

PORTHAVEN PROPERTIES NO 2 LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017



Registered No. 08167504

PORTHAVEN PROPERTIES NO 2 LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

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PORTHAVEN PROPERTIES NO 2 LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

Principal activity

Porthaven Properties No 2 Limited (the "Company" or "PPL2") is principally involved in the development of care homes within the United Kingdom through the acquisition of land with planning permission and the design and construction thereon of care homes using third party professionals and contractors. Completed care homes are leased on 30 year leases to Porthaven Care Homes No 2 Limited, the Company's wholly-owned subsidiary entity.

Results and dividends

The profit for the year before taxation amounted to £17,985,692 (2016: £3,926,372). The directors have not recommended a dividend.

Directors

The directors during the year and to the date of these accounts were as follows:

S T Kime
N M Morgan
R F Sharratt
J Storey
A D Thorne

(Resigned 12 October 2016)

PORTHAVEN PROPERTIES NO 2 LIMITED

DIRECTORS' REPORT

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 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.

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.

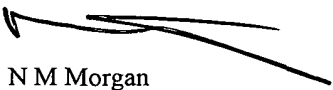
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

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

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

On behalf of the Board



N M Morgan
Director
22 June 2017

PORTHAVEN PROPERTIES NO 2 LIMITED

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORTHAVEN PROPERTIES NO 2 LIMITED

We have audited the financial statements of Porthaven Properties No 2 Limited for the year ended 31 March 2017 which comprise the principal accounting policies, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement as set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken during 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.

PORTHAVEN PROPERTIES NO 2 LIMITED

INDEPENDENT AUDITOR'S REPORT

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 where 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.



Philip Westerman

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
London

27/6 2017

PORTHAVEN PROPERTIES NO 2 LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment property, and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. There were no material departures from that standard.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements are presented in Sterling (£).

The principal accounting policies adopted in the period are set out below.

Going concern

The financial statements have been prepared on a going concern basis. The Company is dependent upon the continued financial support of its parent undertaking, which has been assured. The Company is part of a group which has a detailed business plan to which the shareholders have committed significant funds. The directors have no reason to believe that the parent undertaking will not be able to execute its business plan and pay its indebtedness to its subsidiaries as and when due. The accounts do not contain any adjustments that would be necessary should this basis not be appropriate. The directors therefore believe that it is appropriate to prepare the accounts on a going concern basis.

Turnover

Turnover represents the rent charged at an arm’s length basis to the Company’s 100% owned subsidiaries and will be recognised in the period to which it relates.

Investment property

Investment property is carried at fair value and revaluation surpluses or losses are recognised in the Income Statement. Deferred taxation is provided on the gains at the rate expected to apply when the property is sold.

Investments in subsidiaries

Investments in subsidiaries are included at cost less amounts written off. Profits or losses arising from disposals of investments in subsidiaries are recognised in the Statement of Comprehensive Income.

Financial Instruments

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

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income.

Financial assets and financial liabilities, including derivative financial instruments, are carried at fair value in the Statement of Financial Position with any changes in fair value recognised in the Income Statement.

PORTHAVEN PROPERTIES NO 2 LIMITED

PRINCIPAL ACCOUNTING POLICIES

Creditors

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

Borrowings

Bank loans are initially recognised in the Statement of Financial Position at cost net of transaction costs incurred at the time of arranging the loan. The transaction costs associated with the bank loans are amortised over the term of the loan. The transaction costs of loan notes, issued to other group companies but then used to provide financing to PPL2, are amortised over a period of up to 8 years which is in line with the directors' initial business plan.

All borrowings are classified as either current or long term liabilities, as appropriate, based on the repayment terms.

Tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Statement of Cash Flows

The directors have taken advantage of the exemption in FRS 102 from including a Statement of Cash Flows in the Financial Statements on the grounds that the Company is a wholly owned subsidiary and its ultimate parent undertaking publishes a Consolidated Statement of Cash Flows.

Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The items in the financial statements where these judgements have been made include the valuation of freehold property, the expected useful lives of property, plant and equipment and the recognition or otherwise of deferred tax assets. Actual results may differ from these estimates.

The key management personnel are considered to be the directors of the ultimate parent, the ultimate parent undertaking publishes details of their remuneration.

