**Leeland Limited**

# Annual report and financial statements

Registered number 03215790

31 December 2019

# Contents


| | |
|---|---|
| Strategic report | 1 |
| Directors' report | 4 |
| Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements | 5 |
| Independent auditor's report to the members of Leeland Limited | 6 |
| Profit and loss account and other comprehensive income | 9 |
| Balance sheet | 10 |
| Statement of changes in equity | 11 |
| Notes | 12 |

# Strategic report

### Background and ownership structure

Leeland Limited is a non-trading company within the Mericourt Limited group of companies.

As at 31 December 2019, 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 £1,000 (2018: loss of £821,000).

### Principal activity

The company does not currently trade and is not expected to in the foreseeable future.

### 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.

As this company is not trading there are no relevant KPIs.

### Principal risk and uncertainties

The Mericourt Limited 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 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. Alternative sources of nurses are continually investigated both within the UK and internationally, together with the training and development of Care Home Assistant Practitioners 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 government advice and, where appropriate, update its approach in accordance with the latest recommendations.

*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.

## Strategic report *(continued)*

**Future developments**

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) have unpaid debts and were put into administration on 30 April 2019. Following the administration, the EIL group is being restructured.

This includes potential sales of all or parts of the EIL group, internal reorganisation, the on-going leasehold estate restructuring, refinancing of the unpaid debt of EIL and EFUK (which may or may not include a debt for equity swap) and/or a combination of these. See note 1 for further details.

**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

29 March 2021

# Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019. The company has chosen to disclose certain information required in the Director's report in the Strategic report.

**Results and dividends**

The results for the year are shown in the profit and loss account on page 9. The directors do not recommend the payment of a dividend (2018: £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 (appointed 30 June 2020)

T R W Hammond (resigned 18 November 2019)

M C Royston (resigned 30 April 2020)

B R Taberner (resigned 30 June 2020)

M W O Healy (appointed 18 November 2019, resigned 30 January 2020)

**Going concern and liquidity management**

At the time of approving the financial statements, due to the fact the Company is no longer a trading entity, the directors have not prepared the accounts on a going concern basis. 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 14.

**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**

RSM UK Audit LLP were appointed as auditor of the Company. 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
29 March 2021

## 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. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d. 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 Leeland Limited

### Opinion

We have audited the financial statements of Leeland Limited (the 'company') for the year ended 31 December 2019 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 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 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 2019 and of its loss 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.

### Emphasis of matter - Non-going concern basis of accounting

We draw attention to note 1 of the financial statements which describes the preparation of the financial statements on a non-going concern basis. As described in note 1, the company has ceased trading and therefore the directors have concluded that it is not appropriate to prepare the financial statements on a going concern basis. Our opinion is not modified in respect of this matter.

## Independent auditor's report to the members of Leeland 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. 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 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 Leeland 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 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.

RSM UK Audit LLP

**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

29 March 2021

# Profit and loss account and other comprehensive income

*for the year ended 31 December 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **£000** | £000 |
| Cost of sales | | (1) | (1) |
| **Gross loss** | | (1) | (1) |
| Exceptional items # | 3 | - | (820) |
| **Operating loss** | | (1) | (821) |
| **Loss before taxation** | | (1) | (821) |
| Tax on loss | 6 | - | - |
| **Loss for the financial year** | | (1) | (821) |
| **Other comprehensive income, net of tax** | 9 | - | - |
| **Total comprehensive loss for the financial year** | | (1) | (821) |

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

All amounts relate to discontinued operations.

The financial statements include the notes on pages 12 to 20.

# Exceptional items includes a £nil (2018: £820,000 increase) in a non-cash provision against amounts due from group undertakings

# Balance sheet
*at 31 December 2019*

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | *Note* | **£000** | **£000** | £000 | £000 |
| **Current assets** | | | | | |
| Debtors | 7 | - | | - | |
| **Creditors:** *amounts due within one year* | 8 | (6) | | (5) | |
| **Net current liabilities** | | | (6) | | (5) |
| **Total assets less current liabilities** | | | (6) | | (5) |
| **Net liabilities** | | | (6) | | (5) |
| **Capital and reserves** | | | | | |
| Called up share capital | 9 | | - | | - |
| Profit and loss account | | | (6) | | (5) |
| **Shareholder's deficit** | | | (6) | | (5) |

The financial statements include the notes on pages 12 to 20.
These financial statements were approved by the board of directors on 29 March 2021 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 1 January 2018 | 816 | - | 816 |
| **Total comprehensive income for the period** | | | |
| Loss for the year | (821) | - | (821) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the period | (821) | - | (821) |
| **Balance at 31 December 2018** | **(5)** | **-** | **(5)** |

| | Profit & Loss account £000 | Called up share capital £000 | Total equity £000 |
|---|---|---|---|
| Balance at 1 January 2019 | (5) | - | (5) |
| **Total comprehensive income for the period** | | | |
| Loss for the year | (1) | - | (1) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the period | (1) | - | (1) |
| **Balance at 31 December 2019** | **(6)** | **-** | **(6)** |

The financial statements include the notes on pages 12 to 20.

