 |
| Under provision in respect of prior year | 155 | - |
| | <hr/> | <hr/> |
| Total current tax | 795 | 184 |
| | <hr/> | <hr/> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | (299) | (25) |
| | <hr/> | <hr/> |
| Taxation charge on surplus on ordinary activities | 496 | 159 |
| | <hr/> | <hr/> |

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to the profit before tax. The group has tax losses carried forward of approximately £1.2m (2015 – £1.8m) which remain unrelieved at the year end. No deferred tax has been provided for these amounts as in the directors' opinion sufficient taxable profits will not be available in the foreseeable future to extinguish them.

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Profit / (loss) on ordinary activities before tax | 353 | (206) |
| Profit / (loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 21%) | 71 | (43) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 742 | 370 |
| Utilisation of losses | (96) | (73) |
| Under provision in prior years | 155 | - |
| Deferred tax not recognised | (120) | (95) |
| Tax rate change | (256) | - |
| | <hr/> | <hr/> |
| Current tax charge for the year | 496 | 159 |
| | <hr/> | <hr/> |

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £66,653 (2015 - £nil).

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

9 Parent company loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The group result for the year includes a loss after tax of £2,841,000 (2015 - loss of £2,028,000) which is dealt with in the financial statements of the parent company.

10 Intangible fixed assets

| | Group Goodwill on consolidation £'000 |
|--------------------------|--|
| <i>Cost or valuation</i> | |
| At 1 April 2015 | 12,209 |
| Disposal | - |
| | <hr/> |
| At 31 March 2016 | 12,209 |
| | <hr/> |
| <i>Amortisation</i> | |
| At 1 April 2015 | 4,934 |
| Provided for the year | |
| Disposal | 596 |
| | <hr/> |
| At 31 March 2016 | 5,530 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 March 2016 | 6,679 |
| | <hr/> |
| At 31 March 2015 | 7,275 |
| | <hr/> |

Goodwill relates to the acquisition of retirement villages and associated care businesses. The goodwill is being amortised on a straight line basis over 20 years. The estimate is based upon the expected use of the acquired business and the expected useful life of the cash generating units to which goodwill is attributed.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

11 Tangible fixed assets

| Group | Investment properties £'000 | Leased properties £'000 | Freehold land and buildings £'000 | Fixtures, fittings and vehicles £'000 | Total £'000 |
|-------------------------------|-----------------------------------|-------------------------------|--|--|----------------|
| <i>Cost or valuation</i> | | | | | |
| At 1 April 2015 | 29,442 | 3,648 | 45,345 | 2,349 | 80,784 |
| Additions | 380 | - | 194 | 170 | 744 |
| Transfers from current assets | - | 1 | - | - | 1 |
| Transfers to current assets | - | (154) | - | - | (154) |
| Disposals | - | - | (195) | (552) | (747) |
| At 31 March 2016 | 29,822 | 3,495 | 45,344 | 1,967 | 80,628 |
| <i>Depreciation</i> | | | | | |
| At 1 April 2015 | - | - | 2,786 | 1,562 | 4,348 |
| Provided for the year | - | - | 1,143 | 358 | 1,501 |
| Reclassification | - | - | - | - | - |
| Disposals | - | - | (195) | (543) | (738) |
| At 31 March 2016 | - | - | 3,734 | 1,377 | 5,111 |
| <i>Net book value</i> | | | | | |
| At 31 March 2016 | 29,822 | 3,495 | 41,610 | 590 | 75,517 |
| At 31 March 2015 | 29,442 | 3,648 | 42,559 | 787 | 76,436 |

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

11 Tangible fixed assets (*continued*)

Freehold land and buildings were revalued to fair value at the date of transition to FRS102 – (see note 24). If freehold land and buildings had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Historic cost | 41,927 | 41,925 |
| Accumulated depreciation and impairments | (3,599) | (2,754) |
| | <u>38,328</u> | <u>39,172</u> |
| Excess of net book value over historic cost basis | <u>3,282</u> | <u>3,175</u> |

Investment property

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

The group's investment properties and buildings 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.

The directors consider there to be no significant change in the fair value since this date.

