

Cotman Residential Homes Limited

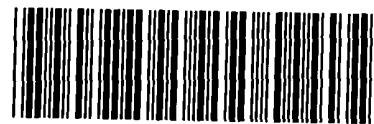
Report and Financial Statements

Year Ended

31 December 2017

Company Number 05889551

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Cotman Residential Homes Limited

Company Information

Directors	J C Bingham M B Streiff C S Bidel C M Wames
Company secretary	Sanne Group Secretaries (UK) Limited
Registered number	05889551
Registered office	Asticus Building 2nd Floor 21 Palmer Street London SW1H 0AD
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Cotman Residential Homes Limited

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Cotman Residential Homes Limited

Directors' report For the year ended 31 December 2017

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

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. 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 these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements 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; 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 to 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.

Principal activity

The principal activity of the company in the year under review is investment in care home assets.

Results and dividends

The loss for the year, after taxation, amounted to £293,910 (2016 - profit of £221,432).

During the year the directors declared an interim dividend of £nil (year ended December 2016 - £165,044). The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

J C Bingham

M B Streiff

C S Bidel

C M Warnes

Z P Yates (resigned 6 February 2017)

Cotman Residential Homes Limited

Directors' report (continued) For the year ended 31 December 2017

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
C M Warnes

Director CHRISTOPHER WARNES

Date: 26th SEPTEMBER 2018

Cotman Residential Homes Limited

Independent auditor's report to the members of Cotman Residential Homes Limited

Opinion

We have audited the financial statements of Cotman Residential Homes Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Cotman Residential Homes Limited

Independent auditor's report to the members of Cotman Residential Homes Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Cotman Residential Homes Limited

Independent auditor's report to the members of Cotman Residential Homes Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bao HLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: *26 September 2018*

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

Cotman Residential Homes Limited

Statement of comprehensive income For the year ended 31 December 2017

		31 December 2017 £	9 months ended 31 December 2016 £
	Note		
Turnover		516,485	269,574
Administrative expenses		(31,503)	-
Fair value movements	7	(577,417)	3,834
Operating (loss)/profit	4	(92,435)	273,408
Interest payable and expenses	5	(281,853)	(36,293)
(Loss)/profit before tax		(374,288)	237,115
Tax on (loss)/profit	6	80,378	(15,683)
(Loss)/profit for the financial year/period		(293,910)	221,432
Other comprehensive (loss)/income for the year/period			
Total comprehensive (loss)/income for the year/period		(293,910)	221,432

The notes on pages 9 to 18 form part of these financial statements.

All amounts relate to continuing operations.

Cotman Residential Homes Limited

Registered number: 05889551

Statement of financial position As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investment property	7	5,333,362	5,616,679
		<u>5,333,362</u>	<u>5,616,679</u>
Current assets			
Debtors	8	404,043	107,451
		<u>404,043</u>	<u>107,451</u>
Creditors: amounts falling due within one year	9	(365,679)	(142,661)
Net current assets/(liabilities)		<u>38,364</u>	<u>(35,210)</u>
Total assets less current liabilities		<u>5,371,726</u>	<u>5,581,469</u>
Creditors: amounts falling due after more than one year	10	(3,893,001)	(3,893,001)
Provisions for liabilities			
Deferred tax	11	(63,659)	(160,057)
		<u>(63,659)</u>	<u>(160,057)</u>
Net assets		<u><u>1,415,066</u></u>	<u><u>1,528,411</u></u>
Capital and reserves			
Share capital	12	2	2
Capital contribution reserve	13	180,565	-
Retained earnings	13	1,234,499	1,528,409
		<u><u>1,415,066</u></u>	<u><u>1,528,411</u></u>

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
C M Warnes

Director *CHRISTOPHER WARNES*

Date: *26th SEPTEMBER 2018*

Cotman Residential Homes Limited

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

	Share capital £	Capital contribution reserves £	Retained earnings £	Total equity £
At 1 January 2017	2	-	1,528,409	1,528,411
Comprehensive Income for the year				
Loss for the year	-	-	(293,910)	(293,910)
Total comprehensive income for the year	-	-	(293,910)	(293,910)
Contributions from parent company	-	180,565	-	180,565
At 31 December 2017	2	180,565	1,234,499	1,415,066

Statement of changes in equity For the period ended 31 December 2016

	Share capital £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 April 2016	2	1,164,498	307,523	1,472,023
Comprehensive income for the period				
Profit for the period	-	-	221,432	221,432
Total comprehensive income for the period	-	-	221,432	221,432
Dividends	-	-	(165,044)	(165,044)
Transfer to/from profit and loss account	-	(1,164,498)	1,164,498	-
At 31 December 2016	2	-	1,528,409	1,528,411

The notes on pages 9 to 18 form part of these financial statements.

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

1. General information

Cotman Residential Homes Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The company is reliant on the parent company for financial support. The ultimate parent company has committed to provide such financial support to the company for the foreseeable future being a period of not less than 12 months from the signing of these accounts. Accordingly the directors continue to adopt the going concern basis of preparation.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Griffin American Healthcare REIT III, Inc (A Maryland Corporation) as at 31 December 2017 and these financial statements may be obtained from 18191 Van Karman Avenue, Suite 300, Irvine, California, United States of America.

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 Turnover

Turnover from continuing operations represents rental income from investment property. Any lease incentives granted to tenants to enter into a lease are spread over the period ending on the lease expiry date.

