Financial Statements

Bruchmen No. 5 Limited

For the year ended 30 June 2017

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COMPANIES HOUSE

Registered number: 07228696

Company Information

Directors	Mr Ian K Bowden (resigned 17 July 2017) L.D.C. Corporate Director No. 3 Limited L.D.C. Corporate Director No. 4 Limited Mark H Filer (appointed 17 July 2017)
Company secretary	Law Debenture Corporate Services Limited
Registered number	07228696
Registered office	100 Wood Street London EC2V 7EX

Contents

Directors' report

For the year ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Results and dividends

The loss for the year, after taxation, amounted to £398,449 (2016: loss £27,154).

Dividends of £Nil were paid during the year (2016: £357,155).

Directors

The directors who served during the year were:

Mr Ian K Bowden (resigned 17 July 2017)
L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
Mark H Filer (appointed 17 July 2017)

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Directors' report (continued)

For the year ended 30 June 2017

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

The auditor, MHA 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 FULER

L.D.C. Corporate Director No. 3 Limited
Director

Date: 16 APRIL 2018

Independent Auditors' Report to the Members of Bruchmen No. 5 Limited

Opinion

We have audited the financial statements of Bruchmen No. 5 Limited for the year ended 30 June 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 30 June 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

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.

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.

Independent Auditors' Report to the Members of Bruchmen No. 5 Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 - 2, other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report by 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.

Independent Auditors' Report to the Members of Bruchmen No. 5 Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 1, 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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' report.

MHA Carpenter Box

Eileen Houghton ACA
Senior Statutory Auditor
for and on behalf of MHA Carpenter Box
Statutory Auditor, Chartered Accountants
Worthing
Date: 17/4/2018

Statement of comprehensive income

For the year ended 30 June 2017

	Note	2017 £	2016 £
Turnover		**114,835**	122,857
Gross profit		**114,835**	122,857
Administrative expenses		**(30,945)**	(39,622)
Operating profit		**83,890**	83,235
Fair value gains and losses on investment properties		**(355,990)**	-
Interest receivable and similar income		**2**	2
Interest payable and expenses		**(117,279)**	(102,815)
Loss before tax		**(389,377)**	(19,578)
Tax on loss	6	**(9,072)**	(7,576)
Loss for the year		**(398,449)**	(27,154)
Other comprehensive income for the year			
Total comprehensive income for the year		**(398,449)**	(27,154)

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

There were no other recognised gains or losses for the current and proceeding financial years other than as stated in the Statement of comprehensive income. There was no other comprehensive income for 2017 (2016: £Nil).

The notes on pages 9 to 15 form part of these financial statements.

Bruchmen No. 5 Limited
Registered number:07228696

Balance sheet
As at 30 June 2017

	Note		2017 £		2016 £
Fixed assets					
Investment property	8		**1,475,510**		1,831,500
			1,475,510		1,831,500
Current assets					
Debtors: amounts falling due within one year	9	-		1,419	
Cash at bank and in hand	10	**64,365**		1,083	
		64,365		2,502	
Creditors: amounts falling due within one year	11	**(167,332)**		(103,205)	
Net current liabilities			**(102,967)**		(100,703)
Total assets less current liabilities			**1,372,543**		1,730,797
Creditors: amounts falling due after more than one year	12		**(1,610,107)**		(1,569,912)
Net (liabilities)/assets			**(237,564)**		160,885
Capital and reserves					
Called up share capital	15		**278,202**		278,202
Profit and loss account	14		**(515,766)**		(117,317)
			(237,564)		160,885

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
L.D.C. Corporate Director No. 3 Limited
Director

Date: 16 APRIL 2018

The notes on pages 9 to 16 form part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2016	278,202	(117,317)	160,885
Loss for the year	-	(398,449)	(398,449)
At 30 June 2017	278,202	(515,766)	(237,564)

Statement of changes in equity
For the year ended 30 June 2016

	Called up share capital	Non-distributable reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2015	1	(952,500)	952,500	379,790	379,791
Comprehensive income for the year					
Loss for the year	-	-	-	(27,154)	(27,154)
Total comprehensive income for the year	-	-	-	(27,154)	(27,154)
Dividends: Equity capital	-	-	-	(357,155)	(357,155)
Shares issued during the year	278,201	-	-	-	278,201
Realisation of the other reserves (see note 2.13)	-	952,500	(839,702)	(112,798)	-
Other reserves movement (see note 2.13)	-	-	(112,798)	-	(112,798)
At 30 June 2016	278,202	-	-	(117,317)	160,885

The notes on pages 9 to 16 form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2017

1. General information

Bruchmen No.5 Limited is a private company limited by shares and incorporated in England and Wales. Registered number 07228696. Its registered head office is located at 100 Wood Street, London, EC2V 7EX.

