

Registered number: 07228658

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**BRUCHMEN NO.3 LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



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**BRUCHMEN NO.3 LIMITED**

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**COMPANY INFORMATION**

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|----------------------------|--|
| <b>Directors</b>           | Mr Mark H Filer<br>L.D.C. Corporate Director No. 3 Limited<br>L.D.C. Corporate Director No. 4 Limited                              |
| <b>Company secretary</b>   | Law Debenture Corporate Services Limited   |
| <b>Registered number</b>   | 07228658   |
| <b>Registered office</b>   | 8th Floor<br>100 Bishopsgate<br>London<br>EC2N 4AG   |
| <b>Independent auditor</b> | Carpenter Box<br>Chartered Accountants & Statutory Auditor<br>Amelia House<br>Crescent Road<br>Worthing<br>West Sussex<br>BN11 1RL |

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**BRUCHMEN NO.3 LIMITED**

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## BRUCHMEN NO.3 LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their report and the audited financial statements of Bruchmen No.3 Limited ("the company") for the year ended 31 December 2022.

#### Results and dividends

The loss for the year, after taxation, amounted to £4,296,097 (2021: loss £249,192).

The directors did not recommend the payment of dividend in the year (2021: £Nil).

#### Directors

The directors who served during the year, and up to the date of signing this report, were:

Mr Mark H Filer  
L.D.C. Corporate Director No. 3 Limited  
L.D.C. Corporate Director No. 4 Limited

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### Going concern

The directors have considered that the company has adequate resources to continue business for the foreseeable future, being a period of at least 12 months from the date of signing this report, and have therefore prepared the financial statements on a going concern basis. See note 2.2 for further information.

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**BRUCHMEN NO.3 LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Subsequent events**

In April 2023, the company's parent, LDC (Care Homes) BidCo Limited ("BidCo") entered into a facility agreement with HSBC Bank Plc ("HSBC") to borrow up to £60m. £13.8m was subsequently lent to the company who used them to partially repay the senior loan notes.

**Auditor**

The auditor, Carpenter Box, 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.



**Mark Filer for and on behalf of  
L.D.C. Corporate Director No. 3 Limited  
Director**

Date: 31 October 2023

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## BRUCHMEN NO.3 LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUCHMEN NO.3 LIMITED

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#### Opinion

We have audited the financial statements of Bruchmen No.3 Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Balance sheet, the 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 2022 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

The potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of any reference to a material uncertainty about the entity's ability to continue as a going concern cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

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**BRUCHMEN NO.3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUCHMEN NO.3 LIMITED (CONTINUED)**

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**Who we are reporting to**

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 auditors' 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.

**Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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 themselves. 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.

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**BRUCHMEN NO.3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUCHMEN NO.3 LIMITED (CONTINUED)**

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**Matter on which we are required to report under the Companies Act 2006**

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 Directors' report.

**Matters on which we are required to report by exception**

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.

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## BRUCHMEN NO.3 LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUCHMEN NO.3 LIMITED (CONTINUED)

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#### 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements and operations;
- Obtaining an understanding of the company's policies and procedures on fraud risks, including knowledge of any actual, suspected or alleged fraud; and
- Discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud through our knowledge and understanding of the company and our sector-specific experience.

As a result of these procedures, we considered the opportunities and incentives that may exist within the company for fraud. We are also required to perform specific procedures to respond to the risk of management override. As a result of performing the above, we identified the following areas as those most likely to have an impact on the financial statements: the valuation of investment properties, compliance with the UK Companies Act and compliance with the Landlord and Tenant Act.

In addition to the above, our procedures to respond to risks identified included the following:

- Making enquiries of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of the board and senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

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**BRUCHMEN NO.3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUCHMEN NO.3 LIMITED (CONTINUED)**

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**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.

