

# **OHI UK Healthcare Properties Ltd**

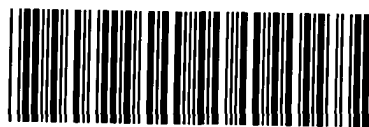
Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 09532166

THURSDAY



\*L7L6SJS0\*

L19

20/12/2018

#8

COMPANIES HOUSE

# **OHI UK Healthcare Properties Ltd**

## **Annual Report and Financial Statements For the Year Ended 31 December 2017**

---

### **Contents**

1	Group Strategic Report
3	Directors' Report
4	Statement of Directors' Responsibilities
5	Independent Auditor's Report
8	Consolidated Statement of Comprehensive Income
9	Consolidated Statement of Financial Position
11	Consolidated Statement of Cash Flows
12	Consolidated Statement of Changes in Equity
13	Notes Forming Part of the Consolidated Financial Statements
35	Company Statement of Financial Position
37	Company Statement of Changes in Equity
38	Notes Forming Part of the Company Financial Statements

---

### **Legal form**

Limited company

### **Principal activities**

The nature of the entities operations and its principal activities are set out on page 1.

### **Directors**

D Booth  
M Ritz  
R Stephenson

### **Secretary and registered office**

D Booth, Tower 42, 25 Old Broad Street, London, England, EC2N 1HQ

### **Company number**

09532166

### **Auditor**

KPMG LLP, 58 Clarendon Road, Watford, WD17 1DE

# **OHI UK Healthcare Properties Ltd**

## **Group Strategic Report For the Year Ended 31 December 2017**

---

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

### **Introduction and business review**

OHI UK Healthcare Properties Ltd ("the Company") was incorporated on 8 April 2015.

On 1 May 2015, the Company acquired 23 care homes with 1,018 registered beds from Healthcare Homes Holding Limited ("Healthcare Homes") and leased them to Healthcare Homes pursuant to a 12-year master lease agreement ("Healthcare Homes Master Lease") with an initial annual cash yield of 7%, and annual escalators of 2.5%. Subsequent to this initial transaction, in calendar year 2016 the Company acquired 12 additional care homes with 829 registered beds from 3 separate third party sellers, and leased them to Healthcare Homes via amendments to the Healthcare Homes Master Lease. The transactions involving these 12 additional care homes all provide for an initial annual cash yield of 7%, and annual escalators of 2.5%. On 11 May 2017, the Company acquired 18 care homes with 992 registered beds from Gold Care Homes ("Gold Care") and leased them to Gold Care pursuant to a 12-year master lease agreement with an initial annual cash yield of 8.5%, and annual escalators of 2.5%. As of the period ended 31 December 2017, the Company owned a total of 53 care homes. The care homes are primarily located throughout the East Anglia Greater London and Birmingham regions of the United Kingdom ("UK").

The Company continues to identify opportunities for investment in the market, including the potential for additional investment in the care home industry.

### **Principal risks and uncertainties**

Principal risks we consider include changes in the political, regulatory, and economic conditions, including regionally, nationally, and locally; challenges of complying with a wide variety of laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment and legal proceedings; and regional (European Union) or nation-specific (UK) business cycles and economic instability.

These risks could potentially limit the Company's ability/desire to make future investments in the UK care home industry, if unforeseen events caused changes such as reduced tax efficiency, or reductions to market-rate rental yields. Specific potential risks that we regularly evaluate and manage via conservative underwriting, and lease/loan covenant and credit requirements - include, but are not limited to;

- The bankruptcy or insolvency of our operators could limit or delay our ability to recover on our investments.
- Failure by our operators to comply with various local and national government regulations may adversely impact their ability to make debt or lease payments to us.
- Our operators depend on reimbursement from governmental and other third-party payors, and reimbursement rates from such payors may be reduced.
- Government budget deficits could lead to a reduction in local authority reimbursements.
- We may be unable to find a replacement operator for one or more of our leased properties.
- A prolonged economic slowdown could adversely impact our operating income and earnings, as well as the results of operations of our operators, which could impair their ability to meet their obligations to us.
- Increased competition as well as increased operating costs result in lower revenues for some of our operators and may affect the ability of our operators to meet their obligations to us.

# OHI UK Healthcare Properties Ltd

## Group Strategic Report For the Year Ended 31 December 2017 (*continued*)

### Development, performance and position

We maintain and are focused in growing a portfolio of long-term healthcare facilities and mortgages on healthcare facilities located in the UK. Our criteria for evaluating potential investments include but are not limited to:

- the quality and experience of management and the creditworthiness of the operator of the facility;
- the facility's historical and forecasted cash flow and its ability to meet operational needs, capital expenditure requirements and lease or debt service obligations;
- the construction quality, condition and design of the facility;
- the location of the facility;
- the tax, growth, regulatory and reimbursement environment of the applicable jurisdiction;
- the occupancy rate for the facility and demand for similar healthcare facilities in the same or nearby communities; and
- the individual/organisation mix of private, and government reimbursed residents at the facility.

The trading profit after taxation for the year ended 31 December 2017 was £1.3 million and the trading loss after taxation for the year ended 31 December 2016 was £0.1 million. The primary reason for this change is an increase in revenue from 2016 to 2017 resulting from 2017 acquisitions.

Rental income for the year ended 31 December 2017 amounted to £22.2 million, compared to £14.9 million in the previous period, which was an increase of approximately 49%. This change primarily results from approximately £86 million of additional investments made in the first half of 2017.

### Financial and other key performance indicators

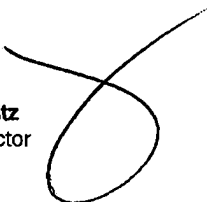
The Board of Directors uses many financial performance indicators to monitor the Company's position. The Board analyses rents, care home operator operating profit before rents and rental coverages.

In order to manage the risks on our investments, we typically obtain lease and loan covenants regarding minimum rent coverage ratios, minimum net worth, minimum capital expenditure requirements, liens on certain operating assets, and various provisions for cross-default, cross-collateralization and corporate and or personal guarantees, when appropriate.

At the OHI UK Healthcare Properties Ltd group level, the Company determines the attractiveness of initial investments and subsequent capital expenditure investments based on the resulting cash yield of the investment, and projected rent coverages. All future transactions will continue to undergo similar underwriting analyses to ensure that the Company's return is at, or above, our desired rate of return.

This report was approved by the board on **19 December 2018** and signed on its behalf.

M Ritz  
Director



# **OHI UK Healthcare Properties Ltd**

## **Directors' Report For the Year Ended 31 December 2017**

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

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,347,378 (2016 - loss £110,043).

No dividends were paid or proposed during the year (2016 - £Nil).

### **Directors**

The directors who served during the year were:

R Stephenson  
D Booth  
M Ritz

### **Future developments**

The company continues to identify opportunities for investment in the market, including the potential for additional investment in the care home industry.

### **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 and the group'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 and the group's auditors are aware of that information.

### **Post statement of financial position events**

In February and March 2018, the company acquired 2 care home facilities for £6.225million.

