

Company Registration No. 05139897 (England and Wales)

LARCH LIFE NO.1 (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2018



LARCH LIFE NO.1 (UK) LIMITED

COMPANY INFORMATION

Directors	Mr S Maddison Mr M Calvert
Secretary	Mr S Maddison
Company number	05139897
Registered office	30 Finsbury Square London EC2A 1AG
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

LARCH LIFE NO.1 (UK) LIMITED

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LARCH LIFE NO.1 (UK) LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

The directors present the strategic report for the period ended 27 September 2018.

Principal activities, review of the business and future developments

The company acts as a commercial property investment company. It made a loss of £25.9m for the period ended 27 September 2018 (year ended 29 September 2017: profit of £1.4m) after the provision of £49.4m in respect of intercompany balances due to the company. Net liabilities increased to £90.3m at the period end due to the loss for the period (year ended 29 September 2017: net liabilities of £64.5m).

The company intends to continue to invest in its properties to maintain the licence fee income, however the future remains uncertain due to the financing situation described below under going concern.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. The director of the group has reviewed the group's exposure to credit risk, liquidity risk and cashflow risk. These risks and uncertainties are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Financial risk management

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. Further discussion of the financial risk management objectives and policies, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Key performance indicators

The company is managed by the directors in accordance with the strategies of its ultimate parent company, Larch (Nursing Homes) Holdco Limited. For this reason, the directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. These strategies and key performance indicators are discussed in the company's ultimate parent's group annual report which does not form part of this report.

LARCH LIFE NO.1 (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

Going concern

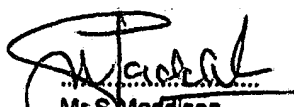
The company is funded by way of an on-demand loan from its intermediate parent which is, itself, funded by bank loans. Furthermore, the company has charged its assets to the lenders to its intermediate parent company.

Consequent to the financial difficulties experienced by the original tenant which operated the nursing homes rented from fellow group undertakings, the lenders to the intermediate parent restructured the terms of the loans such that the lenders would not demand repayment of their loans until their maturity dates despite the intermediate parent being unable to fully service the loans or meet their financial covenants.

The loans were due for repayment on 16 January 2018, however the lenders have confirmed that they do not have a current intention of demanding repayment of the loans within 12 months of the signing of the financial statements. Accordingly, whilst the directors expect that the group and the parent company will remain a going concern in the short term, there is considerable uncertainty in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group and the parent company's ability to continue as a going concern in the longer term. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

As the lenders have indicated that they do not intend a break-up of the group and parent company, the financial statements have been prepared on a going concern basis.

By order of the board



Mr S Maddison
Secretary

28 May 2020

LARCH LIFE NO.1 (UK) LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

The directors present their report and audited financial statements for the period ended 27 September 2018.

Directors

The directors who held office either during the period or up to the date of signature of the financial statements were as follows:

Mr S Maddison
Mr M Calvert

(Appointed 17 May 2017)
(Appointed 17 May 2017)

Results and dividends

The results for the period are set out on page 8.

No dividend was paid during the period (year ended 28 September 2017: £nil). The directors do not recommend the payment of a final dividend (year ended 28 September 2017: £nil).

The business review, financial risk management and going concern are included in the strategic report.

Uncertainties arising from Covid-19

We have looked at the uncertainties arising from Covid-19 facing all businesses and challenged ourselves as to the impact on estimates made within these financial statements including on the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements.

All of these depend on assessments of the future economic environment which is plainly subjective.

The short-term impact on the operational care homes, being the principal underlying assets of the Company, was initially positive with occupancy increasing in the first couple of weeks post the 'lockdown' of the UK in mid-March 2020. However, as has been common with the care home sector as a whole, the initial positive impact has been followed by a number of weeks of declining occupancy.

The medium to longer term impact of Covid-19 is more difficult to estimate but, based on our current assessment of the portfolio and our assessment of the future market conditions, we are confident that the viability of the operational care homes will remain strong moving forward.

We specifically comment on the impact on our going concern assessment on page 12.

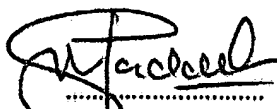
Independent Auditors

The Independent Auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2008.

