Four Seasons Health Care

2018 and Q1 2019 Investor Presentation
Draft, unaudited results for the year ended 31 December 2018 and the quarter ended 31 March 2019

11 June 2019

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FY 2018 and Q1 2019 Overview

Group FY 2018 and Q1 2019 financial highlights

- On 30 April 2019 administrators were appointed to manage the affairs, business and property of Elli Investments Limited and one of its subsidiaries, Elli Finance (UK) Plc. Trading in the group's listed notes on Euronext Dublin is currently suspended, in accordance with listing rule 7.22 of the Global Exchange Market Listing Rules
- On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process
- The group's results for the year ended 31 December 2018 and the quarter ended 31 March 2019 are draft and unaudited
- FY 2018 turnover for Elli Investments Limited is £11.6m, or 1.9%, higher than FY 2017 after adjusting for c£4.2m of revenue from homes closed or sold during the year. The £160.1m turnover in Q1 2019 is £6.4m, or 4.2%, higher than Q1 2018, on the same basis
- FY 2018 EBITDA of £37.3m is £7.2m lower than FY 2017, with Adjusted EBITDA (EBITDA before the non-cash onerous and operating lease credit) of £25.2m, £11.0m lower than FY 2017. However, Q1 2019 EBITDA of £8.4m is £2.4m higher than Q1 2018. On an Adjusted EBITDA basis, the quarter on quarter increase was £3.2m
- Average group occupancy % in FY 2018 reduced by 1.5 percentage points compared to FY 2017 (Four Seasons Health Care: 1.9 percentage point decrease; brighterkind: 0.5 percentage point increase; The Huntercombe Group (THG): 1.2 percentage point increase). However, Q1 2019 was 1.5 percentage points higher than Q1 2018 (Four Seasons Health Care: 1.3 percentage point increase to 89.5%; brighterkind: 2.3 percentage point increase to 88.9%; THG: 2.4 percentage point increase to 84.7%)
- Average weekly fee in FY 2018 in Four Seasons Health Care increased by 5.3% year on year, whilst brighterkind saw a 5.1% year on year increase. In Q1 2019 Four Seasons Health Care saw a 4.9% quarter on quarter increase, whilst the brighterkind increase was 3.3%. The equivalent movements for THG were an 11.5% increase and a 2.6% decrease, driven in part by changes in bed mix and level of acuity
- FY 2018 payroll as a percentage of turnover in the group's care homes, at 64.7%, was 1.0 percentage point higher than FY 2017. Within THG, payroll as a percentage of turnover increased by 1.7 percentage points compared to the previous year. Pleasingly, Q1 2019 payroll as a percentage of turnover in the group's care homes improved by 1.5 percentage points compared to Q1 2018. Within THG, payroll as a percentage of turnover increased by 0.3 percentage points in comparison to Q1 2018

FY 2018 and Q1 2019 Overview (cont'd)

Group FY 2018 and Q1 2019 financial highlights (cont'd)

- Agency as a percentage of payroll of 9.8% in FY 2018 in the group's care homes represented a 0.9 percentage point increase compared to FY 2017 (Four Seasons Health Care: 1.1 percentage point increase; brighterkind: unchanged at 4.2%). Within THG, agency as a percentage of payroll increased by 2.7 percentage points in FY 2018 compared to FY 2017
- In Q1 2019, agency as a percentage of payroll of 9.5% in the group's care homes increased by 0.2 percentage points compared to Q1 2018, and reflects the impact of operational challenges and the on-going shortage of nurses across the wider healthcare sector. Agency spend continues to represent a challenge in THG, although Q1 2019 agency as percentage of payroll saw a 2.4 percentage point improvement compared to the FY 2018 average
- In FY 2018 the group generated £5.1m of cash from operating activities, whilst the £13.7m net cash outflow from operating activities in Q1 2019 was largely driven by a £15.2m working capital outflow during the period
- Closing cash balance increased by £12.4m from December 2018 to £42.9m at March 2019. Over the same period, the group's net debt increased by £17.6m to £582.1m (excluding any accrued interest and amounts owed to related undertakings)

Results – KPIs

	2017 [6]					2018					2019
	Q1	Q2	Q3	Q4	Year [2]	Q1	Q2	Q3	Q4	Year [2]	Q1
Turnover (£m)	163.9	164.5	162.1	169.9	660.4	155.6	159.4	159.8	159.7	634.5	160.1
EBITDAR (£m) [7]	22.0	22.4	23.7	18.9	87.1	16.7	20.2	22.1	17.5	76.4	20.1
EBITDA (£m)[7]	10.6	11.4	11.9	10.6	44.5	6.0	9.6	11.3	10.4	37.3	8.4
Adjusted EBITDA (£m)[7][8]	9.2	9.9	11.1	6.0	36.2	3.8	7.5	9.3	4.6	25.2	6.9
Effective beds - group	17,831	17,214	16,753	16,378	17,044	16,259	16,137	16,092	16,062	16,138	15,840
Occupied beds - group	15,911	15,332	15,016	14,657	15,229	14,264	14,144	14,170	14,189	14,192	14,128
Occupancy % - FSHC and brighterkind	89.7%	89.4%	90.0%	89.9%	89.8%	88.0%	87.8%	88.3%	88.6%	88.2%	89.4%
Occupancy % - THG	81.4%	82.4%	82.3%	81.2%	81.8%	82.3%	84.0%	83.2%	82.6%	83.0%	84.7%
Average weekly fee (£) - FSHC and brighterkind	692	717	721	720	712	732	756	762	760	752	767
Average weekly fee (£) - THG	2,607	2,721	2,876	3,016	2,805	3,144	3,154	3,120	3,093	3,128	3,063
Payroll (% of turnover)[1] - FSHC and brighterkind	63.7%	63.7%	63.0%	64.4%	63.7%	65.6%	65.2%	64.0%	63.9%	64.7%	64.1%
Payroll (% of turnover)[1] - THG	72.9%	74.2%	76.3%	75.3%	74.7%	74.9%	73.6%	78.0%	79.2%	76.4%	75.2%
EBITDARM (% of turnover)[9] - FSHC and brighterkind	21.3%	22.3%	23.7%	21.1%	22.1%	19.0%	20.6%	22.2%	20.6%	20.6%	20.8%
EBITDARM (% of turnover)[4][9] - THG	16.3%	15.2%	12.6%	13.4%	14.4%	14.2%	15.4%	11.9%	7.9%	12.3%	13.6%
Agency (% of payroll)[1]	9.1%	9.7%	11.1%	10.3%	10.1%	10.5%	10.8%	12.3%	11.2%	11.2%	10.5%
Expenses (% of turnover)	14.5%	13.5%	13.1%	14.1%	13.8%	14.8%	13.8%	13.3%	15.0%	14.2%	14.6%
Central costs (% of turnover)	6.3%	6.3%	5.9%	6.4%	6.2%	6.7%	6.5%	5.9%	6.9%	6.6%	6.4%
Maintenance capex (£m)[3]	4.9	5.5	7.0	11.6	29.0	3.2	6.3	5.6	9.1	24.2	3.2

Notes

1. Payroll excludes central payroll
2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
3. Four Seasons Health Care, brighterkind and THG operational capex
4. Includes £0.2m rental income per quarter
5. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs)
6. FY 2017 is a 53 week period and Q4 2017 is a 14 week period
7. Due to their ongoing nature, certain costs relating to closed and closing homes have been included within EBITDA for FY 2018. In prior quarters and years these costs were included in exceptional items as it was anticipated that these costs would not be incurred on an ongoing basis. The FY 2017 and 2017 and 2018 quarterly comparatives have been re-presented to reflect this change, being £9.2m for closed and closing homes for FY 2017
8. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit
9. EBITDARM before closed and closing home costs

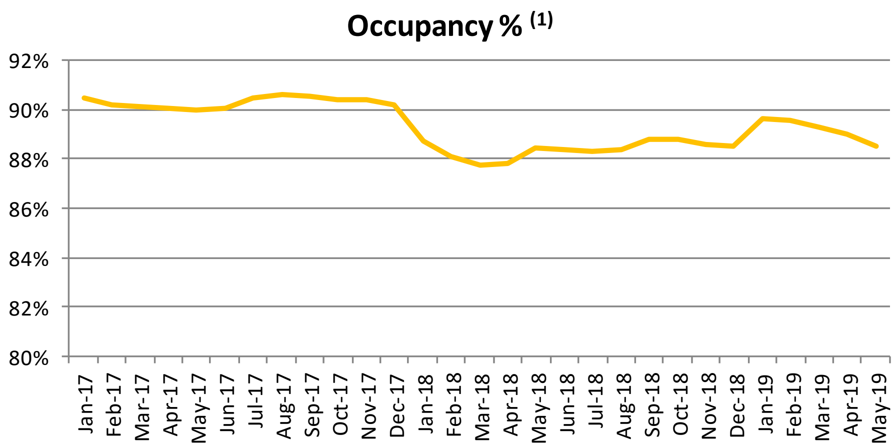
Results – KPIs by business

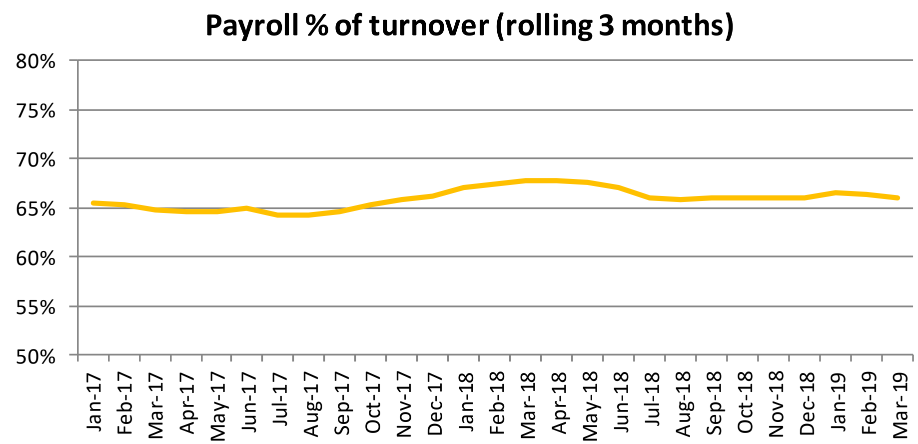
	2017 [4]					2018					2019
	Q1	Q2	Q3	Q4	Year [2]	Q1	Q2	Q3	Q4	Year [2]	Q1
Turnover (£m)											
- FSHC	113.2	112.3	110.1	115.1	450.6	105.6	108.3	109.1	108.9	431.9	109.0
- brighterkind	23.3	24.0	24.5	26.6	98.5	25.0	25.4	25.7	26.0	102.2	26.5
- THG	27.3	28.1	27.5	28.2	111.2	24.9	25.7	25.0	24.8	100.4	24.6
Effective beds											
- FSHC	14,690	14,105	13,712	13,403	13,977	13,359	13,242	13,196	13,166	13,241	12,960
- brighterkind	2,208	2,208	2,208	2,208	2,208	2,210	2,210	2,210	2,210	2,210	2,205
- THG	934	901	833	766	859	690	685	686	686	687	675
Occupancy %											
- FSHC	90.2%	90.0%	90.5%	90.3%	90.3%	88.2%	88.2%	88.5%	88.6%	88.4%	89.5%
- brighterkind	85.8%	85.7%	86.8%	87.3%	86.4%	86.6%	85.4%	87.0%	88.5%	86.9%	88.9%
- THG	81.4%	82.4%	82.3%	81.2%	81.8%	82.3%	84.0%	83.2%	82.6%	83.0%	84.7%
Average weekly fee (£)											
- FSHC	657	680	682	679	674	689	713	719	718	710	723
- brighterkind	937	968	973	976	964	996	1,021	1,020	1,016	1,013	1,029
- THG	2,607	2,721	2,876	3,016	2,805	3,144	3,154	3,120	3,093	3,128	3,063
Payroll % (of turnover)[1]											
- FSHC	64.8%	64.9%	64.6%	66.3%	65.2%	67.7%	67.1%	66.0%	65.9%	66.7%	66.0%
- brighterkind	58.2%	57.8%	55.9%	56.0%	57.0%	56.8%	57.2%	55.8%	55.6%	56.4%	56.6%
- THG	72.9%	74.2%	76.3%	75.3%	74.7%	74.9%	73.6%	78.0%	79.2%	76.4%	75.2%
Agency % (of payroll)[1]											
- FSHC	9.0%	9.6%	10.7%	9.9%	9.8%	10.4%	10.6%	11.9%	10.7%	10.9%	10.5%
- brighterkind	5.3%	3.7%	4.3%	3.5%	4.2%	3.6%	3.9%	4.7%	4.5%	4.2%	5.0%
- THG	12.3%	14.3%	17.1%	16.6%	15.0%	16.2%	17.0%	19.6%	18.1%	17.7%	15.3%
EBITDARM (£m)[5]											
- FSHC	22.4	23.3	23.9	21.4	91.1	17.5	19.7	21.4	19.6	78.4	20.1
- brighterkind	6.6	7.2	7.9	8.5	30.2	7.3	7.9	8.5	8.1	31.8	8.0
- THG [3]	4.4	4.3	3.5	3.8	16.0	3.5	3.9	3.0	2.0	12.4	3.3