### **Auditors**

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 19 December 2018 and signed on its behalf.

  
**M Ritz**  
Director

# **OHI UK Healthcare Properties Ltd**

## **Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements For the Year Ended 31 December 2017**

---

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standard and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduce Disclosure Framework.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

# OHI UK Healthcare Properties Ltd

## Independent Auditor's Report to the Members of OHI UK Healthcare Properties Ltd

### 1 Our opinion is unmodified

We have audited the financial statements of OHI UK Healthcare Properties Ltd ("the Company") for the year ended 31 December 2017 which comprise the Group consolidated Statement of Comprehensive Income, the Group consolidated and Parent Company Statement of Financial Position, the Group consolidated Statement of Cash Flows, the Group consolidated and Parent Company Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting standards, including FRS101 Reduced Disclosure Framework; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<b>Impairment of investment properties</b> £276.17 million Note 11 on page 25 of the financial statements	<b>Forecast-based valuation</b>  Investment properties are significant and at risk of recoverability if properties are underperforming for a long period of time. The Group's investment properties makes up 93.4% of the group's total assets (by value). Due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included:  ■ <b>Tests of detail:</b> We considered the assessment made of how many CGUs the investment properties make up by assessing the analysis prepared by management against the accounting standards. We considered the assessment made by management of whether investment properties contained indicators to be impaired.

# OHI UK Healthcare Properties Ltd

## Independent Auditor's Report to the Members of OHI UK Healthcare Properties Ltd (*continued*)

### 2 Key audit matters: our assessment of risks of material misstatement (*continued*)

	The risk	Our response
<b>Recoverability of Parent Company's investment in subsidiaries and receivables from related parties</b> Investment in subsidiaries £96.48 million Note 4 on page 40 of the financial statements Receivables from related parties £151.84 million Note 5 on page 42 of the financial statements	<b>Low risk, high value</b> The carrying amount of the parent company's investments in subsidiaries and receivables from related parties represents 96.72% of the company's total assets. Their recoverability is not a high risk of significant misstatement or subject to significant judgment. However, due to their materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: ■ <b>Tests of detail:</b> Comparing the carrying amount of 100% of investments in subsidiaries and amounts receivables from related parties with relevant subsidiaries draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2,590,000 (2016 - £2,274,000), determined with reference to a benchmark of Group total assets, of which it represents 0.9% (2016 - 1.1%).

Materiality for the Parent Company financial statements as a whole was set at £2,000,000 (2016 - £2,169,000), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.8% (2016 - 1.3%).

We agreed to report to the Directors any corrected or uncorrected identified misstatements exceeding £125,000 (2016 - £113,600), in addition to other identified misstatements that warranted reporting on qualitative grounds.

### 4 We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

### 5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



## OHI UK Healthcare Properties Ltd

### Independent Auditor's Report to the Members of OHI UK Healthcare Properties Ltd (continued)

#### 6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

#### 7 Respective responsibilities

##### *Directors' responsibilities*

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### *Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### 8 The purpose of our audit work and to whom we owe our responsibilities

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.



David Simpson (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
58 Clarendon Road  
Watford  
WD17 1DE  
United Kingdom

19 December 2018

# OHI UK Healthcare Properties Ltd

## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2017

	Note	2017 £	2016 £
<b>Revenue</b>	5	<b>22,201,269</b>	14,931,253
<b>Gross profit</b>		<b>22,201,269</b>	14,931,253
Administrative expenses	6	<b>(9,672,394)</b>	(6,737,552)
<b>Profit from operations</b>		<b>12,528,875</b>	8,193,701
Finance expense	8	<b>(8,475,043)</b>	(7,308,054)
Finance income	8	<b>1,522</b>	40,575
<b>Profit before tax</b>		<b>4,055,354</b>	926,222
Tax expense	9	<b>(2,707,976)</b>	(1,036,265)
<b>Profit/(loss)</b>		<b>1,347,378</b>	(110,043)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income attributable to the owners of the parent company</b>		<b>1,347,378</b>	(110,043)

The notes on pages 13 to 34 form part of these financial statements.

# OHI UK Healthcare Properties Ltd

Registered number:09532166

## Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 £	2016 £	2015 £
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	5,720,026	4,143,021	2,850,419
Investment property	11	276,168,350	196,899,702	110,742,686
		<u>281,888,376</u>	<u>201,042,723</u>	<u>113,593,105</u>
<b>Current assets</b>				
Trade and other receivables	12	6,130,105	2,548,964	806,450
Cash and cash equivalents	22	7,709,297	5,339,516	2,600,376
		<u>13,839,402</u>	<u>7,888,480</u>	<u>3,406,826</u>
<b>Total assets</b>		<u>295,727,778</u>	<u>208,931,203</u>	<u>116,999,931</u>

# OHI UK Healthcare Properties Ltd

Registered number: 09532166  
Consolidated Statement of Financial Position  
As at 31 December 2017 (continued)

	Note	2017 £	2016 £	2015 £
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	13	(1,160,719)	(249,865)	(106,920)
Income tax payable		(1,020,079)	(65,121)	(603,810)
		<u>(2,180,798)</u>	<u>(314,986)</u>	<u>(710,730)</u>
<b>Non-current liabilities</b>				
Loans and borrowings	14	(157,900,000)	(157,900,000)	(85,000,000)
Deferred tax liability	15	(831,755)	(432,220)	(145,161)
		<u>(158,731,755)</u>	<u>(158,332,220)</u>	<u>(85,145,161)</u>
<b>Total liabilities</b>		<u>(160,912,553)</u>	<u>(158,647,206)</u>	<u>(85,855,891)</u>
<b>NET ASSETS</b>		<u>134,815,225</u>	<u>50,283,997</u>	<u>31,144,040</u>
<b>Issued capital and reserves attributable to owners of the parent</b>	20			
Share capital	16	2,000	370	100
Share premium reserve	17	133,731,680	50,549,460	31,299,730
Retained earnings	17	1,081,545	(265,833)	(155,790)
<b>TOTAL EQUITY</b>		<u>134,815,225</u>	<u>50,283,997</u>	<u>31,144,040</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
19 December 2018

M Ritz  
Director

The notes on pages 13 to 34 form part of these financial statements.

**OHI UK Healthcare Properties Ltd**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 31 December 2017**

	Note	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		1,347,378	(110,043)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	10,11	9,217,084	6,511,262
Finance income	8	(1,522)	(40,575)
Finance expense	8	8,475,043	7,308,054
Income tax expense	9	2,707,976	1,036,265
		<hr/>	<hr/>
		21,745,959	14,704,963
Increase in trade and other receivables	12	(3,581,141)	(1,742,514)
Increase in trade and other payables	13	910,854	124,945
		<hr/>	<hr/>
<b>Cash generated from operations</b>		19,075,672	13,087,394
Income taxes paid		(1,353,483)	(1,269,895)
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		17,722,189	11,817,499
<b>Investing activities</b>			
Purchases of fixtures and fittings	10	(3,716,956)	(2,654,565)
Purchases of investment property	11	(86,345,781)	(91,306,315)
Interest received		1,522	40,575
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(90,061,215)	(93,920,305)
<b>Financing activities</b>			
Issue of ordinary shares	16	83,183,850	19,250,000
Issue of new loan notes	14	-	72,900,000
Interest paid on loans and borrowings		(8,475,043)	(7,308,054)
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		74,708,807	84,841,946
<b>Net increase in cash and cash equivalents</b>		2,369,781	2,739,140
<b>Cash and cash equivalents at beginning of year</b>		5,339,516	2,600,376
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	22	7,709,297	5,339,516
		<hr/>	<hr/>

The notes on pages 13 to 34 form part of these financial statements.