PORTHAVEN PROPERTIES NO 2 LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	2	1,377,142	884,811
Fair value adjustments on investment properties		18,045,530	5,096,780
Administrative expenses		<u>(316,430)</u>	<u>(195,085)</u>
Operating profit	3	19,106,242	5,786,506
Net interest payable and other similar charges	4	(1,120,550)	(1,035,089)
Profit for the year before taxation		<u>17,985,692</u>	<u>4,751,417</u>
Tax on profit	5	(1,596,353)	(825,045)
Profit for the year		<u>16,389,339</u>	<u>3,926,372</u>
Other comprehensive income		-	-
Total comprehensive income		<u>16,389,339</u>	<u>3,926,372</u>

All transactions arise from continuing operations.

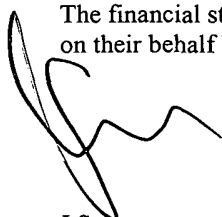
The accompanying notes on pages 10 to 15 form an integral part of these financial statements.

PORTHAVEN PROPERTIES NO 2 LIMITED**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Investment Property	6	86,873,199	51,993,010
Property, plant and equipment	7	33,226	58,821
Investments	8	100	100
		<u>86,906,525</u>	<u>52,051,931</u>
Current assets			
Debtors	9	26,950,211	2,492,204
Cash at bank and in hand		592,375	654,570
		<u>27,542,586</u>	<u>3,146,774</u>
Creditors: amounts falling due in less than one year	10	<u>(65,480,973)</u>	<u>(43,945,082)</u>
Net current liabilities		(37,938,387)	(40,798,308)
Total assets less current liabilities		48,968,138	11,253,623
Creditors: amounts falling due after more than one year	11	(23,534,806)	(3,805,983)
Provisions for liabilities	12	(3,226,933)	(1,630,580)
Net Assets		<u>22,206,399</u>	<u>5,817,060</u>
Capital and Reserves			
Share Capital	14	1,000	1,000
Profit and Loss Account		<u>22,205,399</u>	<u>5,816,060</u>
		<u>22,206,399</u>	<u>5,817,060</u>

The financial statements were approved by the directors and authorised for issue on 27 June 2016, and are signed on their behalf by:



J Storey
Director

Registered No. 08167504

The accompanying notes on pages 10 to 15 form an integral part of these financial statements.

PORTHAVEN PROPERTIES NO 2 LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share Capital £	Profit and Loss Account £	Total £
As at 1 April 2015	1,000	1,889,688	1,890,688
Profit for the year	-	3,926,372	3,926,372
As at 1 April 2016	1,000	5,816,060	5,817,060
Profit for the year	-	16,389,339	16,389,339
At 31 March 2017	1,000	22,205,399	22,206,399

The accompanying notes on pages 10 to 15 form an integral part of these financial statements.

PORTHAVEN PROPERTIES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 STATUTORY INFORMATION

Porthaven Properties No 2 Limited is a private company, limited by shares and domiciled in England and Wales, registration number 08167504. The registered office is 1 High Street, Windsor, Berkshire, SL4 1LD.

2 TURNOVER

Turnover represents the rental income receivable for leasing the completed care homes, all of which are based in the United Kingdom.

3 OPERATING PROFIT

The operating profit is stated after charging:

	2017 £	2016 £
Fair value adjustments on investment properties	18,045,530	5,096,780
Depreciation of Property, Plant and Equipment	<u>27,569</u>	<u>17,903</u>

The Auditor's remuneration was borne by the parent undertaking.

There were no employees during the year and the directors were remunerated by other group companies.

4 NET INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2017 £	2016 £
Bank loans	513,627	308,917
Other interest payable and similar charges	480,800	615,495
Amortisation of debt finance costs	115,874	111,475
Interest receivable	(882)	(798)
	<u>1,109,419</u>	<u>1,035,089</u>

PORTHAVEN PROPERTIES NO 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS****5 TAXATION**

	2017 £	2016 £
Analysis of tax charge in the year		
Current tax:		
UK Corporation tax based on the results for the year at 20% (2016: 20%).	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	1,984,636	1,006,220
Difference in tax rate	(388,283)	(181,175)
Total deferred tax	1,596,353	825,045
Tax on profit on ordinary activities	1,596,353	825,045

Factors affecting the current tax charge

The tax assessed on the loss for the year is greater than the standard rate of corporation tax in the UK of 20% (2016: 20%)

	2017 £	2016 £
Profit before taxation	17,985,692	4,751,417
Loss multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	3,597,138	950,283
Effects of:		
Difference between capital allowances and depreciation	5,514	(4,987)
Tax losses arising	538,700	76,419
Income not taxable for tax purposes	(1,975,501)	(988,351)
Group Relief	(569,498)	(33,364)
Other timing differences	-	825,045
Total current tax	1,596,353	825,045

A net deferred tax asset of £882,653 (2016: £64,303) resulting from tax losses carried forward has not been recognised in the accounts due to the current uncertainty of future profits.