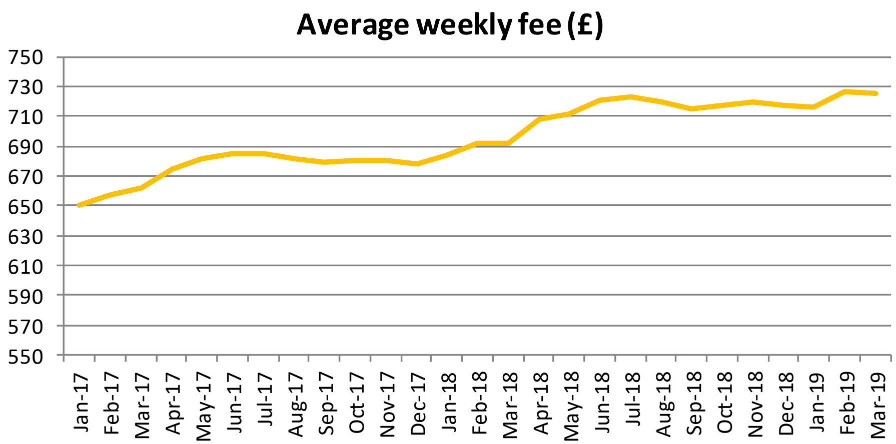
Notes

1. Payroll excludes central payroll
2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
3. Includes £0.2m rental income per quarter
4. FY 2017 is a 53 week period and Q4 2017 is a 14 week period
5. EBITDARM before closed and closing home costs

Results – Four Seasons Health Care



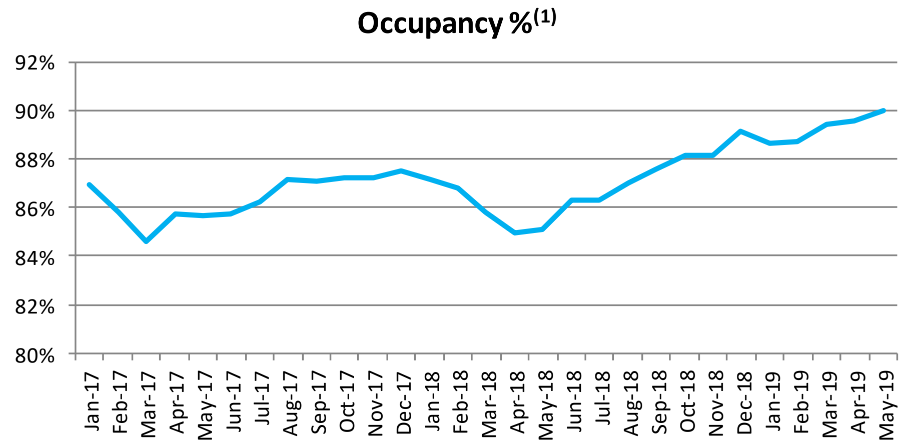


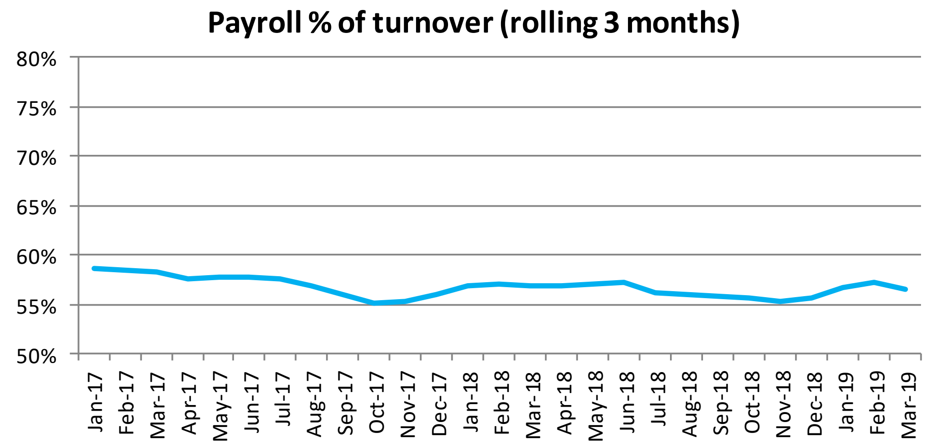


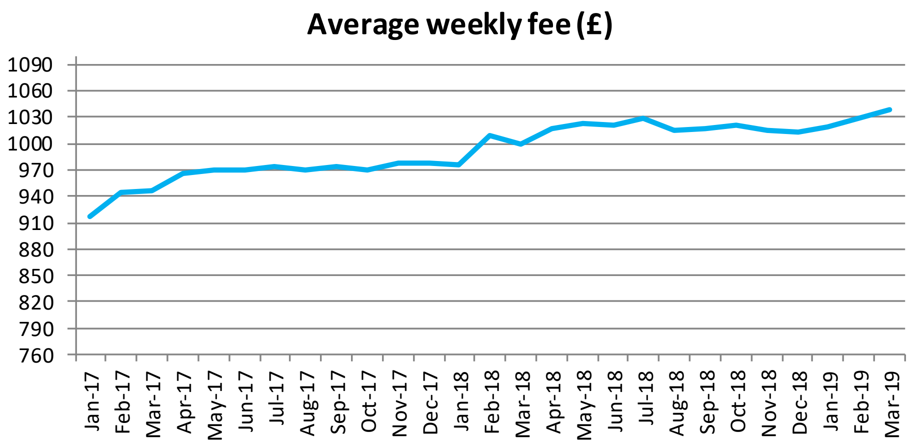
- FY 2018 average occupancy of 88.4% was 1.9 percentage points below the average for FY 2017
- Q1 2018 occupancy suffered from a very high level of winter deaths, consistent with the c14% national increase for over 85s over the prior four year average for the same period (ONS)
- Q1 2019 occupancy was 0.9 percentage points higher than Q4 2018 and 1.3 percentage points higher than the comparative quarter in 2018
- Average weekly fee of £710 in FY 2018 was 5.3% higher than FY 2017
- Payroll as a % of turnover declined by 1.5 percentage points in FY 2018 compared to the prior year although Q1 2019 improved by 1.7 percentage points compared to Q1 2018
- Agency as a percentage of payroll increased from 9.8% in 2017 to 10.9% in FY 2018, a 1.1 percentage point increase which reflects operational challenges and on-going difficulties in nurse and carer recruitment. Q1 2019 was consistent with Q1 2018

Note 1 – May-19 occupancy % represents 26th May 2019 spot occupancy %

Results – brighterkind



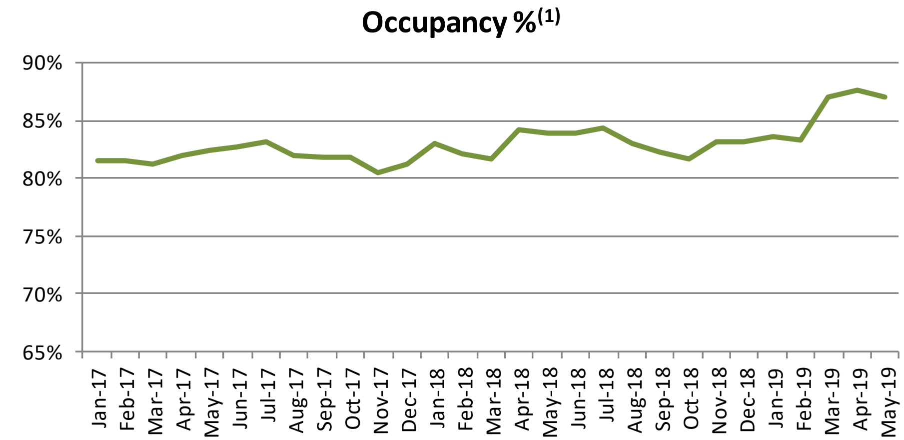


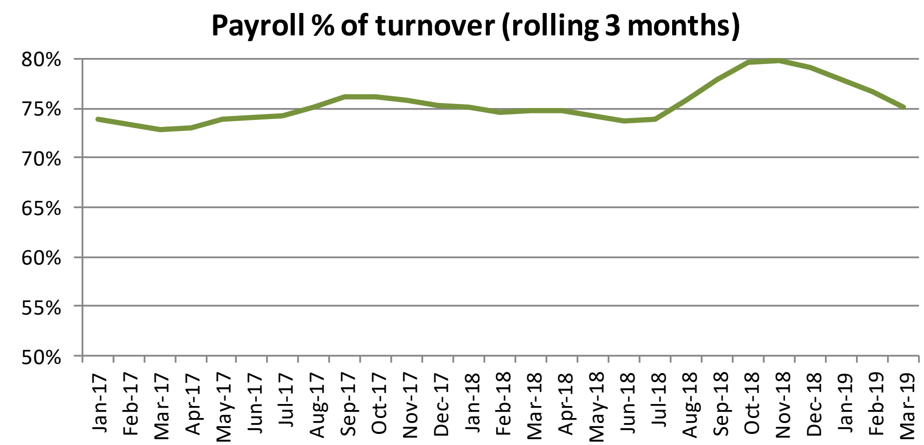


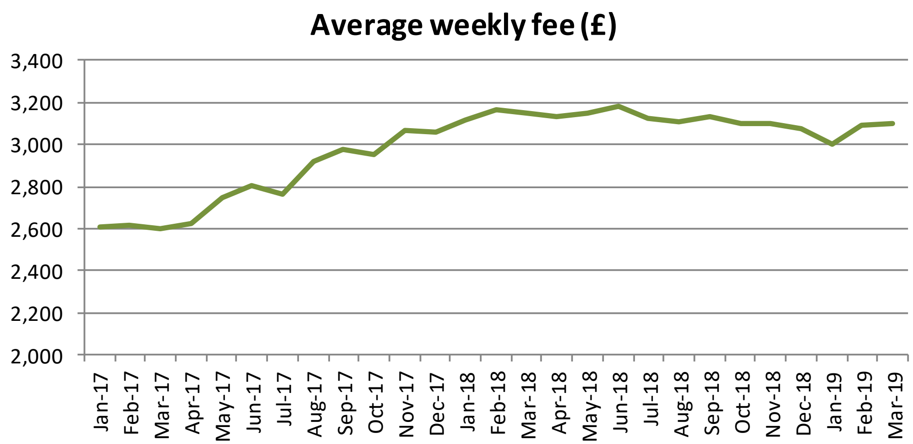
- FY 2018 average occupancy of 86.9% was 0.5 percentage points higher than FY 2017
- Q4 2018 occupancy was 1.5 percentage points higher than the prior quarter, continuing the growth in occupancy achieved in Q3 2018. This trend has continued with occupancy in Q1 2019 being 0.4 percentage points higher than the prior quarter, and 2.3 percentage points higher than Q1 2018
- Private mix increased over the course of 2018, ending the year at 51%
- The average weekly fee in FY 2018 was 5.1% higher than FY 2017 and Q1 2019 AWF of £1,029 was 3.3% higher than in Q1 2018
- Payroll as a % of turnover in FY 2018 improved by 0.6 percentage points in comparison to FY 2017, despite inflationary pressures
- Tight control of agency spend was maintained during 2018 with agency usage as a % of payroll at 4.2% in FY 2018, consistent with FY 2017, and significantly lower than industry norms
- Payroll costs have continued to be tightly managed in Q1 2019, with payroll as a % of turnover of 56.6% and agency as a % of payroll of 5.0% despite the ongoing nurse and carer shortage

