Four Seasons (H2) Limited

Annual report and financial statements

Registered number 05842381
31 December 2016

Contents

Strategic report

Background and ownership structure

Four Seasons (H2) 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 profit before taxation of £406,000 *(2015: profit of £194,000).*

Principal activity

The principal activity of the Company is the operation of care homes for 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:

	2016	2015
Turnover	**£2,934,000**	£2,637,000
Operating profit	**£406,000**	£194,000
Average occupancy in the year	**98.7%**	98.3%

Principal risks and uncertainties

The Elli Investments 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.

Strategic report *(continued)*

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 short term budgets against actual performance in line with obligations under financing agreements.

Operational risks

- *Reputational risk*
Mitigation: in order to mitigate this risk as far as possible, the Company 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 Company 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 and assurance, particularly given the ongoing capital restructuring of the group.

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

B. R. Taberner

B R Taberner
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

31 May 2017

Directors' report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2016.

Results and dividends

The results for the year are shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (*2015: £nil*).

Directors

The directors who held office were as follows:

T R W Hammond (appointed 15 February 2016)
A How (appointed 15 February 2016, resigned 17 March 2016)
M O'Reilly (appointed 15 February 2016, resigned 31 March 2017)
M C Royston
I Smith (resigned 15 February 2016)
B R Taberner

Going concern and liquidity management

At the time of approving the financial statements, whilst there are uncertainties in the trading and cash flow forecasts, as outlined in note 1 to the financial statements, which give rise to a material uncertainty, the directors have a reasonable expectation that the company has adequate resources to continue to meet its liabilities as and when they fall due 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 "Going concern" 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.

By order of the board

B. R. Taberner

B R Taberner
Director

Norcliffe House
Station Road
Wilmslow
Cheshire
SK9 1BU

31 May 2017

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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
United Kingdom
M2 3AE

Independent auditor's report to the members of Four Seasons (H2) Limited

We have audited the financial statements of Four Seasons (H2) Limited for the year ended 31 December 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 4, 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 2016 and of its profit 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Four Seasons (H2) Limited
(continued)

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern; in particular the existence of cross guarantees over financing arrangements of the group headed by Elli Investments Limited, the operational and financial support provided by the group, and the uncertainties related to the Elli Investments group as a whole. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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 Simpson

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 St Peter's Square
Manchester
M2 3AE

2 June 2017

Profit and loss account and other comprehensive income
for the year ended 31 December 2016

	Note	**2016**	2015
		£000	£000
Turnover	*2*	**2,934**	2,637
Cost of sales		**(2,528)**	(2,443)
Gross profit		**406**	194
Operating profit		**406**	194
Profit on ordinary activities before taxation		**406**	194
Tax on profit on ordinary activities	*6*	**-**	-
Profit for the financial year		**406**	194
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year		**406**	194

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 10 to 19.

Balance sheet
at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets	*7*		**213**		233
Current assets					
Debtors	*8*	**78**		32	
Cash at bank and in hand		**-**		13	
		78		45	
Creditors: amounts falling due within one year	*9*	**(1,019)**		(1,412)	
Net current liabilities			**(941)**		(1,367)
Total assets less current liabilities			**(728)**		(1,134)
Net liabilities			**(728)**		(1,134)
Capital and reserves					
Called up share capital	*11*		**50**		50
Profit and loss account			**(778)**		(1,184)
Shareholder's deficit			**(728)**		(1,134)

The financial statements include the notes on pages 10 to 19.

These financial statements were approved by the board of directors on 31 May 2017 and were signed on its behalf by:

B. R. Taberner

B R Taberner
Director

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	50	(1,378)	(1,328)
Total comprehensive income for the period			
Profit for the period	-	194	194
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	194	194
Balance at 31 December 2015	**50**	**(1,184)**	**(1,134)**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	50	(1,184)	(1,134)
Total comprehensive income for the period			
Profit for the period	-	406	406
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	406	406
Balance at 31 December 2016	**50**	**(778)**	**(728)**

The financial statements include the notes on pages 10 to 19.

