

DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

Companies House

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

✗ **What this form is NOT for**
You cannot use this form for
an alteration of name
with accounting requirements.

THURSDAY



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19/08/2021

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COMPANIES HOUSE

Part 1 Corporate company nameCorporate 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
audited.

Legislation ②

Isle of Man Companies Act 1931 to 2004

② This means the relevant rules or
legislation which regulates the
preparation 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**.③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ③

United Kingdom Accounting Standards

OS AA01

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

A3

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'**.

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

Name of organisation or body ●

International Standards on Auditing (UK)

Part 3

Signature

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

Signature

Signature

X

A. Morrison

X

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

**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	REF: GEM SERVICES
Company name	KPMG (UK) LLP
Address	ONE ST. PETER'S SQUARE
Post town	MANCHESTER
County/Region	
Postcode	M 2 3 A E
Country	UNITED KINGDOM
DX	
Telephone	

**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

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.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

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

Four Seasons Group Limited

Annual report and financial statements

Registered number 1637C
31 December 2017

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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 £6,942,000 (2016: *loss of £8,974,000*).

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)

Principal risks and uncertainties (continued)

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

Financial risks

- *Liquidity and capital resources*

Mitigation: Liquidity and financing arrangements are managed centrally within the group. As detailed in Elli Investments Limited's annual report for the year ended 31 December 2017, the directors of the group recognise that the funding structure is not appropriate for the long-term needs of the group and that there are leases in the group's estate where rent is above market. Advisors were appointed in October 2015 to conduct a review of the group's financing arrangements and leasehold estate. Further details of this review and the impact upon the Company are provided in notes 1 and 15.

- *Reduction in demand for our services*

Mitigation: The Company and other group companies continue to focus on their strong partnering relations with Local Authorities and care commissioners to ensure that placements are made within our facilities. In addition, we regularly assess the services we provide to ensure they represent value for money and where necessary reposition services to align with demand.

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 front line 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.

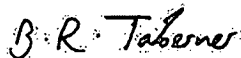
Employment policies

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
5 September 2018

Directors' report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2017.

Results and dividends

The results for the year are shown in the profit and loss account on page 8. The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office were as follows:

T R W Hammond
M O'Reilly (resigned 31 March 2017)
M C Royston
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 and proposed restructuring, as outlined in note 1 to the financial statements, which give rise to a material uncertainty in relation to going concern, 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.

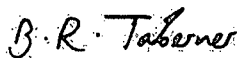
Disclosure of information to auditor

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

5 September 2018

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law.

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 including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, as applicable to an Isle of Man company.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Four Seasons Group Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account and other comprehensive income, balance sheet and statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* as applicable to an Isle of Man company; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other information

The directors are responsible for the other information presented with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that there is a material uncertainty relating to the Company's ability to continue as a going concern.

The Company is part of the Elli Investments Limited group of companies ("the group"). Other group companies are in default of its £350m of senior secured notes (SSNs) and £175m senior notes (SNs). The group is unlikely to have sufficient financial resources to be able to continue trading without a restructuring of the group's obligations.

Independent Auditor's Report to the members of Four Seasons Group Limited *(continued)*

Material uncertainty related to going concern *(continued)*

At the date of signing the accounts a Restructuring Lock-Up Agreement (RLUA), which documents the agreement to proceed with a restructuring of the group, has been announced that would see ownership of the Company (together with other companies in the group) transfer to a new owner controlled by certain of the group's creditors. Further details of the expected restructure are outlined in note 1.

The successful implementation of the proposed restructuring, and the substantial achievement of forecasts, together with the other circumstances outlined in note 1, represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Matters on which we are required to report by exception

Under the Companies Acts 1931 to 2004 we are required 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 financial statements 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities.

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.

KPMG LLP

KPMG LLP

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

5 September 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Administrative expenses		-	(1)
Exceptional items	3	-	(106)
Operating loss		-	(107)
Interest payable and similar income	6	(6,942)	(8,867)
Loss before taxation		(6,942)	(8,974)
Tax on loss	7	-	-
Loss for the financial year		(6,942)	(8,974)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(6,942)	(8,974)

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

All amounts relate to continuing operations.

