FSHC Holdings (UK) Limited

Annual report and financial statements

Registered number 02045927

31 December 2022

Contents

Strategic report

Background and ownership structure

FSHC Holdings (UK) Limited is a holding company within the Mericourt Limited group of companies. The Mericourt Limited group of companies operated healthcare facilities under the Four Seasons and brighterkind brands during the year.

The directors regard Seaside Holdings Limited, a company registered in Guernsey, as the ultimate parent entity.

Financial results

The Company made a profit before taxation of £nil (2021: profit of £nil).

Principal activity

The principal activity of the Company is that of a holding company.

Business review and KPIs

The results of the Company are consolidated in the group headed by Mericourt Limited, the consolidated financial statements of which contain a detailed business review and KPIs relating to the group. Copies of these financial statements can be obtained from Companies House.

Principal risk and uncertainties

The Mericourt Limited group's management structures, coupled with its policies and procedures, are designed to enable the achievement of business objectives while controlling the risks associated with the environment in which it operates. The group has risk management processes in place which are designed to identify, manage and mitigate business risk. The Company operates within this group structure.

The principal risks and uncertainties affecting the Company and other group companies and the means by which they are managed are shown below.

Strategic report *(continued)*

Principal risk and uncertainties *(continued)*

Financial risks

- *Liquidity and capital resources*

  Mitigation: Liquidity and financing arrangements are managed centrally within the group. Further details in respect of the liquidity and capital resources risks that affect the Company are included in the Going Concern section of note 1.

- *Reduction in demand for our services*

  Mitigation: The Company and other group companies continue to focus on their strong partnering relations with Local Authorities and care commissioners to ensure that placements are made within our facilities. In addition, we regularly assess the services we provide to ensure they represent value for money and where necessary reposition services to align with demand.

- *Payroll pressures: increased reliance on agency staff and inflationary pressures on own staff costs*

  Mitigation: The Company and other group companies actively monitor agency usage, particularly in light of staffing pressures exacerbated a result of Brexit and Covid-19. Alternative sources of nurses are continually investigated both within the UK and internationally, together with the training and development of care assistants to take on some of the tasks of nurses. The Group budgets carefully for National Minimum Wage and National Living Wage increases and the impact on its cash flow and profitability.

- *Seasonal death rate*

  Mitigation: The Company and other group companies aim to deliver very good care everywhere which should serve to minimise the impact on occupancy during a normal period of higher winter deaths. In addition, wherever possible, the Company works with local NHS hospitals to provide care home beds for patients who are able to leave hospital at a time when the NHS is under seasonal pressure.

- *Covid-19 - impact upon patients, employees and supply chain for goods and services*

  Mitigation: The group closely monitors the on-going impact of Covid-19 and continues to take steps to mitigate potential effects on its operations. Robust action plans, addressing areas such as infection control, resident and staff access to testing and vaccination programmes, employee welfare and access to personal protective equipment and other critical supplies, have been put in place to seek to reduce the risk that Covid-19 poses. The welfare and safety of the group's residents, patients and employees is always the top priority. The group will continue to monitor all official guidance and, where appropriate, update its approach in accordance with the latest recommendations.

- *Inflationary pressures and economic environment*

  Mitigation: The Group has developed strong partnerships with suppliers and continues to carefully monitor material supply contracts including identification of any supplies for which the availability or pricing of is sensitive to changes in wider economic conditions or the current inflationary environment.

Operational risks

- *Regulatory and reputational risk*

  Mitigation: The Company and other group companies devote a considerable amount of time to the management of regulatory and reputational matters. Compliance with the on-going requirements of registration and changes arising from the evolving regulatory environment mean that significant attention by the wider group's senior management has been, and will continue to be, dedicated to regulatory compliance and assurance. The wider group has implemented rigorous clinical governance and risk assurance systems, carries out substantial employee training, employee inductions and employee reference procedures, including a criminal background check for all frontline staff.

- *Shortage of qualified workforce*

  Mitigation: Alternative sources of nurses are continually investigated both within the UK and internationally, together with the training and development of care assistants to take on some of the tasks of nurses.

Strategic report *(continued)*

Future developments

The company is part of a wider collection of entities formerly known as the Elli Investments Limited group (the EIL Group). EIL and an indirect subsidiary of EIL, Elli Finance (UK) Plc (EFUK) have unpaid debts and were put into administration on 30 April 2019.

