

OS AA01

Statement of details of parent law and other
information for an overseas company

Laserform

✓ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law.

X What this form is NOT
You cannot use this form
for an alteration of manner
with accounting requirements.

SATURDAY



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28/10/2017

#264

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Four Seasons Group Limited

UK establishment
number

B R 0 0 0 3 1 5

→ Filling in this form
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1

Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ②

Companies Acts 1931 to 2004

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2

Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☒ Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.

Name of organisation
or body ③

UK Accounting Standards

③ Please insert the name of the
appropriate accounting organisation
or body.

A3

Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ No. Go to Section A5.

☒ Yes. Go to Section A4.

OS AA01

Statement of details of parent law and other information for an overseas company

A4

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'.

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

1 Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body **1**

International Standards on Auditing (UK and Ireland)

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ No.

☐ Yes.

Part 3

Signature

Signature

I am signing this form on behalf of the overseas company.

Signature

X *A. M. M. M.* X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Ref: CSU, Eversheds
Sutherland (Intl) LLP

Address Eversheds House, 70 Great Bridgewater
Street

Post town Manchester

County/Region

Postcode

M

1

S

E

S

Country

DX DX 14344 Manchester

Telephone 020 7497 9797

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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Four Seasons Group Limited
Annual report and financial statements

Registered number 1637C
31 December 2016



2016/2017
COMPANIES HOUSE

#249

Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements	4
Independent auditor's report to the members of Four Seasons Group Limited	5
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

Strategic report

Background and ownership structure

Four Seasons Group Limited is a holding 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 £8,974,000 (2015: loss of £42,892,000).

Principal activity

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

Business review and KPIs

The results of the Company are consolidated in the group headed by 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.

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.

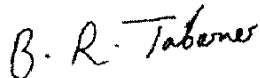
Employment policies

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
Director

Millennium House
Victoria Road
Douglas
Isle of Man
IM2 4RW

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.

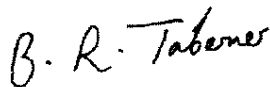
Disclosure of information to auditor

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 12(2) of the Isle of Man Companies Act 1982, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



B R Taberner
Director

Millennium House
Victoria Road
Douglas
Isle of Man
IM2 4RW

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, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to 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 they have been prepared in accordance with UK Accounting Standards; 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 Acts 1931 to 2004. 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 Group Limited

We have audited the financial statements of Four Seasons Group Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards 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 Section 15 of the Companies Act 1982. 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 that give a true and fair view. Our responsibility is to audit, and to 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 loss for the year then ended;
- have been properly prepared in accordance with applicable law and UK Accounting Standards; and
- have been prepared in accordance with the provisions of the Companies Acts 1931 to 2004.

Independent auditor's report to the members of Four Seasons Group Limited

(continued)

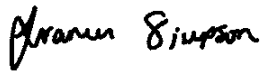
Emphasis of Matter – Going concern

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 Acts 1931 to 2004 requires us to report to you if, in our opinion:

- proper books of account have not been kept and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's balance sheet and profit and loss account are not in agreement with the books of account 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 (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

	<i>Note</i>	2016 £000	2015 £000
Administrative expenses		(1)	(1)
Exceptional items	3	(106)	(42,910)
Operating loss		(107)	(42,911)
Interest payable/(receivable and similar income)	6	(8,867)	19
Loss on ordinary activities before taxation		(8,974)	(42,892)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year		(8,974)	(42,892)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(8,974)	(42,892)

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 20.

Balance sheet
at 31 December 2016

		2016	2015
	Note	£000	£000
Fixed assets			
Tangible assets	8	-	106
Investments	9	-	-
			<u>106</u>
Current assets			
Debtors	10	<u>262,719</u>	<u>271,587</u>
Net current assets		<u>262,719</u>	<u>271,587</u>
Total assets less current liabilities		<u>262,719</u>	<u>271,693</u>
Net assets		<u>262,719</u>	<u>271,693</u>
Capital and reserves			
Called up share capital	11	19,110	19,110
Share premium account		43,468	43,468
Profit and loss account		200,141	209,115
Shareholder's funds		<u>262,719</u>	<u>271,693</u>

The financial statements include the notes on pages 10 to 20.

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

M C Royston

M C Royston
Director

Statement of changes in equity

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	19,110	43,468	252,007	314,585
Total comprehensive income for the period				
Loss for the period	-	-	(42,892)	(42,892)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(42,892)	(42,892)
Balance at 31 December 2015	19,110	43,468	209,115	271,693

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	19,110	43,468	209,115	271,693
Total comprehensive income for the period				
Loss for the period	-	-	(8,974)	(8,974)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(8,974)	(8,974)
Balance at 31 December 2016	19,110	43,468	200,141	262,719

The financial statements include the notes on pages 10 to 20.

