Ringdane Limited

Strategic report, Directors' report and financial statements

Registered number 03277059

31 December 2013

Contents

Strategic report

Background and ownership structure

Ringdane 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 £1,652,000 (*2012: £1,863,000*).

Principal activity

The principal activity of the company is the operation of care home facilities for the elderly and disabled people.

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:

	2013	2012
Turnover	**£9,623,000**	£9,526,000
Operating loss	**£1,533,000**	£1,863,000
Average occupancy in the year - care homes	**86.7%**	82.6%
Average occupancy in the year - specilaised facilities	**67.7%**	68.8%

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.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The company encourages staff involvement through a process of communication and participation. This involves the provision of information through normal management channels including regular management briefing letters, annual conferences and meetings.

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.

D J Kay
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

29 September 2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

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 *(2012: £nil)*.

Directors

The directors during the year under review were:

P Calveley (resigned 4 November 2013)
D J Kay
M C Royston (appointed 13 December 2013)
I Smith (appointed 4 November 2013)
B R Taberner

Going concern and liquidity management

At the time of approving the fiancial 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:

D J Kay
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

29 September 2014

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 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 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.

KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Ringdane Limited

We have audited the financial statements of Ringdane Limited for the year ended 31 December 2013 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 web-site 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 2013 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 Ringdane 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.

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

29 September 2014

Profit and loss account
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	*1*	**9,623**	9,526
Cost of sales		**(11,156)**	(11,389)
Operating loss	*3 - 4*	**(1,533)**	(1,863)
Interest payable	*5*	**(119)**	-
Loss on ordinary activities before tax	*2*	**(1,652)**	(1,863)
Tax on loss on ordinary activities	*6*	-	-
Loss on ordinary activities after taxation and retained for the year	*11*	**(1,652)**	(1,863)

The company has no recognised gains or losses in the current period 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 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	7		**2,056**		2,276
Current assets					
Debtors	8	**5,771**		5,858	
Cash at bank and in hand		**4**		8	
		5,775		5,866	
Creditors: amounts falling due within one year	9	**(8,146)**		(6,805)	
Net current liabilities			**(2,371)**		(939)
Total assets less current liabilities			**(315)**		1,337
Net (liabilities)/assets			**(315)**		1,337
Capital and reserves					
Called up share capital	10		**-**		-
Profit and loss account	11		**(315)**		1,337
Shareholder's (deficit)/funds			**(315)**		1,337

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

The financial statements of Ringdane Limited, registered number 03277059 were approved by the board of directors and authorised for issue on 29 September 2014. They were signed on its behalf by:

B. R. Taberner

B R Taberner
Director

Reconciliation of movement in shareholder's (deficit)/funds
for the year ended 31 December 2013

	2013	2012
	£000	£000
Opening shareholder's funds	**1,337**	3,200
Loss for the financial year	**(1,652)**	(1,863)
Closing shareholder's (deficit)/funds	**(315)**	1,337

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"), is party to a number of financing arrangements under which the company has provided guarantees. 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. In addition to the external debt, the group owes £270.7 million to related undertakings which accrues interest at 15% on a compounding basis and which is due for repayment in 2022. The group also has access to a £40 million revolving credit facility which is available until 2018. £15 million of this facility was drawn down at the year end and was repaid by the end of February 2014.

During the first quarter of 2014 Terra Firma provided an additional £50 million of equity 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 Elli Investments Limited have prepared trading and cash flow forecasts for the Elli Investments group, including Ringdane Limited, to September 2015 which, after adjustment for sensitivity analysis to incorporate the impact of reasonably foreseeable changes in trading and cash flow performance and taking into account resources available to the group, show that it has sufficient funding and covenant headroom within its current financing arrangements.

At 31 December 2013 the company is dependent on funding provided by group companies. For this reason, the funding position of the company is dependent on that of the Elli Investments group as a whole.

Based on these forecasts, the directors of Ringdane Limited 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 2013 it was a wholly owned subsidiary undertaking of FSHC Group Holdings Limited, and its cash flows are included within the consolidated cash flow statement of that company.

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 FSHC Group Holdings Limited have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	2013	2012
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	**636**	603
Operating lease rentals - land and buildings	**2,114**	2,090

The auditor's remuneration of £1,350 (*2012: £1,350*) 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 *(2012: £nil).*

4 Staff numbers and costs

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

	Number of employees 2013	Number of employees 2012
Healthcare facilities	**453**	473
Administration	**18**	18
	471	491

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	**5,587**	5,853
Social security costs	**328**	350
Pension	**1**	1
	5,916	6,204

5 Interest payable

	2013	2012
	£000	£000
Amounts paid to group undertakings	**119**	-

Notes *(continued)*

6 Taxation

Analysis of charge in period

	2013	2012
Analysis of charge in period	**£000**	£000
UK corporation tax		
Corporation tax charge	-	-
Deferred tax charge	-	-
	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2012: higher)* than the standard rate of corporation tax in the UK 23.25% *(2012: 24.5%)* due principally to the availability of current year losses in other group companies. The differences are explained below.

	2013	2012
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,652)**	(1,863)
Current tax at 23.25% *(2012: 24.5%)*	**(384)**	(456)
Effects of:		
Expenses not deductible for tax purposes	**12**	15
Depreciation for the period in excess of capital allowances	**134**	133
Group relief for nil consideration	**238**	308
Total current tax charge (see above)	-	-

Factors that may affect future current and total tax charge:

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 31 December 2013 which has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

7 Tangible fixed assets

	Short term, leasehold land and buildings £000	Equipment and fixtures £000	Total £000
Cost			
At beginning of year	2,045	4,672	6,717
Additions	-	416	416
At end of year	2,045	5,088	7,133
Depreciation			
At beginning of year	1,225	3,216	4,441
Charge for the year	42	594	636
At end of year	1,267	3,810	5,077
Net book value			
At 31 December 2013	**778**	**1,278**	**2,056**
At 31 December 2012	820	1,456	2,276

8 Debtors

	2013 £000	2012 £000
Trade debtors	**469**	502
Amounts owed by group undertakings	**5,162**	5,041
Prepayments and other debtors	**140**	315
	5,771	5,858

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

9 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**136**	144
Amounts owed to group undertakings	**7,216**	5,889
Taxation and social security	**69**	70
Other creditors	**597**	592
Accruals	**128**	110
	8,146	6,805

The amounts due to group undertakings are unsecured and repayable on demand. Where applicable, interest is charged at 7%.

Notes *(continued)*

10 Share capital

	2013	2012
	£000	£000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	-	-

11 Reserves

	Profit and loss account
	£000
At beginning of year	1,337
Loss for the year	(1,652)
At end of year	**(315)**

12 Commitments

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

	2013	2012
	£000	£000
Operating leases that expire:		
In over five years – land and buildings	**2,177**	2,152

13 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.

14 Ultimate undertaking

The company's immediate parent company is Four Seasons Health Care Group Limited, a company incorporated in the United Kingdom.

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

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.