

Hawkhill House Limited

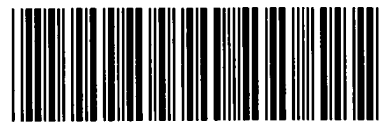
Report and Financial Statements

Year Ended

31 December 2019

Company Number SC093939

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Hawkhill House Limited

Company Information

Directors	M B Streiff C S Bidel C M Warnes A L Jeffery
Company secretary	Sanne Group Secretaries (UK) Limited
Registered number	SC093939
Registered office	50 Lothian Road Festival Square Edinburgh EH3 9WJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Hawkhill House Limited

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Hawkhill House Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activity

The principal activity of the company in the year under review is investment in care home assets.

Going concern

After performing their assessment and making appropriate enquiries, the directors have a reasonable expectation that the company will remain a going concern for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The results and conclusions of the going concern assessment are described in more detail in note 2.2 of the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £509,669 (2018 - £200,295).

During the year a dividend, of £Nil (2018 - £Nil) was declared.

Directors

The directors who served during the year were:

J C Bingham (resigned 3 July 2019)
M B Streiff
C S Bidel
C M Warnes
A L Jeffery (appointed 3 July 2019)

Hawkhill House Limited

Directors' Report (continued) for the year ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

Small companies note

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

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


.....
Coral Bidel
Director

Date: 30/09/2020

Hawkhill House Limited

Independent Auditor's Report to the Members of Hawkhill House Limited

Opinion

We have audited the financial statements of Hawkhill House Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Hawkhill House Limited

Independent Auditor's Report to the Members of Hawkhill House Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Hawkhill House Limited

Independent Auditor's Report to the Members of Hawkhill House Limited (continued)

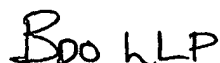
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

 BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 30 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hawkhill House Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover		708,973	707,709
Gross profit		708,973	707,709
Administrative expenses		(32,689)	(31,327)
Fair value movements		110	(370,432)
Operating profit		676,394	305,950
Tax on profit	5	(166,725)	(105,655)
Profit for the financial year		509,669	200,295
Other comprehensive income for the year			
Total comprehensive income for the year		509,669	200,295

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

Hawkhill House Limited
Registered number: SC093939

**Statement of Financial Position
as at 31 December 2019**

	Note	2019 £	2018 £
Fixed assets			
Investment property	6	6,575,000	6,350,000
Current assets			
Debtors	7	1,027,055	703,798
Current liability			
Creditors: amounts falling due within one year	8	(75,791)	(75,613)
Net current assets		<u>951,264</u>	<u>628,185</u>
Total assets less current liabilities		<u>7,526,264</u>	<u>6,978,185</u>
Deferred tax	9	(959,297)	(920,887)
Net assets		<u><u>6,566,967</u></u>	<u><u>6,057,298</u></u>
Capital and reserves			
Share capital	10	400,162	400,162
Capital redemption reserve	11	25,038	25,038
Retained earnings	11	6,141,767	5,632,098
		<u><u>6,566,967</u></u>	<u><u>6,057,298</u></u>

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

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


.....
Coral Bidel
Director

Date: 30/09/2020

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

Hawkhill House Limited

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	400,162	25,038	5,632,098	6,057,298
Comprehensive income for the year				
Profit for the year	-	-	509,669	509,669
At 31 December 2019	400,162	25,038	6,141,767	6,566,967

Statement of Changes in Equity for the year ended 31 December 2018

	Share capital	Capital redemption reserve	Capital contribution reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2018	400,162	25,038	327,124	5,104,679	5,857,003
Comprehensive income for the year					
Profit for the year	-	-	-	200,295	200,295
Total comprehensive income for the year	-	-	-	200,295	200,295
Transfer between reserves	-	-	(327,124)	327,124	-
At 31 December 2018	400,162	25,038	-	5,632,098	6,057,298

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

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

1. General information

Hawkhill House Limited is a private company, limited by shares, incorporated in Scotland under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity are set out in the directors report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, unless otherwise specified within these accounting policies, and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The functional and presentational currency is the pound sterling.

The following principal accounting policies have been applied:

2.2 Going concern

In forming their conclusion on the going concern basis of preparation, which includes consideration of the financial impact of Covid-19 on the Group's financial projections, the directors have taken into account the forecast operating and financing cash flows of the company for a period of at least 12 months from the date of approval of the financial statements. As a result of their assessment of the forecasts, the directors are satisfied that the going concern basis of preparation is appropriate for the statutory financial statements for the year ended 31 December 2019.

