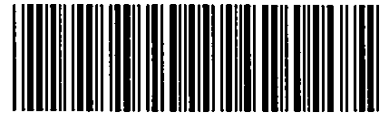


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DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

Companies House



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14/08/2021

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COMPANIES HOUSE

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A08

27/07/2021

#18

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 if
an alteration of manner of
with accounting requirements.

SATURDAY

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'.

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

Name of organisation or body **1**

International Standards on Auditing (UK)

Part 3

Signature

Signature

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

Signature

X

A. Mahajan

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	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 2018

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Strategic report

Background and ownership structure

Four Seasons Group Limited is a holding company within the Elli Acquisitions Limited group of companies.

As at 31 December 2018, 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 £2,555,777,000 (2017: loss of £6,942,000).

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 Acquisitions 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 company's registered office.

Principal risk and uncertainties

The Elli Acquisitions Limited group has management structures and policies and procedures which are designed to enable the achievement of business objectives while controlling the risks associated with the environment in which it operates. The group has a risk management process in place which is designed to identify, manage and mitigate business risk. The Company operates within this group structure.

The material risks affecting the Company and other group companies and the means by which they are managed are shown below. Further details can be found in the financial statements of Elli Acquisitions Limited.

Strategic report (continued)

Principal risk and uncertainties (continued)

Financial risks

- *Liquidity and capital resources*

Mitigation: Liquidity and financing arrangements are managed centrally within the group. As detailed in Elli Acquisitions Limited's annual report for the year ended 31 December 2018, 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 are currently engaged 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 13.

- *Reduction in demand for our services*

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

- *Payroll pressures: increased reliance on agency staff and inflationary pressures on own staff costs*

Mitigation: The Company and other group companies actively monitor agency usage. Alternative sources of nurses are continually investigated both within the UK and internationally, together with the training and development of Care Home Assistant Practitioners to take on some of the tasks of nurses. The Group budgets carefully for National Minimum Wage and National Living Wage increases and the impact on its cash flow and profitability.

- *Seasonal death rate*

Mitigation: The Company and other group companies aim to deliver very good care everywhere which should serve to minimise the impact on occupancy during a normal period of higher winter deaths. In addition, wherever possible, the Company works with local NHS hospitals to provide care home beds for patients who are able to leave hospital at a time when the NHS is under seasonal pressure.

- *Coronavirus, COVID-19 impact upon patients, employees and supply chain for goods and services*

Mitigation: The group is closely monitoring how matters develop and is taking steps to mitigate potential effects on its operations. Robust action plans, addressing areas such as infection control, employee welfare and access to personal protective equipment and other critical supplies, have been put in place to seek to reduce the risk that Covid-19 poses. The welfare and safety of the group's residents, patients and employees is always the top priority. The group will continue to monitor all government advice and, where appropriate, update its approach in accordance with the latest recommendations.

Strategic report (continued)

Principal risk and uncertainties (continued)

Operational risks

- *Regulatory and reputational risk*

Mitigation: The Company and other group companies devote a considerable amount of time to the management of regulatory and reputational matters. Compliance with the on-going requirements of registration and changes arising from the evolving regulatory environment mean that significant attention by the wider group's senior management has been, and will continue to be, dedicated to regulatory compliance and assurance. The wider group has implemented rigorous clinical governance and risk assurance systems, carries out substantial employee training, employee inductions and employee reference procedures, including a criminal background check for all frontline staff.

- *Britain's exit from the European Union ('Brexit')*

Brexit represents a significant economic event, and at the date of this report its effects are unknown.

Mitigation: A committee has been established in order to stay abreast of latest Brexit developments, identify and assess Brexit related risks and their impact upon the group, and develop and implement appropriate contingency planning.

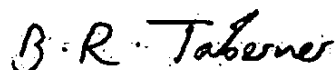
Employment policies

The Company and other group companies aim to provide equal opportunities regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin, recognising that the continued success of the group depends upon its ability to attract, motivate and retain people of the highest calibre. Further details can be found in the financial statements of Elli Acquisitions Limited.