*Carpenter Box*

Christopher Reeves ACA FCCA, Senior Statutory Auditor  
for and on behalf of Carpenter Box  
Statutory Auditor, Chartered Accountants, Worthing  
Carpenter Box is a trading name of Carpenter Box Limited  
Date: *31/10/23*

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**BRUCHMEN NO.3 LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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|  | Note | 2022<br>£                 | 2021<br>£               |
|--|------|---------------------------|-------------------------|
| Turnover                                   |      | 2,796,608                 | 2,658,080               |
| <b>Gross profit</b>                        |      | <u>2,796,608</u>          | <u>2,658,080</u>        |
| Administrative expenses                    | 4    | (1,986,770)               | (473,968)               |
| <b>Operating profit</b>                    |      | <u>809,838</u>            | 2,184,112               |
| Loss on revaluation of investment property |      | (2,760,123)               | -                       |
| Interest payable and similar expenses      |      | (2,457,025)               | (2,122,554)             |
| <b>(Loss)/profit before tax</b>            |      | <u>(4,407,310)</u>        | 61,558                  |
| Tax on (loss)/profit                       | 7    | 111,213                   | (310,750)               |
| <b>Loss for the year</b>                   |      | <u><u>(4,296,097)</u></u> | <u><u>(249,192)</u></u> |

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There were no recognised gains and losses for either the year to 31 December 2022 or to 31 December 2021 other than those included in the Statement of comprehensive income.

There was no other comprehensive income for the year to 31 December 2022 (2021: £Nil).

The notes on pages 11 to 19 form part of these financial statements.

**BRUCHMEN NO.3 LIMITED**  
**REGISTERED NUMBER: 07228658**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

|   | Note | 2022<br>£               | 2021<br>£               |
|---|------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                         |                         |
| Investment property                                     | 8    | 29,660,000              | 32,923,898              |
| <b>Current assets</b>                                   |      |                         |                         |
| Debtors: amounts falling due within one year            | 9    | 3,295,444               | 2,620,602               |
| Bank and cash balances                                  |      | 1,196,219               | 3,069,928               |
|   |      | <u>4,491,663</u>        | <u>5,690,530</u>        |
| Creditors: amounts falling due within one year          | 10   | (877,643)               | (1,005,010)             |
| <b>Net current assets</b>                               |      | <u>3,614,020</u>        | <u>4,685,520</u>        |
| <b>Total assets less current liabilities</b>            |      | <u>33,274,020</u>       | <u>37,609,418</u>       |
| Creditors: amounts falling due after more than one year | 10   | (30,202,207)            | (30,241,508)            |
| <b>Net assets</b>                                       |      | <u><u>3,071,813</u></u> | <u><u>7,367,910</u></u> |
| <b>Capital and reserves</b>                             |      |                         |                         |
| Called up share capital                                 | 12   | 4,984,333               | 4,984,333               |
| Profit and loss account                                 | 13   | (1,912,520)             | 2,383,577               |
| <b>Shareholder's funds</b>                              |      | <u><u>3,071,813</u></u> | <u><u>7,367,910</u></u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



Mark Filer for on and behalf of  
**L.D.C. Corporate Director No. 3 Limited**  
 Director

Date: 31 October 2023

The notes on pages 11 to 19 form part of these financial statements.

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**BRUCHMEN NO.3 LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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|  | Called up<br>share capital | Profit and<br>loss account | Shareholder's<br>funds |
|--|----------------------------|----------------------------|------------------------|
|  | £                          | £                          | £                      |
| <b>At 1 January 2021</b>                 | <b>4,984,333</b>           | <b>2,632,769</b>           | <b>7,617,102</b>       |
| <b>Comprehensive loss for the period</b> |                            |                            |                        |
| Profit for the period                    | -                          | (249,192)                  | (249,192)              |
| <b>At 1 January 2022</b>                 | <b>4,984,333</b>           | <b>2,383,577</b>           | <b>7,367,910</b>       |
| <b>Comprehensive loss for the year</b>   |                            |                            |                        |
| Loss for the year                        | -                          | (4,296,097)                | (4,296,097)            |
| <b>At 31 December 2022</b>               | <b>4,984,333</b>           | <b>(1,912,520)</b>         | <b>3,071,813</b>       |

The notes on pages 11 to 19 form part of these financial statements.

