

Leeland Limited
Annual report and financial statements
Registered number 03215790
31 December 2014

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Strategic report

Background and ownership structure

Leeland Limited is a trading company within the Elli Investments Limited group of companies.

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

Financial results

The company made a loss before taxation of £259,000 (2013: £136,000).

Principal activity

The principal activity of the company is the operation of care homes for the elderly.

Business review and KPIs

The results of the company are consolidated in the group headed by Elli Investments 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 the Four Seasons Health Care website.

On an individual company basis, the main financial and operational KPIs were as follows:

	2014	2013
Turnover	£1,183,000	£1,305,000
Operating loss	£148,000	£136,000
Average occupancy in the year	92.8%	89.5%

Principal risks and risk management

The Elli Investments group has management structures and policies and procedures which are designed to enable the achievement of business objectives while controlling the risks associated with the environment in which it operates. The group has a risk management process in place which is designed to identify, manage and mitigate business risk. The company operates within this group structure.

The material risks affecting the company and the means by which they are managed are as follows:

Financial risks

- *Reduction in the demand for our services*
Mitigation: the company continues to invest in its assets and staff in order to provide an attractive and competitive proposition.
- *Liquidity risk*
Mitigation: liquidity is managed centrally within the group. Performance is monitored by strong financial and management accounting through the finance function, monthly tracking of long-term business plans and shorter term budgets against actual performance in line with obligations under financing agreements.

Strategic report *(continued)*

Principal risks and risk management *(continued)*

Operational risks

- *Reputational risk*
Mitigation: in order to mitigate this risk as far as possible, the group has implemented rigorous clinical governance, carries out substantial employee training, employee inductions and employee reference procedures, including a criminal background check for all frontline staff.
- *Regulatory risk*
Mitigation: the group devotes a considerable amount of time to the management of regulatory matters. Compliance with the on-going requirements of these licences and changes arising from the evolving regulatory environment mean that significant attention has been, and will continue to be, dedicated to regulatory compliance.

Employment policies

The company aims 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. Further details can be found in the financial statements of Elli Investments Limited.

Environmental policy

The Elli Investments 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.

By order of the board



I Smith
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

28 September 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Results and dividends

The results are shown in the profit and loss account on page 8. The directors do not recommend the payment of a dividend (2013: £nil).

Directors

The directors during the year under review were:

D J Kay (resigned 31 October 2014)
M C Royston
I Smith
B R Taberner

Going concern and liquidity management

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. With this in mind, the directors have formally considered and concluded that the preparation of the financial statements on a going concern basis is appropriate. Further details are shown in the "Basis of preparation" section of note 1 to the financial statements.

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.

Auditor

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

Approved by the Board and signed on its behalf by:



I Smith
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

28 September 2015

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 the directors have elected to prepare the financial statements in accordance with UK 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 the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Leeland Limited

We have audited the financial statements of Leeland Limited for the year ended 31 December 2014 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

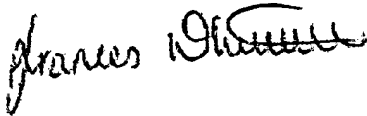
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Leeland Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Frances Whittle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

30 September 2015

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	<i>1</i>	1,183	1,305
Cost of sales		(1,345)	(1,441)
Operating loss	<i>3 - 4</i>	(162)	(136)
Loss on disposal	<i>6</i>	(97)	-
Loss on ordinary activities before tax	<i>2</i>	(259)	(136)
Tax on loss on ordinary activities	<i>5</i>	-	-
Loss on ordinary activities after taxation and retained for the year	<i>10</i>	(259)	(136)

The company has no recognised gains or losses in the current or prior year other than those reported above.

All amounts relate to continuing operations.

The financial statements include the notes on pages 11 to 16.

Balance Sheet
at 31 December 2014

		2014		2013	
	<i>Note</i>	£000	£000	£000	£000
Fixed assets					
Tangible assets	6		82		176
Current assets					
Debtors	7	3,418		3,472	
Cash at bank and in hand		-		1	
		<u>3,418</u>		<u>3,473</u>	
Creditors: amounts falling due within one year	8	(2,393)		(2,283)	
		<u></u>		<u></u>	
Net current assets			1,025		1,190
Total assets less current liabilities			<u>1,107</u>		<u>1,366</u>
Net assets			<u>1,107</u>		<u>1,366</u>
Capital and reserves					
Called up share capital	9	-		-	
Profit and loss account	10	1,107		1,366	
		<u>1,107</u>		<u>1,366</u>	
Shareholder's funds			<u>1,107</u>		<u>1,366</u>

The financial statements include the notes on pages 11 to 16.

The financial statements of Leeland Limited, registered number 03215790 were approved by the board of directors and authorised for issue on 28 September 2015. They were signed on its behalf by:

B. R. Taberner

B R Taberner
Director

Reconciliation of movement in shareholder's funds
for the year ended 31 December 2014

	2014	2013
	£000	£000
Opening shareholder's funds	1,366	1,502
Loss for the financial year	(259)	(136)
Closing shareholder's funds	1,107	1,366

The financial statements include the notes on pages 11 to 16.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Going concern

The company, together with its intermediate parent company Elli Investments Limited and fellow subsidiary undertakings (collectively the “Elli Investments group” or “the group”), is party to a number of financing arrangements under which the company has provided guarantees. For this reason, and the operational support provided by the group, the going concern assessment of the company is dependent on that of the Elli Investments group as a whole.