Statement of disclosure to Independent Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


.....
Mr S Maddison
Director

28 May 2020

LARCH LIFE NO.1 (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 27 SEPTEMBER 2018

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

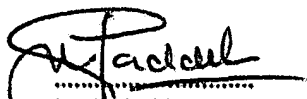
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

On behalf of the board



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Mr S. Maddison
Director

28 May 2020

LARCH LIFE NO.1 (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARCH LIFE NO.1 (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Larch Life No.1 (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 27 September 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 27 September 2018; the statement of comprehensive income, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the company's ability to continue as a going concern. The company is funded by way of an on-demand loan from its intermediate parent which is, itself, funded by bank loans. Furthermore, the company has charged its assets to the lenders to its intermediate parent company. The intermediate parent company's bank loans were due for repayment on 16 January 2016 but remain unpaid. The lenders have indicated to the directors their intention not to exercise their first ranking fixed charges over the group's properties within 12 months from the date the financial statements are signed. Accordingly, whilst the directors expect that the company will remain a going concern in the short term, there is considerable uncertainty in the future. These conditions, along with the other matters explained in note 1.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

LARCH LIFE NO.1 (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARCH LIFE NO.1 (UK) LIMITED (CONTINUED)

Reporting on other information (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 27 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

LARCH LIFE NO.1 (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARCH LIFE NO.1 (UK) LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 May 2020

LARCH LIFE NO.1 (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 27 SEPTEMBER 2018

		Period ended 27 September 2018	Year ended 29 September 2017
	Notes	£	£
Turnover		2,152,872	1,398,349
Administrative expenses		(1,294,680)	(10,922)
Gain on revaluation of investment properties		21,881,374	-
Operating Profit		22,739,566	1,387,427
Interest receivable and similar income		1,384	-
Interest payable and similar expenses	5	(22,415)	(22,415)
Provision for intercompany receivables		(49,425,525)	-
Profit on disposal of tangible assets	6	819,127	-
(Loss)/Profit on ordinary activities before taxation	3	(25,887,862)	1,365,012
Tax on profit on ordinary activities	7	-	-
(Loss)/Profit for the financial period/year		(25,887,862)	1,365,012
Other comprehensive income		-	-
Total comprehensive (expense)/income for the period/year		(25,887,862)	1,365,012

The statement of comprehensive (expense)/income has been prepared on the basis that all operations are continuing operations.

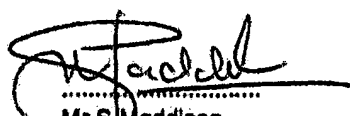
LARCH LIFE NO.1 (UK) LIMITED

BALANCE SHEET

AS AT 27 SEPTEMBER 2018

		27 September 2018		29 September 2017	
	Notes	£	£	£	£
Fixed Assets					
Investment properties	8		119,549,000		103,738,000
Current Assets					
Debtors	9	32,028		41,587,566	
Creditors: amounts falling due within one year	10	(209,923,591)		(209,780,287)	
Net current liabilities			<u>(209,891,563)</u>		<u>(168,192,701)</u>
Total assets less current liabilities			<u>(80,342,563)</u>		<u>(84,454,701)</u>
Net liabilities			<u>(80,342,563)</u>		<u>(84,454,701)</u>
Capital and reserves					
Called up share capital	11		1		1
Retained deficit			<u>(80,342,564)</u>		<u>(84,454,702)</u>
Total equity			<u>(80,342,563)</u>		<u>(84,454,701)</u>

The financial statements were approved by the board of directors and authorised for issue on 26 May 2020 and are signed on its behalf by:


Mr S Maddison
Director

Company Registration No. 05139897

LARCH LIFE NO.1 (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

	Called up share capital £	Retained Deficit £	Total £
Balance at 30 September 2016	1	(65,819,714)	(65,819,713)
Profit and total comprehensive income for the financial year	-	1,365,012	1,365,012
	<hr/>	<hr/>	<hr/>
Balance at 29 September 2017	1	(64,454,702)	(64,454,701)
Loss and total comprehensive expense for the financial period	-	(25,887,862)	(25,887,862)
	<hr/>	<hr/>	<hr/>
Balance at 27 September 2018	<u>1</u>	<u>(90,342,564)</u>	<u>(90,342,563)</u>

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

1 Accounting policies

General information

Larch Life No.1 (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 30 Finsbury Square, London, EC2A 1AG. The company principally acts as a commercial property investment company.