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## BRUCHMEN NO.3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1. General information

Bruchmen No.3 Limited ("the company") is a private company limited by shares and incorporated in England and Wales, registration number 07228658. Its registered head office is located at 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

The principal activity of the company continued to be collecting rent on care homes.

#### 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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The following principal accounting policies have been applied:

##### 2.2 Going concern

As at 31 December 2022, the company had net current assets of £3.6m (2021: £4.7m), and for the year ended 31 December 2022 the company had a loss before tax of £4.4m (2021: profit before tax of £0.1m). This has been taken into account by the directors when considering the going concern position of the company.

The directors have considered the company's forecasts and projections taking account of reasonable possible changes in trading performance and consider that the company has adequate resources to continue business for the foreseeable future. The creditors due within one year consists of amounts owed to group undertakings and accruals and deferred income as set out in note 10. The largest element of accruals and deferred income is accrued interest on amounts owed to group companies. Since the year end, the wider group has secured external finance of £60m from a high street bank, further demonstrating the viability of the business model and no covenant breaches have occurred or are anticipated. The financial viability of the company for at least 12 months from the date of approving these financial statements is dependent on the capitalisation of interest on loans from shareholders and these shareholders have confirmed their continued support in this regard for at least this period. The directors are satisfied with the reasonableness of the financial projections prepared to 31 December 2024.

The most significant risk to the company is that of tenants falling into default on their rental payments, leaving the company unable to meet its liabilities as they fall due. Since the invasion of Ukraine in 2022, and the sanctioning of a major oil producing nation, there have been inflationary pressures and a resulting increase in the cost of living throughout Europe and the United Kingdom, known as the "cost of living crisis". In an effort to control inflation, the Bank of England has increased rates from historic lows in 2021 to 5.25% as at the date of signing this report. As a result, it has become more expensive for tenants to run the care homes through high staffing, heating and related costs. Tenants have however been able to pass these increases onto the residents through higher fees, ensuring that they can continue to pay the rent as it falls due, which has a cap on any uplifts.

A number of the investment properties held by the company are leased to an operator who is not paying rent. The leases on these properties are expected to be transferred to a new operator within 12 months of signing these financial statements.

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**BRUCHMEN NO.3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

Whilst COVID-19 still remains, the directors are satisfied that the ongoing impacts are now more certain and are limited for the company. There has been no impact on the activities of the company by the restrictions that have been in place.

In light of the above, the directors have concluded that there is no material uncertainty in relation to the going concern status of the company and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**2.3 Turnover**

All rents received were fixed as defined by the respective leases for the homes.

Turnover arises entirely within the United Kingdom.

**2.4 Investment property**

Investment properties are valued at fair value, being open market value. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

A professional valuation dated 20 January 2023 was made available to the company following the company's parent, LDC (Care Homes) BidCo Limited ("BidCo"), entering into a facility agreement with HSBC in April 2023. The directors carried out a detailed review of the property portfolios and are satisfied that the assumptions on which the valuation report has been prepared are fair and reasonable and have adopted the valuations in preparing these financial statements. Properties are valued at identified market value, unless they are vacant and held at vacant possession value.

The value of investment properties at the previous year end were derived by the directors following a detailed review of the property portfolios. The directors assessed the value of the home by reference to rental income for the property and the robustness of the profitability levels for the home.

**2.5 Debtors**

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

**2.6 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**2.7 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities. These consist of debtors due from group companies and trade creditors and loans and accrued interest due to banks. Creditors due within one year are measured at transaction price. Debtors are measured at transaction price less any impairment. Loans receivable and payable due after one year are recognised on an amortised cost basis.

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.

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**BRUCHMEN NO.3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

**2.8 Creditors**

Short term creditors are measured at the transaction price.

**2.9 Finance costs**

Finance costs are charged to profit or loss 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.

**2.10 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.11 Taxation**

Tax is recognised in profit or loss 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**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date.