# OHI UK Healthcare Properties Ltd

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2017

	Share capital £	Share premium £	Retained earnings £	Total equity attributable to owners of the parent company £
<b>1 January 2017</b>	<b>370</b>	<b>50,549,460</b>	<b>(265,833)</b>	<b>50,283,997</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,347,378	1,347,378
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,347,378</b>	<b>1,347,378</b>
<b>Contributions by and distributions to owners</b>				
Issue of share capital in the year	1,630	83,182,220	-	83,183,850
<b>Total contributions by and distributions to owners</b>	<b>1,630</b>	<b>83,182,220</b>	<b>-</b>	<b>83,183,850</b>
<b>31 December 2017</b>	<b>2,000</b>	<b>133,731,680</b>	<b>1,081,545</b>	<b>134,815,225</b>
<b>1 January 2016</b>	<b>100</b>	<b>31,299,730</b>	<b>(155,790)</b>	<b>31,144,040</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(110,043)	(110,043)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(110,043)</b>	<b>(110,043)</b>
<b>Contributions by and distributions to owners</b>				
Issue of share capital in the year	270	19,249,730	-	19,250,000
<b>Total contributions by and distributions to owners</b>	<b>270</b>	<b>19,249,730</b>	<b>-</b>	<b>19,250,000</b>
<b>31 December 2016</b>	<b>370</b>	<b>50,549,460</b>	<b>(265,833)</b>	<b>50,283,997</b>

The notes on pages 13 to 34 form part of these financial statements.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017

---

### 1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Sterling, which is also the group's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, International Accounting Standards and Interpretations (collectively IFRSs) and the Companies Act 2006.

The financial statements are prepared on a going concern basis.

The group adopted International Financial Reporting Standards as adopted by the EU ("IFRSs") for the first time in the current year. The transition date to IFRSs was 1 January 2016, being the start of the prior period of accounts.

The accounting policies described in note 2 were applied when preparing the opening IFRS consolidated statement of financial position at the transition date and the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity from the transition date to 31 December 2017. Note 23 explains the effect of IFRSs adoption for the consolidated statement of financial position and reconciliation of equity, for the consolidated statement of comprehensive income and reconciliation of profit, for the consolidated statement of cash flows and changes in accounting policies.

In preparing its opening IFRS consolidated statement of financial position and adjusting amounts reported previously in accordance with UK GAAP the group has applied IFRS 1 which contains a number of mandatory exceptions from the requirement to apply IFRSs retrospectively. The group has not applied any voluntary exemptions permitted by IFRS 1.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### ***Basis of measurement***

The consolidated financial statements have been prepared on a historical cost basis.

#### ***Changes in accounting policies***

##### ***a) New standards, interpretations and amendments effective from 1 January 2017***

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the group's financial statements, although an amendment to IAS 7 *Statement of Cash Flows* has resulted in a reconciliation of liabilities disclosed for the first time in note 22.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

---

### 1 Basis of preparation *(continued)*

#### ***Changes in accounting policies (continued)***

##### *b) New standards, interpretations and amendments not yet effective*

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these are:

- IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 *Leases* (mandatorily effective for periods beginning on or after 1 January 2019).

OHI UK Healthcare Properties Ltd can provide the following information regarding their likely impact:

#### **IFRS 9 *Financial Instruments***

The group has determined that the adoption of IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* from 1 January 2018, will not have a material impact on the consolidated financial statements.

#### **IFRS 15 *Revenue from Contracts with Customers***

The group earns all of its revenues from the rental of investment property under lease contracts. The group is therefore not affected by the changes due to IFRS 15 as income from operating leases is recognised in line with IAS17.

#### **IFRS 16 *Leases***

The group does not expect there to be a significant change in the lessor accounting following the amendments due to IFRS 16.

#### **Other**

The group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.



# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (*continued*)

### 2 Accounting policies

#### *Revenue*

Revenue represents rental income from investment properties. It is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes. It is recognised on a straight-line basis over the term of the lease.

#### *Basis of consolidation*

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

#### *Financial assets*

The group classifies its financial assets into one of the two categories discussed below, depending on the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity.

The group's accounting policy for each category is as follows:

#### *Trade and other receivables*

Trade and other receivables are initially measured at transaction price and subsequently held at cost, less any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

---

### 2 Accounting policies *(continued)*

#### **Financial assets** *(continued)*

##### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and deposits held at call with banks.

#### **Financial liabilities**

The group classifies its financial liabilities into one of two categories, the accounting policy for these categories are as follows:

##### *Trade and other payables*

Trade and other payables are initially recognised at price, being fair value of the consideration paid and subsequently carried at amortised cost using the effective interest method.

##### *Loans and borrowings*

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of arrangement costs associated with the borrowing. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

#### **Finance costs**

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

#### **Share capital**

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The group's ordinary shares are classified as equity instruments.

#### **Operating leases: the group as lessor**

Rental income from operating leases is credited to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (*continued*)

### 2 Accounting policies (*continued*)

#### ***Investment property***

The group's investment property is held at cost, it is reviewed annually for impairments, any impairment charge is recognised in the consolidated statement of comprehensive income.

Depreciation is provided on the buildings to write off their carrying value over their expected useful economic lives. Depreciation is provided over a period of 30 years.

Rent receivable is recognised on a straight-line basis over the period of the lease.

#### ***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### ***Property, plant and equipment***

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Fixtures and fittings                      -        25% per annum straight line

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (*continued*)

---

### 3 Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Estimates and judgements*

- Impairment of investment property

Each year the group carries out impairment tests of its investment property balances. This requires consideration of indicators of impairment and judgement as to whether any of the indicators suggest an impairment test is requested to be performed.

### 4 Financial instruments - Risk Management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Capital disclosure

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### *(i) Principal financial instruments*

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Other payables
- Loans and borrowings
- Related party transactions

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 4 Financial instruments - Risk Management *(continued)*

#### *(ii) Financial instruments by category*

##### Financial assets

All financial assets are classified as trade and other receivables or cash and cash equivalents.

##### Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	2017	2016	2017	2016
	£	£	£	£
Other payables	-	-	1,160,719	249,865
Loans and borrowings	-	-	157,900,000	157,900,000
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>159,060,719</b>	<b>158,149,865</b>

#### *(iii) Financial instruments not measured at fair value*

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

#### **General objectives, policies and processes**

The Board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The overall objective of the Board policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

Further details regarding these policies are set out below:

##### *Credit risk*

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to the credit risk that a distressed or insolvent operator may not be able to meet its lease or other obligations to us or other third parties. The Asset Manager monitors monthly reporting from the operators in order to anticipate and minimise any impact of risk. The Board receives regular reports on rents, operating profit before rents and rental coverage.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. All of the group's cash is placed with financial institutions with a credit rating of A or better.