PORTHAVEN PROPERTIES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 FREEHOLD INVESTMENT PROPERTY

	£
Fair value at 1 April 2016	51,993,010
Additions	16,834,658
Disposals	-
Net gain from fair value adjustments	18,045,530
At 31 March 2017	86,873,199

Properties under construction are held at cost. Certain properties that reached practical completion in the year were revalued by the Board based on valuations provided, during the financial year, by the independent valuation specialist, Cushman & Wakefield.

7 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles £
Cost:	
At 1 April 2016	80,075
Additions	1,974
At 31 March 2017	82,049
Depreciation:	
At 1 April 2016	21,254
Provided in the year	27,569
At 31 March 2017	48,822
Net book amount:	
At 31 March 2017	33,226
At 31 March 2016	58,821

8 INVESTMENTS

	Investments in subsidiaries £
Cost:	
At 1 April 2016 and 31 March 2017	100
Net book value at 1 April 2017 and 31 March 2017	100

The above amount represents the entire issued share capital of Porthaven Care Homes No 2 Limited, a company registered in England and Wales.

Porthaven Care Homes No 2 Limited operates care homes in the United Kingdom.

PORTHAVEN PROPERTIES NO 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS****9 DEBTORS**

	2017 £	2016 £
Amounts due from group undertakings	25,879,581	746,713
Prepayments	138,662	191,844
Other debtors	931,968	1,533,647
	<u>26,950,211</u>	<u>2,492,204</u>

Prepayments include unamortised arrangement fees of £138,662 (2016: £191,844) in relation to loan notes issued by Porthaven Finance Limited, another group company, which provides financing to PPL2.

10 CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2017 £	2016 £
Trade creditors	446,136	845,926
Other creditors	324,370	340,397
Accruals	1,208,508	320,143
Amounts owed to group undertakings	62,299,960	36,242,486
Bank Loan	1,201,999	6,196,131
	<u>65,480,973</u>	<u>43,945,082</u>

The bank loan repayable in less than one year has been drawn from the Development Loan Facility which has been provided by HSBC Bank plc to finance assets under construction. The loan will be fully repaid when construction is complete by funds drawn from the Turnkey or Investment Loan Facility, also provided by HSBC Bank plc.

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Bank Loan	24,055,000	4,025,000
Unamortised arrangement fee	(520,194)	(219,017)
	<u>23,534,806</u>	<u>3,805,983</u>

The bank loan has been drawn from the Turnkey Loan Facility provided by HSBC Bank plc to finance completed assets and is secured by a first charge over the freehold land and buildings. The loan is repayable on 31 October 2019.

PORTHAVEN PROPERTIES NO 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS****12 PROVISIONS FOR LIABILITIES**

	2017 £	2016 £
Provision at 1 April	1,630,580	805,535
Difference in tax rate	(388,283)	(181,175)
Charge for year at 20%	<u>1,984,636</u>	<u>1,006,220</u>
	<u>3,226,933</u>	<u>1,630,580</u>

13 DEFERRED TAXATION

	2017 £	2016 £
Other timing differences	<u>3,226,933</u>	<u>1,630,580</u>
	<u>3,226,933</u>	<u>1,630,580</u>

14 SHARE CAPITAL

	2017 £	2016 £
Authorised, allotted, called up and fully paid ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

15 RESERVES**Share Capital**

Represents the nominal value of shares that have been issued

Profit and Loss Account

Includes all current and prior period retained profits and losses

16 CAPITAL COMMITMENTS

	2017 £	2016 £
Future contracted construction costs	<u>11,313,082</u>	<u>22,983,814</u>

17 CONTINGENT LIABILITIES

The Company had no contingent liabilities at 31 March 2017 and 31 March 2016.

18 COMMITMENTS UNDER OPERATING LEASES

The Company has no commitments under non-cancellable operating leases.

PORTHAVEN PROPERTIES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 ULTIMATE PARENT UNDERTAKING

The directors consider that the Company's immediate parent undertaking is Porthaven Management Limited and the ultimate parent undertaking is Porthaven Group Holdings Limited, both companies are incorporated in England and Wales.

Copies of the group financial statements can be obtained from Porthaven Group Holdings Limited's registered office. The directors consider these accounts to be both the smallest and largest group of undertakings for which group accounts are prepared.

20 CONTROLLING PARTY

The Company's ultimate controlling party is Phoenix Equity Partners 2010 Guernsey Limited by virtue of its control of the majority of the shares of Porthaven Group Holdings Limited.

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102 and has not disclosed transactions with group undertakings.