Notes *(forming part of the financial statements)*

1 Accounting policies

Four Seasons (H2) Limited (the "Company") is a company limited by shares and incorporated and domiciled 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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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, Elli Investments Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Elli Investments Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

In these financial statements the Company is considered to be a qualifying entity (for the purposes 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 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 17.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

The company is part of the Elli Investments Limited group of companies (the "Elli Investments group" or "the group"). The group is party to a number of financing arrangements under which the company has provided guarantees. The company meets its day to day working capital requirements from cash resources and intercompany balances with other companies in the group (as shown in the notes to these financial statements). Therefore, in light of the group's funding arrangements, the cross guarantees, and the operational and financial support provided by the group, the going concern assessment of the company is dependent on that of the Elli Investments group as a whole. The Financial statements of the group for the year ended 31 December 2016, authorised for issue on 26 April 2017, included the following disclosure:

"In July 2012 the group issued £350m of senior secured notes which pay interest at 8.75% and are due for repayment in June 2019 and £175m of senior notes which pay interest at 12.25% and are due for repayment in June 2020. In addition, the group has a £40m super senior secured term loan facility (the "£40m term loan facility") which has a repayment date in December 2017.

Capital structure

The directors have previously recognised that the current funding structure of the group may not be appropriate for the long term needs of the business and in October 2015 advisors were appointed to conduct a review of the group's current financing arrangements.

As part of this review and as previously announced, the group's shareholder, FSHC Group Holdings Limited (the "Parent"), and certain stakeholders have, since the summer of 2016, been engaged in discussions and efforts to bring about a consensual solution to the group's capital structure. As part of the discussions with various existing stakeholders, non-binding and confidential proposals have been exchanged although, to date, no agreement has been reached with any stakeholder.

However, the directors are reassured that the group's stakeholders have been actively engaged in efforts to bring about a consensual solution and will continue to consider all options available with respect to seeking a capital structure more appropriate to the long-term requirements of the group. The directors acknowledge that there can be no certainty that these options will be successfully implemented. However, at the date of approval of these financial statements and notwithstanding the passage of time since the review of the capital structure commenced, they have no reason to believe otherwise.

The Parent and its advisors continue to consider a number of options to repay, refinance or extend the maturity of the group's £40m term loan facility. Whilst, to date, a final decision has not been taken as to the most appropriate course of action, the directors' current opinion, based on indicative proposals, is that there remain a number of solutions to address the facility's maturity.

Cash flow forecast

The directors have prepared trading and cash flow forecasts for the group to December 2018. These forecasts include a number of assumptions in relation to trading performance and indicate that the increased cost base, driven by the National Living Wage, the Apprenticeship Levy and underlying inflation, is expected to be met by further improved operational performance, additional sector funding as a result of the permitted increase in the Social Care Precept to 3% of Council Tax in 2017/18, and further funding pledges announced in the Government's Budget on 8 March 2017. These forecasts include an assumption that the £40m term loan facility is refinanced ahead of the maturity in December 2017 and the receipt of proceeds of approximately £20m in the next six months from the disposal of properties. Of these disposal proceeds, £5m, assuming the operational forecasts are achieved, is required to ensure adequate resources to continue to meet the group's liabilities as they fall due in the next 12 months.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

Material risks and uncertainties

As outlined in the Strategic Report, the operating environment presents a number of challenges which could contribute to the group failing to achieve its operational and cash flow forecasts. These risks and uncertainties include, but are not limited to, the following:

- *Occupancy – there is a risk that the group does not achieve the levels of occupancy assumed in its forecasts as a result, for example, of higher than expected winter deaths or embargoes. To illustrate the sensitivity of the forecasts to this key financial driver, the annual earnings before interest, tax, depreciation and amortisation (EBITDA) impact from a one percentage point reduction in occupancy across the group is approximately £1.7m, based on the fee and cost structure assumed in the forecasts;*

- *Agency costs – appropriate staffing levels are required to ensure that the correct level of care is provided. With a shortage of qualified nursing staff across the sector, the group may be required to use higher than anticipated levels of agency staff. In addition, the impact of Brexit on the availability of nurses and hence the level of future agency usage is yet to be fully understood. In general, agency staff are considerably more expensive than the group's own employees. By way of illustration, a 0.5 percentage point increase in the group's agency usage as a percentage of payroll has a negative EBITDA annual impact of £2.2m.*

Related party liabilities

Although the group has net liabilities of £521.9m (2015: net liabilities of £439.5m), they include £411.7m (2015: £358.0m) within creditors falling due after more than one year which is due to related undertakings which are controlled by the same parent undertaking. This facility accrues effective interest at 15% on a compounding basis and is due for repayment in 2022. The directors of the related undertaking have confirmed that this facility will continue to be available to the group."