Further disclosures regarding other receivables, which are neither past due nor impaired, are provided in note 12.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (*continued*)

### 4 Financial instruments - Risk Management (*continued*)

#### *Liquidity risk*

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk is managed through regular review of liquidity needs, the adequacy of cash flow from operations, and other expected liquidity sources to meet these needs. The group's primary source of liquidity is cash flow from operations. In order to mitigate liquidity risk, the group plans to have sufficient cash from operations to finance operations and meet recurring debt service requirements.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
<b>At 31 December 2017</b>					
Other payables	22,759	1,137,960	-	-	-
Loans and borrowings	-	-	-	-	157,900,000
<b>Total</b>	<b>22,759</b>	<b>1,137,960</b>	<b>-</b>	<b>-</b>	<b>157,900,000</b>
	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
<b>At 31 December 2016</b>					
Other payables	22,712	227,153	-	-	-
Loans and borrowings	-	-	-	-	157,900,000
<b>Total</b>	<b>22,712</b>	<b>227,153</b>	<b>-</b>	<b>-</b>	<b>157,900,000</b>

#### *Capital disclosures*

The group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 5 Revenue

	2017 £	2016 £
Rental income	22,201,269	14,931,253

All revenue arose within the United Kingdom.

### 6 Expenses by nature

	2017 £	2016 £
Depreciation of property, plant and equipment	2,139,951	1,361,963
Depreciation of buildings	7,077,133	5,149,299
Auditors remuneration	78,000	60,000
Other costs	377,310	166,290

### 7 Employee benefit expenses

The group has no employees other than the directors, who did not receive any remuneration (2016 - £Nil).

Due to the nature of the operation of the group, the remuneration of the directors for their services to OHI UK Healthcare Properties Ltd is not contained in the records of the company. The directors are remunerated for their services to the group as a whole, which is disclosed in the consolidated financial statements of the ultimate parent company, Omega Healthcare Investors, Inc.. The directors consider the amount received in relation to services for this entity to be inconsequential.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 8 Finance income and expense

#### Recognised in profit or loss

	2017 £	2016 £
<b>Finance income</b>		
Loan interest receivable	-	40,389
Other interest receivable	1,522	186
	<hr/>	<hr/>
<b>Total finance income</b>	<b>1,522</b>	<b>40,575</b>
	<hr/>	<hr/>
<b>Finance expense</b>		
Group loan interest payable	(8,473,601)	(7,287,861)
Other interest payable	(1,442)	(20,193)
	<hr/>	<hr/>
<b>Total finance expense</b>	<b>(8,475,043)</b>	<b>(7,308,054)</b>
	<hr/>	<hr/>
Net finance expense recognised in profit or loss	<b>(8,473,521)</b>	<b>(7,267,479)</b>
	<hr/>	<hr/>

All of the above financial income and expense are in respect of assets/(liabilities) held at amortised cost.

### 9 Tax expense

	2017 £	2016 £
<b>Current tax expense</b>		
Current tax on profits/(losses) for the year	2,357,661	776,956
Adjustment in respect of previous periods	(49,220)	(27,750)
	<hr/>	<hr/>
<b>Total current tax</b>	<b>2,308,441</b>	<b>749,206</b>
	<hr/>	<hr/>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	399,535	287,059
	<hr/>	<hr/>
<b>Total deferred tax (note 15)</b>	<b>399,535</b>	<b>287,059</b>
	<hr/>	<hr/>
	<b>2,707,976</b>	<b>1,036,265</b>
	<hr/>	<hr/>



# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 9 Tax expense (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2017 £	2016 £
Profit/(loss) for the year	1,347,378	(110,043)
Income tax expense	(2,707,976)	(1,036,265)
	<hr/>	<hr/>
Profit before income taxes	4,055,354	926,222
	<hr/>	<hr/>
Tax using the company's domestic tax rate of 19.25% (2016 – 20.00%)	780,655	185,244
Fixed asset differences	1,565,224	1,159,001
Expenses not deductible for tax purposes	497,817	-
Income not taxable for tax purposes	-	(161,291)
Tax losses utilised in year	(5,261)	-
Adjustment for under provision in previous periods	(49,220)	(27,751)
Adjustment for opening deferred tax rate	-	(8,064)
Adjustment for closing deferred tax rate	(52,845)	(52,081)
Other movements	(28,394)	(58,793)
	<hr/>	<hr/>
Total tax expense	2,707,976	1,036,265
	<hr/>	<hr/>

#### *Changes in tax rates and factors affecting the future tax charge*

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly. The net deferred tax liability at 31 December 2017 has been calculated based on these rates.

No net reversals of the deferred tax liability are expected to occur during the year beginning 1 January 2018.

# OHI UK Healthcare Properties Ltd

Notes Forming Part of the Consolidated Financial Statements  
For the Year Ended 31 December 2017 *(continued)*

## 10 Property, plant and equipment

	Fixtures and fittings £
<b>Cost</b>	
At 1 January 2016	3,420,503
Additions	2,654,565
	<hr/>
At 31 December 2016	6,075,068
	<hr/>
At 1 January 2017	6,075,068
Additions	3,716,956
	<hr/>
At 31 December 2017	9,792,024
	<hr/>
<b>Accumulated depreciation</b>	
At 1 January 2016	570,084
Depreciation	1,361,963
	<hr/>
At 31 December 2016	1,932,047
	<hr/>
At 1 January 2017	1,932,047
Depreciation	2,139,951
	<hr/>
At 31 December 2017	4,071,998
	<hr/>
<b>Net book value</b>	
At 1 January 2016	2,850,419
	<hr/>
At 31 December 2016	4,143,021
	<hr/>
At 31 December 2017	5,720,026
	<hr/>

All of the above assets are attached to the investment properties, which are leased to Healthcare Homes Group Limited and the Gold Care Group.

# OHI UK Healthcare Properties Ltd

Notes Forming Part of the Consolidated Financial Statements  
For the Year Ended 31 December 2017 (*continued*)

## 11 Investment property

	Investment property £
<b>Cost</b>	
At 1 January 2016	112,952,415
Additions	91,306,315
	<hr/>
At 31 December 2016	204,258,730
	<hr/>
At 1 January 2017	204,258,730
Additions	86,345,781
	<hr/>
At 31 December 2017	290,604,511
	<hr/>
<b>Accumulated depreciation</b>	
At 1 January 2016	2,209,729
Depreciation	5,149,299
	<hr/>
At 31 December 2016	7,359,028
	<hr/>
At 1 January 2017	7,359,028
Depreciation	7,077,133
	<hr/>
At 31 December 2017	14,436,161
	<hr/>
<b>Net book value</b>	
At 1 January 2016	110,742,686
	<hr/>
At 31 December 2016	196,899,702
	<hr/>
At 31 December 2017	276,168,350
	<hr/>

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (continued)

### 11 Investment property (continued)

#### *Operating lease arrangements*

Refer to note 18 for details of operating leases related to investment properties.