Environmental policy

The Elli Acquisitions 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

23 June 2020

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The results for the year are shown in the profit and loss account on page 9. The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors who held office during the year were as follows:

T R W Hammond (resigned 18 November 2019)

M C Royston (resigned 30 April 2020)

B R Taberner

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

A Hayward (appointed 22 June 2020)

Going concern and liquidity management

At the time of approving the financial statements, whilst there are uncertainties in the trading and cash flow forecasts including the potential impact of Covid-19, 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.

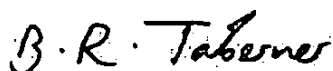
Disclosure of information to auditor

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

23 June 2020

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 and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2018 which comprise the Profit and loss account and other comprehensive income, Balance sheet, 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 2018 and of its loss 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 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.

Material uncertainty related to going concern

We draw attention to the disclosure made in note 1 to the financial statements which indicates that the funding of any restructuring plan, its form and its successful implementation, as well as the substantial achievement of forecasts including an agreement to further defer certain PAYE and national insurance payments, together with the potential impact of Covid-19 and 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.

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

(Continued)

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 statement 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.

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 5, 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.

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

(Continued)

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.

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

23 June 2020

Profit and loss account and other comprehensive income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Exceptional items #	3	(250,342)	-
Operating loss		<u>(250,342)</u>	<u>-</u>
Interest payable and similar charges	6	(5,435)	(6,942)
Loss before taxation		<u>(255,777)</u>	<u>(6,942)</u>
Tax on loss	7	-	-
Loss for the financial year		<u><u>(255,777)</u></u>	<u><u>(6,942)</u></u>
Other comprehensive income, net of tax	10	-	-
Total comprehensive loss for the financial year		<u><u>(255,777)</u></u>	<u><u>(6,942)</u></u>

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 12 to 24.

2018 exceptional items includes a £250,342,000 non-cash provision against amounts due from group undertakings - see note 3 for more details.

Balance sheet
at 31 December 2018

		2018		2017
	Note	£000	£000	£000
Fixed assets				
Investments	8	-	-	-
Current assets				
Debtors	9	-	255,777	
Net current assets		-	255,777	
Total assets less current liabilities		-	255,777	
Net assets		-	255,777	
Capital and reserves				
Called up share capital	10	19,110	19,110	
Share premium		43,468	43,468	
Profit and loss account		(62,578)	193,199	
Shareholder's funds		-	255,777	

The financial statements include the notes on pages 12 to 24.

These financial statements were approved by the board of directors on 23 June 2020 and were signed on its behalf by:

B R Taberner

B R Taberner
Director

A Hayward

A Hayward
Director

Statement of changes in equity

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

	Share premium £000	Profit & Loss account £000	Called up share capital £000	Total equity £000
Balance at 1 January 2018	43,468	193,199	19,110	255,777
Total comprehensive income for the period				
Loss for the year	-	(255,777)	-	(255,777)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(255,777)	-	(255,777)
Balance at 31 December 2018	43,468	(62,578)	19,110	-

The financial statements include the notes on pages 12 to 24.

Notes (forming part of the financial statements)

1 Accounting policies

Four Seasons Group Limited (the "Company") is a private company limited by shares and incorporated, domiciled, and registered in the Isle of Man.

The Company is exempt by virtue of Companies Acts 1931 to 2004 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"). 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 Acquisitions Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Elli Acquisitions Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Ocorian Administration (Guernsey) Limited, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

In these financial statements the Company is considered to be a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

Measurement convention

The financial statements are prepared on the historical cost basis.

The accounting reference date for the Company is 31 December 2018 (2017: 31 December 2017). The Company has opted to adopt the "seven day rule". The seven-day rule provides that a particular financial year need not end on the accounting reference date itself but on a date within not more than seven days of the date as the directors may determine. On this basis, the accounting period is for the 52 weeks ended 30 December 2018, with the comparative period being the 53 weeks ended 31 December 2017.

