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Registered number: 07228696

BRUCHMEN NO. 5 LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**



BRUCHMEN NO. 5 LIMITED

COMPANY INFORMATION

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

BRUCHMEN NO. 5 LIMITED

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BRUCHMEN NO. 5 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

Results and dividends

The loss for the year, after taxation, amounted to £14,578 (2017: loss £398,449).

Dividends of £Nil were paid during the year (2017: £Nil).

Directors

The directors who served during the year were:

Mark H Filer (appointed 17 July 2017)
L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
Mr Ian K Bowden (resigned 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BRUCHMEN NO. 5 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

Auditors

The auditors, 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 Filer

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

Date: 28 MARCH 2019

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 2018, 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 2018 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 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, 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.

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.

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.

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.

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.

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. This description forms part of our Auditors' report.



Christopher Reeves FCCA
Senior Statutory Auditor
for and on behalf of MHA Carpenter Box
Statutory Auditor, Chartered Accountants
Worthing
Date: 29/3/2019

BRUCHMEN NO. 5 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 £	2017 £
Turnover		125,722	114,835
Gross profit		<u>125,722</u>	<u>114,835</u>
Administrative expenses		(13,970)	(30,945)
Operating profit		<u>111,752</u>	<u>83,890</u>
Fair value gains and losses on investment properties		-	(355,990)
Interest receivable and similar income		-	2
Interest payable and expenses		(116,331)	(117,279)
Loss before tax		<u>(4,579)</u>	<u>(389,377)</u>
Tax on loss	6	(9,999)	(9,072)
Loss for the year		<u><u>(14,578)</u></u>	<u><u>(398,449)</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 2018 or 2017 other than those included in the Statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £Nil).

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

BRUCHMEN NO. 5 LIMITED
REGISTERED NUMBER: 07228696

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed assets			
Investment property	7	1,475,510	1,475,510
		<u>1,475,510</u>	<u>1,475,510</u>
Current assets			
Debtors: amounts falling due within one year	8	32,047	-
Cash at bank and in hand	9	33,575	64,365
		<u>65,622</u>	<u>64,365</u>
Creditors: amounts falling due within one year	10	(183,167)	(167,332)
Net current liabilities		<u>(117,545)</u>	<u>(102,967)</u>
Total assets less current liabilities		<u>1,357,965</u>	<u>1,372,543</u>
Creditors: amounts falling due after more than one year	11	(1,610,107)	(1,610,107)
Net liabilities		<u>(252,142)</u>	<u>(237,564)</u>
Capital and reserves			
Called up share capital	14	278,202	278,202
Profit and loss account	13	(530,344)	(515,766)
		<u>(252,142)</u>	<u>(237,564)</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**
L.D.C. Corporate Director No. 3 Limited
 Director

Date: **28 MARCH 2019**

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

BRUCHMEN NO. 5 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2017	278,202	(515,766)	(237,564)
Loss for the year	-	(14,578)	(14,578)
At 30 June 2018	278,202	(530,344)	(252,142)

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
Comprehensive income for the year			
Loss for the year	-	(398,449)	(398,449)
Total comprehensive income for the year	-	(398,449)	(398,449)
At 30 June 2017	278,202	(515,766)	(237,564)

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

BRUCHMEN NO. 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Bruchmen No.5 Limited is a private company limited by shares and incorporated in England and Wales, Registration 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 judgement 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 10. 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.

The directors are aware that marketing of the Four Seasons Group commenced in the early part of 2019. At the date of the signing of the accounts, the results of this process were not known. The directors feel the company is well placed to deal with any impact this may have on the tenancy of the investment property and as such, the directors consider that there are no grounds for not adopting the going concern basis of accounting when considering the impact on the Company of this process.

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.

BRUCHMEN NO. 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.3 Turnover

Bruchmen No. 5 Limited 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 2018. 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 judgements 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.

BRUCHMEN NO. 5 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.10 Interest income

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

2.11 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 tax affairs of the company are currently under enquiry by HMRC. Whilst the company is corresponding with HMRC to address their enquiries and facilitate the conclusion of these, the directors are of the opinion that it is prudent to provide for the additional corporation tax which may become due based on correspondence to date.

BRUCHMEN NO. 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 judgements and estimates have been made include:

Turnover (note 2.3)

Valuations (note 2.4)

Taxation (note 2.11 and 6)

In relation to turnover, as set out on note 2.3, in 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.

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 and the same methodology was adopted for the valuations at both 30 June 2017 and 30 June 2018.

All of the properties owned by Bruchmen No.5 Limited are 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. At the time of signing the financial statements, the financial creditor restructuring had not been concluded and no indication had been given as to whether the leasehold estate restructuring was still going to be undertaken.

The initial leasehold estate restructuring plan 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.

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 when considering the reasonableness of the valuations as at both 30 June 2017 and 30 June 2018.

4. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	508	8,264

BRUCHMEN NO. 5 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. Directors' remuneration

	2018 £	2017 £
Amounts paid to third parties in respect of directors' services	<u>7,222</u>	<u>6,375</u>

There were no employees in the current or comparative period.

6. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	<u>9,999</u>	<u>9,072</u>
	<u>9,999</u>	<u>9,072</u>
Total current tax	<u>9,999</u>	<u>9,072</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(4,579)</u>	<u>(389,377)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(870)	(76,902)
Effects of:		
Property valuation adjustment	-	70,308
Adjustment to interest	15,733	15,666
Group relief available	(4,864)	-
Total tax charge for the year	<u>9,999</u>	<u>9,072</u>

BRUCHMEN NO. 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. Taxation (continued)

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.

7. Investment property

	Freehold investment property £
Valuation	
At 1 July 2017	1,475,510
At 30 June 2018	<u>1,475,510</u>

The last external valuation was in August 2015 and the directors have re-assessed this valuation as at 30 June 2018 as set out in note 2.4.

The historic cost of the freehold property was £2,784,000 (2017: £2,784,000).

8. Debtors

	2018 £	2017 £
Trade debtors	<u>32,047</u>	<u>-</u>

9. Cash

	2018 £	2017 £
Cash at bank	<u>33,575</u>	<u>64,365</u>

BRUCHMEN NO. 5 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Amounts owed to group undertakings	111,084	97,300
Corporation tax	12,655	11,221
Accruals and deferred income	59,428	58,811
	183,167	167,332

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

	2018	2017
	£	£
Amounts owed to group undertakings	1,610,107	1,610,107

The intercompany debt consists of £1,007,325 (2017: £1,007,325) of Senior loan notes with a repayment date of 8 April 2022 and Junior notes of £602,782 (2017: £602,782) with a repayment date of 13 October 2022.

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

12. Financial instruments

	2018	2017
	£	£
Financial assets		
Financial assets measured at amortised cost	32,047	-
Financial liabilities		
Financial liabilities measured at amortised cost	(1,721,191)	(1,707,407)

Financial assets measured at amortised cost comprise trade debtors.

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

BRUCHMEN NO. 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. Reserves

Profit & loss account

Included in the profit and loss account is a non-distributable amount of £355,990 (2017: £355,990).

14. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
278,202 (2017 - 278,202) Ordinary shares of £1.00 each	<u>278,202</u>	<u>278,202</u>

15. Ultimate parent undertaking and controlling party

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