#### *Items of income and expense*

During the year £22,201,269 (2016 - £14,931,253) was recognised in the consolidated statement of comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £Nil (2016 - £Nil). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to £Nil (2016 - £Nil).

#### *Restrictions and obligations*

At 31 December 2017, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2016 - none).

There are currently no obligations to construct or develop the existing investment properties. At 31 December 2017, contractual obligations to purchase investment property amounted to £Nil (2016 - £Nil).

#### *Fair value measurement*

Had the investment properties been revalued at the year end they would have been stated at a value of £317,685,303 (2016 - £229,402,064).

### 12 Trade and other receivables

	2017 £	2016 £	2015 £
Receivables from related parties	1,054,927	-	-
Other receivables	182,503	6,494	-
Accrued income	4,892,675	2,542,470	806,450
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>	<b>6,130,105</b>	<b>2,548,964</b>	<b>806,450</b>

The carrying value of other receivables classified as loans and receivables approximates fair value.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (continued)

### 13 Trade and other payables

	2017 £	2016 £	2015 £
Payable to related parties	927,152	22,712	-
Other payables	47	-	-
Accruals	233,520	227,153	106,920
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>1,160,719</b>	<b>249,865</b>	<b>106,920</b>
Income and other taxes	1,020,079	65,121	603,810
<b>Total other payables</b>	<b>2,180,798</b>	<b>314,986</b>	<b>710,730</b>

The carrying value of other payables classified as financial liabilities measured at amortised cost approximates fair value.

### 14 Loans and borrowings

All loans and borrowings are held at amortised cost of £157,900,000 (2016 - £157,900,000), which approximates fair value, and are due in over 5 years.

The currency profile of the group's loans and borrowings is as follows:

	2017 £	2016 £	2015 £
Sterling	157,900,000	157,900,000	85,000,000
Other	-	-	-
	<b>157,900,000</b>	<b>157,900,000</b>	<b>85,000,000</b>

During the year loan notes of £Nil (2016 - £72,900,000) were issued by the company to its immediate parent, OHI Healthcare Properties Limited Partnership. The loan notes totalling £157,900,000 (2016 - £157,900,000) are payable on 1 May 2025, and interest is charged at 5.25%, a raise from 4.75% on 1 April 2016. The loan notes are secured over the entire share capital of each of the company's subsidiaries, and are listed on the Channel Islands Security Exchange Authority Limited.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016 - 17%).

The movement on the deferred tax account is as shown below:

	2017 £	2016 £	2015 £
At 1 January	432,220	145,161	-
<i>Recognised in profit and loss</i>			
Tax expense	399,535	287,059	145,161
At 31 December	831,755	432,220	145,161

No deferred tax assets have been recognised in the current or preceding financial year.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Details of the deferred tax liability and amounts recognised in profit or loss are as follows:

	Asset 2017 £	Liability 2017 £	Net 2017 £	Charged/ (credited) to profit or loss 2017 £
Short term temporary differences	-	831,755	831,755	399,535
Tax liabilities	-	831,755	831,755	399,535
Set off of tax	-	-	-	-
Net tax liabilities	-	831,755	831,755	399,535
	2016 £	2016 £	2016 £	2016 £
Short term temporary differences	-	432,220	432,220	287,059
Tax liabilities	-	432,220	432,220	287,059
Set off of tax	-	-	-	-
Net tax liabilities	-	432,220	432,220	287,059

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 15 Deferred tax (continued)

	Asset 2015 £	Liability 2015 £	Net 2015 £	Charged/ (credited) to profit or loss 2015 £
Short term temporary differences	-	145,161	145,161	145,161
Tax liabilities	-	145,161	145,161	145,161
Set off of tax	-	-	-	-
Net tax liabilities	-	145,161	145,161	145,161

No amounts were recognised in other comprehensive income.

### 16 Share capital

	2017 Number	Authorised 2017 £	2016 Number	2016 £
Ordinary shares of £1 each	2,000	2,000	370	370
Total	2,000	2,000	370	370

	2017 Number	Issued and fully paid 2017 £	2016 Number	2016 £
<i>Ordinary shares of £1 each</i>				
At 1 January	370	370	100	100
Other issues for cash during the year	1,630	1,630	270	270
At 31 December	2,000	2,000	370	370

On 11 May 2017, the company issued 630 ordinary share with a nominal value of £1 each for total consideration of £24,900,000. On 2 June 2017, the company issued a further 1,000 ordinary share with a nominal value of £1 each for total consideration of £58,283,850.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (*continued*)

### 17 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value.
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 18 Leases

*Operating leases – lessor*

The minimum rent receivables under non-cancellable operating leases are as follows:

	2017 £	2016 £
Not later than one year	23,653,076	15,030,072
Later than one year but not later than five years	101,084,213	63,972,923
Later than five years	127,755,903	95,692,757
	<u>252,493,192</u>	<u>174,695,752</u>

### 19 Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the year, loan notes of £Nil (2016 - £72,900,000) were issued by the company to its immediate parent, OHI Healthcare Properties Limited Partnership. The loan notes totalling £157,900,000 (2016 - £157,900,000) are payable on 1 May 2025, and interest is charged at 5.25%, a raise from 4.75% on 1 April 2016. They are secured over the entire share capital of the company's subsidiaries. The total interest paid to OHI Healthcare Properties Limited Partnership during the year was £8,473,601 (2016 - £7,287,861).

In addition to the above, at the year end the company was owed £1,054,927 (2016 - £Nil) from its parent company, OHI Healthcare Properties Limited Partnership.

At the year end the company owed £927,152 (2016 - £22,712) to its ultimate parent company, Omega Healthcare Investors, Inc..

No remuneration was paid by the group to key management personnel during the year (2016 - £Nil). The directors were remunerated for their services to the group by the ultimate parent company, Omega Healthcare Investors, Inc., see note 7.



# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 *(continued)*

### 20 Controlling party

The company is a subsidiary of OHI Healthcare Properties Limited Partnership, a partnership registered in the United States of America, which is the immediate parent company.

The largest and smallest group in which the results of the company are consolidated is that headed by Omega Healthcare Investors, Inc., incorporated in the United States of America, which is the ultimate parent company.

The consolidated accounts of Omega Healthcare Investors, Inc. are available to the public and may be obtained from 303 International Circle, Suite 200, Hunt Valley, Maryland, 21030.

The directors consider that there is no ultimate controlling party due to the fact that the ultimate parent company is listed and has no one controlling shareholder.

### 21 Events after the reporting date

On 15 February 2018, the group acquired 100% of the voting equity instruments of OHI Woodbridge Ltd and on 1 March 2018, the group acquired 100% of the voting equity instruments of OHI Rose Garden Ltd, companies whose principal activity was the provision of residential care. The principal reason for these acquisitions was to acquire investment properties to rent back to care homes.