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

1 Accounting policies *(continued)*

Going concern

The company is part of the Elli Investments Limited (in Administration) group of companies (the "Elli Investments group"). The Elli Investments group is party to a number of financing arrangements under which certain of its subsidiaries have provided guarantees. The company meets its day-to-day working capital requirements from cash resources and intercompany balances with other Elli Investments group companies. Therefore, in light of the Elli Investments group's funding arrangements, the cross guarantees, and the operational and financial support provided by the Elli Investments 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 2018 the Elli Investments group's debt was comprised of: (i) £350m of senior secured notes ("SSNs"), plus £49.4m of accrued interest, which paid interest at 8.75% and were due for repayment in June 2019; (ii) £175m of senior notes ("SNs"), plus £35.2m of accrued interest, which paid interest at 12.25% and were due for repayment in June 2020; (iii) a £70m term loan, plus £0.1m of accrued interest, which paid interest at LIBOR plus 3.75% with a maturity date in March 2019 - following the year end, on 11 March 2019, the Elli Investments group increased the £70m term loan facility to £110m and extended its maturity date to 3 June 2019. As at the date of approval of these accounts, £100m of the £110m term loan facility had been drawn.

Following the administration of Elli Finance (UK) Plc on 30 April 2019, the undrawn element of the term loan facility can no longer be drawn down. As at the date of signing these financial statements, neither the SSNs, the SNs nor the term loan have been repaid and all debt remains in default. On 28 February 2020 the Elli Investments group announced that it had secured additional committed funding of £10 million under its existing administration funding agreement ("AFA"). The group remains in discussion with the lenders under the AFA as to the conditionality attached to the availability of this funding. At the date of signing these accounts the Elli Investments group is not in a position to draw down under the AFA.

The company, Elli Investments Limited and certain other of its subsidiaries guarantee the liabilities set out above.

As detailed in previous annual reports of Elli Investments Limited, the directors recognise that the Elli Investments group's 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 levels. Since October 2015, various advisors have been appointed to review the Elli Investments group's financing arrangements and leasehold estate and advise in respect of their restructuring.

Developments to date

On 14 December 2017 the Elli Investments 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 was 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 2017 and 2018 year ends; the continued and subsequent non-payments of the Elli Investments group's interest and outstanding debt resulted in events of default outstanding at the date of signing these financial statements. The SDA provided the Majority Creditor's forbearance on these events of default until it expired in April 2019.

During 2018 the SDA was amended and extended on a number of occasions and on 10 December 2018 the group confirmed the appointment of new independent financial and legal advisors to support the Elli Investments group in finalising the necessary financial and business information to support a sale of the group.

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited, the issuer of the Elli Investments group's senior notes, pursuant to Section 374(1) of the Companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage its affairs, business and property.

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

1 Accounting policies *(continued)*

Going concern (continued)

Developments to date (continued)

Also on 30 April 2019, the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the Elli Investments group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators (together with Elli Investments Limited's administrators, "the Joint Administrators") to manage the affairs, business and property of Elli Finance (UK) Plc. The Group's operating companies were largely unaffected by the appointment of administrators to Elli Investments Limited and Elli Finance (UK) Plc and all businesses continued to trade and maintain continuity of care.

On 3 May 2019 the Elli Investments group announced the launch of an Independent Sales Process which was expected to complete by the year end. On 10 October 2019 the Joint Administrators announced the expiry of the marketing and bid phase of the Independent Sales Process, and that a conditional sale and purchase agreement ("Conditional SPA") had been entered into with CUU Ltd., for and on behalf of investment funds managed by affiliates of H/2 Credit Manager LLC. However, on 24 October 2019 the Conditional SPA was terminated due to certain conditions under the Conditional SPA having not been met or waived.

During the Independent Sales Process, on 30 September 2019, as part of the ongoing restructuring, the group announced that it intended to engage with its landlords with a view to negotiating long-term sustainable market terms for the group's leasehold estate (the "Leasehold Estate Restructuring" or "LER"). In December 2019, as part of the LER, the group agreed with one of its largest landlords to migrate 44 operating care homes (as well as 13 closed homes) owned by that landlord to alternative operators. In order to achieve this migration in an orderly manner administrators were appointed over the 11 group companies which operated that portfolio of care homes. On 11 March 2020 and 12 March 2020, the group agreed with two further landlords to migrate 58 operating care homes and specialist units (as well as 10 closed sites) owned by those landlords to alternative operators and on 24 March 2020 an additional six care homes were migrated to alternative operators. In order to achieve these migrations, administrators were again appointed over the group companies which operated those portfolios. Since October 2019 ten care homes have left the group through consensual processes which did not involve the appointment of administrators.