12 Fixed asset investments

| Company | £'000 |
|--|---------------|
| <i>Shares in subsidiary undertakings</i> | |
| At 1 April 2015 | 33,236 |
| Transfer to subsidiary | (25) |
| | <u>33,211</u> |
| At 31 March 2016 | <u>33,211</u> |

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

12 Fixed asset investments (*continued*)

The undertakings in which the company's interest at the year end are as follows:

| Subsidiary undertakings (all 100% owned) | Nature of business |
|--|---------------------------------------|
| Avonpark Village Limited | Inactive |
| Avonpark Village (Care Homes) Limited | Retirement village |
| Blagdon Village Limited* | Retirement village |
| Castle Village Limited* | Retirement village |
| Cedars Village Limited* | Retirement village |
| Charters Village Limited | Retirement village under construction |
| Elmbridge Village Limited* | Retirement village |
| Gittisham Care Limited* | Retirement village |
| Independence at Home Ltd* | Mobility aids |
| Lime Tree Village Limited* | Retirement village |
| Mayford Park Limited* | Retirement village |
| Minstrels Healthcare Limited* | Retirement village |
| Retirement Villages Developments Limited* | Property development |
| Retirement Villages Development Services Limited | Management |
| Retirement Villages Limited | Holding company |
| Retirement Villages Management Limited* | Dormant |
| Roseland Care Limited* | Nursing home |
| Roseland Parc Limited* | Retirement village |
| Roseland Village Limited* | Holding company |
| RV Avonpark Limited | Inactive |
| RV Care Limited* | Domiciliary care provision |
| RV Care Somerset Limited* | Domiciliary care provision |
| RV Developments Gradwell Limited* | Dormant |
| RV Developments Newport Limited* | Dormant |
| RV Developments West Malling Limited* | Dormant |
| RV Moat House Limited* | Residential care home |
| RV Property Holdings Limited | Dormant |
| RV Services Limited* | Management |
| RV Wessex Limited* | Holding company |
| Somerton Park Limited* | Property development |
| Thamesfield Limited* | Retirement village |
| The Priory Village Limited | Retirement village |
| White Hart Inn (Somerton) Limited* | Dormant |

* Held indirectly via other subsidiary undertakings.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

12 Fixed asset investments (continued)

In addition, the companies in the table below, which are all 100% owned, act solely as agents for the residents of each property, undertaking transactions on their behalf out of service charge monies collected from them. Any surplus funds are held in bank trust accounts on behalf of the residents. All funds and transactions are recorded in non-statutory residents' service charge accounts while the companies themselves remain dormant for accounting purposes.

| Subsidiary undertakings (all 100% owned)* | Nature of Business |
|---|--------------------|
| Blagdon Village (Management) Limited | Dormant |
| Castle Village Management Limited | Dormant |
| Cedars Village Management Limited | Dormant |
| Charters Village Management Limited | Dormant |
| Elmbridge Village Management Limited | Dormant |
| Gittisham Hill Park Management Limited | Dormant |
| Lime Tree Village (Management) Limited | Dormant |
| Mayford Grange Management Limited | Dormant |
| Minstrels Village Management Limited | Dormant |
| Roseland Management Limited | Dormant |
| RV Avonpark Village Management Limited | Dormant |
| RV Moat House Management Limited | Dormant |
| Thamesfield Management Limited | Dormant |
| The Priory Village Management Limited | Dormant |

* Held indirectly via other subsidiary undertakings.

13 Stocks

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Work in progress | 33,991 | 20,632 | - | - |
| Stocks held for resale | 2,986 | 2,625 | - | - |
| | <u>36,977</u> | <u>23,257</u> | <u>-</u> | <u>-</u> |

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

Interest on new developments totalling approximately £3,226,000 (2015 - £2,300,000) has been capitalised and is included in the cost of the group's work in progress and stock of properties held for resale. The amount released during the year was £Nil (2015 – released £Nil).

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

14 Debtors

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|-----------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade debtors | 874 | 1,011 | - | - |
| Other debtors | 567 | 408 | 1,668 | 1,144 |
| Due from group undertakings | - | - | 43,861 | 42,083 |
| Prepayments | 334 | 576 | - | 3 |
| | <u>1,775</u> | <u>1,995</u> | <u>45,529</u> | <u>43,230</u> |

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

15 Creditors: amounts falling due within one year

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans (secured) | 8,414 | 2,583 | - | - |
| Other loans | 1,311 | 4,027 | 1,311 | 3,420 |
| Trade creditors | 2,256 | 1,469 | - | - |
| Taxation and social security | 1,852 | 1,369 | 720 | 720 |
| Other creditors | 834 | 1,068 | - | 97 |
| Accruals and deferred income | 1,798 | 1,233 | 67 | 123 |
| Due to group undertakings | - | - | 7,800 | 10,056 |
| | <u>16,465</u> | <u>11,749</u> | <u>9,898</u> | <u>14,416</u> |

See note 16 for further details on loans and security.