The financial statements include the notes on pages 11 to 20.

Balance sheet
at 31 December 2017

		2017		2016	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	8		-		-
Current assets					
Debtors	9	255,777		262,719	
Net current assets			255,777		262,719
Total assets less current liabilities			255,777		262,719
Net assets			255,777		262,719
Capital and reserves					
Called up share capital	10		19,110		19,110
Share premium account			43,468		43,468
Profit and loss account			193,199		200,141
Shareholder's funds			255,777		262,719

The financial statements include the notes on pages 11 to 20.

These financial statements were approved by the board of directors on 5 September 2018 and were signed on its behalf by:

B R Taberner

B R Taberner
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 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

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	19,110	43,468	200,141	262,719
Total comprehensive income for the period				
Loss for the period	-	-	(6,942)	(6,942)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(6,942)	(6,942)
Balance at 31 December 2017	19,110	43,468	193,199	255,777

The financial statements include the notes on pages 11 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 Estera Administration (Guernsey) Limited, 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 14.

Measurement convention

The financial statements are prepared on the historical cost basis.

The accounting reference date for the Company is 31 December 2017 (2016: 31 December 2016). The Company has opted to adopt the "seven day rule". The seven-day rule provides that a particular financial year need not end on the accounting reference date itself but on a date within not more than seven days of the date as the directors may determine. On this basis, the accounting period is for the 53 weeks ended 31 December 2017, with the comparative period being the 52 weeks ended 25 December 2016.

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 certain group companies have provided guarantees. The Company meets its day to day working capital requirements from cash resources and intercompany balances with other group companies. 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.

Capital structure

At 31 December 2017 the group’s debt was £350m of senior secured notes (“SSNs”) which pay interest at 8.75% and are due for repayment in June 2019, £175m of senior notes (“SNs”) which pay interest at 12.25% and are due for repayment in June 2020 and a £40m term loan which paid interest at LIBOR plus 6% with a maturity date in March 2019. Certain group companies guarantee the debt of all companies in the group as detailed in the contingent liability disclosures for the relevant group companies. Following the year end, on 15 March 2018, the group entered into a new £70m super senior term loan, which pays interest at LIBOR plus 3.75% and is due for repayment in March 2019, and repaid the £40m term loan (see Post balance sheet events note for further details).

Standstill and deferral agreement

As detailed in the annual report of Elli Investments Limited for the year ended 31 December 2017, the directors of the group recognise that the current funding structure is not appropriate for the long-term needs of the business and that there are leases in the estate where rent is above market. Advisors were appointed in October 2015 to conduct a review of the group’s financing arrangements and leasehold estate.

On 14 December 2017 the group and H/2 Capital Partners, on behalf of its affiliated investment funds, (“H/2”), as the majority creditor in both the SSNs and SNs, announced that they had put in place a Standstill and Deferral Agreement (“SDA”) in respect of the non-payment of interest on the SSNs and SNs which were due for payment on 15 December 2017. Notwithstanding the SDA, the non-payment of the group’s interest on 15 December 2017 resulted in a default outstanding at the year end. However, the SDA provides the majority creditor’s forbearance on this default whilst it remains in place, which requires the company to comply with a number of conditions set out in the SDA. On 18 May 2018 the SDA was amended to provide forbearance on the non-payment of the group’s interest on 15 June 2018. The forbearance period’s long-stop date is currently 28 September 2018.

Current status

On 18 May 2018 the group and H/2 announced that they had entered into a Restructuring Lock-Up Agreement (“RLUA”) which documents their agreement to proceed with a restructuring of the group that will see ownership of the Company transfer to a new owner controlled by certain of the group’s creditors (“NewCo”).

In preparation for the transfer to new ownership, the group will undertake an intra-group reorganisation, the details of which have not yet been finalised. NewCo will be capitalised by a combination of new cash equity and more modest third-party senior financing, which it is estimated will result in the group’s leverage being approximately halved.