Following the administration, the EIL group is being restructured and a broker was retained in Summer 2022 in relation to a sales process for the EIL Group's remaining freehold properties. Following significant market interest and a period of diligence and other dialogue sales contracts have been exchanged or are expected to be exchanged in respect of approximately two thirds of the Group's freehold properties. For a sub-portfolio of approximately one third of the remaining freehold care homes, it is currently expected to be beneficial for all stakeholders for the Mericourt Limited group to continue to operate these homes and it is not the Group's current intention to proceed with the sale of this sub-portfolio in the near term.

The Joint Administrators of EIL and EFUK continue to consider all possible options for the EIL Group's organisational and capital structure.

Employment policies

The Company and other group companies aim to provide equal opportunities regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin, recognising that the continued success of the group depends upon its ability to attract, motivate and retain people of the highest calibre.

Environmental policy

The Mericourt Limited group has an environmental commitment which includes compliance with existing environmental regulations, minimising the consumption of resources, a policy of "reduce, reuse and recycle" and providing awareness amongst staff of the environmental impact of travel.

On behalf of the Board

A J Hayward
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

30 November 2023

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2022. The Company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the Directors' report. It has done so in respect of principal risks and uncertainties and future developments.

Results and dividends

The results for the year are shown in the profit and loss account on page 10. The directors do not recommend the payment of a dividend (2021: £nil).

Directors

The directors who held office during the year and up to the date of signing of the financial statements were as follows:

A J Hayward

Going concern and liquidity management

The directors have concluded that the uncertainties over the ability of the EIL group to address unpaid debts, the form and continued successful implementation of any sale/restructuring plan (including the form and funding thereof), as well as the substantial achievement of forecast cash flows and covenant compliance (particularly given the current operating and economic environment and the other circumstances outlined in note 1), give rise to a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern which could result in the company ceasing to trade or be placed into administration.

However, the directors consider there are realistic outcomes which would see the company continue to trade for at least 12 months from approval of the financial statements and therefore believe that it is appropriate to prepare these financial statements on a going concern basis. The financial statements do not include any adjustments that would be necessary were the going concern assumption deemed to be inappropriate. Further details are shown in the "Going concern" section of note 1 to the financial statements.

Post Balance Sheet Events

Further details in respect of Post Balance Sheet Events that affect the company and the wider group are included in note 12.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company.

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

On behalf of the Board

A J Hayward
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU
30 November 2023

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements.

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of FSHC Holdings (UK) Limited

Opinion

We have audited the financial statements of FSHC Holdings (UK) Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that there are uncertainties over the ability of the EIL group to address unpaid debts, the form and continued successful implementation of any sale/restructuring plan (including the form and funding thereof), as well as the substantial achievement of forecast cash flows and covenant compliance (particularly given the current operating and economic environment and the other circumstances outlined in note 1) which could result in the company ceasing to trade or be placed into administration. As stated in note 1, these events or conditions along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of FSHC Holdings (UK) Limited

(Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Independent auditor's report to the members of FSHC Holdings (UK) 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal and external tax advisors.

Independent auditor's report to the members of FSHC Holdings (UK) Limited
(Continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud ***(continued)***

The audit engagement team identified the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

Rachel Fleming

Rachel Fleming (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

1 St James Gate
Newcastle Upon Tyne
NE1 4AD

21 December 2023

Profit and loss account and other comprehensive income
for the year ended 31 December 2022

During the current and previous year the Company did not trade and received no income and incurred no expenditure. Consequently, no profit and loss account or statement of other comprehensive income have been prepared.

Balance sheet
at 31 December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Investments	6	-		-	
			-		-
Creditors: amounts due within one year	7	(1,016)		(1,016)	
Net current liabilities			(1,016)		(1,016)
Total assets less current liabilities			(1,016)		(1,016)
Net liabilities			(1,016)		(1,016)
Capital and reserves					
Called up share capital	8		22,362		22,362
Profit and loss account			(23,378)		(23,378)
Shareholder's deficit			(1,016)		(1,016)

The financial statements include the notes on pages 13 to 23.

These financial statements were approved by the board of directors on 30 November 2023 and were signed on its behalf by:

A J Hayward
Director

Statement of changes in equity

	Profit & Loss account £000	Called up share capital £000	Total equity £000
Balance at 28 December 2020	(23,378)	22,362	(1,016)
Total comprehensive income for the period			
Loss for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	-	-
Balance at 26 December 2021	**(23,378)**	**22,362**	**(1,016)**

	Profit & Loss account £000	Called up share capital £000	Total equity £000
Balance at 27 December 2021	(23,378)	22,362	(1,016)
Total comprehensive income for the period			
Loss for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	-	-
Balance at 1 January 2023	**(23,378)**	**22,362**	**(1,016)**

The financial statements include the notes on pages 13 to 23.