For certain leasehold companies remaining in the group, the expectation of the Elli Investments group is to migrate the care homes and specialist units to alternative operators. For the remaining leasehold companies the Elli Investments group continues to consider all options. The Elli Investments group anticipates that further migrations of care homes and specialist units to alternative operators may be agreed in due course, or other arrangements may be agreed with landlords so that the leases that might be continued are on long-term sustainable market terms.

At the date of approving the financial statements, the Joint Administrators, the Elli Investments group and the Majority Creditor remain in constructive discussions with a view to implementing a consensual restructuring of the Elli Investments group (including the ongoing Leasehold Estate Restructuring) and maintaining continuity of care throughout such process.

Material risks and uncertainties – form of the restructuring

The directors understand that a number of potential restructuring options exist and no decision has been made as to the continuance of the company. Whilst a potential scenario is that most or all of the existing trading companies and operations in the group, including the company, will continue under a new parent company, as at the date of the signing of the accounts, the directors are unable to determine the potential impacts of a restructuring on the company given that a restructuring plan has yet to be agreed. However, given the range of possible restructuring options, the directors believe that the going concern basis of preparation is appropriate for the company.

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

1 Accounting policies *(continued)*

Going concern (continued)

Material risks and uncertainties – restructuring

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

- Funding – the group's base case cash flow forecasts indicate that the costs to progress and complete a group restructuring will require an injection of further funding. These costs could increase, requiring further additional funding, should the restructuring process either increase in complexity, requiring additional advisers, or extend beyond the timeframe forecast by the business. The injection of further funding cannot be guaranteed, without which a complete group restructuring cannot be completed; and
- Execution risk – it is likely that the implementation of a successful restructuring will require the agreement of various stakeholders of the group. This agreement cannot be guaranteed.

Material risks and uncertainties – liquidity

The Elli Investments group's latest base case cash flow forecasts, including current assumptions regarding the impact of Covid-19 (see below) but excluding costs to progress and complete a group restructuring, for the 12 month period following the date of signing these financial statements, indicate that the Elli Investments group has sufficient liquidity for the group to continue operations, though headroom is limited. Based on those forecasts, costs to progress and complete a group restructuring will require an injection of further funding. These base case cash flow forecasts take into account the current operating environment and material risks and uncertainties to trading (outlined below) and assume (i) no payment of the outstanding debt, or related interest, (ii) a, yet to be agreed, Time to Pay arrangement to extend the group's current deferral of c£18m of PAYE and national insurance liabilities to late 2020 and early 2021 and (iii) limited incremental local authority and CCG funding that is yet to be agreed.

To the extent there is a deterioration in cash generation compared to the group's latest base case cash flow forecasts, the additional funding required to continue operating and complete the group restructuring would be increased.

Material risks and uncertainties – Covid-19

The adverse impact of Covid-19 globally, nationally and across the healthcare sector has been, and continues to be, unprecedented. There remains significant uncertainty as to both the duration and quantum of Covid-19's effects on the group's businesses and the extent to which the group may benefit financially from support from central and local government and from commissioners of the group's services. As such, there is a wide range of potential outcomes for the group's cash flows from the impact from Covid-19. The directors have considered the group's current key performance indicators to identify and quantify the potential impact of Covid-19 on the group's cash flows, although the actual impact could be materially different:

- Occupancy decline - the death rate across the group increased to approximately twice the seasonal average during April and the first half of May. Whilst the current levels have reduced towards the seasonal average, admission rates remain low, partially as a result of a lower level of hospital discharges and partially as a consequence of admissions decisions being carefully considered. Overall, recent average occupancy in the group's care homes has declined from a high point of c88% at the end of March to c80% at the date of signing these accounts. The Covid-19 cash flow forecast assumes a further occupancy decline of c2% by the end of July 2020;

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

1 Accounting policies *(continued)*

Going concern (continued)

Material risks and uncertainties – Covid-19 (continued)

- Increase in care costs - the increase in care costs is predominantly linked to the purchase of personal protective equipment ('PPE'). From the beginning of March to the end of April, the care home business spent c£2.5m on PPE, which compares to c£200k in an average year, with a further c£4m forecast to be spent by the end of 2020;
- Payroll costs - shielding and self-isolation has pushed staff absenteeism up to c11%, which has driven the need for agency payroll. The current estimate is that Covid-19 will increase the care home business' agency payroll costs by in excess of c£1m over the course of 2020; and
- Local Authority and CCG funding - the group has started to receive offers of support from Local Authorities and CCGs in respect of exceptional costs incurred. The offers are varied in scale and nature and the group is currently assessing them all. Whilst a proportion of Covid-19 exceptional costs may ultimately be covered in one form or another, reimbursement of these costs does not currently compensate for the occupancy decline.