In July 2012, the Elli Investments group issued £350 million of senior secured notes which pay interest at 8.75%, and which are due for repayment in 2019, and £175 million of senior notes which pay interest at 12.25%, and which are due for repayment in 2020. During the year the terms of the group's revolving credit facility were amended such that it was converted to a £40 million term loan facility from January 2015 with a repayment date in December 2017. In addition to its external debt, the group owes £311m to related undertakings which accrues interest at 15% on a compounding basis and which is due for repayment in 2022.

During the year, Terra Firma Capital Partners III LP, the group's ultimate parent undertaking, provided an additional £50 million of equity to the group, which will be used by the Elli Investments group to fund both its capital expenditure programme and the increased costs associated with the group's strategic segmentation plan (see the consolidated financial statements of Elli Investments Limited for further detail).

The directors of the Elli Investments group have prepared trading and cash flow forecasts for the Elli Investments group, including the company, to September 2016. These forecasts include proceeds in the next six months from the on-going disposal process, of which £30 million is required to ensure adequate resources to continue to meet the group's liabilities as they fall due. The directors have a number of options available to them including the phasing of non-mandatory capital expenditure, additional disposals and new equity.

These forecasts, after adjustment for sensitivity analysis to incorporate the impact of reasonably foreseeable changes in trading and cash flow performance, and after taking into account the expected proceeds from the ongoing disposal process and other resources available to the group, show that the group has sufficient funding and covenant headroom within its current financing arrangements. As such, after taking into account the ability of the group to provide continued financial support to the company, should it be required, for the next 12 months, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2014 it was a wholly owned subsidiary undertaking of Elli Investments Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Notes (continued)

1 Accounting policies (continued)

Related party transactions

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and as the company is a wholly owned subsidiary of Elli Investments Limited have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Short leasehold interests	-	over the period of the lease
Plant, fixtures and fittings	-	15 – 20% per annum

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Guarantees

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other related parties which are subsidiaries of its ultimate parent, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make payment under the guarantee.

Turnover

Turnover represents the amounts net of VAT derived from the provision of healthcare services to customers and all arose in the United Kingdom.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

2 Loss on ordinary activities before taxation

	2014 £000	2013 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation - owned assets	65	68
Operating lease rentals - land and buildings	162	185
	<u>227</u>	<u>253</u>

The auditor's remuneration of £1,400 (2013: £950) for audit services was borne by another group undertaking. Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

3 Remuneration of directors

None of the directors received any emoluments from the company during the year (2013: £nil).

4 Staff numbers and costs

The average number of persons employed by the company during the current and prior year, including both full and part time staff, analysed by category, was as follows:

	Number of employees 2014	Number of employees 2013
Healthcare facilities	65	72
Administration	4	4
	<u>69</u>	<u>76</u>

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	706	774
Social security costs	42	37
Pension	2	-
	<u>750</u>	<u>811</u>

There were no outstanding pension contributions at the year end (2013: £nil).

Notes (continued)

5 Taxation

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2013: *higher*) than the standard rate of corporation tax in the UK 21.5% (2013: 23.25%) due to the differences explained below.

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(259)	(136)
Current tax at 21.5% (2013: 23.25%)	(56)	(32)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22	2
Depreciation for the period in excess of capital allowances	13	14
Group relief for nil consideration	21	16
Total current tax charge (see above)	<u>-</u>	<u>-</u>

Factors that may affect future current and total tax charge:

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

Notes (continued)

6 Tangible fixed assets

	Short term, leasehold land and buildings £000	Equipment and fixtures £000	Total £000
Cost			
At beginning of year	322	645	967
Additions	-	68	68
Disposals	(158)	(421)	(579)
At end of year	164	292	456
Depreciation			
At beginning of year	320	471	791
Charge for the year	-	65	65
Disposals	(156)	(326)	(482)
At end of year	164	210	374
Net book value			
At 31 December 2014	-	82	82
At 31 December 2013	2	174	176

7 Debtors

	2014 £000	2013 £000
Trade debtors	-	47
Amounts owed by group undertakings	3,414	3,415
Prepayments and other debtors	4	10
	3,418	3,472

The amounts due from group undertakings are interest free, unsecured and repayable on demand.

8 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	13	15
Amounts owed to group undertakings	2,305	2,141
Taxation and social security	2	6
Other creditors	47	88
Accruals	26	33
	2,393	2,283

The amounts due to group undertakings are interest free, unsecured and repayable on demand.

Notes (continued)

9 Share capital

	2014 £000	2013 £000
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	-	-

10 Reserves

	Profit and loss account £000
At beginning of year	1,366
Loss for the year	(259)
At end of year	1,107

11 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 £000	2013 £000
Operating leases that expire:		
In over five years – land and buildings	166	191

12 Contingent liability

The company, together with its parent and fellow subsidiary undertakings is party to a number of financing arrangements. The implications of this are explained more fully in note 1.

13 Ultimate undertaking

The company's immediate parent company is Mericourt Limited, incorporated in the United Kingdom.

The ultimate parent undertaking is Terra Firma Holdings Limited, an entity incorporated in Guernsey. The ultimate controlling party is Guy Hands.

The largest group in which the results of the company are consolidated is that headed by FSHC Group Holdings Limited. The consolidated financial statements of this company are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

The smallest group in which the results of the company are consolidated is that headed by Elli Investments Limited. The consolidated financial statements of this company are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.