Note 1 – May-19 occupancy % represents 26th May 2019 spot occupancy %

Results – THG



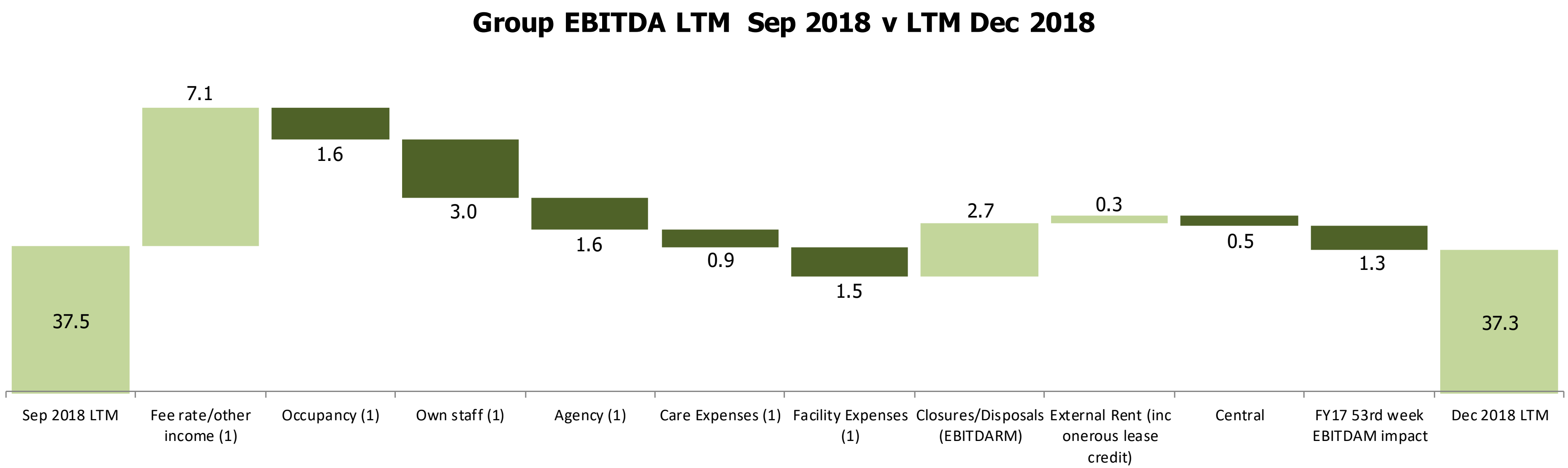




- Occupancy percentage of 83.0% in FY 2018 was 1.2 percentage points higher than FY 2017
- Occupancy growth has continued in Q1 2019, with the 2.1 percentage point increase over the prior quarter, being a 2.4 percentage point increase over the comparable quarter in 2018
- Average weekly fee in FY 2018 was 11.5% higher than in FY 2017, largely reflecting the changing bed mix and acuity levels together with changing commissioning needs
- Payroll as a % of turnover was 1.7 percentage points higher in FY 2018 than FY 2017
- However, Q1 2019 payroll as % of turnover improved by 4.0 percentage points compared to Q4 2018 largely due to increasing occupancy levels and lower agency usage
- Agency usage, at 17.7% of total payroll in FY 2018, was 2.7 percentage points higher than in FY 2017 and remains a critical area of focus for the management team. Improvement was achieved in Q1 2019 as agency costs as a % of total payroll reduced to 15.3%

Note 1 – May-19 occupancy % represents 26th May 2019 spot occupancy %

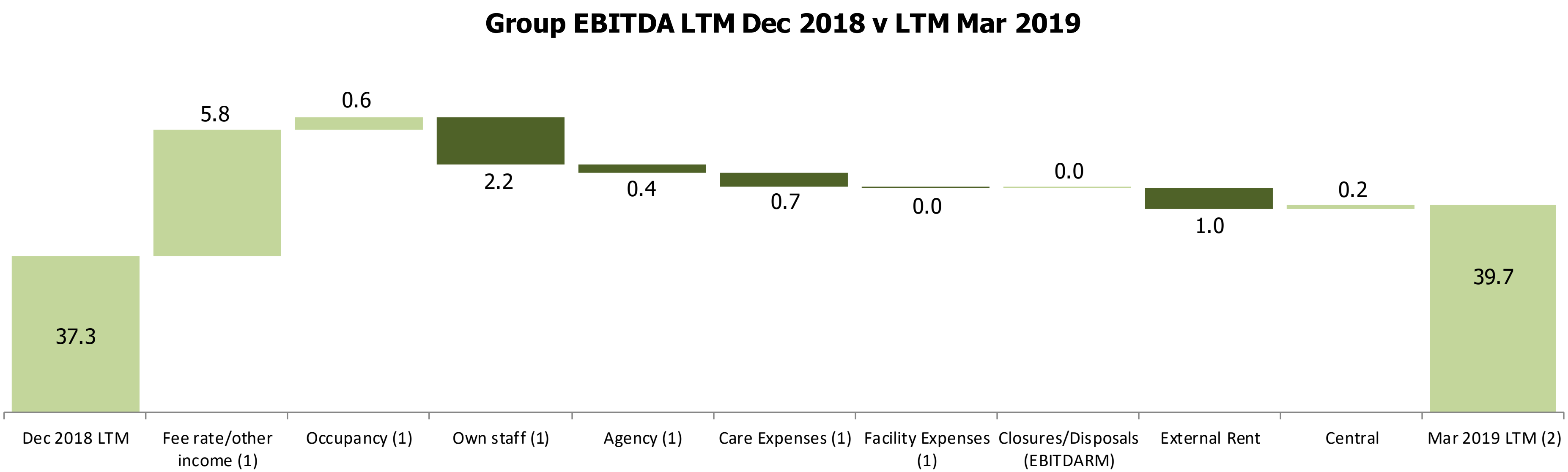
Results – LTM September 2018 v LTM December 2018



- December 2018 LTM EBITDA was £37.3m, broadly in line with September 2018 LTM EBITDA of £37.5m
  - September 2018 LTM EBITDA has been adjusted for £7.5m of closed and closing homes costs which have been reclassified into EBITDA (see note 7 on slide 4)
- The LTM movement, excluding closures and disposals, was largely a result of the following drivers:
  - Income was £5.5m higher in December 2018 LTM than September 2018 LTM:
    - Group fee rates were higher leading to an overall favourable fee rate variance of £7.1m
    - Lower occupancy in Q4 2018 compared to Q4 2017 resulted in an adverse occupancy variance of £1.6m
  - Own staff payroll costs increased by £3.0m, in part driven by an additional quarter of increased National Living Wage and National Minimum Wage
  - Agency spend in December 2018 LTM was £1.6m higher than the spend in September 2018 LTM, reflecting the operational challenges and continuing difficulties in the nurse and carer recruitment market, particularly in FSHC and THG
  - £1.2m increase in the non-cash onerous and operating lease credit
- December 2019 LTM Adjusted EBITDA was £25.2m, a £1.4m decrease on the September 2018 LTM Adjusted EBITDA

Notes
1. Excludes closures/disposals of care homes

Results – LTM December 2018 v LTM March 2019



- March 2019 LTM EBITDA was £39.7m, a £2.4m increase over December 2018 LTM EBITDA of £37.3m
- The LTM movement, excluding closures and disposals, was largely a result of the following drivers:
  - Income was £6.4m higher in March 2019 LTM than December 2018 LTM:
    - Group fee rates were higher leading to an overall favourable fee rate variance of £5.8m
    - Occupancy in Q1 2019 saw a slight increase compared to Q1 2018 which resulted in a £0.6m positive impact
  - Own staff payroll costs increased by £2.2m, driven by National Living Wage and National Minimum Wage year on year increases
  - Agency spend was broadly consistent with previous periods but remains a challenge
  - Care expenses, facility expenses and external rent resulted in £1.7m of incremental costs in Q1 2019, reflecting both inflationary pressures and a £0.8m decrease in the non-cash onerous and operating lease credit
- March 2019 LTM Adjusted EBITDA was £28.3m, a £3.2m increase over December 2018 LTM Adjusted EBITDA

Notes
1. Excludes closures/disposals of care homes
2. Rounded figures results in a small difference between the sum of the drivers and the total Mar 2019 LTM EBITDA

Results – FY 2018 Cash flow and net debt

Cash flow		
£m	**Year ended Dec 2018**	**Year ended Dec 2017**
EBITDA	**37.3**	**44.5**
Depreciation	(32.0)	(33.9)
Amortisation	1.5	1.6
Exceptional items	(96.2)	(32.1)
Net interest	(139.9)	(126.2)
Tax on loss	7.4	2.4
Loss for the year	**(222.0)**	**(143.7)**
Adjustments for:		
Depreciation, amortisation and impairment losses	67.9	45.0
Net interest payable and similar charges	139.9	126.2
Gain on sale of tangible fixed assets	(0.7)	2.2
Taxation	(7.4)	(2.4)
	(22.2)	**27.3**
Increase in cash from working capital movement	6.9	7.3
Increase/(decrease) in provisions	17.2	(11.4)
	1.9	**23.1**
Interest received	0.1	0.1
Tax received	3.1	2.8
Net cash from operating activities (1)	**5.1**	**26.0**
Acquisition of tangible fixed assets	(27.3)	(38.4)
Proceeds from sale of tangible fixed assets	4.2	35.8
Net cash outflow before financing	**(18.0)**	**23.4**
Interest paid	(3.2)	(28.7)
Repayment of term loan	(40.0)	(40.0)
Drawdown of term loan	70.0	40.0
Debt refinance and exit related costs	(4.3)	(1.8)
Net cash from financing activities	**22.5**	**(30.4)**
Increase/(decrease) in cash in the year	**4.5**	**(7.0)**
Opening cash balance	26.0	33.0
Closing cash balance	**30.5**	**26.0**

(1) Includes net interest and tax received of £3.2m (*2017: £2.9m received*)

(2) On 11th March 2019, the maturity was extended to 3rd June 2019

- The decrease in net cash flow from operating activities in comparison to 2017 was mainly driven by lower EBITDA and higher exceptional spend
- c£64m increase in exceptional costs largely driven by non-cash charges: c25m year on year increase in net fixed asset/negative goodwill impairment/credit and c£32m increase in the onerous lease charge
- Capital expenditure in FY 2018 was £27.3m, whilst proceeds from the disposal of four homes and a plot of land stotalled £4.2m
- At 31 December FY 2018 the group's cash balance was £30.5m
- As at 31 December 2018, the group had drawn £70m of its £70m Super Senior Term Loan (SSTL) facility. The SSTL paid interest at LIBOR + 3.75%
- The resulting net debt balance at 31 December 2018 was £564.5m, excluding accrued interest, amounts owed to related undertakings and debt issue costs

External Debt			
£m	**Debt Principal**	**Coupon/ Interest**	**Maturity**
High yield bonds			
Senior secured notes	350.0	8.75%	Jun 2019
Senior notes	175.0	12.25%	Jun 2020
Total HYB	**525.0**		
Super Senior Term loan (2)	70.0	L. + 3.75% margin	Mar 2019
Total amount outstanding on external debt	**595.0**		
Cash at 31 December 2018	30.5		
Net debt (before debt issue costs)	**564.5**		

Results – Q1 2019 Cash flow and net debt

Cash flow		
£m	Quarter ended Mar 2019	Quarter ended Mar 2018
EBITDA	**8.4**	**6.0**
Depreciation	(8.6)	(8.6)
Amortisation	0.4	0.4
Exceptional items	(5.3)	(5.2)
Net interest	(35.3)	(36.5)
Tax on loss	0.5	0.6
Loss for the period	**(39.9)**	**(43.3)**
Adjustments for:		
Depreciation and amortisation	8.2	8.2
Net interest payable and similar charges	35.3	36.5
Gain on sale of tangible fixed assets	0.0	(0.3)
Taxation	(0.5)	(0.6)
	3.1	**0.5**
Decrease in cash from working capital movement	(15.2)	(5.5)
Decrease in provisions	(1.4)	(2.2)
	(13.5)	**(7.2)**
Interest received	(0.0)	(0.0)
Tax (paid)/received	(0.2)	0.5
Net cash from operating activities [(1)]	**(13.7)**	**(6.7)**
Acquisition of tangible fixed assets	(3.4)	(4.6)
Proceeds from sale of tangible fixed assets	0.3	3.0
Net cash outflow before financing	**(16.8)**	**(8.3)**
Interest paid	(0.8)	(1.2)
Repayment of term loan	-	(40.0)
Drawdown of term loan	30.0	49.0
Debt refinance and exit related costs	-	(4.1)
Net cash from financing activities	**29.2**	**3.7**
Increase/(decrease) in cash in the period	**12.4**	**(4.6)**
Opening cash balance	30.5	26.0
Closing cash balance	**42.9**	**21.4**

[(1)] Includes net interest and tax paid of £0.1m (*Q1 2018*: £0.5m net interest and tax received)

- Capital expenditure in Q1 2019 was £3.4m
- The reduction in net cash flow from operating activities in Q1 2019 compared to Q1 2018 was driven by an incremental £9.7m net outflow from working capital which was only partly offset by a £2.4m higher EBITDA
- At 31 March 2019 the group's cash balance was £42.9m
- The resulting net debt balance at 31 March 2019 was £582.1m, excluding accrued interest and amounts owed to related undertakings
- On 11 March 2019 the £70m Super Senior Term Loan (SSTL) facility was increased to £110m. The term loan paid interest at LIBOR + 3.75% and matured on 3 June 2019. £100m of the £110m term loan facility was drawn down as at 31 March 2019 and remains outstanding

External Debt			
£m	Debt Principal	Coupon/ Interest	Maturity
High yield bonds			
Senior secured notes	350.0	8.75%	Jun 2019
Senior notes	175.0	12.25%	Jun 2020
Total HYB	**525.0**		
Super Senior Term loan	100.0	L. + 3.75% margin	Jun 2019
Total amount outstanding on external debt	**625.0**		
Cash at 31 March 2019	42.9		
Net debt (before debt issue costs)	**582.1**		

Q&A

- Questions can be addressed to:
  - Email: investorinfo@fshc.co.uk
  - Telephone: Ben Taberner +44 1625 417800
- An investor relations page is available on the FSHC website: www.fshc.co.uk

Elli Investments Limited

(in administration)

Unaudited draft annual report and consolidated financial statements

Registered number 55185
31 December 2018

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Strategic report

Background

Elli Investments Limited is a parent company of the Four Seasons Health Care group of companies comprising Four Seasons Health Care, brighterkind and The Huntercombe Group (together referred to as "the group").