Notes *(forming part of the financial statements)*

1 Accounting policies

FSHC Holdings (UK) Limited (the "Company") is a private company limited by shares and incorporated, domiciled, and registered in England in the United Kingdom.

The Company is exempt by virtue of Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's intermediate parent undertaking, Mericourt Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Mericourt Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Norcliffe House, Station Road, Wilmslow, SK9 1BU.

In these financial statements the Company is considered to be a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11.

Measurement convention

The financial statements are prepared on the historical cost basis.

The accounting reference date for the Company is 31 December 2022 (2021: 31 December 2021). The Company has opted to adopt the "seven day rule". The seven-day rule provides that a particular financial year need not end on the accounting reference date itself but on a date within not more than seven days of the date as the directors may determine. On this basis, the accounting period is for the 53 weeks ended 1 January 2023, with the comparative period being the 52 weeks ended 26 December 2021.

Notes (Continued) *(forming part of the financial statements)*

1 Accounting policies *(continued)*

Going concern

In considering whether it is appropriate to prepare these financial statements on a going concern basis the Directors have considered the requirements of FRS 102, which states that an entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. The matters that the Directors considered relevant in making this assessment are set out below.

The company is part of a group of companies headed by Mericourt Limited. Mericourt Limited and its subsidiaries are part of a collection of entities formerly known as the Elli Investments Limited group (the EIL group). EIL and an indirect subsidiary of EIL, Elli Finance (UK) Plc (EFUK), have unpaid debts (comprising, as at the date of approval of these accounts, £506m of high yield bonds plus accrued interest of £440m (due for repayment in 2019 and 2020 and is in default), and a £1m term loan facility (currently due for repayment on 30 September 2024)) and were put into administration on 30 April 2019.

Since the appointment of administrators, delegated authority for the EIL group's day to day operations has been transferred to Mericourt Limited, however Mericourt Limited and its subsidiaries continue to be legally owned by EIL. Additionally, Mericourt Limited and certain subsidiaries have provided cross guarantees in respect of the debt of EIL and EFUK, some of which is in default, and in light of these cross guarantees, the operational and financial support provided by other entities within the EIL group, and the inclusion of covenants following the amendment and restatement of the EFUK term loan, the going concern assessment of the company requires consideration of the EIL group as a whole.

Since April 2019 advisors and the Joint Administrators of EIL and EFUK have reviewed the EIL group's financing arrangements and advised in respect of the EIL group's restructuring, which includes those companies that have provided cross guarantees for the unpaid EIL and EFUK debts. As a result, the EIL group has undertaken various restructuring actions and disposal transactions including the sale of the business and assets of a division trading as The Huntercombe Group, the sale of the business and assets of the Northern Irish care home estate and a leasehold estate review.

Current status and anticipated developments

At the date of approving these financial statements, the Joint Administrators, the EIL group and the majority lender remain in constructive discussions with a view to continuing to implement a consensual restructuring of the EIL Group and maintaining continuity of care throughout such process. In Summer 2022, a broker was retained in relation to a sales process for all of the EIL Group's remaining 111 freehold properties.

Following significant market interest and a period of diligence and other dialogue sales contracts have been or are expected to be entered into for approximately two thirds of the Group's freehold estate (the 'Disposal Homes'). Subject to legal and regulatory approvals the sales of the Disposal Homes are expected to complete by the end of 2023/early 2024.

For a sub-portfolio of approximately one third of the Group's freehold estate it is not the Group's intention at this time to proceed with the sale of this sub-portfolio and these homes will continue to be operated by the Mericourt Limited group in the near-term (the 'Retain Homes'). As such the Joint Administrators continue to consider all possible options for the EIL group's organisational and capital structure which may include further sales at a future date but may also include internal reorganisation, refinancing of the unpaid debt of EIL & EFUK (which may or may not include a debt for equity swap) and/or a combination of these.

Notes (Continued) *(forming part of the financial statements)*

1 Accounting policies *(continued)*

Going concern (continued)

Material risks and uncertainties – form of the restructuring

The format of the sales contracts of the Disposal Homes transactions will, upon successful completion of the sales, result in the trade and assets of the Disposal Homes being transferred to companies outside of the EIL Group and at this point certain subsidiaries of the Mericourt Limited group will cease to trade.