Timing differences arising from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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## BRUCHMEN NO.3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Judgements in applying accounting policies 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

In April 2023, LDC (Care Homes) Bidco Limited ("Bidco") entered into a term loan facility agreement (the "Facility") with HSBC UK Bank Plc ("HSBC") to borrow up to £60,000,000. As part of the Facility arrangements HSBC engaged Cushman & Wakefield (the "Independent Valuer") to value the portfolio of care homes held by the subsidiaries of LDC (Care Homes) Bidco Limited. The Independent Valuer has valued each property at both Market Value and Vacant Possession Value in accordance with definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Global Standard 2020 (commonly known as the "Red Book"). The valuation is based upon assumptions including future rental income and the appropriate capitalisation rate. In establishing the capitalisation rate, the Independent Valuer refers to market evidence of transaction prices for similar properties.

The valuation report provided by the Independent Valuer for HSBC is dated 20 January 2023 and has been made available to the company. The directors are satisfied that the assumptions on which the valuation report has been prepared are fair and reasonable and have chosen to adopt the valuations in preparing these financial statements.

In the prior year a professional valuation was not obtained and the directors instead considered the valuation of the investment properties in light of the rental streams from those homes at the time of the assessment, discounted as necessary to take account of any uncertainty over the financial viability of the tenant companies. Where the investment property was being marketed by the agent, the guide price had been used for the valuation.

#### Corporation tax charge

For corporation tax purposes, the group of which the company is a part is subject to a number of restrictions on its interest deductibility.

The level of interest allowable is calculated by the company's tax advisors following a detailed review of the company's accounting records each year.

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**BRUCHMEN NO.3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**4. Administrative expenses**

Included within administrative expenses are bad debts arising from the non-payment of rent on the company's properties of £764,288 (2021: £187,460) and a provision of £932,500 in respect of advances made to the operator of one of the company's care homes (2021: £nil).

Furthermore, included with administrative expenses is £nil which relate to the costs of placing the company's former tenants into administration and transitioning the investment properties to new operators (2021: credit of £8,487).

**5. Auditor's remuneration**

Fees payable to the company's auditor for the audit of the company's annual financial statements totalled £9,393 (2021: £6,176).

**6. Directors' remuneration**

|   | 2022<br>£     | 2021<br>£    |
|---|---------------|--------------|
| Amounts paid to third parties in respect of directors' services | <u>11,429</u> | <u>9,235</u> |

There were no employees in the current year or comparative period.

**7. Tax on (loss)/profit**

|   | 2022<br>£        | 2021<br>£      |
|---|------------------|----------------|
| <b>Corporation tax</b>                                  |                  |                |
| Current tax on profits for the year                     | (111,213)        | 310,750        |
| <b>Total current tax</b>                                | <u>(111,213)</u> | <u>310,750</u> |
| <b>Taxation on (loss)/profit on ordinary activities</b> | <u>(111,213)</u> | <u>310,750</u> |

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**BRUCHMEN NO.3 LIMITED**

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**7. Tax on (loss)/profit (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021: *higher than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

|  | 2022<br>£          | 2021<br>£      |
|--|--------------------|----------------|
| (Loss)/profit on ordinary activities before tax  | <u>(4,407,310)</u> | <u>61,558</u>  |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%) | (837,389)          | 11,696         |
| <b>Effects of:</b>   |                    |                |
| Adjustments to interest  | 403,797            | 299,054        |
| Property valuation adjustment  | 524,423            | -              |
| Group relief   | (90,832)           | -              |
| Over/under provision of prior year tax charge  | (111,212)          | -              |
| <b>Total tax charge for the year</b>   | <u>(111,213)</u>   | <u>310,750</u> |

**Factors that may affect future tax charges**

The adjustment to interest is in respect of the disallowance of part of the interest charge due to the restriction of interest to the *de-minimis quantum* allowed in calculating the corporation tax charge (2021: *de-minimis quantum*).