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986), appointed administrators to manage the affairs, business and property of EFUK.

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

This report does not constitute statutory financial statements and is draft and unaudited. As at 11 June 2019, statutory accounts have not yet been finalised and an auditor's report has not yet been prepared in respect of the year ended 31 December 2018.

Principal activities

During the year the group had one principal activity being the operation of care homes for the elderly and specialised healthcare facilities.

Health and social care sector review

Market overview

The group operates within the health and social care markets, with a focus on providing elderly care, dementia care and specialised mental health services. Within these markets, the group provides a broad range of services, predominantly funded by the public sector, with a smaller amount of revenue from privately funded sources.

Social care commissioning in the United Kingdom is the responsibility of Local Authorities and Health Care Trusts, although the Department of Health has an overarching guidance role. Social care is a means-tested service with individuals who have income or savings above minimum thresholds required to partially or fully fund the cost of their care.

Continuing healthcare is managed by the NHS Clinical Commissioning Groups on behalf of the Department of Health. In the UK, provision of healthcare is not means-tested and is free at the point of care. In elderly care the independent sector provides the majority of services whilst in specialist mental healthcare the independent sector plays an important, but lesser, role with the NHS providing the majority of services.

Elderly care market

The elderly care services market provides a wide range of services to residents including, but not limited to:

- Residential care: which includes the provision of accommodation, housekeeping services, meals, recreational social activities and well-being programmes;
- Nursing care: which includes the provision of residential care plus nursing care services of varying levels, depending on the needs of the particular resident;
- Continuing healthcare: which includes complex nursing care;
- Dementia care: care for residents with dementia is an important aspect within each of these categories of care;

Strategic report (continued)

Health and social care sector review (continued)

Elderly care market (continued)

- Step-down and intermediate care: includes the provision of nursing care in support of local health and social care services by offering an alternative to an extended stay in hospital for older people who are recovering from an illness or injury; this is generally seen as complementary to, or as a substitute to, NHS hospital care provision;
- Palliative care: which includes the provision of care to relieve the symptoms and stress of a serious illness, thereby improving quality of life.

Specialist care services

Specialist care services provided by The Huntercombe Group include the following three patient groups:

- Child and Adolescent Mental Health, encompassing acute general psychiatry, adolescent psychiatric treatment and eating disorders;
- Acquired Brain Injury and neuro-rehabilitation, covering a wide range of services, from post hospital discharge to longer term care;
- Adult Mental Health, encompassing low secure treatment, open and recovery services and specialist services for adults with a learning disability.

Competition

The group competes in several fragmented markets in which a variety of for-profit and not-for-profit groups and the public sector operate. Most competition is local, based on relevant catchment areas and local placement and procurement initiatives.

The group is one of the largest operators in the for-profit sector, with a market share of around 4%. Other major operators in the for-profit elderly care market are HC-One and Barchester Healthcare. The group's major competitors in the provision of mental health services through specialist hospitals include the NHS, Priory Group, Elysium and Cygnet Health Care.

Four Seasons Health Care group

The group is one of the largest independent providers of elderly care services in the United Kingdom, measured by both the number of facilities and number of beds, and it is a leading provider of specialised services, including brain injury rehabilitation and mental healthcare services. As at December 2018, the group operated approximately 16,000 (*2017: 16,400*) beds in 322 facilities, including care homes, specialised hospitals and other centres. During 2018 the group employed approximately 22,000 people across the United Kingdom and the Channel Islands and provided care for approximately 14,200 residents.

The group operates as three businesses:

- *Four Seasons Health Care* – a national network of homes offering high quality nursing and dementia care together with other specialist capabilities to meet the anticipated growing demand of people requiring elderly care;
- *brighterkind* – a group of homes offering high quality elderly care together with higher standard services and activity programmes focussed on self-funded residents;
- *The Huntercombe Group* – specialist units providing care, treatment and rehabilitation services in mental health, acquired brain injury and neurodisability.

Competitive strengths

The group benefits from a number of competitive strengths, including:

Strategic report (continued)

Four Seasons Health Care group (continued)

Competitive strengths (continued)

- Market leading position - in the United Kingdom, the group is one of the largest independent providers of elderly care with a c4% share of the market;
- High quality asset base – the group has a property portfolio of 322 facilities, approximately 50% of which are owned on a freehold basis;
- Stable and diversified client base – the group has a diversified public payer base of more than 300 public sector commissioners including around 180 Local Authorities and Health Care Trusts and more than 150 NHS commissioners;
- Diversified service offering, with a focus on higher dependency services – the group has one of most diversified services among elderly care operators in the United Kingdom, increasingly focusing on higher dependency services, such as dementia and other specialist care services including the provision of intermediate care;
- High quality services recognised by regulatory bodies – In FSHC, the Quality of Life programme uses unique technology to enable residents and relatives, visiting care professionals and the teams in homes to provide instant feedback which enables issues to be found and fixed quickly.

Strategy

The group is operated as three distinct businesses, each with its own senior leadership team.

This structure has given increased focus and management oversight so that each business develops by best meeting the requirements of its respective customer and patient groups. The key elements of the individual business strategies are as follows:

Four Seasons Health Care

- Increase occupancy by maintaining and continually improving the business' quality of care and relationships with Local Authorities and commissioners;
- Leverage the business' reputation, expertise and diverse asset base to deliver new and enhanced services;
- Drive synergies from within the business.

brighterkind

- Continue to develop the brighterkind brand proposition through investment into the business' three core elements: extraordinary care, an inspiring food and dining experience and a comprehensive recreation and activities programme;
- Estate enhancement through investment in bespoke refurbishment to attract self-funding residents;
- Drive significant cultural change through innovative, principally face to face, training programmes for the whole brighterkind team.

The Huntercombe Group

- Focus on providing higher complexity, bespoke specialist services to high acuity patients, to become a truly specialist healthcare provider;
- Develop and reposition the estate.

Strategic report (continued)

Financial review

These financial statements present the results of the company and its subsidiary undertakings ("the group") for 2018 with comparatives for 2017 and 2016.

Profit and loss account (unaudited, proforma)	**Year ended 31 December 2018 (52 weeks)**	Year ended 31 December 2017* (53 weeks)	Year ended 31 December 2016* (52 weeks)
	£000	£000	£000
Turnover	**634,506**	660,391	686,155
Cost of sales	**(582,158)**	(600,192)	(617,129)
Gross profit	**52,348**	60,199	69,026
Administrative expenses before exceptional items	**(45,580)**	(48,038)	(51,669)
Exceptional items and other operating income	**(96,167)**	(32,094)	16,483
Total administrative expenses	**(141,747)**	(80,132)	(35,186)
Operating (loss)/profit	**(89,399)**	(19,933)	33,840
Operating profit before exceptional items	**6,768**	12,161	17,357
Exceptional items	**(96,167)**	(32,094)	16,483
(Loss)/profit before interest	**(89,399)**	(19,933)	33,840

Non-GAAP measure: (Adjusted) Earnings Before Interest, Tax, Depreciation and Amortisation ((Adjusted) EBITDA)			
Analysed as:			
Operating profit before exceptional items as analysed above	**6,768**	12,161	17,357
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**32,042**	33,900	35,195
Deduct: amortisation of negative goodwill	**(1,527)**	(1,580)	(2,197)
EBITDA before exceptional items	**37,283**	44,481	50,355
Deduct: non-cash onerous and operating lease credit	**(12,103)**	(8,261)	(8,427)
Adjusted EBITDA before exceptional items	**25,180**	36,214	41,928

*Re-presented – see note 5 for details

Strategic report (continued)

Financial review (continued)

Key factors affecting results of operations

The group's operating profit is affected by a number of factors including the number of effective beds, occupancy rates, payer and resident/patient mix, fee rates, operating and other expenses together with any acquisitions, disposals, closures or developments.

Effective beds: The group's results are impacted by the number of beds in its care homes and specialised units, measured as effective beds, as the bed capacity determines the maximum number of residents and patients that the group can care for.

Occupancy rates: The group's results are also affected by the occupancy rates in its care homes and specialised units. Occupancy rates are measured as the ratio of the average number of residents and patients to the effective bed count for a particular period.

Payer and resident/patient mix: Results are affected by the payer and resident mix. In the Four Seasons Health Care and brighterkind businesses an increase in the proportion of privately funded residents will positively affect the group's results. Similarly, the changing mix of residents between those classified as "residential" and those classified as "nursing" together with the related levels of dependency can impact the group's results. Patient mix is particularly important in The Huntercombe Group where the average weekly fee varies widely across the diverse range of services provided.

Fee rates: The fee rates that the group charges for its services are generally subject to annual adjustments applicable from April, except for self-funding residents in England for whom the increase applies from January or February.

The majority of the group's revenue is generated from spot purchasing or under framework agreements agreed in advance with commissioners. Small fluctuations in average weekly fees occur on a continuous basis due to a combination of changes in resident and geographical mix.

Payroll costs: The group's most significant operating expense is payroll costs, which represent the staff costs incurred in providing services and running the group's facilities. Payroll costs can be split into two categories: site-based payroll costs and central and regional support costs. Site-based payroll includes agency costs that are incurred to obtain the services of nurses and care staff on a temporary basis to meet staffing requirements that cannot be satisfied by the group's permanent workforce.

Other operating costs: Other operating costs are principally comprised of the care and facility costs required to operate the care homes and specialised units. Key items of care expenditure are generally volume related and variable in nature, such as food, medical supplies, laundry and cleaning and waste disposal. Certain costs are more fixed in nature, primarily relating to utility costs, insurance, registration fees and maintenance.

Rent: The group pays rental charges under operating leases in respect of approximately 50% of its properties. Under the majority of the leaseholds agreements, the rent payable is subject to index-linked annual increases within certain caps and collars.

Strategic report (continued)

Financial review (continued)

Key Performance Indicators ("KPIs")

The main financial KPIs which the group uses to measure its performance are: Adjusted EBITDA[6] before exceptional items; average weekly fees; payroll costs; and direct expenses. In addition, the group monitors occupancy as its main operational KPI.