However, in respect of the Retain Homes (which comprise approximately one third of the estate) the directors understand that no final decision has been made as to what action will be taken in respect of the company or the subsidiaries that hold the trade and assets of these Retain Homes but consider there to be a number of potential options, some of which may result in the company continuing to trade. As such, whilst the form of the continued sale/restructuring represents a material uncertainty, the directors believe that the going concern basis of preparation is appropriate for the company.

Material risks and uncertainties – restructuring

Upon completion of the Disposal Homes transactions, certain subsidiaries will cease to trade as their trade and assets will transfer to companies outside of the Mericourt Limited group. Following completion of the Disposal Homes the directors expect that a successful EIL group sale/restructuring will continue to be implemented. However, to the extent a successful restructure is not implemented, the directors believe that the most likely alternative would be to place one or more of the EIL group companies into either restructuring or insolvency processes. Additionally, a continued successful EIL group sale/restructuring could result in the company ceasing to trade under certain sale/restructuring formats (for example if the future sale/restructure activity resulted in the trade and assets of the Retain Homes transferring to an alternative entity). The principal uncertainties around implementation of a successful EIL group restructuring include the following:

- Completion of Disposal Home transactions – completion of these transactions is reliant upon the execution of further Conditional SPAs as well as regulatory and legal approvals for the sales.

- Further Funding – given the range of possible options the Group and advisors continue to monitor whether a funding requirement (if any), or a change to current financing arrangements, is required to complete the sale/restructuring.

- Execution – it is likely that the continued implementation of a successful EIL group sale/restructuring will require the agreement of various stakeholders of the EIL group. This agreement cannot be guaranteed.

Material risks and uncertainties – liquidity and covenant compliance

Based on the EIL group's latest cash flow forecasts the Group does not anticipate that it will require an injection of further funding within 12 months of the signing of these financial statements. However, as stated above management and the Joint Administrators continue to consider all possible options for the EIL group's organisational and capital structure and therefore the Group continues to review the form, timing and cost of the sale/restructuring.

The cash flow forecast takes into account the impact of the current operating environment which pose material risks and uncertainties to trading (as outlined below). The forecast assumes no repayment of the outstanding EIL and EFUK high yield bond debt (other than from disposal proceeds) and that the maturity date of the term loan (which is currently 30 September 2024) can be extended and covenants are compliant throughout the term. A failure to achieve covenants could result in the Group's cash becoming restricted and the remaining term loan debt being accelerated should a waiver not be granted.

Notes (Continued) *(forming part of the financial statements)*

1 Accounting policies *(continued)*

Going concern (continued)

Material risks and uncertainties – liquidity and covenant compliance (continued)

In respect of the Disposal Homes, the Group's forecasts assume expected completion dates (i.e. the point at which cash flows from the Disposal Homes would cease), which is inherently uncertain given that the relevant legal and regulatory approvals are required for these sales to complete. A change in the timing of sale completions or the execution risk of the Disposal Home portfolio could result in further homes being retained beyond their forecast period which would then impact the duration of the trading cash flows. This impact could be either favourable or adverse depending on the level of profitability of the home(s).

To the extent there is a deterioration in cash generation compared to the EIL group's latest cash flow forecasts (either as a result of uncertainties to trading, a change in the form of the sale/restructuring, cash becoming restricted, or delays / execution risk in respect of the Disposal Homes), then a funding requirement may become apparent. The EIL group would seek to address any funding requirement once the timing and amount of any funding requirement was more certain.

Material risks and uncertainties – trading

As a result of the current operating and economic environment there are a wide range of potential outcomes for the EIL group's cash flows and covenant compliance. The directors have considered the group's current key performance indicators and their expected development to identify and quantify the potential impact, although the actual impact could be materially different.

- Occupancy – occupancy was historically between 88% and 90% but decreased to a low point of c78% as a result of Covid-19. Admission and death rates have been at pre Covid-19 levels over the last two years and as a result occupancy levels have now recovered to c86% group wide, and over 90% in the Retain Homes.
- Staffing – payroll costs, including agency staff, represent the group's largest cost, with payroll costs representing approximately two thirds of income. Appropriate staffing levels are required to ensure that the correct level of care is provided and that full advantage can be taken of demand for admissions and the shortage of qualified nursing staff has resulted in staffing pressures across the sector. Agency usage had been well controlled since late 2022 however trading remains sensitive to higher levels of agency usage and as a result, the group's own staff costs may be higher than forecast or the group may require higher than forecast levels of agency staff.