Turnover from discontinued operations represents sales and services to third part customers in the health and social care sector stated net of any applicable value added tax. Turnover is recognised when the services are provided with any fees invoiced in advance included within deferred income.

All turnover is attributable to the United Kingdom.

2.5 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.7 Investment property

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 the statement of comprehensive income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

2. Accounting policies (continued)

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.11 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.12 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Key source of estimation uncertainty: Investment property

- Assumptions are made when calculating the fair value of the investment property in relation to the yields and comparable properties (see accounting policy 7)

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	31 December 2017 £	9 months ended 31 December 2016 £
Audit fees	5,000	12,000
Total	(5,000)	(12,000)

5. Interest payable and similar expenses

	31 December 2017 £	9 months ended 31 December 2016 £
Interest payable on loans from group undertakings	281,853	36,293
	281,853	36,293

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

6. Taxation

	31 December 2017 £	9 months ended 31 December 2016 £
Corporation tax		
Current tax on profits for the year	19,039	40,629
Adjustments in respect of previous periods	(3,019)	-
	<u>16,020</u>	<u>40,629</u>
Total current tax	<u>16,020</u>	<u>40,629</u>
Deferred tax		
Origination and reversal of timing differences	(96,398)	12,824
Changes to tax rates	-	(27,611)
Adjustment in respect to prior periods	-	(10,159)
Total deferred tax	<u>(96,398)</u>	<u>(24,946)</u>
Taxation on (loss)/profit on ordinary activities	<u>(80,378)</u>	<u>15,683</u>

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

6. Taxation (continued)

Factors affecting tax charge for the year/period

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

	31 December 2017 £	9 months ended 31 December 2016 £
(Loss)/profit on ordinary activities before tax	(374,288)	237,115
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(72,038)	47,423
Effects of:		
Straight line lease adjustment	35,041	4,856
Adjustments to tax charge in respect of prior periods - deferred tax	-	(27,611)
Group relief	(13,146)	-
Adjust closing deferred tax to average rate of 19.25%	(8,413)	-
Adjust opening deferred tax to average rate of 19.25%	21,152	-
Adjustments to tax charge in respect of previous periods	(3,019)	-
Adjust deferred tax to average rate	-	(10,757)
Indexation allowance	(39,955)	1,772
Total tax charge for the year/period	(80,378)	15,683

Factors that may affect future tax charges

The main rate of UK corporation tax has decrease from 20% to 19% from 1 April 2017. From 1 April 2020 this main rate of UK corporation tax will further decrease to 17% as substantively enacted on 6 September 2016. As this change has been substantively enacted before the reporting date, deferred tax has been recognised at 17% as at 31 December 2017. For further information on deferred tax balances see note 11.

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

7. Investment property

	Freehold investment property £
Valuation	
At 1 January 2017	5,316,679
Additions	112,068
Deficit on revaluation	(577,417)
Movement in lease straight line adjustment	182,032
At 31 December 2017	5,333,362

The company's investment property is valued annually on 31 December at fair value, determined by an independent, professionally, qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyor's Appraisal and Valuation Manual. Details on the assumptions made and the keys sources of estimation uncertainty are given in note 3.

The deficit on revaluation of investment property arising of £577,417 (Surplus 2016 - £3,834) has been charged to the income statement for the year.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2017 £	2016 £
Historic cost	4,536,132	4,424,064
	4,536,132	4,424,064

8. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	403,803	107,451
Prepayments and accrued income	240	-
	404,043	107,451

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

9. Creditors: Amounts falling due within one year

	2017 £	2016 £
Rents received on account	28,491	27,204
Corporation tax	19,039	79,164
Accruals and deferred income	318,149	36,293
	<u>365,679</u>	<u>142,661</u>

10. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Amounts owed to group undertakings	3,893,001	3,893,001
	<u>3,893,001</u>	<u>3,893,001</u>

11. Deferred taxation

	2017 £
At beginning of year	(160,057)
Charged to profit or loss	96,398
At end of year	<u>(63,659)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Fixed asset timing differences	(19,108)	(12,967)
Capital gains	(44,551)	(147,090)
	<u>(63,659)</u>	<u>(160,057)</u>

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

12. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
2 Ordinary Shares of £1 each shares of £1 each	2	2

13. Reserves

Revaluation reserve

The revaluation reserve represents amounts arising on revaluation of properties.

Other reserves

Capital contribution reserve relates to the amount of capital contributed by the parent company.

Retained earnings

Retained earnings represents cumulative profits net of dividends paid and other adjustments.

14. Receivables under operating leases

At 31 December 2017 the company had future minimum lease receivables under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	344,030	334,454
Later than 1 year and not later than 5 years	1,464,304	1,428,589
Later than 5 years	15,289,930	15,669,675
	17,098,264	17,432,718

15. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group.

Key management personnel

Key management personnel include all directors who together have authority and responsible for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company were £nil.

Cotman Residential Homes Limited

Notes to the financial statements For the year ended 31 December 2017

16. Controlling party

The company's immediate parent undertaking is Coniston Care Centre Limited, by virtue of its 100% shareholding.

The ultimate parent undertaking and controlling party is Griffin American Healthcare REIT III, Inc (A Maryland Corporation) which is registered in the United States of America.

The largest and smallest group of undertakings for which group financial statements will be drawn up is that headed by Griffin America Healthcare REIT III Inc (A Maryland Corporation). Copies of the group financial statements are available from Griffin American Healthcare REIT III, Inc (A Maryland Corporation) headquarters at 18191 Von Karman Ave, Irvine, CA 92612.