The principal activity of Bruchmen No.5 Limited continued to be collecting rent on nursing 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

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 £.

The following principal accounting policies have been applied:

2.2 Going concern

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, despite the net current liabilities and overall net liabilities position. The creditors due within one year consists of accruals and deferred income, corporation tax and amounts owed to group companies as set out in note 11. Accruals and deferred income is the largest element and consists mainly of accrued interest on amounts owed to group companies and deferred income on rent paid in advance.

As referred to in note 3 Four Seasons, who are the tenant for the property owned by Bruchmen No.5 Limited, on 17 October 2017 announced they may seek a rebasing of certain of the leasehold rents to market. At the time of signing the financial statements the directors had not received any communication from Four Seasons as to whether they are seeking a reduction in rent on any of the properties leased by them from Bruchmen No.5 Limited and it was not known whether Four Seasons still intends to seek a rent rebasing on certain properties or whether these properties include the property leased from Bruchmen No.5 Limited. If any such rebasing was agreed this would result in reduced rent and would also adversely impact on the property values if this resulted in a reduction in excess of the 5% provision already applied as referred to in note 3.

In the event that there is insufficient funds to meet payment of interest or other obligations, the group companies have advised they are committed to providing ongoing support. The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements
For the year ended 30 June 2017

2. Accounting policies (continued)

2.3 Turnover

Bruchmen No. 5 is one of 6 companies in a group which owns 61 nursing homes of which 51 were tenanted under a variable rent agreement until 31 December 2016 by which the rent was calculated based on the tenants combined operating profit before rent of all 51 homes. This was then apportioned to the 6 companies based on the tenants combined operating profit before rent for the homes owned by each company. The tenancy agreement provided for on account quarterly payments as a proportion of the rent calculated on the budgeted operating profit for each calendar year and a true up adjustment which was calculated on the full year actual operating profit before rent. From 1 January 2017 the rent agreement changed to fixed rent. The method of apportionment of fixed rental income is detailed in note 3.

2.4 Investment property

Investment properties are valued at fair value, being open market value. A professional valuation was not obtained in respect of values as at 30 June 2017. The directors have assessed the value by reference to the rental income for each property and discounted where necessary to take account of future uncertainty over rental income. Details of the judgments and estimations used in the valuations are detailed at note 3.

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 instruments 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.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured at amortised cost using the effective interest method.

2.9 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.

Notes to the financial statements

For the year ended 30 June 2017

2. Accounting policies (continued)

2.10 Dividends

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

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 Taxation

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 balance sheet date in the countries where the company operates and generates income.

The First Tier Tribunal ruled in favour of HMRC in respect of a case where a taxpayer had claimed group relief from a company in receivership and HMRC had challenged the availability of that group relief. This decision is currently under appeal. Bruchmen No. 5 Limited has historically made various claims for group relief from companies in Administration that may be affected by this case and intends to make further claims in respect of this period. Whilst the decision remains subject to appeal and the facts behind the case are different from the circumstances in which Bruchmen No. 5 Limited has claimed group relief, the directors are of the opinion that it is prudent to provide for any corporation tax liability in respect of amounts sheltered through group relief in the financial statements. Full payments was made for the tax losses in June 2015 which was reflected within the corporation tax charge in the profit and loss account and accordingly no adjustment is required to the profit and loss figures.

2.13 Other reserves

The properties were originally acquired from the company's holding company prior to the sale of shares in this company on 4 October 2015. The purchase price for the properties less £1 was met by an intercompany loan with the vendor. The sale purchase agreement provided that in the event of the sale of the shares in the company the value of the intercompany loan would adjust to the agreed valuation of the properties owned by the company. The other reserves movements and realisation movement to loss reserves in the year ended 30 June 2016, reflect the adjustments required under the sale and purchase agreement in relation to the property revaluations and the subsequent sale of shares.

Notes to the financial statements

For the year ended 30 June 2017

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

Preparation of the financial statements require management to make significant judgements and estimates. The items in the financial statements where judgments and estimates have been made include:

Turnover (note 2.3)

Valuations (note 2.4)

Taxation (note 2.12 and 6)

In relation to turnover, as set out on note 2.3, in the year to 30 June 2016 and for the 6 months to 31 December 2016 rent was apportioned between 6 group companies based on EBITDAR for the tenanted homes in accordance with the terms of the rent agreement applying to 31 December 2016. From 1 January 2017 the rent was changed to a total fixed rent for all homes and with inflationary increases each year. The master lease does not specify how this fixed rent should be apportioned between homes, so the directors have allocated the split to be in line with the original apportionment basis at inception of the lease, being the weighting of EBITDAR across the homes from 2011. The rent has been invoiced on this basis for periods from 1 January 2017. Accordingly, the directors are of the view that there has been no change in the accounting policy for the apportionment of rent between the group companies and that a prior year adjustment is not required.