Material risks and uncertainties – trading

The company is dependent on the group's liquidity forecast, and whilst the Elli Investments group's operational and cash flow forecasts have 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 – even without the potential impact of Covid-19, 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 regulators or 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 from the date of signing these accounts is approximately £3m, based on the fee and cost structures assumed in the forecasts; and
- 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, even before the impact of Covid-19, 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 approximately £1m-£2m in the 12 months from the date of signing these accounts.

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

1 Accounting policies (continued)

Going concern (continued)

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.

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 trading liabilities (excluding interest payments and debt repayments and assuming an agreement to further defer certain PAYE and national insurance liabilities) as and when they fall due. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

However, the directors have also considered ISA 570 and concluded that the funding of any restructuring plan, its form and its successful implementation, as well as the substantial achievement of forecasts including an agreement to further defer certain PAYE and national insurance payments, together with the potential impact of Covid-19 and 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 a restructuring option will be identified and that its implementation will be successful, in the event that a restructuring does not occur, it is likely that the company may be placed into administration. The financial statements do not include any adjustments that would be necessary were the going concern assumption deemed to be inappropriate.

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

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 preference shares and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairments in profit or loss.

Investments in subsidiaries

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

Expenses

Operating leases

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

Interest payable and interest receivable

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. Foreign currency gains and losses are reported on a net basis.

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

1 Accounting policies *(continued)*

Taxation

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

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

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

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

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

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

2 Expenses and auditor's remuneration

The auditor's remuneration of £1,600 (2017: £1,000) for audit services was borne by another group undertaking.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as information is required instead to be disclosed on a consolidated basis.

3 Exceptional items

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

4 Staff numbers and costs

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

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

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

	2018	2017
	£000	£000
<i>Interest payable and similar charges:</i>		
On balances due to group undertakings	5,435	6,942

7 Taxation

	2018	2017
	£000	£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 period	-	-
Total current tax	-	-
<i>Deferred tax charge</i>		
Total deferred tax	-	-
Total tax	-	-
Reconciliation of effective tax rate	2018 £000	2017 £000
Loss for period	(255,777)	(6,942)
Total tax expense	-	-
Loss excluding taxation	(255,777)	(6,942)
Tax using the UK corporation tax rate of 19.0% (2017: 19.25%)	(48,598)	(1,336)
<i>Effects of:</i>		
Expenses not deductible/(credits) not taxable for tax purposes	-	-
Group relief for nil consideration	1,033	1,336
Total tax expense included in profit and loss	(48,000)	-

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

A reduction in the UK corporation tax rate to 18% (effective 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. However, as announced in budget 2020, the UK corporation tax rate will be maintained at 19% from April 2020. Where applicable, the deferred tax balance at 31 December 2018 has been calculated based on these rates.

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

8 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
Balance at 1 January 2018 and 31 December 2018	<u>44,627</u>
<i>Provisions</i>	
Balance at 1 January 2018 and 31 December 2018	<u>44,627</u>
<i>Net book value</i>	
At 1 January 2018	<u>-</u>
At 31 December 2018	<u>-</u>

A list of the Company's subsidiary undertakings at 31 December 2018 is provided below. All companies are wholly owned. Companies marked with a # are direct subsidiaries.

United Kingdom entities are registered at Norcliffe House, Station Road, Wilmslow, Cheshire, SK9 1BU.

Isle of Man incorporated entities are registered at Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW.