**8. Investment property**

|                            | Freehold<br>investment<br>property<br>£ |
|----------------------------|---|
| <b>Valuation</b>           |   |
| At 1 January 2022          | 32,923,898                              |
| Additions                  | 364,225                                 |
| Disposals                  | (850,000)                               |
| Revaluation deficit        | (2,778,123)                             |
| <b>At 31 December 2022</b> | <u>29,660,000</u>                       |

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**8. Investment property (continued)**

An external valuation was carried out by Cushman & Wakefield (the "Independent Valuer") on 20 January 2023 and the directors are satisfied that the assumptions on which the valuation report has been prepared are fair and reasonable and have chosen to adopt the valuations in preparing these financial statements, as set out in note 2.7.

The historic cost of the freehold property was £25,615,225 (2021: £25,769,000).

**9. Debtors: amounts falling due within one year**

|                                    | 2022<br>£        | 2021<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 187,146          | 100,988          |
| Prepayments                        | -                | 9,820            |
| Corporation tax recoverable        | 61,743           | -                |
| Amounts owed by group undertakings | 3,046,555        | 2,509,794        |
|                                    | <u>3,295,444</u> | <u>2,620,602</u> |

The amounts owed by group undertakings due within one year are unsecured, interest free and repayable on demand. Whilst the classification as current assets reflects the contractual nature of the loans, the company does not seek repayment of these loans until the group undertaking is financially able to do so. This may be more than 12 months from the reporting date, as part of the company's ongoing financial support of its group undertakings.

**10. Creditors: amounts falling due within one year**

|                              | 2022<br>£      | 2021<br>£        |
|------------------------------|----------------|------------------|
| Corporation tax              | -              | 310,751          |
| Accruals and deferred income | 877,643        | 694,259          |
|                              | <u>877,643</u> | <u>1,005,010</u> |

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**11. Creditors: amounts falling due after more than one year**

|   | 2022<br>£         | 2021<br>£         |
|---|-------------------|-------------------|
| <b>Amounts falling due between one and five years</b> |                   |                   |
| Amounts owed to group undertakings                    | 30,202,207        | -                 |
| <b>Amounts falling due after more than five years</b> |                   |                   |
| Amounts owed to group undertakings                    | -                 | 30,241,508        |
|   | <u>30,202,207</u> | <u>30,241,508</u> |

The intercompany debt consists of £18,850,516 (2021: £18,856,775) of Senior loan notes and Junior loan notes of £11,351,691 (2021: £11,384,733). During the year, the maturity dates for the Senior loan notes were extended from 8 April 2022 to 8 April 2027 and the Junior notes were extended from 13 October 2022 to 13 October 2027.

The borrowings of the parent companies (and other group companies) are secured by a charge over the investment properties of the company.

**12. Called up share capital**

|   | 2022<br>£ | 2021<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b>                 |           |           |
| 4,984,333 (2021: 4,984,333) Ordinary shares of £1.00 each | 4,984,333 | 4,984,333 |

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

**13. Capital and reserves**

The company's capital and reserves are as follows:

**Called up share capital**

Called up share capital represents the nominal value of shares issued.

**Profit and loss account**

The profit and loss account represents cumulative profits, losses and total other comprehensive income made by the company, including distributions to, and contributions from, the parent company. Included in the profit and loss account is a non-distributable amount of £7,089,177 (December 2021: £10,436,194).

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**14. Ultimate parent undertakings and controlling party**

The immediate parent company is LDC (Care Homes) Bidco Limited, a company registered in the United Kingdom. Its registered office is 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

The ultimate parent company is LDC (Nursing Homes) Holdco Limited, a company registered in Jersey. Its registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX.

**15. Contingent liabilities**

As part of the transition of the care homes to new operators in 2020, the company committed to providing funding to the new operators on the occurrence of certain events, for example, capital expenditure being invested into the care homes.

The contingent liability for the company as at 31 December 2022 in respect of this funding was £672,224 (2021: £1,238,109).

**16. Subsequent events**

In April 2023, the company's parent, LDC (Care Homes) BidCo Limited ("BidCo") entered into a facility agreement with HSBC Bank Plc ("HSBC") to borrow up to £60m. £13.8m was subsequently lent to the company who used them to partially repay the senior loan notes.