1.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 Basis of preparation and summary of significant accounting policies

These financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include investment properties at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years and periods presented unless otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemption if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Larch (Nursing Homes) HoldCo Limited which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17 (d) of FRS 102; and
- from the requirement to present financial instruments disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraph 12.26 and 12.29.

1.4 Going concern

The company is funded by way of an on-demand loan from its intermediate parent which is, itself, funded by bank loans. Furthermore, the company has charged its assets to the lenders to its intermediate parent company.

Consequent to the financial difficulties experienced by the original tenant which operated the nursing homes rented from fellow group undertakings, the lenders to the intermediate parent restructured the terms of the loans such that the lenders would not demand repayment of their loans until their maturity dates despite the intermediate parent being unable to fully service the loans or meet their financial covenants.

The loans were due for repayment on 16 January 2016, however the lenders have confirmed that they do not have a current intention of demanding repayment of the loans within 12 months of the signing of the financial statements. Accordingly, whilst the directors expect that the group and the parent company will remain a going concern in the short term, there is considerable uncertainty in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group and the parent company's ability to continue as a going concern in the longer term. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

As the lenders have indicated that they do not intend a break-up of the group and parent company, the financial statements have been prepared on a going concern basis.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.5 Impact on Going Concern of Covid-19

The uncertainty as to the future impact of the recent Covid-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis and, indeed, we have delayed the signing of our financial statements, to enable us to fully assess the financial impact of Covid-19.

Whilst we have noted a downward trend in occupancy of the homes following the initial post 'Lockdown' increase in occupancy, we consider that the operational care homes are well placed to manage this downturn and to gain market share once the market recovers. We are satisfied that the financial projections prepared for the next 18 months have a prudent assessment of the impact of the downturn embedded in them.

There has been no impact on the activities of the Company by the restrictions placed on it by the Government's 'lockdown' restrictions.

We have discussed the impact of Covid-19 on the financial position of the Company with the principal creditors of the Company who have confirmed their continued support to the Company and the group of which it forms part.

Overall, we are satisfied that, at this point in time, nothing that has arisen out of the Covid-19 pandemic indicates that it would not be appropriate to continue to adopt the going concern basis for the preparation of the financial statements.

1.6 Turnover

Turnover represents licence fee income and rental income, net of value added tax. Rental income was recognised over the term of the lease on a straight-line basis. Licence fee income was recognised predominantly on an accrual basis.

Turnover arises entirely within the United Kingdom.

Deferred income

Rental income from properties is allocated in the year/period to which it relates, with payments received in advance held as deferred income and credited to the profit and loss when earned.

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible assets.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

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

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Investment properties

Investment properties are professionally valued on a periodic basis using a yield methodology, the last such valuation being in December 2015. This valuation used a 'Years Purchase' multiplier which was applied to the calculated sustainable net profit for each property to give the open market value of the investment properties. Note that there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

When a professional valuation is not obtained (such as at 29 September 2017 and 27 September 2018), the directors have considered the valuation of the investment properties in light of the recent trading profits generated from each home together with discussions with property agents as to the likely value of the assets in the current market.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

3 (Loss)/profit on ordinary activities before taxation

	Period ended 27 September 2018 £	Year ended 29 September 2017 £
This is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	-	-
Provision for intercompany receivable accounts	49,425,525	
Gain on revaluation of investment properties	(21,881,374)	-

Auditors' remuneration has been borne by Larch (Nursing Homes) Limited.

4 Directors' remuneration

The emoluments for the directors amounted to £20,000 for the period (year to 29 September 2017: £7,395) which were paid by Larch (Nursing Homes) Limited (but recharged to the company via the intercompany loan account).

The remuneration for the directors was split equally between the two directors.

The company has no employees (year to 29 September 2017: none) other than the directors.

5 Interest payable and similar expenses

	Period ended 27 September 2018 £	Year ended 29 September 2017 £
Interest payable to Group Undertakings	22,415	22,415

6 Profit on disposal of tangible assets

	Period ended 27 September 2018 £	Year ended 29 September 2017 £
Profit on sale of investment properties	819,127	-

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

7 Tax on result on ordinary activities

No tax has been provided for due to the availability of losses through group relief (2017: £nil).

Factors affecting tax charge for the period/year

From 1 April 2017 the rate of corporation tax was reduced from 20% to 19%, giving a blended average rate for the current period of 19.00% (period ended 29 September 2017: 19.50%).