Unaudited	2017 (4)					2018				
	Q1	Q2	Q3	Q4 (5)	Year (2)	Q1	Q2	Q3	Q4	Year (2)
Total group										
Turnover (£m)	163.9	164.5	162.1	169.9	**660.4**	155.6	159.4	159.8	159.7	**634.5**
EBITDAR before exceptional items (£m) (5)	22.0	22.4	23.7	18.9	**87.1**	16.7	20.2	22.1	17.5	**76.4**
EBITDA before exceptional items (£m) (5)	10.6	11.4	11.9	10.6	**44.5**	6.0	9.6	11.3	10.4	**37.3**
Adjusted EBITDA before exceptional items (£m) (6)	9.2	9.9	11.1	6.0	**36.2**	3.8	7.5	9.3	4.6	**25.2**
Effective beds - group	17,831	17,214	16,753	16,378	**17,044**	16,259	16,137	16,092	16,062	**16,138**
Occupancy %	89.2%	89.1%	89.6%	89.5%	**89.4%**	87.7%	87.6%	88.1%	88.3%	**87.9%**
Expenses (% of turnover)	14.5%	13.5%	13.1%	14.1%	**13.8%**	14.8%	13.8%	13.3%	15.0%	**14.2%**
Central costs (% of turnover)	6.3%	6.3%	5.9%	6.4%	**6.2%**	6.7%	6.5%	5.9%	6.9%	**6.6%**
By business										
Turnover (£m)										
- FSHC	113.2	112.3	110.1	115.1	**450.6**	105.6	108.3	109.1	108.9	**431.9**
- brighterkind	23.3	24.0	24.5	26.6	**98.5**	25.0	25.4	25.7	26.0	**102.2**
- THG	27.3	28.1	27.5	28.2	**111.2**	24.9	25.7	25.0	24.8	**100.4**
Effective beds										
- FSHC	14,690	14,105	13,712	13,403	**13,977**	13,359	13,242	13,196	13,166	**13,241**
- brighterkind	2,208	2,208	2,208	2,208	**2,208**	2,210	2,210	2,210	2,210	**2,210**
- THG	934	901	833	766	**859**	690	685	686	686	**687**
Occupancy %										
- FSHC	90.2%	90.0%	90.5%	90.3%	**90.3%**	88.2%	88.2%	88.5%	88.6%	**88.4%**
- brighterkind	85.8%	85.7%	86.8%	87.3%	**86.4%**	86.6%	85.4%	87.0%	88.5%	**86.9%**
- THG	81.4%	82.4%	82.3%	81.2%	**81.8%**	82.3%	84.0%	83.2%	82.6%	**83.0%**
Average Weekly Fee (£)										
- FSHC	657	680	682	679	**674**	689	713	719	718	**710**
- brighterkind	937	968	973	976	**964**	996	1,021	1,020	1,016	**1,013**
- THG	2,607	2,721	2,876	3,016	**2,805**	3,144	3,154	3,120	3,093	**3,128**
Payroll % (of turnover) (1)										
- FSHC	64.8%	64.9%	64.6%	66.3%	**65.2%**	67.7%	67.1%	66.0%	65.9%	**66.7%**
- brighterkind	58.2%	57.8%	55.9%	56.0%	**57.0%**	56.8%	57.2%	55.8%	55.6%	**56.4%**
- THG	72.9%	74.2%	76.3%	75.3%	**74.7%**	74.9%	73.6%	78.0%	79.2%	**76.4%**
Agency % (of payroll) (1)										
- FSHC	9.0%	9.6%	10.7%	9.9%	**9.8%**	10.4%	10.6%	11.9%	10.7%	**10.9%**
- brighterkind	5.3%	3.7%	4.3%	3.5%	**4.2%**	3.6%	3.9%	4.7%	4.5%	**4.2%**
- THG	12.3%	14.3%	17.1%	16.6%	**15.0%**	16.2%	17.0%	19.6%	18.1%	**17.7%**
EBITDARM % (of turnover)										
- FSHC	19.8%	20.7%	21.7%	18.6%	**20.2%**	16.6%	18.2%	19.7%	18.0%	**18.1%**
- brighterkind	28.3%	29.8%	32.3%	32.2%	**30.6%**	29.3%	30.9%	33.0%	31.3%	**31.1%**
- THG	16.3%	15.2%	12.6%	13.4%	**14.4%**	14.2%	15.4%	11.9%	7.9%	**12.4%**

Notes
(1) Payroll excludes central payroll
(2) Full year numbers may include minor rounding differences compared to the four quarter aggregate
(3) EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs)
(4) 2017 is a 53 week period and Q4 2017 is a 14 week period; 2018 is a 52 week period
(5) 2017 and Q1 – Q3 2018 "EBITDAR before exceptional items" and "EBITDA before exceptional items" have been re-presented to include closing and closed home costs which were previously included within exceptional items (see note 5)
(6) Adjusted EBITDA = EBITDA before the non-cash onerous and operating lease credit

Strategic report (continued)

Financial review (continued)

Turnover

Full year 2018 Elli Investments group turnover is £11.6m, or 1.9%, higher than 2017 after adjusting for c£4.2m of revenue from homes closed or sold during the year.

- *Average Weekly Fee*

  The 2018 Average Weekly Fee ("AWF") in the group's care home businesses increased year on year by 5.3% and 5.1% in Four Seasons Health Care and brighterkind respectively.

  Within The Huntercombe Group ("THG") the AWF in 2018 increased by 11.5% to £3,128 in 2018 from the average of £2,805 in 2017.

- *Occupancy*

  Average occupancy in the group's care homes in 2018 reduced by 1.6 percentage points compared to 2017, to 88.2%. In 2018, THG average occupancy of 83.0% was 1.2 percentage points higher than 2017.

Payroll

Payroll in Four Seasons Health Care, as a percentage of turnover, saw an increase of 1.5 percentage points compared to 2017, whilst brighterkind saw an improvement of 0.6 percentage points over the same period. The 4.4% increase in the National Living Wage in April 2018, for those aged 25 and over, was a key driver of additional payroll costs in 2018. At the same time the national shortage of nurses continues to put significant pressure on the usage of agency staff.

In THG, payroll as a percentage of turnover increased by 1.7 percentage points from 2017 to an average of 76.4% for 2018, and agency as a percentage of payroll increased by 2.7% to 17.7% over the same period.

Care expenses

In 2018, expenses (care and facility combined), as a percentage of turnover, at 14.2%, represented an increase of 0.4 percentage points compared to 2017.

Central cost

Central costs, at 6.6% of turnover in 2018, were 0.4 percentage points higher compared to 2017.

Strategic report (continued)

Financial review (continued)

Rent

The leasehold portfolio predominantly comprises long leases. In recent years a number of leasehold care homes and hospitals which were loss making, underperforming or not core to the strategic objectives for any of the group's businesses have been closed or surrendered.

Rent of £39.1m was charged in 2018 compared to the 2017 charge of £42.6m – underlying annual inflationary uplifts on the leasehold estate were offset by a decrease in the rental charge following the surrender of two leases in 2018 and a £3.5m increase in the non-cash credit resulting from the unwind of the group's onerous lease provision which contributed £12.0m to the group's 2018 EBITDA (*2017: £8.5m contribution to the group's EBITDA*) – see note 18.

Exceptional items

The operating loss during the year includes exceptional costs of £96.2m. Within this total is a net profit on disposal of £0.4m in relation to properties sold during the year, a net revaluation decrease of £37.6m (being a £3.0m reversal of previous property impairments less £40.6m of current year impairments) on the revaluation of certain of the group's freehold properties, £0.3m credit relating to the disposal of negative goodwill on closed or disposed sites and a net charge of £29.3m related to the movement in onerous lease provisions. In addition, the costs incurred in relation to the balance sheet restructuring exercise totalled £31.9m.

In the prior year there were exceptional costs of £32.1m. Within this total was a net loss on disposal of £3.4m in relation to properties sold during the year, a net revaluation decrease of £23.6m (being a £5.1m reversal of previous property impairments less £28.7m of current year impairments) on the revaluation of certain of the group's freehold properties, a £10.9m credit relating to the disposal of negative goodwill on closed or disposed of sites and a net credit of £2.3m related to the movement in onerous lease provisions. In addition, the costs incurred in relation to the balance sheet restructuring exercise totalled £14.4m, with a further £1.1m spent on other projects.

Re-presentation

Due to their ongoing nature, in 2018 costs of £4.4m, relating to closed and closing homes, have been included in "Operating loss before exceptional items". In prior years these costs were included in exceptional items as it was anticipated that these costs would not be incurred on an ongoing basis. The 2017 comparative has been re-presented to reflect this change, being £9.2m for closed and closing homes. There is no impact on the prior year net profit and loss, total comprehensive income for the period or on the balance sheet.

EBITDA and Adjusted EBITDA before exceptional items

As a result of the factors outlined above, the EBITDA before exceptional items of £37.3m for 2018 was £7.2m lower than that achieved in 2017, after adjusting for closed and closing home costs (see note 5). After adjusting for the impact of the £12.1m (*2017: £8.3m*) non-cash onerous and operating lease credit, the year on year reduction was £11.0m, from £36.2m to £25.2m.

Interest

The interest charge in the statutory profit and loss account for the year includes interest on the group's £350m senior secured notes at an interest rate of 8.75% and on the £175m senior notes at an interest rate of 12.25%. The interest charge relating to the notes in the year was £56.2m. The balance, within the total net charge for the year of £139.9m, relates primarily to non-cash, accrued interest of £71.3m on balances owed to related parties, £2.7m relating to the refinancing of the £40m term loan, together with £6.1m in respect of the amortisation of debt issue costs and £2.8m interest payable on the group's £70m super senior term loan.

Tax

The tax credit for the year was £7.4m, comprising a £0.2m tax charge offset by £2.5m of income relating to group relief and a £5.1m reduction in the group's deferred tax liability.

Strategic report (continued)

Financial review (continued)

Balance sheet

The table below shows the consolidated balance sheet of Elli Investments Limited as at 31 December 2018, 31 December 2017 and 31 December 2016.

Balance sheet (unaudited, proforma)	2018	2017	2016
	£000	£000	£000
Fixed assets			
Intangible assets - goodwill	**(19,824)**	(21,619)	(34,113)
Tangible assets	**443,849**	490,202	547,351
	424,025	468,583	513,238
Current assets			
Debtors	**49,336**	50,743	61,570
Cash at bank and in hand	**30,496**	25,995	33,032
	79,832	76,738	94,602
Creditors: amounts falling due within one year	**(796,172)**	(699,482)	(155,431)
Net current liabilities	**(716,340)**	(622,744)	(60,829)
Total assets less current liabilities	**(292,315)**	(154,161)	452,409
Creditors: amounts falling due after more than one year	**(546,987)**	(475,640)	(927,374)
Provisions for liabilities	**(48,268)**	(35,807)	(46,896)
Net liabilities	**(887,570)**	(665,608)	(521,861)

Strategic report (continued)

Financial review (continued)

Goodwill

The negative goodwill balance is a function of the 12 July 2012 acquisition structure, the fair value of the acquired net assets and the acquisition costs, less amortisation and amounts to reflect the subsequent disposal of assets. Negative goodwill is being amortised over 20 years. A fair value adjustment was made in 2013 to reflect the impairment of the property portfolio at the date of acquisition.

Fixed assets

A valuation of the group's properties was carried out by an external independent valuer in March 2016, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued, on an individual property basis for balance sheet purposes. A subsequent valuation of certain properties was carried out by an external independent valuer in March 2018 and March 2019. As at 31 December 2018 the directors reviewed the property portfolio in line with the requirements of FRS 102 Chapter 27 *Impairment of assets*. As a result of this review and the independent external valuation of certain properties, the value of the group's freehold property assets and fixtures and fittings in certain freehold and leasehold properties has been decreased by £37.6m, being the net of a £3.0m reversal of previous property impairments and £40.6m of current year impairments.

Debtors

Trade debtors at December 2018 increased by £3.8m compared to December 2017, whilst other debtors, prepayments and accrued income decreased by £4.1m.

Creditors

Trade creditors at December 2018 were £23.0m, a £3.8m increase compared to 2017. Accruals, deferred income and other creditors increased by £2.5m year on year.

Provisions for liabilities and charges

As well as the group's deferred tax liability, provisions are held in respect of onerous rental contracts on certain of the group's leasehold properties and the adjustment to recognise certain operating lease rental charges on a straight-line basis over their term in line with the accounting requirements of FRS 102.

Financing arrangements

At 31 December 2018 the group's financing arrangements comprised the following:

- *Senior secured and senior notes*
  - Senior Secured Notes: £350m at a fixed interest rate of 8.75%, due to be repaid in 2019
  - Senior Notes: £175m at a fixed interest rate of 12.25%, due to be repaid in 2020
- *Super Senior Term Loan*
  - Super Senior Term Loan: £70m at an interest rate of LIBOR + 3.75%, due to be repaid in March 2019

Notwithstanding their maturity date, in light of the interest defaults on 15 December 2017, 15 June 2018 and 15 December 2018 and the administration of the high yield bond issuers (Elli Investments Limited and Elli Finance (UK) Plc) on 30 April 2019, the senior notes have been classified as due in less than one year.

Strategic report (continued)

Financial review (continued)

Financing arrangements (continued)

On 11 March 2019, the group increased its £70m term loan facility to £110m and extended its maturity date to 3 June 2019. The term loan accrues interest at LIBOR + 3.75%. The loan remains outstanding and £100m of the £110m facility has been utilised.

In addition, there was £547.5m owed to parent and related undertakings within the group of companies owned by FSHC Group Holdings Limited, the company's indirect shareholder.

The purpose of these financial instruments is to finance the group's operations. It is, and was throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken. The group has borrowed predominantly at fixed interest rates to avoid exposure to interest rate fluctuations.

Share capital

There were no changes to the group's share capital during the year.

Liquidity and capital resources

The group maintains cash to fund the day-to-day requirements of the business, which display limited seasonality and are relatively constant throughout the year, subject to intra-month peaks and troughs related to the timing of fee receipts compared to purchase ledger, payroll and rent payment cycles. At the year end the group had £30.5m of cash on its balance sheet.