2.3 Turnover

Turnover from continuing operations represents rental income from investment property. Any lease incentives granted to tenants to enter into a lease are spread over the period ending on the lease expiry date.

Turnover from discontinued operations represents sales and services to third party customers in the health and social care sector stated net of any applicable value added tax. Turnover is recognised when the services are provided with any fees invoiced in advance included within deferred income.

All turnover is attributable to the United Kingdom.

2.4 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.5 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

2.6 Debtors

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

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

2. Accounting policies (continued)

2.7 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

2.8 Creditors

Short term creditors are measured at the transaction price.

2.9 Dividends

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

2.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

Key source of estimation uncertainty: Investment property

Assumptions are made when calculating the fair value of the investment property in relation to the yields and comparable properties (see accounting policy 2.5).

4. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	5,000	4,725
Fees payable to the company's auditor and its associates in respect of:		
All other services	8,110	6,225

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

5. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	128,315	128,404
Total current tax	<u>128,315</u>	<u>128,404</u>
Deferred tax		
Origination and reversal of timing differences	38,410	(22,749)
Total deferred tax	<u>38,410</u>	<u>(22,749)</u>
Taxation on ordinary activities	<u>166,725</u>	<u>105,655</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>676,394</u>	<u>305,950</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	128,515	58,131
Effects of:		
Adjust closing deferred tax to average rate of 19.0%	(112,859)	(108,225)
Adjust opening deferred tax to average rate of 19.0%	108,339	111,016
Movement in straight line adjustment	42,730	44,733
Total tax for the year	<u>166,725</u>	<u>105,655</u>

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

6. Investment property

	Investment property £
Valuation	
At 1 January 2019	6,350,000
Surplus on revaluation	110
Movement in lease straight line adjustment	224,890
At 31 December 2019	6,575,000

The company's investment property is valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyor's Appraisal and Valuation Manual. Details on the assumptions made and the keys sources of estimation uncertainty are given in note 3.

The surplus on revaluation of investment property arising of £110 (2018 - deficit of £370,432) has been credited to the income statement for the year.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	2,983,072	2,983,072

7. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	1,027,055	703,352
Prepayments and accrued income	-	446
	1,027,055	703,798

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Corporation tax	62,243	64,663
Accruals and deferred income	13,548	10,950
	75,791	75,613

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

9. Deferred taxation

	2019 £	2018 £
At beginning of year	(920,887)	(943,636)
Charged to profit or loss	(38,410)	22,749
At end of year	(959,297)	(920,887)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Investment property timing differences	(68,145)	(29,735)
Capital gains	(891,152)	(891,152)
	(959,297)	(920,887)

10. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
356,838 Ordinary class A shares of £1 each	356,838	356,838
62 Ordinary class B shares of £1 each	62	62
100 Ordinary class C shares of £1 each	100	100
43,162 Ordinary class D shares of £1 each	43,162	43,162
	400,162	400,162

The shareholders holding A and D shares have one vote per member unless on a poll every member shall have one vote for every A or D share of which he is a holder. The shareholders holding B and C shares have no voting rights at a general meeting of the company.

11. Reserves

Capital redemption reserve

The capital redemption reserve contains the amount arising on redemption of shares.

Retained earnings

Retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

Hawkhill House Limited

Notes to the Financial Statements for the year ended 31 December 2019

12. Receivables under operating leases

At 31 December 2019 the company had future minimum lease receivables under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	484,084	484,084
Later than 1 year and not later than 5 years	2,111,933	2,060,423
Later than 5 years	19,908,639	20,456,336
	<u>22,504,656</u>	<u>23,000,843</u>

13. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group.

14. Post balance sheet events

On 11 March 2020, the World Health Organisation recognised the spread of COVID-19 as a pandemic. Having considered the forecasts for the business, the directors are satisfied that the Company remains a going concern.

15. Controlling party

The company's immediate parent company is GAHC3 UK Senior Care Holding Ltd, by virtue of its 100% shareholding and its ultimate parent company Myriad Healthcare Holdings Limited which is registered in England and Wales.

The ultimate parent undertaking and controlling party is Griffin American Healthcare REIT III, Inc (A Maryland Corporation) which is registered in the United States of America.

The smallest and largest group of undertakings for which group financial statements will be drawn up is that headed by Griffin America Healthcare REIT III Inc (A Maryland Corporation). Copies of the group financial statements are available from Griffin American Healthcare REIT III, Inc (A Maryland Corporation) headquarters at 18191 Von Karman Ave, Irvine, CA 92612.