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

## 1 Accounting policies

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

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 13.

*Measurement convention*

The financial statements are prepared on the historical cost basis.

The accounting reference date for the Company is 31 December 2019 (2018: 31 December 2018). 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 52 weeks ended 29 December 2019, with the comparative period being the 52 weeks ended 30 December 2018.

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

**1 Accounting policies *(continued)***

***Going concern***

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 and were put into administration on 30 April 2019. Following the administration of EIL and EFUK, Mericourt Limited and its subsidiaries continue to be legally owned by EIL but are no longer controlled by EIL. Furthermore, following the appointment of administrators, delegated authority for the EIL group's day to day operations has been transferred to Mericourt Limited

Following the administration of EIL, the EIL group is being restructured and is forecasting that additional funding will be required within 12 months of the signing of these financial statements based on planned restructuring activities. The EIL group will seek to address this funding requirement once the timing and the amount of funding requirement is more certain.

The company ceased to trade in a pevious year and therefore the directors have concluded that it is not appropriate to prepare the financial statements on a going concern basis. All assets and liabilities are shown as current.

***Basic financial instruments***

*Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

***Provisions and Contingent Liabilities***

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee. Further details are shown in note 13 - Accounting Estimates and Judgements, the "Going concern" section of note 1 to these financial statements, and note 10 - Contingent Liabilities.

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

## 1 Accounting policies *(continued)*

***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.

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

### 1 Accounting policies *(continued)*

*Exceptional items*

Items that are material in size and non-recurring in nature are presented as exceptional items in the profit and loss account. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Company's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, changes to business processes, gain or losses on the disposal or impairment of assets and other significant non-recurring gains or losses.

### 2 Expenses and auditor's remuneration

The auditor's remuneration of £5,300 (2018: £3,100) 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 information is required instead to be disclosed on a consolidated basis.

### 3 Exceptional items

Exceptional items in the prior year relate to a non-cash provision against amounts due from group undertakings.

### 4 Staff numbers and costs

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

### 5 Directors' remuneration

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Directors' remuneration | **36** | 23 |
| Pension costs | **-** | - |
| | **36** | 23 |

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, in respect of the company and any subsidiaries of the highest paid director was £15,000 (2018: £11,000) and includes pension contributions of £nil (2018: £nil).

Pension contributions arise in respect of one (2018: one) directors. There were no pension contributions outstanding at the year end (2018: £nil).

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

## 6 Taxation

| | 2019 | 2018 |
|---|---|---|
| | £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 | - | - |
| Total current tax | - | - |
| *Deferred tax charge* | | |
| Total deferred tax | - | - |
| Total tax | - | - |

*Reconciliation of effective tax rate*

| | 2019 | 2018 |
|---|---|---|
| Loss for period | (1) | (821) |
| Total tax expense | - | - |
| Loss excluding taxation | (1) | (821) |
| Tax using the UK corporation tax rate of 19.0% (2018: 19.00%) | - | (156) |
| *Effects of:* | | |
| Expenses not deductible/(credits) not taxable for tax purposes | - | 156 |
| Total tax expense included in profit and loss | - | - |

*Factors that may affect future, current and total tax (credit)/charge:*
The finance act which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax of 20% to 19% from 1 April 2017. Further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate of corporation tax to 17% from 1 April 2020. The most recent changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2020 (on 11 March 2020). These included maintaining the main rate of corporation tax at 19% from 1 April 2020.

## 7 Debtors

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Amounts due from group undertakings | 820 | 820 |
| Non-cash provision against amounts due from group undertakings | (820) | (820) |
| | - | - |

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

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

### 8 Creditors: amounts due within one year

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Amounts due to group undertakings | 1 | - |
| Other creditors | 5 | 5 |
| | 6 | 5 |

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

### 9 Share capital, reserves and other comprehensive income

| | 2019 | 2019 | 2018 | 2018 |
|---|---|---|---|---|
| | No. of shares | £000 | No. of shares | £000 |
| *Allotted, called up and fully paid:* | | | | |
| Ordinary shares of £1 each | 2 | - | 2 | - |
| Total | | - | | - |
| | | | | |
| Shares classified as liabilities | - | - | - | - |
| Shares classified as equity | 2 | - | 2 | - |
| Total | | - | | - |

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.