Strategic report (continued)

Financial review (continued)

Cash flow statement

Cash flow statement (unaudited, proforma)	**Elli Investments Limited Year ended 31 December 2018 (52 weeks) £000**	Elli Investments Limited Year ended 31 December 2017 (53 weeks) £000	Elli Investments Limited Year ended 31 December 2016 (52 weeks) £000
Net cash from operating activities	**5,091**	26,010	32,159
Proceeds from sale of tangible fixed assets	**4,202**	35,814	44,046
Acquisition of tangible fixed assets	**(27,274)**	(38,445)	(42,944)
Net cash (outflow)/inflow before financing	**(17,981)**	23,379	33,261
Interest paid	**(3,185)**	(28,653)	(55,320)
Repayment of term loan	**(40,000)**	(40,000)	-
Drawdown of new term loan	**70,000**	40,000	-
Debt refinance and exit related costs	**(4,333)**	(1,763)	-
Increase/(decrease) in cash in the year	**4,501**	(7,037)	(22,059)

At 31 December 2018 the group's cash balance was £30.5. Net cash generated from operating activities in the year ended 31 December 2018 was £5.1m (*2017: £26.0m*).

Working capital

The cash inflow from movements in working capital was £6.9m for the year (*2017: £7.3m*).

Interest paid

£3.2m (*2017: £2.3m*) was paid in respect of the super senior term loan. In addition, £3.0m was paid in respect of debt related costs. Debt issue costs of £1.3m were incurred in relation to the refinancing of the super senior term loan in March 2018. Interest payments on the group's senior secured notes and senior notes are payable in June and December each year, although no interest was paid in 2018 and remained outstanding at the year end.

Capital expenditure and developments

Maintenance capital expenditure is related to the maintenance of equipment and facilities due to regular use and wear and tear. Generally, the more complex the services provided, the higher the maintenance capital expenditure per bed tends to be in a particular care home or specialist unit. The group's policy is to continually improve and maintain the quality of its estate. Development capital expenditure is incurred to improve or extend the group's facilities where appropriate and to develop potential new facilities.

Total gross capital expenditure for the year ended 31 December 2018 was £27.3m (*2017: £38.4m*). The decrease of £11.1m compared to 2017 was largely due to the reduction in the number of care homes in the group and a lower level of development expenditure. The maintenance capex spend per bed during 2018 was almost £1,500, a decrease of £200 per bed compared to 2017, although the maintenance capex in 2017 included some major life cycle works such as lift and boiler replacements.

Strategic report (continued)

Financial review (continued)

Disposals

During the year the group disposed of assets which were loss-making, underperforming or non-core. Four freehold properties and one piece of land were sold. In total, proceeds of £4.2m were received in respect of these disposals (*2017 disposals: £35.8m*).

Principal risks and uncertainties

The group's management structures, coupled with its policies and procedures, are designed to enable the achievement of business objectives while controlling the risks associated with the environment in which it operates. The group has risk management processes in place which are designed to identify, manage and mitigate business risk.

The principal risks and uncertainties affecting the group, their potential impact, together with the means by which the group manages them are as follows:

Financial risks

- *Failure to achieve a restructuring of the group's capital structure*

  Potential impact: The group's key stakeholders, in particular commissioners of the group's services, national regulators and suppliers, may reduce or terminate their support for the group resulting in a sudden and material impact of the group's trading and cash flows.

  Mitigation: On 3 May 2019 the group announced the launch of an independent sale process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

- *Budget constraints and public spending cuts*

  Potential impact: Publicly funded entities could allocate less money to the services that the group provides. In addition, political or policy changes could lead to fewer services being purchased from the group with more people being cared for at home.

  Mitigation: The group continues to focus on its strong relationships with Local Authorities and care commissioners to help ensure that placements are made within the group's facilities. In addition, the group regularly assesses the services it provides to reposition them to align with demand.

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risks (continued)

- *Reduction in the demand for the group's services*

  Potential impact: The majority of the group's revenues are not guaranteed, as they are generated either from spot purchasing or under framework agreements where no volume commitments are given. Within the specialist healthcare sector, NHS England has reviewed the geographical spread of Child and Adolescent Mental Health services and the commissioning models for these services, with a risk that demand for established hospitals might change. Similarly, the transforming care programme seeks to ensure that services for those with learning disabilities are provided close to home and in the community where possible. These programmes have a potential impact on the occupancy in some of the THG units.

  Mitigation: The group continues to focus on its strong partnering relationships with Local Authorities and care commissioners to help ensure that placements are made within its facilities. In addition, the group is focussed on adapting its service mix and models to meet the future needs of local communities and commissioners..

- *National Minimum Wage and National Living Wage increases are higher than inflation*

  Potential impact: A significant number of employees in the healthcare sector have salaries based on, or close to, the National Living Wage or National Minimum Wage. As such, increases in these statutory rates which are in excess of income inflation could significantly reduce the group's profitability. From 1 April 2019 the National Living Wage increased by a further 4.9% and the extent to which this additional imposed cost is funded by Local Authorities and other commissioners of the group's services could have a significant impact on the group's profitability and cash flows.

  Mitigation: The group budgets carefully for National Minimum Wage and National Living Wage increases and the impact on its cash flow and profitability.

- *Interest rate risk*

  Potential impact: The cost of the group's variable rate debt is directly impacted by changes in LIBOR, thereby impacting the group's cash cost of servicing that element of its capital structure.

  Mitigation: As at 31 December 2018, only c12.0% of the total debt is at a variable rate of interest and, as such, interest rate risk is minimal.

- *Liquidity risk*

  Potential impact: A reduction in occupancy, the impact of above inflation statutory increases to payroll costs resulting from the National Living Wage and National Minimum Wage, or significant agency spend could result in reduced cash generation.

  Mitigation: The group closely monitors its cash generation and produces regular updates to its liquidity forecast. In addition, further liquidity was raised in March 2018 through a £70m term loan (which was in part used to refinance the existing £40m term loan) with an additional £30m drawn in March 2019 following an increase in the size of that facility loan.

Strategic report (continued)

Principal risks and uncertainties (continued)

Operational risks

- *Reputational risk*

  Potential impact: A serious incident relating to the provision of health care services or involving harm to one or more residents or patients could result in negative publicity, as could similar incidents at competitors' facilities. Such incidents may result in an increase in scrutiny from regulators as well as from residents, patients and their families. Furthermore, the damage to the group's reputation could be exacerbated by any failure to respond effectively to such an incident.

  Mitigation: In order to mitigate this risk as far as possible, the 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. The group has a dedicated confidential line for whistleblowing and comprehensive processes for recording and reporting wider incidents and also for surveying service users' views as to the quality of the service offered. Any incidents that occur are appropriately investigated and resolved taking into account all stakeholders.

- *Shortage of qualified workforce*

  Potential impact: Appropriate staffing levels are required to ensure that the correct level of care is provided. With a shortage in qualified nursing staff across the sector, the group may be required to use agency staff which can cost considerably more than own staff.

  Mitigation: The group actively monitors 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.

- *Seasonal death rate*

  Potential impact: The group's occupancy is frequently impacted by a seasonal increase in the number of deaths. This seasonal increase varies in duration and intensity each year, but usually occurs between December and March and impacts the general population as well as in the group's care homes. In a year where the level of deaths during the winter period is particularly high, it is likely that the number of deaths will outstrip the number of new admissions and, as a result, in severe years it can take more than a year for occupancy levels to recover.

  Mitigation: The group's aim to deliver very good care everywhere together with strong Local Authority relationships should help to minimise the impact on occupancy during this annual period of higher winter deaths. In addition, wherever possible, the group 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.

Strategic report (continued)

Principal risks and uncertainties (continued)

Operational risks (continued)

- *Brexit*

  Potential impact: A 'no deal' outcome could have a significant impact on the business, in particular in terms of supply chain issues (for example, food, power supply and medical supplies) and also the recruitment of EU nurses.

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

- *Regulatory risk*

  Potential impact: The group's regulators are one of its key stakeholders. A failure to comply with regulations can result in the revocation or suspension of a facility's registration or a temporary suspension of resident placements (an "embargo"). An embargo can have a significant effect on the profitability of a facility as the suspension of new placements results in a decline in occupancy and potentially increased staff costs.

  Mitigation: The group devotes a considerable amount of time to the management of regulatory matters. Compliance with the ongoing requirements of registration and changes arising from the evolving regulatory environment mean that significant attention by senior management has been, and will continue to be, dedicated to regulatory compliance and assurance, particularly given the ongoing sale of the group.

Corporate social responsibility

Investing in our people

The group continues to invest in its most important asset – its 22,000 employees. Their performance is critical if the group is to deliver its objectives. Considerable effort is continually taken to refine the framework, structure and support required to enable the group's employees to both fulfil their potential and deliver a high quality service to the group's residents and patients.

Human rights

As a private sector employer, the Human Rights Act 1998 does not directly apply to the group's employees, however the group is obliged to comply with the general principles contained in the European Convention of Human Rights in terms of the fair and ethical treatment of its staff, because all UK employees may rely on the Convention when pursuing an employment tribunal or other claim against the group. Therefore all of the group's employment policies are created with these principles in mind. As a result, the group's corporate policy development processes ensure that all new policies are audited for equality and diversity issues and that any disproportionate impact on minority groups (whether that be employees or service users) is mitigated. In addition, the group has Equality and Diversity policies which emphasise the principle of fairness which underpins all policies and practices across the group. The group has a Modern Slavery and Human Trafficking Statement on its website which is updated on an annual basis.

Community involvement

The group is proud that its care homes and specialised facilities form part of the communities they serve. These community links are especially important when the majority of residents previously lived locally and maintaining these bonds is key to the resident experience.

Strategic report (continued)

Corporate social responsibility (continued)

Health and safety

The group is committed to the highest standards of health and safety for its clients, staff and visitors. To this end, clearly defined policies, procedures, roles and responsibilities are in place, and supervision, instruction, information and appropriate training are provided. A management information system is in place to monitor safety standards and to review and report incidents. Policies and training needs are kept under review.

Complaints, concerns and incidents

The group is committed to the highest standards of openness, probity and accountability.

The group operates a comprehensive complaints policy, enabling clients, their families, employees and third parties to raise concerns or make complaints. The principles of the Public Interest Disclosure Act are applied where relevant and a dedicated confidential line is provided for whistleblowing which is available to all employees, workers, residents and their families to ensure that a robust procedure is in place to allow anyone to raise a legitimate concern about any of the group's practices across the businesses, including illegal or unethical practice. The group has comprehensive processes for recording and reporting wider incidents and also for surveying service users' views as to the quality of the service offered.

Environmental policy

The group seeks excellence in every aspect of its business and recognises the importance of good environmental practice. The group is committed to improving further its environmental performance by setting and achieving a number of environmental objectives and targets. In implementing its environmental commitment, the group will comply with relevant existing environmental regulations and endeavour to minimise the consumption of resources within the properties that are occupied, whilst considering the environmental impact of group operations.

Energy efficiency

The group is part of the CRC Energy Efficiency Scheme and Energy Savings Opportunity Scheme and is committed to reducing its carbon footprint. The group continues to look for new initiatives for energy saving investment.

Strategic report (continued)

Employees

The directors would like to take this opportunity to thank all employees for their dedication and hard work over the past year. It is their ongoing commitment and focus that has enabled the group to deliver high quality care.

The group aims to provide equal opportunities and its diversity policy is designed to ensure that the group recruits, develops and promotes employees based on potential and performance regardless of race, gender, religion or belief, age, culture, sexual orientation, disability or background, recognising that the continued success of the group depends upon its ability to attract, motivate and retain people of the highest calibre.

	Male	Female	Total
Company directors			
Based on directorships held as at 31 December 2018	**5**	**0**	**5**
Senior leadership teams			
Comprising the function heads of each business (excluding company directors)	**14**	**11**	**25**
Employees	**4,082**	**17,780**	**21,862**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. Four Seasons Health Care also provides independent and confidential telephone counselling and legal information services to further support the wellbeing of staff when access to experienced and professional counsellors may be required.

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

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year was £221,962,000 (*2017: loss of £143,747,000*). The directors do not recommend the payment of a dividend with respect to ordinary shares (*2017: £nil*).

Fixed assets and investment properties

During the year the group disposed of four properties which were loss making, underperforming or not core to the strategic objectives for any of the group's businesses. These disposals resulted in a net profit on disposal of £0.4m. In addition, the directors have reviewed the carrying value of the group's land and buildings as at 31 December 2018 taking into account the views of qualified property valuers. This has resulted in a net decrease in the carrying value of the group's properties and fixtures and fittings by £37.6m.