16 Creditors: amounts falling due after more than one year

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans (secured) | 14,463 | 15,281 | - | - |
| Listed loan notes | 35,809 | 25,754 | 35,809 | 25,754 |
| Liability component of preference shares | 5,747 | 5,223 | 5,747 | 5,223 |
| Other loans | 1,018 | 2,088 | - | 1,154 |
| | <u>57,037</u> | <u>48,346</u> | <u>41,556</u> | <u>32,131</u> |

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

16 Creditors: amounts falling due after more than one year (*continued*)

Maturity of debt finance

| | Group bank loans, other loans and loan stock 2016 £'000 | Group bank loans, other loans and loan stock 2015 £'000 | Company other loans and loan stock 2016 £'000 | Company other loans and loan stock 2015 £'000 |
|---|--|--|--|--|
| In one year or less, or on demand | 9,724 | 6,610 | 1,311 | 3,420 |
| In more than one year but not more than two years | 2,890 | 2,812 | - | 1,154 |
| In more than two years but not more than five years | 10,294 | 10,913 | 5,747 | 5,223 |
| In more than five years | 43,853 | 34,621 | 35,809 | 25,754 |
| | 57,037 | 48,346 | 41,556 | 32,131 |
| Total | 66,762 | 54,956 | 42,867 | 35,551 |

Interest rate risk profile of financial assets and financial liabilities

Bank borrowings bear interest at margins ranging from 2% to 2.5% (2015: 2% to 6%) above 1 or 3 month LIBOR as appropriate.

Bank and other loans in respect of the construction of new retirement villages are secured on the relevant land and work in progress.

The listed loan notes are listed on the Channel Islands Stock Exchange under the terms of a loan note instrument pursuant to which interest is paid at a fixed rate of 10% per annum on the value of notes in issue from time to time. At the balance sheet date up to £20,000,000 fixed rate redeemable loan notes could be issued and the final redemption date was 30 November 2022, but in September 2014 the terms of the loan note instrument were varied such that the upper limit on the total value of notes in issue was removed completely and the final redemption date for existing and future issues of notes was extended to 30 November 2027. The notes are unsecured but are capable of becoming secured where a noteholder holds an enforceable security interest against the company.

Other loans are from related parties and are secured on certain of the fixed assets of the group and on debentures over companies within the group, and bear interest at fixed rates.

For further information on the treatment of financial liabilities and hedging, see the principal risks and uncertainties section of the report of the directors and note 1 on accounting policies.

The company has in issue 6,800,000 preference shares of £1 each at par, which carry no coupon and can be repaid at the shareholder's request on or after 1 January 2018. The issue of the preference shares has been treated as a compound instrument. After applying discounted cash flow techniques using an appropriate discount rate, the preference shares have been separated into an equity value of £2,720,000 with the balance liability component included in creditors falling due after more than one year.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

17 Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

| | Group 2016 £'000 | Group 2015 £'000 | Company 2016 £'000 | Company 2015 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Financial assets | | | | |
| Financial assets measured at amortised cost | 5,156 | 4,307 | 45,533 | 43,228 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | 71,650 | 58,726 | 50,734 | 45,827 |

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors, other creditors and accruals.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk is included in the Strategic report.

18 Provisions for liabilities

| Group | Deferred taxation £'000 | Provision for repurchase of property £'000 | Total £'000 |
|---|-------------------------------|---|----------------|
| At 1 April 2015 | 4,107 | 3,712 | 7,819 |
| Movement for the year | (299) | - | (299) |
| Provision released on repurchase of leased properties | - | (154) | (154) |
| Debited to other comprehensive income | 67 | - | 67 |
| At 31 March 2016 | 3,875 | 3,558 | 7,433 |

The repurchase provision represents the obligation of the group to repurchase properties sold under old leases at the price at which they were bought by the purchaser upon the terms described in note 1.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

19 Deferred taxation

| | Accelerated capital allowances 2016 £'000 | Investment property revaluations 2016 £'000 | Building revaluations 2016 £'000 | Total 2016 £'000 |
|------------------------|---|---|---|------------------------|
| Deferred tax liability | 494 | 3,981 | (600) | 3,875 |

| | Accelerated capital allowances 2015 £'000 | Investment property revaluations 2015 £'000 | Building revaluations 2015 £'000 | Total 2015 £'000 |
|------------------------|---|---|---|------------------------|
| Deferred tax liability | 351 | 4,423 | (667) | 4,107 |

20 Share capital

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 24,033,359 A ordinary shares of 1p each | 240 | 240 |
| 6,000,000 A deferred shares of 99p each | 5,940 | 5,940 |
| 1,253,000 (2015: 1,186,000) B ordinary shares of 1p each | 13 | 12 |
| | 6,193 | 6,192 |

On 31 March 2016 the company allotted 67,000 new B ordinary shares at par.