### 10 Contingent liabilities and group financing arrangements

The Company, together with other group and connected companies, is party to a number of financing arrangements. Under the terms of those financing arrangements, the trade and assets of the Company are security for debt facilities of connected entities. This debt is in default and those entities were placed into Administration on 30 April 2019. At the date of approval of these financial statements no claims have been made in respect of this guarantee. At 31 December 2019 the directors considered it possible, but not yet probable, that claims will be made. See note 1 and note 13 for further details of the impact of these guarantees on the company's ability to continue as a going concern and key estimates and judgements made in assessing the probability of claims under the guarantees.

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

## 11 Related parties

The directors have taken advantage of the exemption in FRS 102 Chapter 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. Group 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 2019 and 31 December 2018 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 33.1A 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.

Where balances remain outstanding between the Mericourt Group and Rhyme (Jersey) Group at 31 December 2019, these have been disclosed within the debtors and creditors notes as amounts due to / from connected parties along with any provisions against debtor balances. Balances at 31 December 2018 between Mericourt Group and Rhyme (Jersey) Group are disclosed within amounts due to / from group undertakings.

## 12 Ultimate parent

As at 31 December 2019, 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.

As at 31 December 2019, the ultimate parent undertaking is Terra Firma 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.

## 13 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:

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

### 13 Accounting estimates and judgements *(continued)*

***Contingent liabilities and provisions***

In determining whether a contingent liability disclosure or provision is required in respect of financial guarantee contracts, which the Company is party to in respect of guaranteeing the unpaid debts of EIL and EFUK, the Directors have to assess the likelihood that the Company will be required to make payments to settle their obligations in respect of this arrangement. When assessing the probability of payment, management have considered the circumstances around the EIL Group restructure (see note 1). The outcome of this assessment at 31 December 2019 was that it was not considered probable that the Company would be required to make a payment under this guarantee given the range of possible options available to the EIL Group including disposal of shares in investments with funds paid directly to the securities agent and possible refinancing options. The Directors acknowledge that given the financial position of the Group and the fact that the Debt Holders are in administration, the likelihood of a payment being made has increased during the current financial year. The Directors recognise that this is a subjective assessment given the final format and outcome of restructuring is uncertain. It is possible that payments will be made by the entity in respect of these guarantees under certain options which are currently being considered.

***Recoverability of amounts owed by related undertakings***

An estimate is made in respect of the recoverability of amounts owed by group undertakings. In making this assessment, the directors have considered the ability of the relevant group undertakings to pay the amount owed. Due to the complex group structure this requires consideration of the way in which all intercompany balances would be settled and the asset value available to settle those balances, both of which are impacted by the circumstances around the EIL Group restructure (see note 1).

***Treatment of items as exceptional***

The Company has presented items as exceptional within the profit and loss account and other comprehensive income. These are items of income and expense which the directors believe are material in size and non-recurring in nature, and this disclosure helps to provide clarity over the business' underlying performance. These items may include the profit or loss on disposal of properties, fixed asset impairments and reversal of impairments, movements on onerous lease provisions, costs relating to the balance sheet restructuring exercise, credits on disposal of negative goodwill and certain project costs. Judgement is required in ensuring that only items that meet the definition in the accounting policy are separately presented as exceptional items. See note 4 for details of the exceptional items.

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

### 19 Post balance sheet events

*Covid-19*

The existence of a new coronavirus, Covid-19, was confirmed in early 2020 and on 11 March 2020 the World Health Organization made the assessment that it could be characterised as a global pandemic. Covid-19 has been treated as a non adjusting post balance sheet event.

*Group Restructuring*

During 2020 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. These have included the continuation of the leasehold estate review, the sale and purchase agreement in respect of the business and assets of certain sites within a different division of the EIL group, trading as Huntercombe, which completed on 5 March 2021, and the announced sales process in respect of certain Care Home sites in Northern Ireland. Whilst these processes have no direct impact on the Company, they are relevant to the overall financial position of the EIL Group which indirectly impacts the company as cash is managed on a central basis. The company could also be affected by the future form and implementation of the EIL Group restructuring. See note 1 for further details.