In relation to investment property valuations, as explained in note 2.4, the property values are based on current rental yields. This is consistent with previous professional valuations. At 30 June 2016 those rents were linked to the underlying home EBITDAR whilst at 30 June 2017 the rents are fixed. The change to fixed rent has resulted in an adjustment to individual property values, however the accounting policy is consistent and accordingly the directors are of the view that a prior year adjustment is not required.

The property owned by Bruchmen No.5 Limited is tenanted by Companies which are part of Four Seasons Health Care. On 17 October 2017 Four Seasons Health Care High Yield Bond Group announced its intention to launch financial creditor and leasehold estate restructuring. This included a proposed rebasing of certain of the leasehold rents to market. At the time of signing the financial statements the directors had not received any communication from Four Seasons as to whether they are seeking a reduction in rent on any of the properties leased by them from Bruchmen No.5 Limited and it was not known whether Four Seasons still intends to seek a rent rebasing on certain properties or whether these properties include the property leased from Bruchmen No.5 Limited.

The investment property values are based on the current rental income of the properties and therefore any reduction in rent would be likely to adversely impact on the value of the properties. Accordingly, the directors have applied a 5% reduction to the calculated values for all properties tenanted by Four Seasons.

4. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**4,067**	3,700

Notes to the financial statements

For the year ended 30 June 2017

5. Directors' remuneration

	2017	2016
	£	£
Amounts paid to third parties in respect of directors' services	**6,375**	1,058

6. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	**9,072**	7,576
Total current tax	9,072	7,576
Taxation on profit on ordinary activities	9,072	7,576

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	2017	2016
	£	£
Loss on ordinary activities before tax	**(389,377)**	(19,578)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	**(76,902)**	(3,916)
Effects of:		
Property valuation adjustment	**70,308**	-
Adjustment to interest	**15,666**	11,492
Total tax charge for the year	9,072	7,576

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 thin capitalisation to 31 March 2016 and from 1 April 2017 the restriction of interest to 30% of total earnings before interest, taxes, depreciation and amortisation.

Notes to the financial statements
For the year ended 30 June 2017

7. Dividends

	2017	2016
	£	£
Equity dividends paid	-	357,155

The directors note that the dividends for the year to 30 June 2016 were declared and paid prior to the re-organisation in October 2015 when sufficient reserves were available for the distribution. The subsequent negative profit & loss reserves all arose since re-organisation.

8. Investment property

	Freehold investment property
	£
Valuation	
At 1 July 2016	1,831,500
Movement in valuation reserves	(355,990)
At 30 June 2017	1,475,510

The last external valuation was in August 2015 and the directors have re-assessed this valuation as at 30 June 2017 as set out in note 2.4 above.

The historic cost of the freehold property was £2,784,000 (2016: £2,784,000).

9. Debtors

	2017	2016
	£	£
Trade debtors	-	1,419

10. Cash

	2017	2016
	£	£
Cash at bank	64,365	1,083

Notes to the financial statements
For the year ended 30 June 2017

11. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	97,300	51,763
Corporation tax	11,221	9,573
Accruals and deferred income	58,811	41,869
	167,332	103,205

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

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

	2017	2016
	£	£
Amounts owed to group undertakings	1,610,107	1,569,912

The intercompany debt consists of £1,007,325 (2016: £1,007,325) of Senior loan notes with a repayment date of 8 April 2022 and Junior notes of £602,782 (2016: £562,587) with a repayment date of 13 October 2022.

13. Financial instruments

	2017	2016
	£	£
Financial assets		
Financial assets measured at amortised cost	64,365	2,502
Financial liabilities		
Financial liabilities measured at amortised cost	(1,707,407)	(1,621,675)

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

Financial liabilities measured at amortised cost comprise trade creditors and amounts owed to group undertakings.

14. Profit & loss account

Included in the profit and loss account is a non-distributable amount of £(355,990).

Notes to the financial statements

For the year ended 30 June 2017

15. Share capital

	2017	2016
	£	£
Shares classified as equity		
Authorised, allotted, called up and fully paid		
278,202 Ordinary shares of £1 each	**278,202**	278,202

On 21 December 2015, the company issued 278,201 Ordinary shares of £1 each.

16. Ultimate parent undertaking and controlling party

The ultimate parent company is LDC (Nursing Homes) Holdco Limited, a company registered in Jersey.