Corporate governance

Pre-administration

The board of directors of Elli Investments Limited believed that effective corporate governance is a fundamental aspect of a well-run business and is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

During the year ended December 2018 the board of Elli Investments Limited acted as an overseeing body, fulfilling a corporate governance role and had delegated authority to manage the group's day to day operations to Elli Finance (UK) Plc.

To ensure that key policy and strategic decisions are made by the board, certain matters had to be brought to the board for approval including, but not limited to: final approval of the annual accounts and budget, major acquisitions and disposals and any changes to the group's financing arrangements and financial policies. The directors also had access to the advice and services of the Company Secretary and external advisers, as appropriate.

Post-administration

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

Directors

The directors who held office during the financial year and up to the current date are listed below:

L Woods

R Macaskill

A Hayward (appointed 15 March 2018)

C Harris (appointed 15 March 2018)

C Hill (appointed 15 March 2018)

J Stares (resigned 15 March 2018)

I Stokes (resigned 15 March 2018)

A Breure (resigned 15 March 2018)

Directors' report (continued)

Directors *(continued)*

Allan Hayward
Director

Allan has over thirty years of experience in global M&A especially in the United States. He presently serves as a non-executive director of DADCO Alumina and Exact Projects Limited. Throughout his career, he has worked closely at Board level with many major global accounting firms and leading law firms. Previous appointments have included Chairman of Renewable Energy Group and FAB Link Limited.

Christopher Harris
Director

Christopher has previously practised in Jersey as an English Solicitor and had previous roles at Rathbone Trust Company (Jersey) Limited and Northern Trust Fiduciary Services (Jersey) Limited. He is currently a director of SPL Guernsey ICC Limited. He graduated with First Class Honours from Trinity College, Cambridge University.

Christopher Hill
Director

Christopher has been a non-executive director of a number of financial institutions and investment funds over the last 12 years. Among other appointments, Christopher was Chairman of UK Commercial Property Trust Limited and a non-executive director of KKR Guernsey GP Limited.

Lorcan Woods
Director

Lorcan was Finance Director for Terra Firma Portfolio Businesses until April 2017. He joined Terra Firma in 2011 and had board positions at two of Terra Firma's renewable energy businesses (Everpower Wind and Infinis) as well as Phoenix Natural Gas before focussing entirely on Four Seasons Health Care. In April 2017 Lorcan left Terra Firma but continues to act as a non-executive director of Elli Investments Limited.

Ryan Macaskill
Director

Ryan joined the board in October 2017. Ryan joined Terra Firma's operations group in 2010, and currently serves as the firm's Head of Investor Services. He has worked with a number of Terra Firma's portfolio companies, including as a Non-Executive Director of RTR, a leading Italian solar energy generator. Ryan has an MBA from Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

The following are directors of the Elli Finance (UK) Plc board:

Martin Healy – Chairman (appointed 2 August 2018)

Mark Ordan (appointed 26 October 2018)

The senior management of the group's operating businesses include the following:

Tim Hammond
Chief Executive Officer – Four Seasons Health Care

Tim was appointed CEO of the Four Seasons Health Care business in May 2014. Previously Tim was Chief Executive of Elior UK and prior to that Managing Director of Barchester Healthcare. He was a trustee of Age UK for eight years and is a Board member of Care England.

Directors' report (continued)

Ben Taberner
Chief Financial Officer

Ben was appointed CFO in March 2010, having joined the Four Seasons Health Care group in 2003 as Group Financial Accountant with responsibility for the group consolidation, statutory and investor reporting and management of the group's debt-related responsibilities. Prior to joining the group he was an assurance senior manager at KPMG.

Claire Royston
Group Medical Director

Dr Claire Royston (MB ChB MSc FRCPsych), was appointed Group Medical Director in January 2014. She is responsible for integrated governance, quality assurance management and supporting the delivery of strategies and innovation within Four Seasons Health Care and brighterkind to ensure that the group leads the independent sector in its clinical excellence and standards of care. Dr Royston will also contribute on behalf of the organisation to the national development of key policy and decision making within the healthcare sector. She has held a number of senior positions within the NHS and was registered as a specialist in General Adult and Old Age Psychiatry in 1997.

Jeremy Richardson
Chief Executive Officer – brighterkind

Jeremy was previously Executive Chairman of Menzies Hotels, and a main board director of Bourne Leisure, owner of Haven Holidays, Butlins and Warner Hotels. Prior to that, he set up Kew Green Hotels, a company which owned and operated branded hotels which grew to become one of the largest multi franchisee hotel operators in the UK.

Valerie Michie
Chief Executive Officer – The Huntercombe Group

Valerie was previously Managing Director of Serco Health, and prior to that held senior positions at Alfred McAlpine Business Services and KPMG Consulting.

Registered office

The registered office is: Estera Administration (Guernsey) Limited, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

Consolidated profit and loss account and other comprehensive income

for the year ended 31 December 2018

	Note	2018 £000	2017* £000
Turnover	*1, 2*	**634,506**	660,391
Cost of sales		**(582,158)**	(600,192)
Gross profit		**52,348**	60,199
Administrative expenses before exceptional items	*4*	**(45,580)**	(48,038)
Exceptional items	*4, 5*	**(96,597)**	(32,094)
Other operating income	*3*	**430**	-
Total administrative expenses		**(141,747)**	(80,132)
Operating loss	*2 – 7*	**(89,399)**	(19,933)
Operating profit before exceptional items		**6,768**	12,161
Exceptional items		**(96,167)**	(32,094)
Interest payable and similar charges		**(140,012)**	(126,309)
Interest receivable and other income		**86**	102
Net interest payable and similar charges	*8*	**(139,926)**	(126,207)
Loss before taxation		**(229,325)**	(146,140)
Tax on loss	*9*	**7,363**	2,393
Retained loss for the financial year		**(221,962)**	(143,747)
Other comprehensive income	*19*	**-**	-
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the financial year		**(221,962)**	(143,747)

Non-GAAP measure: (Adjusted) Earnings Before Interest, Tax, Depreciation and Amortisation ((Adjusted) EBITDA)		
Analysed as:		
Operating profit before exceptional items as analysed above	**6,768**	12,161
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**32,042**	33,900
Deduct: amortisation of negative goodwill	**(1,527)**	(1,580)
EBITDA before exceptional items	**37,283**	44,481
Deduct: non-cash onerous and operating lease credit	**(12,103)**	(8,267)
Adjusted EBITDA before exceptional items	**25,180**	36,214

* Re-presented - see note 5 for details

The notes on pages 28 to 52 form part of the financial statements.

Consolidated balance sheet
at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Negative goodwill	*10*	**(19,824)**	(21,619)
Tangible assets	*11*	**443,849**	490,202
		424,025	468,583
Current assets			
Debtors	*13*	**49,336**	50,743
Cash at bank and in hand	*14*	**30,496**	25,995
		79,832	76,738
Creditors: amounts falling due within one year	*15*	**(796,172)**	(699,482)
Net current liabilities		**(716,340)**	(622,744)
Total assets less current liabilities		**(292,315)**	(154,161)
Creditors: amounts falling due after more than one year	*16*	**(546,987)**	(475,640)
Provisions for liabilities			
Deferred tax liability	*17*	**-**	(5,076)
Other provisions	*18*	**(48,268)**	(30,731)
		(595,255)	(511,447)
Net liabilities		**(887,570)**	(665,608)
Capital and reserves			
Called up share capital	*19*	**174,368**	174,368
Profit and loss account		**(1,061,938)**	(839,976)
Shareholder's deficit		**(887,570)**	(665,608)

The notes on pages 28 to 52 form part of the financial statements.

Consolidated statement of changes in equity

	Note	Called up share capital £000	Profit and loss account £000	**Total £000**
Balance at 1 January 2017		174,368	(696,229)	**(521,861)**
Total comprehensive income for the year				
Loss for the year		-	(143,747)	**(143,747)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the year		-	(143,747)	**(143,747)**
Balance at 31 December 2017	*19*	174,368	(839,976)	**(665,608)**
Balance at 1 January 2018		174,368	(839,976)	**(665,608)**
Total comprehensive income for the year				
Loss for the year		-	(221,962)	**(221,962)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the year		-	(221,962)	**(221,962)**
Balance at 31 December 2018	*19*	174,368	(1,061,938)	**(887,570)**

The notes on pages 28 to 52 form part of the financial statements.

Company statement of changes in equity

	Note	Called up share capital £000	Profit and loss account £000	**Total £000**
Balance at 1 January 2017		174,368	(176,177)	**(1,809)**
Total comprehensive income for the year				
Loss for the year		-	(96,912)	**(96,912)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the year		-	(96,912)	**(96,912)**
Balance at 31 December 2017	*19*	174,368	(273,089)	**(98,721)**
Balance at 1 January 2018		174,368	(273,089)	**(98,721)**
Total comprehensive income for the year				
Loss for the year		-	(116,512)	**(116,512)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the year		-	(116,512)	**(116,512)**
Balance at 31 December 2018	*19*	174,368	(389,601)	**(215,233)**

The notes on pages 28 to 52 form part of the financial statements.

Consolidated cash flow statement
for the year ended 31 December 2018

	Note	**2018** **£000**	2017 £000
Cash flows from operating activities			
Loss for the year		**(221,962)**	(143,747)
Adjustments for:			
Depreciation, amortisation, (reversal of) impairment and disposal of negative goodwill		**67,905**	45,006
Net interest payable and similar charges		**139,926**	126,207
(Gain)/loss on sale of tangible fixed assets		**(714)**	2,188
Taxation		**(7,363)**	(2,393)
		(22,208)	27,261
Decrease in trade and other debtors		**662**	10,105
Increase/(decrease) in trade and other creditors		**6,269**	(2,800)
Increase/(decrease) in provisions		**17,209**	(11,419)
		1,932	23,147
Interest received		**86**	102
Tax received		**3,073**	2,761
Net cash from operating activities		**5,091**	26,010
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**4,202**	35,814
Acquisition of tangible fixed assets		**(27,274)**	(38,445)
Net cash from investing activities		**(23,072)**	(2,631)
Cash flows from financing activities			
Interest paid*		**(3,185)**	(28,653)
Repayment of term loan		**(40,000)**	(40,000)
Drawdown of new term loan		**70,000**	40,000
Debt refinance and exit related costs		**(4,333)**	(1,763)
Net cash from financing activities		**22,482**	(30,416)
Net increase/(decrease) in cash and cash equivalents		**4,501**	(7,037)
Cash and cash equivalents at 1 January		**25,995**	33,032
Cash and cash equivalents at 31 December	*14*	**30,496**	25,995

* The interest paid figure excludes c£52m of interest not paid on the Senior Secured and Senior Notes payable in June and December 2018

The notes on pages 28 to 52 form part of the financial statements.

Company balance sheet
at 31 December 2018

	Note	**2018** **£000**	2017 £000
Fixed assets			
Investments	*12*	**-**	-
Current assets			
Debtors	*13*	**-**	92,538
Cash at bank and in hand	*14*	**-**	16
		-	92,554
Creditors: amounts falling due within one year	*15*	**(212,750)**	(189,116)
Net current liabilities		**(212,750)**	(96,562)
Total assets less current liabilities		**(212,750)**	(96,562)
Creditors: amounts falling due after more than one year	*16*	**(2,483)**	(2,159)
Net liabilities		**(215,233)**	(98,721)
Capital and reserves			
Called up share capital	*19*	**174,368**	174,368
Profit and loss account		**(389,601)**	(273,089)
Shareholder's deficit		**(215,233)**	(98,721)

The notes on pages 28 to 52 form part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Elli Investments Limited (the "company") is a private company incorporated, domiciled and registered in Guernsey. The registered number is 55185 and the registered address is Estera Administration (Guernsey) Limited, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

This report does not constitute statutory financial statements and is draft and unaudited. As at 11 June 2019, statutory accounts have not yet been finalised and an auditor's report has not yet been prepared in respect of the year ended 31 December 2018.

These group and parent company 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 parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company cash flow statement with related notes is included;
- Key management personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments.

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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

Measurement convention

The financial statements are prepared on the historical cost basis.

The accounting reference date for the group 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 accounting reference 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under section 243 of the Companies (Guernsey) Law 2008, the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

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

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) They include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) Where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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 of the instrument 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 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 impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

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

1 Accounting policies (continued)

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic financial instruments are recognised initially at fair value. Subsequent to initial recognition Other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- Investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Direct costs incurred in enabling a care facility to become registered are capitalised together with, where appropriate, finance costs associated with the period of construction, and are included in the cost of the facility.

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

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

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

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

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

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

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

1 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- The estimated amount of contingent consideration (see below); plus
- The fair value of the equity instruments issued; plus
- Directly attributable transaction costs; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Intangible assets, goodwill and negative goodwill

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to benefit.