As part of the restructuring, the Company’s existing £70m super senior term loan is expected to be repaid in full and holders of the £350m SSNs are expected to receive repayment in full, including accrued but unpaid interest. This treatment of the SSNs is subject to the above referenced third-party senior financing (without an increase in the proposed new equity contribution) and the group’s ongoing financial condition.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

The group's £175m existing SNs will remain with Elli Investments Limited (which will not be transferred to NewCo) and holders are expected to receive a cash payment based on an independent valuation of the group being transferred to NewCo together with certain other payments. Elli Investments Limited expects to launch a Consent Solicitation, which will provide existing Senior Noteholders with more detailed information regarding the proposed restructuring.

Material risks and uncertainties – form of the restructuring

If an alternative form of restructuring is required, a Scheme of Arrangement will be considered, pursuant to which holders of Senior Secured Notes are expected to receive repayment in full in respect of principal, but not in respect of accrued but unpaid interest.

Material risks and uncertainties – restructuring

Whilst the directors expect that a successful restructuring of the group will be implemented, to the extent it is not wholly successful, the directors believe that the most likely alternative will be to place one or more of the group companies, which may include this Company, into administration. The principal uncertainties around a successful implementation of a restructuring include the following:

- Execution risk – it is likely that the implementation of a successful restructuring will require the support of various stakeholders of the group. This support cannot be guaranteed.
- New financing – as outlined above, the form of the proposed restructuring includes new third-party senior financing. Whilst the quantum of the new debt will be more modest compared to existing levels, estimated at half the group's current leverage, a successful raising of this new debt cannot be guaranteed.
- Liquidity – the group's latest cash flow forecasts, taking into account the current operating environment and material risks and uncertainties to trading (outlined below), indicate that, in the absence of any additional funding, and excluding any further payments due in respect of the SSNs and SNs (which would require further forbearance), the group has sufficient liquidity to continue trading until the end of 2018 and therefore sufficient liquidity for the group to continue operations prior to the implementation of a restructuring. In the absence of a restructuring before the end of 2018, if there is a material deterioration in cash generation compared to the group's latest cash flow forecasts, then without the injection of further funding it is currently considered that the group may not be able to continue to trade.
- SDA and RLUA – the SDA and RLUA contain a number of provisions and milestones. Should any of these provisions be breached, or milestones missed, without an appropriate amendment to the terms of the SDA or RLUA they may terminate and the defaults may be acted upon.

Material risks and uncertainties – trading

The Company is dependent on the group's liquidity forecast, and whilst that forecast has been prepared using current trading assumptions, as outlined in the group's 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 of, for example, a possible negative reaction to the on-going restructuring process by commissioners of the group's services or a number of embargoes across the group. To illustrate the sensitivity of the forecasts to this key financial driver, the earnings before interest, tax, depreciation and amortisation (EBITDA) impact from a one percentage point reduction in care home occupancy across the group in the 12 months to 31 December 2018 is approximately £3.5m, based on the fee and cost structures assumed in the forecasts;

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

Material risks and uncertainties – trading (continued)

- 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 forecast levels of agency staff. 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 impact of £1.1m in the 12 months to 31 December 2018; and
- Exceptional costs and working capital – exceptional costs associated with the group's restructuring are material costs for the group. These costs will increase should the restructuring process either increase in complexity requiring additional advisers or extend beyond the timeframe forecast by the business. In addition, the increased publicity surrounding the restructuring process may lead to adverse trading and working capital movements.

Conclusion

The directors have considered the requirements of FRS 102 which states that an entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The directors have also considered ISA 570 and concluded that the successful implementation of the proposed restructuring and the substantial achievement of forecasts, together with the other circumstances outlined above 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. Whilst the directors expect that approval for a restructuring will be obtained and that its implementation will be successful, in the event that a restructuring does not occur, and given forecast trading and liquidity, it is likely that the Company may be placed into administration. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company, supported by other group companies, has adequate resources to continue to meet its trading liabilities, excluding any further payments in respect of the SSNs or SNs, as and when they fall due in advance of a restructuring of the group. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

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.

Notes (continued)

1 Accounting policies (continued)

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 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the Company is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

Exceptional items

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

2 Expenses and auditor's remuneration

The auditor's remuneration of £1,000 (2016: £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.