<i>Company</i>	<i>Nature of Incorporation</i>	<i>Place of incorporation</i>
Four Seasons Health Care Properties Limited #	Operator of healthcare facilities	Isle of Man
Four Seasons Health Care Properties (Care Homes) Limited	Operator of healthcare facilities	United Kingdom
Four Seasons Health Care Properties (Specialist) Limited	Operator of healthcare facilities	United Kingdom
FSHC Properties (Manor) Limited #	Operator of healthcare facilities	United Kingdom

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

9 Debtors

	2018	2017
	£000	£000
Amounts owed by group undertakings	250,342	255,777
Non-cash provision against amounts due from group undertakings	(250,342)	-
	<u>-</u>	<u>255,777</u>

The amounts owed to group undertakings are unsecured and repayable on demand. Where applicable, interest is charged at between 5.0% and 7.50%.

10 Share capital, reserves and other comprehensive income

	2018	2018	2017	2017
	No. of shares	£000	No. of shares	£000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	19,104,672	19,110	19,104,672	19,110
Total		<u>19,110</u>		<u>19,110</u>
Shares classified as liabilities	-	-	-	-
Shares classified as shareholder's funds	19,104,672	19,110	19,104,672	19,110
Total		<u>19,110</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.

Other comprehensive income

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

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 Elli Acquisitions Limited, have not disclosed related party transactions with parent and fellow subsidiary undertakings.

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

13 Ultimate parent

As at 31 December 2018, the Company's immediate parent company is FSHC Properties (Holdings) Limited, a company incorporated in Barbados. Its registered address is RBTT Trust Corporation, CGI Tower, Warens, St Michael, Barbados.

As at 31 December 2018, the ultimate parent undertaking is Terra Firma Holdings Limited, an entity incorporated in Guernsey.

The smallest and largest group in which the results of the Company are consolidated into the group headed by Elli Acquisitions Limited, the financial statements of which will be available to the public and may be obtained from its registered address: Ocorian Administration (Guernsey) Limited, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

14 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Going concern basis of preparation

The directors have considered the basis of preparation of these 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 groups capital structure and considered possible restructuring mechanisms available to the group, as well as the progress of the ongoing LER. They also considered the current cash flow forecasts for the group and the sensitivities of these to changes in trading performance, likely costs and working capital movements. Details of these assessments are detailed in note 1.

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. To the extent that an amount is receivable from a counterparty which is in administration or is assessed as a non-going concern, the receivable amount is provided for in full as irrecoverable. In respect of other amounts due to and receivable from group companies, 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.

Treatment of items as exceptional

The Company has presented items as exceptional within the profit and loss account and other comprehensive income. These are items of income and expense which the directors believe are material in size and non-recurring in nature, and this disclosure helps to provide clarity over the business' underlying performance. These items may include the profit or loss on disposal of properties, fixed asset impairments and reversal of impairments, movements on onerous lease provisions, costs relating to the balance sheet restructuring exercise, credits on disposal of negative goodwill and certain project costs. Judgement is required in ensuring that only items that meet the definition in the accounting policy are separately presented as exceptional items. See note 3 for details of the exceptional items.

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

15 Post balance sheet events

Debt facilities

On 11 March 2019, the Elli Investments group increased its £70m term loan facility to £110m and extended its maturity date to 3 June 2019. As at the date of approval of these accounts, £100m of the £110m term loan facility had been drawn. Following the administration of Elli Finance (UK) Plc on 30 April 2019, the undrawn element of the term loan facility can no longer be drawn down. On 28 February 2020 the Elli Investments group announced that it had secured additional committed funding of £10m under its existing administration funding agreement ("AFA"). The group remains in discussion with the lenders under the AFA as to the conditionality attached to the availability of this funding. At the date of signing these accounts the Elli Investments group is not in a position to draw down under the AFA.

Leasehold Estate Review

On 30 September 2019, as part of the ongoing restructuring, the group announced that it intended to engage with its landlords with a view to negotiating long-term sustainable market terms for the group's leasehold estate (the "Leasehold Estate Restructuring" or "LER") (see note 1). Where applicable, note 1 outlines the impact of the LER on the company.

Covid-19

The existence of a new coronavirus, Covid-19, was confirmed in early 2020 and on 11 March 2020 the World Health Organization made the assessment that it could be characterised as a global pandemic. Covid-19 has been treated as a non-adjusting post balance sheet event and its potential impact on the company is outlined in note 1.