Conclusion

The directors have considered the requirements of FRS 102 which states that an entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The directors have concluded that the uncertainties over the ability of the EIL group to address unpaid debts, the form and continued successful implementation of any sale/restructuring plan (including the form and funding thereof), as well as the substantial achievement of forecast cash flows and covenant compliance (particularly given the current operating and economic environment and the other circumstances outlined above), give rise to a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

However, the directors consider there are realistic outcomes which would see the company continue to trade for at least 12 months from approval of the financial statements and therefore believe that it is appropriate to prepare these financial statements on a going concern basis. The financial statements do not include any adjustments that would be necessary were the going concern assumption deemed to be inappropriate.

Notes (Continued) *(forming part of the financial statements)*

1 Accounting policies *(continued)*

Basic financial instruments

Investments in preference shares and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes recognises in profit or loss. Other investments are measured at cost less impairments in profit or loss.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the Company is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Expenses and auditor's remuneration

The auditor's remuneration of £2,700 (2021: £2,700) for audit services was borne by another group undertaking.

No additional services, other than the audit of the Company's financial statements, have been provided by the Company's auditor during the current or preceeding year.

Notes (Continued) *(forming part of the financial statements)*

3 Staff numbers and costs

The Company had no employees during the current year and preceding financial year other than directors.

4 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	7	10
Pension costs	-	-
	7	10

The remuneration above relates to each director's qualifying services to the Company and any subsidiaries, and was paid by another group undertaking during the current and prior year.

The total remuneration, including bonus payments and compensation for loss of office, in respect of the company and any subsidiaries of the highest paid director was £7,000 (2021: £10,000) and includes pension contributions of £nil (2021: £nil).

Pension contributions arise in respect of no (2021: no) directors. There were no pension contributions outstanding at the year end (2021: £nil).

Notes (Continued) *(forming part of the financial statements)*

5 Taxation

	2022	2021
	£000	£000
Total tax expense recognised in the profit and loss account, other comprehensive income and equity		
UK corporation tax		
Current tax on loss for period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax charge		
Total deferred tax	-	-
Total tax	-	-

Reconciliation of effective tax rate		
Loss for period	-	-
Total tax expense	-	-
Loss excluding taxation	-	-
Tax using the UK corporation tax rate of 19.0% (2021: 19.00%)	-	-
Effects of:		
Total tax expense included in profit and loss	-	-

Factors that may affect future, current and total tax (credit)/charge:
The main UK corporation tax rate increased from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 March 2021. Deferred tax has therefore been calculated at 25%, although the Company does not recognise deferred tax assets.

Notes (Continued) *(forming part of the financial statements)*

6 Fixed asset investments

	Shares in group undertakings £000
Cost	
Balance at 27 December 2021 and 1 January 2023	1,018
Provisions	
Balance at 27 December 2021 and 1 January 2023	1,018
Net book value	
At 26 December 2021	-
At 1 January 2023	-

A list of the Company's subsidiary undertakings at 31 December 2022 is provided below. All of the companies are wholly owned and companies marked with # are direct subsidiaries.

The Isle of Man incorporated entities are registered at Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW.

Company	*Nature of Business*	*Place of incorporation*
Arkroy Limited#	Holding company	Isle of Man
FSHC Holdings Limited	Holding company	Isle of Man
FSHC Management Services (Kings Reach) Limited	Management of retirement village	Isle of Man
FSHC Management Services (Saddle Mews) Limited	Management of retirement village	Isle of Man
FSHC Developments Limited	Dormant	Isle of Man

7 Creditors: amounts due within one year

	2022 £000	2021 £000
Amounts due to group undertakings	**1,016**	1,016
	1,016	1,016

The amounts due to group undertakings are unsecured and repayable on demand. No interest is charged.

Notes (Continued) *(forming part of the financial statements)*

8 Share capital, reserves and other comprehensive income

	2022	2022	2021	2021
	No. of shares	£000	No. of shares	£000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	22,361,591	22,362	22,361,591	22,362
Total		22,362		22,362
Shares classified as liabilities	-	-	-	-
Shares classified as equity	22,361,591	22,362	22,361,591	22,362
Total		22,362		22,362

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other comprehensive income
The company has no recognised gains or losses in the current or prior year other than those reported in the profit or loss account.