3 Exceptional items

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

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

	2017 £000	2016 £000
<i>Interest payable and similar charges:</i>		
On balances due to group undertakings	<u>6,942</u>	<u>8,867</u>

Notes (continued)

7 Taxation

	2017 £000	2016 £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>		
	2017 £000	2016 £000
Loss for the year	(6,942)	(8,974)
Total tax expense	-	-
Loss excluding taxation	(6,942)	(8,974)
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(1,336)	(1,795)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	21
Group relief for nil consideration	1,336	1,774
Total tax expense included in profit and loss	-	-

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

From 1 April 2017 the main rate of corporation tax was reduced to 19%. A Further reduction to 18% (effective from 1 April 2020) was 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 accordingly. Any deferred tax at 31 December 2017 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

Notes (continued)

8 Investments

	Shares in group undertakings £000
Cost	
Balance at 1 January 2017 and 31 December 2017	44,627
Provisions	
Balance at 1 January 2017 and 31 December 2017	44,627
Net book value	
At 1 January 2017	-
At 31 December 2017	-

A list of the Company's subsidiary undertakings at 31 December 2017 is provided below. In respect of each of the subsidiaries, the Company owned 100% of the ordinary shares in both 2017 and 2016. 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

9 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	255,777	262,719

The amounts owed by group undertakings are unsecured and repayable on demand. Where applicable, interest is charged at between 5% and 7.5%.

10 Share capital

	2017 No. of shares	2017 £000	2016 No. of shares	2016 £000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	19,104,672	19,110	19,104,672	19,110
Shares classified as shareholder's funds	19,104,672	19,110	19,104,672	19,110

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.

Notes (continued)

11 Contingent liabilities and group financing arrangements

The Company, together with other group companies, is party to a number of financing arrangements. In addition the company is a guarantor under those financing arrangements, see note 1 for further details.

12 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.

13 Ultimate parent

The Company's immediate parent company is FSHC Properties Holdings Limited, a Company incorporated in Barbados. It's registered address is RBTT Trust Corporation, CGI Tower, Warrens, St Michael, Barbados.

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 will be available to the public and may be obtained from its registered office at Estera Administration (Guernsey) Limited, 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 Estera Administration (Guernsey) Limited, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

14 Accounting estimates and judgements

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Treatment of items as exceptional

The Company has presented items as exceptional within the profit and loss account and other comprehensive income. These are items of income and expense which the directors believe are material in size and non-recurring in nature, and this disclosure helps to provide clarity over the business' underlying performance. Judgement is required in ensuring that only items that meet the definition in the accounting policy are separately presented as exceptional items. See note 3 for details of the exceptional items.

Recoverability of amounts owed by related undertakings

An estimate is made in respect of the recoverability of amounts owed by group undertakings. In making this assessment, the directors have considered the ability of the relevant group undertakings to pay the amount owed. Due to the complex group structure this requires consideration of the way in which all intercompany balances would be settled and the asset value available to settle those balances.

Notes (continued)

14 Accounting estimates and judgements (continued)

Going concern basis of preparation

The directors have considered the basis of preparation of the financial statements as to whether it is appropriate to prepare them on a going concern basis. In making this assessment they took account of the current progress to address the group's capital structure, including the SDA and RLUA that are currently in place, and considered possible restructuring mechanisms available to the group. They also considered the current cash flow forecasts for the group and the sensitivities of these to changes in trading performance, likely exceptional costs and working capital movements. Details of the assessment are included in note 1.

15 Post balance sheet events

Term loan

On 20 March 2018, the group refinanced its £40m term loan facility with a £70m super senior term loan. The new super senior term loan pays interest at LIBOR + 3.75% and has a maturity date of March 2019. The proceeds from this facility were used to repay the existing £40m term loan credit facility. To date, £65m of the £70m super senior term loan has been utilised.

Restructuring

On 18 May 2018 the SDA was amended to provide forbearance on the non-payment of the group's interest on 15 June 2018. On 18 May 2018 the group and H/2 announced that they had entered into a Restructuring Lock-up Agreement which documents their agreement to proceed with a restructuring of the group that will see ownership transfer to a new owner controlled by certain of the group's creditors.