### 22 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2017 £	2016 £
Cash at bank available on demand	<u>7,709,297</u>	<u>5,339,516</u>

All amounts included within cash and cash equivalents are available for use by the group.

There were no significant non-cash transactions in the current or preceding year.

## OHI UK Healthcare Properties Ltd

### Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (continued)

#### 23. First time adoption of IFRSs

The company transitioned to IFRS from previously extant UK GAAP as at 1 January 2016. The impact of the transition to IFRS is as follows:

		As previously stated 1 January 2016 £	Effect of transition 1 January 2016 £	IFRS (as restated) 1 January 2016 £	As previously stated 31 December 2016 £	Effect of transition 31 December 2016 £	IFRS (as restated) 31 December 2016 £
	Note						
Intangible assets	1a	6,028,909	(6,028,909)	-	-	-	-
Tangible assets	1a	2,848,750	1,669	2,850,419	4,142,623	398	4,143,021
Investment property	1a,2a	111,741,375	(998,689)	110,742,686	163,240,460	33,659,242	196,899,702
Current assets	1b,2b	2,600,376	806,450	3,406,826	7,779,472	109,008	7,888,480
Creditors falling due within one year	1a	(710,730)	-	(710,730)	(317,185)	2,199	(314,986)
<b>Total assets less current liabilities</b>		<b>122,508,680</b>	<b>(6,219,479)</b>	<b>116,289,201</b>	<b>174,845,370</b>	<b>33,770,847</b>	<b>208,616,217</b>
Creditors falling due after more than one year		(85,000,000)	-	(85,000,000)	(157,900,000)	-	(157,900,000)
Provision for deferred tax	1b,2a,2b	(8,752,663)	8,607,502	(145,161)	(5,362,600)	4,930,380	(432,220)
<b>Net assets</b>		<b><u>28,756,017</u></b>	<b><u>2,388,023</u></b>	<b><u>31,144,040</u></b>	<b><u>11,582,770</u></b>	<b><u>38,701,227</u></b>	<b><u>50,283,997</u></b>
<b>Capital and reserves</b>							
Called up share capital		100	-	100	370	-	370
Share premium account		31,299,730	-	31,299,730	50,549,460	-	50,549,460
Profit and loss account	2a,2b	(2,543,813)	2,388,023	(155,790)	(38,967,060)	38,701,227	(265,833)
<b>Total equity</b>		<b><u>28,756,017</u></b>	<b><u>2,388,023</u></b>	<b><u>31,144,040</u></b>	<b><u>11,582,770</u></b>	<b><u>38,701,227</u></b>	<b><u>50,283,997</u></b>

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (continued)

### 23. First time adoption of IFRSs (continued)

		As previously stated 31 December 2016	Effect of transition 31 December 2016	IFRS (as restated) 31 December 2016
	Note	£	£	£
Revenue	2b	13,195,233	1,736,020	14,931,253
<b>Gross profit</b>		<b>13,195,233</b>	<b>1,736,020</b>	<b>14,931,253</b>
Administrative expenses	1a,2a	(8,008,500)	1,270,948	(6,737,552)
Revaluation of investment property	2a	(38,108,098)	38,108,098	-
<b>Operating (loss)/profit</b>		<b>(32,921,365)</b>	<b>41,115,066</b>	<b>8,193,701</b>
Interest receivable and similar income		40,575	-	40,575
Interest payable and similar charges		(7,308,054)	-	(7,308,054)
Taxation	2a,2b	3,765,597	(4,801,862)	(1,036,265)
<b>Loss on ordinary activities after taxation and for the financial period</b>		<b>(36,423,247)</b>	<b>36,313,204</b>	<b>(110,043)</b>

An entity's first IFRS financial statements are required to comply with the presentation and disclosure requirements of IAS 1 Presentation of Financial Statements and the other Standards and Interpretations under IFRSs. Accordingly, the company's first IFRS financial statements include three consolidated statements of financial position, two consolidated statements of comprehensive income, two consolidated statements of cash flows, two consolidated statements of changes in equity and related notes, including comparative information.

#### 1) Effect of IFRSs adoption for the consolidated statement of financial position and reconciliation of equity.

- a) Under FRS 102, subsidiary purchases were accounted for as business combinations. Under FRS 102, the fair value of assets and liabilities acquired were measured, the difference between the fair value of the assets and liabilities and the consideration were included as goodwill. Goodwill was amortised over its useful life, it was also tested for impairment annually, any impairment losses were taken to the statement of comprehensive income in the period recognised.

The company adopted IFRS 3 on the date of transition to IFRSs and have retrospectively restated all business combinations. Under IFRS 3, subsidiary purchases do not meet the definition of business combinations and have therefore been accounted for as asset acquisitions, the cost of the group is allocated across the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill is recognised on these asset acquisitions, but acquisition costs are included within the cost of investment properties. As a result of first time adoption of IFRSs, goodwill of £6,028,909 has been derecognised for the year ended 31 December 2016.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Consolidated Financial Statements For the Year Ended 31 December 2017 (continued)

### 23. First time adoption of IFRSs (continued)

- 1) Effect of IFRSs adoption for the consolidated statement of financial position and reconciliation of equity. (continued)

- b) In addition to point 1a above, under FRS 102, deferred tax was provided for on investment property in the statement of financial position. Under FRS 102 the investment properties were brought into the group in a business combination, therefore deferred tax was recognised on all assets and liabilities accordingly.

The company adopted IAS 12 on the date of transition to IFRSs. Under IAS 12, deferred tax is not recognised on asset acquisitions. As a result of first time adoption of IFRSs, net deferred tax provisions have been reversed of £8,752,663 for the period ended 31 December 2015 and £2,783,977 for the year ended 31 December 2016.

- 2) Effect of IFRSs adoption for the consolidated statement of comprehensive income and reconciliation of profit.

- a) Under FRS 102, investment property was accounted for at fair value. Under FRS 102, investment property was included in the statement of financial position at open market value at the statement of financial position date on the basis of the directors' valuation. Changes in the market value of the investment property were taken to the statement of comprehensive income in the period recognised.

The company adopted IAS 40 on the date of transition to IFRSs. Under IAS 40 cost model, subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Impairment losses are included in the statement of comprehensive income in the year in which they arise. As a result of first time adoption of IFRSs, revaluation losses of £38,108,098 have been reversed against investment property for the year ended 31 December 2016.

- b) Under FRS 102, rental income was accounted for on an as incurred basis. The leases are structured to increase in line with expected general inflation, under FRS 102 this allowed for rental income to be recognised in the statement of comprehensive income on an as incurred basis.

The company adopted IAS 17 on the date of transition to IFRSs. Under IAS 17, operating lease payments are recognised on a straight-line basis, even if they are structured to increase by fixed amounts in line with general inflation. As a result of first time adoption of IFRSs, accrued income of £806,450 has been recognised for the period ended 31 December 2015 and additional accrued income of £1,736,020 of has been recognised for the year ended 31 December 2016. Deferred tax has been recognised in relation to the accrued income of £145,161 for the period ended 31 December 2015 and £287,059 for the year ended 31 December 2016.