The A deferred shares have no voting rights. They have a right to dividends at .001% of nominal value
The B ordinary shares have no voting rights. They have a right to a share of dividends pro rata to the value of A and B shares.

Retirement Villages Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

21 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

| | Land and buildings 2016 £'000 | Other 2016 £'000 | Land and buildings 2015 £'000 | Other 2015 £'000 |
|--------------------------------|--|------------------------|--|------------------------|
| Operating leases which expire: | | | | |
| Within one year | 47 | 93 | 47 | 90 |
| In two to five years | 187 | 70 | 187 | 99 |
| Later than 5 years | 163 | - | 209 | - |
| | <u>397</u> | <u>163</u> | <u>443</u> | <u>189</u> |

The company has no operating lease commitments.

22 Related party disclosures

The company's holding and ultimate parent company is disclosed in note 23. Transactions with these entities fellow group entities and the company's directors are noted below:

Management fees levied to the service charge accounts of each village are as follows:

| <i>Related party transactions and balances</i> | Management fees to related party 2016 £'000 | Management fees to related party 2015 £'000 |
|--|---|---|
| Blagdon Village | 34 | 34 |
| Castle Village | 62 | 61 |
| Cedars Village | 69 | 68 |
| Elmbridge Village | 86 | 84 |
| Lime Tree Village | 55 | 63 |
| Mayford Grange | 18 | 19 |
| Thamesfield | 13 | 15 |
| Gittisham Hill Park | 7 | 6 |
| Minstrels | 1 | 3 |
| Avonpark Village | 38 | 40 |
| Priory Village | 17 | 16 |
| Charters Village | 31 | 32 |
| RV Moat House | 8 | 7 |
| Roseland Village | 23 | - |

Management fees amounting to £475,000 (2015 - £475,000) were charged by Commercial Management Limited, a company of which N Welby and D Phillips are directors.

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

22 Related party disclosures (continued)

Included in other loans and listed loan notes are loans from Bradda Finance and Investment Limited of £38,138,000 (2015 - £31,869,000). (See note 16). Interest paid on these loans amounted to £3,366,531 (2015: £2,845,423)

Bradda Finance and Investment Limited is a fellow subsidiary undertaking of the ultimate parent undertaking, Romac Investments Limited.

Key management personnel are considered to be the directors. Total compensations paid to the directors is disclosed in note 6.

23 Ultimate parent company and parent undertaking of larger group

The immediate parent undertaking of Retirement Villages Group Limited is The Retirement Group (IOM) Limited, a company incorporated in the Isle of Man.

The ultimate parent undertaking is Romac Investments Limited, a company incorporated in the Isle of Man, and no one party is considered to be the ultimate controlling party.

24 First time adoption of FRS 102

| | Note | Equity as at 1 April 2014 £'000 | (Loss) for the Year ended 31 March 2015 £'000 | Equity as at 31 March 2015 £'000 |
|--|------|--|---|---|
| As previously stated under former UK GAAP | | 34,046 | (365) | 33,681 |
| Transitional adjustments | | | | |
| Revaluation of investment property to fair value | a | 14,812 | - | 14,812 |
| Deferred tax recognised on revaluation of investment property | b | (4,423) | - | (4,423) |
| Revaluation of care buildings to fair value | c | (800) | - | (800) |
| Deferred tax recognised in relation to revalued care buildings | d | 667 | - | 667 |
| As stated in accordance with FRS 102 | | 44,302 | (365) | 43,937 |

Retirement Villages Group Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

24 First time adoption of FRS 102 (*continued*)

Explanation of changes to previously reported profit and equity

- a. FRS 102 requires investment property to be carried at fair value with movements in fair value to be recognised in profit or loss for the period. Under previous UK GAAP these properties were carried at market value based upon a directors' valuation. External valuations have been obtained in order to determine the fair value at transition date resulting in adjustments to the value of these investment properties, which has resulted in an increase in equity.
- b. FRS 102 requires that deferred tax be recognised on revaluations of investment property. This was not required under previous UK GAAP unless there was a binding agreement to sell the revalued asset and the gains or losses expected to arise on sale had been recognised. This change has been retrospectively applied, leading to the recognition of additional deferred tax liabilities at the date of transition.
- c. The Group has elected to measure its care property classified as tangible assets at fair value and use that fair value as 'deemed cost' at that date in terms of the FRS102 transitional provisions. This has resulted in a decrease to tangible assets and equity at transition date.
- d. Recognition of the deferred tax impacts on the fair value adjustment to care property noted in point c above. This change has been retrospective and has led to the recognition of additional deferred tax assets at the date of transition.

No transitional adjustments to FRS102 were noted for the company.