Conclusion

The directors of Elli Investments Limited have considered ISA 570 and concluded that the circumstances outlined above give rise to a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern and therefore it may be unable to continue to realise its assets and discharge its liabilities in the normal course of business.

The directors of the company have also considered ISA 570 and concluded that the group financing arrangements and the operational and financial support provided by the group together with the above matters give rise to a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to continue to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue to meet its liabilities as and when they fall due for the foreseeable future. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Equipment and fixtures - 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes *(continued)*

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.

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

All turnover arises from operations in the United Kingdom, and is attributable to fees for the operation of care homes for the elderly and disabled people.

3 Expenses and auditor's remuneration

The auditor's remuneration of £1,500 *(2015: £1,500)* 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.

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2016	2015
Administration	**2**	2
Healthcare facilities	**76**	79
	78	81

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**1,434**	1,390
Social security costs	**126**	115
Pension costs	**9**	9
	1,569	1,514

5 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**32**	5
Pension costs	**-**	-
	32	5

The remuneration above relates to each director's qualifying services to the company and any subsidiaries, and was paid by another group undertaking.

The total remuneration, including bonus payments, in respect of this company and any subsidiaries, of the highest paid director was £19,758 (*2015: £1,974*), and includes pension contributions of £nil (*2015: £156*).

Pension contributions arise in respect of two (*2015: two*) directors. There were no outstanding pension contributions at the year end (*2015: £nil*).

Notes *(continued)*

6 Taxation

	2016	2015
	£000	£000
Total tax expense recognised in the profit and loss account, other comprehensive income and equity		
UK corporation tax		
Current tax on profit for the period	-	-
Deferred tax charge	-	-
Total tax	-	-

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit for the year	**406**	194
Total tax expense	-	-
Profit excluding taxation	**406**	194
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	**81**	39
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Group relief for nil consideration	**(94)**	(52)
Current year movement in unrecognised deferred tax assets	**11**	11
Total tax expense included in profit and loss	-	-

Factors that may affect future current and total tax (credit)/charge:

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge and deferred tax liability where applicable.

Notes *(continued)*

7 Tangible fixed assets

	Equipment and fixtures £000
Cost	
Balance at 1 January 2016	712
Additions	43
Balance at 31 December 2016	755
Depreciation	
Balance at 1 January 2016	479
Depreciation charge for the year	63
Balance at 31 December 2016	542
Net book value	
At 1 January 2016	233
At 31 December 2016	**213**

8 Debtors

	2016 £000	2015 £000
Trade debtors	**70**	23
Other debtors	**1**	2
Prepayments	**7**	7
	78	32

9 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	**30**	30
Other taxation and social security	**26**	25
Amounts due to group undertakings	**814**	1,274
Accruals	**105**	33
Other creditors	**44**	50
	1,019	1,412

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

Notes *(continued)*

10 Employee benefits

The Company operates a number of pension schemes for its employees. All pension schemes are defined contribution schemes. The assets of all schemes are held in separate funds administered by the Trustees and are independent of the Company's finances.

The total cost charged to the profit and loss account during the year was £9,320 *(2015:£8,670)*. At the year end £0 *(2015:£0)* of pension contributions were outstanding.

11 Share capital

	2016	**2016**	2015	2015
	No. of shares	**£000**	No. of shares	£000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**50,001**	**50**	50,001	50
Shares classified as shareholder's deficit	**50,001**	**50**	50,001	50

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.

12 Operating leases

Leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**474**	466
Between one and five years	**1,895**	1,865
More than five years	**7,343**	7,693
	9,712	10,024

During the year £470,300 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £449,000)*.

All leases are held with companies within the FSHC Group Holdings Limited group.

13 Contingent liabilities

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.

Notes *(continued)*

14 Commitments

The Company's contractual commitments to purchase tangible fixed assets at the year end were £nil *(2015: £5,000).*

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

16 Ultimate parent

The Company's immediate parent company is Four Seasons Group Holdings Limited, a Company 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 its registered office at 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 its registered office at Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

17 Accounting estimates and judgements

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

- The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.