- 3) Effect of IFRSs adoption for the consolidated statement of cash flows

All effects on the consolidated statement of cash flows on transition to IFRS are represented in points 1a, 1b, 2a and 2b above.

# OHI UK Healthcare Properties Ltd

Registered number:09532166

## Company Statement of Financial Position

As at 31 December 2017

	Note	2017 £	2016 £	2015 £
<b>Assets</b>				
<b>Non-current assets</b>				
Investments	4	96,476,891	166,932,505	116,372,918
		<u>96,476,891</u>	<u>166,932,505</u>	<u>116,372,918</u>
<b>Current assets</b>				
Trade and other receivables	5	152,565,388	620,757	-
Cash and cash equivalents		7,709,297	5,339,516	2,600,376
		<u>160,274,685</u>	<u>5,960,273</u>	<u>2,600,376</u>
<b>Total assets</b>		<u>256,751,576</u>	<u>172,892,778</u>	<u>118,973,294</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	6	(4,543,255)	(6,613,167)	(2,748,132)
		<u>(4,543,255)</u>	<u>(6,613,167)</u>	<u>(2,748,132)</u>
<b>Non-current liabilities</b>				
Loans and borrowings	7	(157,900,000)	(157,900,000)	(85,000,000)
		<u>(157,900,000)</u>	<u>(157,900,000)</u>	<u>(85,000,000)</u>
<b>Total liabilities</b>		<u>(162,443,255)</u>	<u>(164,513,167)</u>	<u>(87,748,132)</u>
<b>NET ASSETS</b>		<u>94,308,321</u>	<u>8,379,611</u>	<u>31,225,162</u>

# OHI UK Healthcare Properties Ltd

Registered number:09532166

## Company Statement of Financial Position As at 31 December 2017 (continued)

	Note	2017 £	2016 £	2015 £
<b>Capital and reserves</b>				
Share capital		2,000	370	100
Share premium reserve		133,731,680	50,549,460	31,299,730
Retained earnings		(39,425,359)	(42,170,219)	(74,668)
<b>TOTAL EQUITY</b>		<b>94,308,321</b>	<b>8,379,611</b>	<b>31,225,162</b>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £2,744,860 (2016 - loss £42,095,551).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
19 December 2018

M Ritz  
Director

The notes on pages 38 to 43 form part of these financial statements

# OHI UK Healthcare Properties Ltd

## Company Statement of Changes in Equity For the Year Ended 31 December 2017

	Share capital £	Share premium £	Retained earnings £	Total equity £
<b>1 January 2017</b>	<b>370</b>	<b>50,549,460</b>	<b>(42,170,219)</b>	<b>8,379,611</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,744,860	2,744,860
<b>Total comprehensive income for the year</b>	-	-	2,744,860	2,744,860
<b>Contributions by and distributions to owners</b>				
Issue of share capital in the year	1,630	83,182,220	-	83,183,850
<b>Total contributions by and distributions to owners</b>	1,630	83,182,220	-	83,183,850
<b>31 December 2017</b>	<b>2,000</b>	<b>133,731,680</b>	<b>(39,425,359)</b>	<b>94,308,321</b>
<b>1 January 2016</b>	<b>100</b>	<b>31,299,730</b>	<b>(74,668)</b>	<b>31,225,162</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(42,095,551)	(42,095,551)
<b>Total comprehensive income for the year</b>	-	-	(42,095,551)	(42,095,551)
<b>Contributions by and distributions to owners</b>				
Issue of share capital in the year	270	19,249,730	-	19,250,000
<b>Total contributions by and distributions to owners</b>	270	19,249,730	-	19,250,000
<b>31 December 2016</b>	<b>370</b>	<b>50,549,460</b>	<b>(42,170,219)</b>	<b>8,379,611</b>

The notes on pages 38 to 43 form part of these financial statements.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017

### 1 Accounting policies

#### ***Basis of preparation***

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council.

The company has used the disclosure exemptions available under FRS 101 in relation to presentation of a cash flow statement, comparative information for certain assets, capital management transactions with other group companies, compensation of key management personnel and the effects of new but not yet effective IFRS. The company has not elected to early adopt the amendments of the December 2017 Triennial Review.

As the consolidated financial statements include the equivalent disclosures, the company has used the disclosure exemptions available under FRS 101 in relation to financial instruments.

The financial statements are prepared on a going concern basis and in accordance with the historical cost convention, except for certain financial instruments that have been measured at fair value.

The accounting policies of the company are the same as those set out in the consolidated financial statements. The critical accounting estimates and judgements specific to the company's financial statements are set out in note 2.

#### **First time application of FRS 100 and FRS 101**

In the current year, the company has adopted FRS 100 and FRS 101. In previous years, the financial statements were prepared in accordance with applicable UK accounting standards.

There have been no material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

#### **Financial reporting standard 101 – reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Omega Healthcare Investors, Inc..

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These company financial statement do not include certain disclosures in respect of:

- financial instruments

The following additional accounting policy is specific to the company's financial statements.

#### ***Investments***

Investments in subsidiaries are stated at cost less provision for impairment in value.



# **OHI UK Healthcare Properties Ltd**

## **Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017 (*continued*)**

---

### **2 Judgements in applying accounting policies and key sources of estimation uncertainty**

Preparation of the financial statements requires management to make significant judgements and estimates. The specific item in the company financial statements where these judgements and estimates have been made is:

Fixed asset investments (see note 4) and receivables from related parties (see note 5)

- Determining whether there are indications of impairment of the company's fixed asset investments and related party receivables. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the subsidiaries.

### **3 Employee benefit expenses**

The company has no employees other than the directors, who did not receive any remuneration (2016 - £Nil). The directors consider the amount received in relation to services for this entity to be inconsequential.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017 (*continued*)

### 4 Fixed assets investments

	Investments in subsidiary companies £
<b><i>Cost or valuation</i></b>	
<b>At 1 January 2016</b>	116,372,918
Additions	92,554,680
	<hr/>
<b>At 31 December 2016</b>	208,927,598
	<hr/>
<b>At 1 January 2017</b>	208,927,598
Additions	60,741,635
	<hr/>
<b>At 31 December 2017</b>	<b>269,669,233</b>
	<hr/>
<b><i>Accumulated impairment</i></b>	
<b>At 1 January 2016</b>	-
Impairment	41,995,093
	<hr/>
<b>At 31 December 2016</b>	41,995,093
	<hr/>
<b>At 1 January 2017</b>	41,995,093
Impairment	131,197,249
	<hr/>
<b>At 31 December 2017</b>	<b>173,192,342</b>
	<hr/>
<b><i>Net book value</i></b>	
<b>At 1 January 2016</b>	116,372,918
	<hr/>
<b>At 31 December 2016</b>	166,932,505
	<hr/>
<b>At 31 December 2017</b>	<b>96,476,891</b>
	<hr/>