Notes (forming part of the financial statements)

1 Accounting policies

Four Seasons Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the United Kingdom.

The Company is exempt by virtue of the Companies Act 1982 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") 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 15.

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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

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

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:

- Freehold buildings - 45 years
- Equipment and fixtures - 3 to 5 years
- Motor vehicles - 4 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.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding investment properties and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the units on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

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 parent 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.

Expenses

Other interest receivable and similar income include interest receivable on funds invested

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

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.

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 £600 (2015: £600) 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)

3 Exceptional items

Exceptional expenses in the current year relate to the loss on disposal of fixed assets.

Exceptional items in the prior year relate to the impairment of fixed asset investments.

4 Employee information

There were no employees during the current or prior year other than directors.

5 Directors' remuneration

None of the directors received any remuneration from the Company during the current and prior year. Directors of the Company are remunerated by fellow subsidiary companies within the group and the related cost is disclosed within the accounts of these companies.

6 Net interest and similar charges/income

	2016 £000	2015 £000
<i>Interest payable and similar charges:</i>		
On balances due to group undertakings	(8,867)	(9,235)
Total interest payable and similar charges	(8,867)	(9,235)
<i>Interest receivable and similar income:</i>		
Total interest receivable and similar income	-	831
Income from fixed asset investments	-	8,423
	-	9,254
Net interest and similar charges/income	(8,867)	19

Notes (continued)

7 Taxation

	2016 £000	2015 £000
Total tax expense recognised in the profit and loss account, other comprehensive income and equity		
<i>UK corporation tax</i>		
Current tax on loss for the period	-	-
Deferred tax on loss for the period	-	-
Total tax	-	-
<i>Reconciliation of effective tax rate</i>		
	2016 £000	2015 £000
Loss for the year	(8,974)	(42,892)
Total tax expense	-	-
Loss excluding taxation	(8,974)	(42,892)
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(1,795)	(8,685)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	21	8,689
Tax exempt revenues	-	(1,706)
Group relief for nil consideration	1,774	677
Current year movement in unrecognised deferred tax assets	-	1,025
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)

8 Tangible fixed assets

	Leasehold land and buildings £000	Equipment and fixtures £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2016	157	2,058	942	3,157
Disposals	(157)	(2,058)	(942)	(3,157)
Balance at 31 December 2016	-	-	-	-
Depreciation				
Balance at 1 January 2016	51	2,058	942	3,051
Disposals	(51)	(2,058)	(942)	(3,051)
Balance at 31 December 2016	-	-	-	-
Net book value				
At 1 January 2016	106	-	-	106
At 31 December 2016	-	-	-	-

9 Investments

	Shares in group undertakings £000
Cost	
Balance at 1 January 2016 and 31 December 2016	44,627
Provisions	
Balance at 1 January 2016 and 31 December 2016	(44,627)
Net book value	
At 1 January 2016	-
At 31 December 2016	-

A list of the Company's subsidiary undertakings at 31 December 2016 is provided below. In respect of each of the subsidiaries, the Company owned 100% of the ordinary shares in both 2016 and 2015. Each company is incorporated in the United Kingdom and is registered at Norcliffe House, Station Road, Wilmslow, Cheshire, SK9 1BU.

Company	Nature of business
Four Seasons Health Care Properties Limited	Operator of healthcare facilities
Four Seasons Health Care Properties (Care Homes) Limited *	Operator of healthcare facilities
Four Seasons Health Care Properties (Specialist) Limited *	Operator of healthcare facilities
FSHC Properties (Manor) Limited	Operator of healthcare facilities

*Held indirectly

Notes (continued)

10 Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	<u>262,719</u>	<u>271,587</u>

The amounts owed by group undertakings are unsecured and repayable on demand. Where applicable, interest is charged at between 0.4% and 5.00%.

11 Share capital

	2016 No. of shares	2016 £000	2015 No. of shares	2015 £000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	<u>19,104,672</u>	<u>19,110</u>	<u>19,104,672</u>	<u>19,110</u>
Shares classified as shareholder's funds	<u>19,104,672</u>	<u>19,110</u>	<u>19,104,672</u>	<u>19,110</u>

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 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.

13 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.

14 Ultimate parent

The Company's immediate parent company is FSHC Properties Holdings Limited, a Company incorporated in Barbados.

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.

Notes *(continued)*

15 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.