The result for the period/year can be reconciled to the profit/(loss) per the statement of comprehensive income as follows:

	Period ended 27 September 2018 £	Year ended 29 September 2017 £
(Loss)/Profit before taxation on continued operations	<u>(25,887,862)</u>	<u>1,365,012</u>
Expected tax (credit)/charge based on the standard/blended rate of corporation tax in the UK of 19.00% (year ended 29 September 2017: 19.50%)	(4,918,694)	266,177
Tax effect of investment gains on revaluation that are not accountable in determining taxable profit	(4,157,461)	-
Tax effect of gains on property sales that are not accountable in determining taxable profit	(155,634)	-
Tax effect of provision for intercompany receivables that are not accountable in determining taxable profit	9,390,850	-
Assumed disallowable element of administrative costs	16,221	-
Utilisation of tax losses	<u>(175,282)</u>	<u>(266,177)</u>
Tax result on continued operations for the period/year	<u>-</u>	<u>-</u>

The corporation tax result for the period has been reduced by £175,282 (year ended 29 September 2017: £266,177) because of losses surrendered by fellow subsidiary undertakings. No payment for this surrender is to be made by the company.

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 SEPTEMBER 2018

8 Investment properties

	£
Fair value as at 29 September 2017	103,738,000
Fair value of properties disposed of in period	(6,070,374)
Fair value gains on investment properties	21,881,374
Fair value as at 27 September 2018	119,549,000

The investment properties were last valued by a professional valuer in December 2015. The valuation was utilised for the fair value of the investment properties as at 30 September 2015 and was made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

A professional valuation in respect of the investment properties was not obtained in respect of values as at 29 September 2017 and 27 September 2018. The directors assessed the value at that date by reference to the key assumptions underpinning the professional valuation in December 2015 updated for recent trading results from the homes and their assessment of the market in which the company operates. They also considered advice from agents as to the likely realisable value of the properties in the current market.

The investment properties have been charged to secure the bank loans of the fellow subsidiary.

9 Debtors

	27 September 2018 £	29 September 2017 £
Amounts due from fellow group undertakings	-	41,418,394
Prepayments and accrued income	32,027	149,172
	<u>49,457,552</u>	<u>41,567,566</u>

Amounts due from fellow group undertakings are interest free, repayable on demand and unsecured.

During the period, full provision was made for all amounts due from fellow group undertakings.

10 Creditors: amounts falling due within one year

	27 September 2018 £	29 September 2017 £
Trade creditors	107,513	23,120
Amounts due to fellow group undertakings	209,649,371	209,626,956
Other creditors	110,190	110,191
Accruals and deferred income	56,517	-
	<u>209,923,591</u>	<u>209,760,267</u>

Amounts due to fellow group undertakings are interest free, repayable on demand and unsecured except for a loan of £448,303 (2017: £448,303) which bears interest at 5.0% per annum.

LARCH LIFE NO.1 (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 SEPTEMBER 2018

11 Called up share capital

	27 September 2018 £	29 September 2017 £
Ordinary share capital		
Authorised		
1,000 (2017: 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
1 (2017: 1) ordinary shares of £1 each	<u>1</u>	<u>1</u>

12 Related party transactions

As the company is a wholly owned subsidiary of Larch (Nursing Homes) Holdco Limited, the company has taken advantage of the exemption under section 33.1A of FRS102 from disclosing transactions or balances with entities which form part of the group.

13 Controlling party

The immediate parent undertaking is Larch Property Holdings Ltd, a company incorporated and registered in Jersey.

The ultimate parent undertaking is Larch (Nursing Homes) Holdco Limited, a company incorporated in England and Wales.

Larch (Nursing Homes) Holdco Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements as at 27 September 2018. The consolidated financial statements of Larch (Nursing Homes) Holdco Limited can be obtained from the company secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

14 Post Balance Sheet Events

Since the year-end, what was an unknown virus that had been reported to the World Health Organisation has been identified as Covid-19 and is now a global pandemic.

We are mindful that the further spread and impact of Covid-19 now being seen might have an impact on demand levels within the operational care homes that form the principal assets of the Companies. At this stage, it is not clear whether this is going to be a positive impact or an adverse impact.

Whilst estimating the precise financial impact on the business has challenges, we have performed scenario planning to consider the potential impact of Covid-19 on the results of the operational care homes and thus the impact on the levels of revenue receivable by the Company.