During the year, the company purchased 100% of the share capital of OHI Lima Properties Ltd, OHI Queensway Ltd and OHI GCH Holdings Ltd. OHI GCH Holdings Ltd owns 100% of the share capital of OHI Brackenbridge House Ltd, OHI Baugh House Ltd, OHI Bletchley Ltd, OHI Burrows House Ltd, OHI Halcyon Days Ltd, OHI Kent House Ltd, OHI Heath Lodge and Autumn Vale Ltd, OHI Hillside Ltd, OHI Lucton House Ltd, OHI Manor House Ltd, OHI Martins House Ltd, OHI Peregrine House Ltd, OHI St Stephens Ltd, OHI Tudors Ltd, OHI West Drayton Ltd and OHI Willowmead Ltd.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017 (continued)

### 4 Fixed assets investments (continued)

At 31 December 2017, the company held directly and indirectly 100% of the equity and voting rights of the following undertakings:

Name	Company number	Holding	Principal activity
OHI Healthcare Homes Ltd	05029866	100%	Rental of investment property
OHI Malthouse Care Home Ltd	09960319	100%	Rental of investment property
OHI Park House Care Home Ltd	09940512	100%	Rental of investment property
OHI Lima Properties Ltd	11030889	100%	Rental of investment property
OHI Queensway Ltd	05267803	100%	Rental of investment property
OHI GCH Holdings Ltd	05162922	100%	Holding company
OHI Baugh House Ltd*	06381706	100%	Rental of investment property
OHI Bletchley Ltd*	07145646	100%	Rental of investment property
OHI Brackenbridge House Ltd*	07256725	100%	Rental of investment property
OHI Burrows House Ltd*	08129379	100%	Rental of investment property
OHI Heath Lodge and Autumn Vale Ltd*	04784436	100%	Rental of investment property
OHI Halcyon Days Ltd*	01841003	100%	Rental of investment property
OHI Hillside Ltd*	05780312	100%	Rental of investment property
OHI Kent House Ltd*	07256677	100%	Rental of investment property
OHI Lucton House Ltd*	08129360	100%	Rental of investment property
OHI Manor House Ltd*	08129402	100%	Rental of investment property
OHI Martins House Ltd*	07868202	100%	Rental of investment property
OHI Peregrine House Ltd*	08129404	100%	Rental of investment property
OHI St Stephens Ltd*	07652840	100%	Rental of investment property
OHI Tudors Ltd*	07961622	100%	Rental of investment property
OHI West Drayton Ltd*	07604725	100%	Rental of investment property
OHI Willowmead Ltd*	02423345	100%	Rental of investment property
OHI Anglia Care Ltd	01375652	100%	Rental of investment property
OHI Healthcare Homes (Central) Ltd	03995046	100%	Rental of investment property
OHI Beaumont Park Ltd*	03213741	100%	Rental of investment property
OHI Home Close Ltd*	03995398	100%	Rental of investment property
OHI Home Meadow Ltd*	03995378	100%	Rental of investment property
OHI Hillings Ltd*	03995388	100%	Rental of investment property
OHI Pri-Med Group Developments Ltd	02467049	100%	Rental of investment property
OHI Pri-Med Group Ltd**	01241402	100%	Rental of investment property
OHI Pri-Med Care Homes Ltd*	02939745	100%	Rental of investment property
OHI Manor House (North Walsham Wood) Ltd	03808976	100%	Rental of investment property
OHI Olive House RCH Ltd	05599571	100%	Rental of investment property
OHI AC Investments (Jersey) Ltd		100%	Holding company
OHI AC Properties (UK) Ltd*	08796701	100%	Rental of investment property
OHI PC Investments (Jersey) Ltd		100%	Holding company
OHI LSC Properties (UK) Ltd*	08449394	100%	Rental of investment property

\* Denotes investments indirectly held

\*\* Denotes investments 20% directly held, 80% indirectly held

All shares held above are Ordinary shares.

The registered office of the subsidiaries listed above is the same as the parent company; Tower 42, 25 Old Broad Street, London, England, EC2N 1HQ, other than OHI AC Investments (Jersey) Ltd and OHI PC Investments (Jersey) Ltd that have a registered office of 44 Esplanade, St Helier, Jersey, JE4 9WG.

All of the above subsidiaries are included in the consolidated financial statements, and are entitled to, and have opted to take, exemption from the requirement for their individual accounts to be audited under S479A of the Companies Act 2006 relating to subsidiary companies.

# OHI UK Healthcare Properties Ltd

## Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017 (continued)

### 4 Fixed assets investments (continued)

During the year, the investments in subsidiary entities OHI Anglia Care Ltd, OHI Healthcare Homes (Central) Ltd, OHI Beaumont Park Ltd, OHI Home Close Ltd, OHI Home Meadow Ltd, OHI Hillings Ltd, OHI Pri-Med Group Developments Ltd, OHI Pri-Med Group Ltd, OHI Pri-Med Care Homes Ltd, OHI Manor House (North Walsham Wood) Ltd, OHI Olive House RCH Ltd, OHI AC Investments (Jersey) Ltd, OHI AC Properties (UK) Ltd, OHI PC Investments (Jersey) Ltd and OHI LSC Properties (UK) Ltd were impaired following a group reorganisation. Subsequently, after the year end, these subsidiary entities were closed.

During the prior year, the company invested in two new entities incorporated in 2016 being OHI Park House Care Home Ltd and OHI Malthouse Care Home Ltd.

During the prior year, the company also purchased 100% of the share capital in two further entities, being OHI AC Investments (Jersey) Ltd and OHI PC Investments (Jersey) Ltd. These entities owned 100% of the share capital in OHI AC Properties (UK) Ltd and OHI LSC Properties (UK) Ltd respectively.

### 5 Trade and other receivables

	2017 £	2016 £
Receivables from related parties	151,842,877	1,690
Other receivables	722,511	619,067
	<u>152,565,388</u>	<u>620,757</u>

### 6 Trade and other payables

	2017 £	2016 £
Payable to related parties	3,970,758	6,509,551
Other payables	47	-
Accruals	138,470	103,616
Income and other taxes	433,980	-
	<u>4,543,255</u>	<u>6,613,167</u>

### 7 Loans and borrowings

All loans and borrowings are held at amortised cost of £157,900,000 (2016 - £157,900,000), which approximates fair value, and are due in over 5 years.

During the year loan notes of £Nil (2016 - £72,900,000) were issued by the company to its immediate parent, OHI Healthcare Properties Limited Partnership. The loan notes totalling £157,900,000 (2016 - £157,900,000) are payable on 1 May 2025, and interest is charged at 5.25%, a raise from 4.75% on 1 April 2016. The loan notes are secured over the entire share capital of each of the company's subsidiaries, and are listed on the Channel Islands Security Exchange Authority Limited.

# **OHI UK Healthcare Properties Ltd**

## **Notes Forming Part of the Company Financial Statements For the Year Ended 31 December 2017 *(continued)***

---

### **8 Related party transactions**

The company has taken advantage of the exemption granted by FRS 101 not to disclose transactions and balances with other group companies.

### **9 First time adoption of FRS 101**

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.