9 Related parties

The directors have taken advantage of the exemption in FRS 102 Section 33.1A and, as the Company is a wholly owned subsidiary of Mericourt Limited, have not disclosed related party transactions with the Company's parent and fellow subsidiary undertakings.

As detailed in note 1, from 30 April 2019 the Mericourt Group, which was previously part of the Group headed by Elli Investments Limited (EIL), ceased to be controlled by EIL. Certain entities continue to have transactions with the Group headed by Rhyme (Jersey) Limited, which was also controlled by EIL until 30 April 2019. Transactions between the Mericourt Group and Rhyme (Jersey) Group during the years ended 31 December 2022 and 31 December 2021 include rental of property from Rhyme (Jersey) Group, the recharging of central operational costs to Rhyme (Jersey) Group, and interest on loan balances due to / from Rhyme (Jersey) Group. The exemption in FRS 102 Chapter 33.1 A applies to these transactions up to 30 April 2019. Due to the cessation of control by EIL, Mericourt Group and Rhyme (Jersey) Group ceased to be 'related parties' from 30 April 2019. However, on the first day of the current accounting period (27 December 2021), Mericourt Limited acquired Rhyme (Jersey) Limited and it is therefore considered that from this date the exemption in FRS 102 Chapter 33.1 A continued to apply.

Where balances remain outstanding between the Mericourt Group and the Group headed by Rhyme (Jersey) Group (which is now a subsidiary of Mericourt Limited following its acquisition on 27 December 2021), these have been disclosed (as at 2021 year-end) within the debtors and creditors notes as amounts due to / from connected parties along with any provisions against debtor balances.

Notes (Continued) *(forming part of the financial statements)*

10 Ultimate parent

As at 31 December 2022, the Company's immediate parent company is Four Seasons Group Holdings Limited, a company incorporated in the United Kingdom. Its registered address is Norcliffe House, Station Road, Wilmslow, SK9 1BU.

The ultimate parent undertaking is Seaside Holdings Limited, an entity incorporated in Guernsey.

The smallest and largest group in which the results of the Company are consolidated into the group headed by Mericourt Limited, the financial statements of which will be available to the public and may be obtained from its registered address: Norcliffe House, Station Road, Wilmslow, SK9 1BU.

11 Accounting estimates and judgements

Key sources of estimation uncertainty
The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Going concern basis of preparation
The directors have considered the basis of preparation of these financial statements and whether it is appropriate to prepare them on a going concern basis. In making this assessment they took account of the current progress to address the EIL group's capital structure and considered possible restructuring mechanisms available to the EIL group, particularly progress of the on-going disposal processes of the group but they also considered the current cash flow forecasts for the EIL group and the sensitivities of these to changes in trading performance, likely costs and working capital movements. These assessments are detailed in note 1.

Notes (Continued) *(forming part of the financial statements)*

12 Post balance sheet events

Whilst the below post balance sheet events do not directly impact the Company they impact other Group companies including the Company's subsidiaries as well as being relevant to the overall financial position of the EIL Group which indirectly impacts the Company as cash is managed on a central basis. See note 1 for further details.

Restructuring

During 2022 and up to the date of approval of these financial statements, a number of activities have been ongoing as part of the EIL Group Restructuring the most material of which has been the continuation of a sales process which commenced in Summer 2022. As a result of this sales process sales contracts have been or are expected to be entered into for approximately two thirds of the Group's freehold estate subsequent to the year-end. Subject to legal and regulatory approvals the sales of these homes are expected to complete by the end of 2023/early 2024.

Further, as announced by the Group on 14 August 2023, for a sub-portfolio of approximately one third of the Group's freehold estate it is not the Group's intention to proceed with the sale of this sub-portfolio and these homes will continue to be operated by the Mericourt Limited group in the near-term.

Financing

The Company is part of a collection of entities formerly known as the Elli Investments Limited group (the EIL group). EIL and an indirect subsidiary of EIL, Elli Finance (UK) Plc (EFUK), had debt comprising £525m of high yield bonds and a £24.1m term loan facility at the year-end 31 December 2022. Subsequent to the year-end the £23.1m of the term loan facility, £19m of the high yield bond principal amount, and £14m of the high yield bond accrued interest, have been repaid. Further, on 25 September 2023, the maturity date of the term loan was extended to 30 September 2024.