Other intangible assets

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

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

1 Accounting policies (continued)

Intangible assets, goodwill and negative goodwill *(continued)*

Amortisation

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with section 27 *Impairment of assets* when there is an indication that goodwill or an intangible asset may be impaired.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Impairment excluding investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

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

1 Accounting policies (continued)

Impairment excluding investment properties and deferred tax assets *(continued)*

Non-financial assets (continued)

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

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

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

Employee benefits

Defined contribution plans

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

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Provisions for onerous leases are recognised when the group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

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

1 Accounting policies (continued)

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax. All turnover arises from operations in the United Kingdom, Isle of Man and Jersey, and is attributable to fees for the provision of healthcare and property leasing. Rents are credited gross in the period to which they relate.

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 receivable and interest payable

Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities, and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

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 entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

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 reporting entity 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.

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

1 Accounting policies (continued)

***Taxation** (continued)*

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

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

Exceptional items

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

Alternative performance measures

The financial statements include certain financial data that are non-GAAP financial measures.

This information includes EBITDA (pre-exceptional Earnings Before Interest, Tax, Depreciation and Amortisation), EBITDAR (pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation and Rent) and EBITDARM (being EBITDAR before central costs). The directors believe that EBITDA is a better measure of underlying performance because it is meaningful for investors as it provides an analysis of the group's operating results, profitability and ability to service debt and because EBITDA is used by the group's chief operating decision makers to track management business evolution, establish operational and strategic targets and make important business decisions. In addition, management believe that EBITDA is a measure commonly used by investors and other interested parties in our industry. An adjusted EBITDA has also been provided, being EBITDA as defined above, less the 'non-cash onerous lease credit' relating to certain of the group's leasehold properties.

A reconciliation of operating profit to EBITDA, adjusted EBITDA, adjusted EBITDAR and adjusted EBITDARM is presented in note 2, Segmental information.

Notes *(continued)*

(forming part of the financial statements)

2 Segmental information

Group			**2018**		
	Four Seasons Health Care	**brighterkind**	**The Huntercombe Group**	**Unallocated/ closed home costs**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Turnover	**431,902**	**102,203**	**100,401**	**-**	**634,506**
EBITDARM before exceptional items	**78,374**	**31,804**	**12,375**	**(4,447)**	**118,106**
Rent				**(39,118)**	**(39,118)**
Central costs				**(41,705)**	**(41,705)**
EBITDA before exceptional items					**37,283**

Group			2017		
	Four Seasons Health Care	brighterkind	The Huntercombe Group	Unallocated/ closed home costs*	Total
	£000	£000	£000	£000	£000
Turnover	450,816	98,471	111,104	-	660,391
EBITDARM before exceptional items	91,109	30,238	16,001	(9,192)	128,156
Rent				(42,584)	(42,584)
Central costs				(41,091)	(41,091)
EBITDA before exceptional items					44,481

*Represented – see note 5

In accordance with FRS 102 section 1.5, where an entity provides segmental information, it shall do so in accordance with the requirements of IFRS 8 – *"Operating Segments"*. IFRS 8 – *"Operating Segments"* requires operating segments to be identified on the basis of discrete financial information about components of the group that are regularly reviewed by the group's Chief Operating Decision Maker ("CODM") in order to allocate resources and assess segment performance. As at 31 December 2018 the group's CODM is regarded as being the board of directors of Elli Finance (UK) Plc.

The board reviews group performance based on its three businesses:

- *Four Seasons Health Care* – a national network of homes offering high quality nursing and dementia care together with other specialist capabilities to meet the anticipated growing demand of people requiring elderly care;
- *brighterkind* – a group of homes offering high quality elderly care together with higher standard services and activity programmes focussed on self-funded residents;
- *The Huntercombe Group* – specialist units providing care, treatment and rehabilitation services in mental health, acquired brain injury and neurodisability.

The above disclosure of financial information for the years ended 31 December 2018 and 2017 correlates with the information presented to the board.

No analysis of individual business assets and liabilities is presented to the board on a monthly basis and therefore no measure of business assets and liabilities is disclosed above. The total group assets and liabilities are as presented in the consolidated balance sheet.

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

2 Segmental information (continued)

Reconciliation of non-GAAP pre-exceptional (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation (and rent) (Adjusted EBITDA(R)), (and management charges (Adjusted EBITDAR(M)) to statutory operating profit:

	2018	2017*
	£000	£000
Operating profit before exceptional items per consolidated profit and loss account	6,768	12,161
Add back: depreciation of tangible fixed assets and amortisation of capital grants	32,042	33,900
Deduct: amortisation of negative goodwill	(1,527)	(1,580)
EBITDA before exceptional items	37,283	44,481
Deduct: non-cash onerous and operating lease credit	(12,103)	(8,267)
Adjusted EBITDA before exceptional items	25,180	36,214
Add back: rent	39,118	42,584
Adjusted EBITDAR before exceptional items	64,298	78,798
Add back: central costs	41,705	41,091
Adjusted EBITDARM before exceptional items	106,003	119,889
Add back: non-cash onerous and operating lease credit	12,103	8,267
EBITDARM before exceptional items	118,106	128,156

*Re-presented – see note 5

3 Other operating income

	2018	2017
	£000	£000
Net gain on disposal of tangible fixed assets (before disposal costs)	430	-

4 Expenses and auditor's remuneration

Included in the operating loss are the following:

	2018	2017
	£000	£000
Loss on disposal of tangible fixed assets (before disposal costs)	-	3,379
Impairment loss on tangible fixed assets - exceptional	40,649	28,740
Reversal of previously impaired tangible fixed assets - exceptional	(2,991)	(5,140)
Depreciation of tangible fixed assets	32,130	33,992
Release of capital grants	(88)	(92)
Amortisation of negative goodwill	(1,527)	(1,580)
Disposal of negative goodwill - exceptional	(268)	(10,914)
Auditor's remuneration		
Amounts receivable by the company's auditor and its associates in respect of:		
- Audit of these financial statements	60	55
- Audit of financial statements of subsidiaries of the company	365	280
- Other services relating to taxation	33	450
- Other non-audit services	8	47

Notes *(continued)*

(forming part of the financial statements)

5 Exceptional items

The operating loss during the year includes exceptional costs of £96.2m. Within this total is a net profit on disposal of £0.4m in relation to properties sold during the year, a net revaluation decrease of £37.6m (being a £3.0m reversal of previous property impairments less £40.6m of current year impairments) on the revaluation of certain of the group's freehold properties, £0.3m credit relating to the disposal of negative goodwill on closed or disposed of sites and a net charge of £29.3m related to the movement in onerous lease provisions. In addition, the costs incurred in relation to the balance sheet restructuring exercise totalled £31.9m.

In the prior year there were exceptional costs of £32.1m. Within this total was a net loss on disposal of £3.4m in relation to properties sold during the year, a net revaluation decrease of £23.6m (being a £5.1m reversal of previous property impairments less £28.7m of current year impairments) on the revaluation of certain of the group's freehold properties, a £10.9m credit relating to the disposal of negative goodwill on closed or disposed of sites and a net credit of £2.3m related to the movement in onerous lease provisions. In addition, the costs incurred in relation to the balance sheet restructuring exercise totalled £14.4m, with a further £1.1m spent on other projects.

Re-presentation

Due to their ongoing nature, in 2018 costs of £4.4m, relating to closed and closing homes, have been included in "Operating loss before exceptional items". In prior years these costs were included in Exceptional items as it was anticipated that these costs would not be incurred on an ongoing basis. The 2017 comparative has been re-presented to reflect this change, being £9.2m for closed and closing homes. There is no impact on the current year profit and loss account, prior year operating loss or total comprehensive income for the period or on the Balance Sheet for the current or prior period.

Staff numbers and costs

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

	2018	2017
	No.	No.
Healthcare facilities	**20,556**	21,833
Administration	**1,331**	1,318
	21,887	23,151

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**364,659**	378,683
Social security costs	**27,949**	28,029
Pension costs	**3,576**	2,355
	396,184	409,067

The company had no employees during the current or prior year.

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

7 Directors' remuneration

	2018	2017
	£000	£000
Amounts paid to third parties in respect of directors' services	**167**	85

The table above does not include payments totalling £146,000 (*2017: £496,000*) paid to directors in respect of services associated with the capital restructuring of the group. Other directors within the group are remunerated by subsidiary companies and the related cost is disclosed in the accounts of those companies.

In addition, during the year, fees of £66,000 were paid to Estera Administration (Guernsey) Limited for administration and secretarial services (*2017: £26,000*).

8 Net interest payable and similar charges

	2018	2017
	£000	£000
Interest payable and similar charges:		
On debt repayable within one year	**58,996**	55,537
On balances due to related undertakings	**71,261**	61,996
On balances due to parent undertakings	**324**	282
Amortisation of debt issue costs	**6,139**	7,927
Other finance costs	**2,964**	231
Unwinding of discounts on provisions	**328**	336
Total interest payable and similar charges	**140,012**	126,309
Bank interest receivable	**(86)**	(102)
Total interest receivable and other income	**(86)**	(102)
Net interest payable and similar charges	**139,926**	126,207

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

9 Taxation

	2018	2017
	£000	£000
Total tax expense recognised in the profit and loss account and other comprehensive income and equity		
UK corporation tax		
Current tax on loss for the year	**(2,462)**	(2,954)
Adjustments in respect of prior periods	**43**	62
UK income tax		
Current tax on loss for the year	**470**	491
Adjustments in respect of prior periods	**(368)**	(26)
Foreign tax		
Current tax on income for the year	**7**	40
Adjustments in respect of prior periods	**23**	-
Total current tax	**(2,287)**	(2,387)
Deferred tax (see note 17)		
Origination and reversal of timing differences	**(3)**	47
Adjustments in respect of prior periods	**(5,073)**	(53)
Total deferred tax	**(5,076)**	(6)
Total tax	**(7,363)**	(2,393)

	2018			2017		
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
	£000	**£000**	**£000**	£000	£000	£000
Recognised in profit and loss account	**(2,287)**	**(5,076)**	**(7,363)**	(2,387)	(6)	(2,393)
Recognised in other comprehensive income	**-**	**-**	**-**	-	-	-
Recognised directly in equity	**-**	**-**	**-**	-	-	-
Total tax	**(2,287)**	**(5,076)**	**(7,363)**	(2,387)	(6)	(2,393)

	2018	2017
	£000	£000
Analysis of current tax recognised in profit and loss		
UK corporation tax	**(2,419)**	(2,892)
UK income tax	**102**	465
Foreign tax	**30**	40
Total current tax recognised in profit and loss	**(2,287)**	(2,387)

Notes *(continued)*

(forming part of the financial statements)

9 Taxation (continued)

	2018	2017
	£000	£000
Reconciliation of effective tax rate		
Loss for the year	**(221,962)**	(143,747)
Total tax income	**7,363**	2,393
Loss excluding taxation	**(229,325)**	(146,140)
Tax using the UK corporation tax rate of 19.0% (*2017: 19.25%*)	**(43,572)**	(28,132)
Expenses not deductible for tax purposes	**28,882**	14,286
Intercompany expenses not deductible for tax purposes	**4,816**	4,630
Difference in overseas tax rate	**(456)**	(1,103)
Overseas tax liability	**7**	40
Current year movement in recognised deferred tax	**(3)**	47
Current year movement in unrecognised deferred tax assets	**8,338**	7,856
Prior year adjustment	**(5,375)**	(17)
Total tax credit included in profit and loss	**(7,363)**	(2,393)

Factors that may affect future current and total tax 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 group's future current and total tax charge accordingly.

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

10 Negative goodwill

Group	Negative goodwill £000
Cost	
Balance at beginning of year	**(29,766)**
Disposals	397
Balance at end of year	**(29,369)**
Amortisation	
Balance at beginning of year	**8,147**
Amortisation for the year	1,527
Disposals	(129)
Balance at end of year	**9,545**
Net book value	
At 1 January 2018	(21,619)
At 31 December 2018	**(19,824)**

On 12 July 2012, Elli Investments Limited, via a direct subsidiary, acquired FSHC (Jersey) Holdings Limited and its subsidiary undertakings.

Negative goodwill arising on the acquisition of £43.9m was in excess of the fair value of the non-monetary assets acquired. The resulting negative goodwill was recognised in the group's balance sheet at 12 July 2012 and is being released to the profit and loss account over 20 years.

Amortisation and disposals charge

The amortisation charge is recognised in the administrative expenses line in the profit and loss account.

The net disposals charge is recognised in exceptional items in the profit and loss account.

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

11 Tangible fixed assets

Group	Land and buildings £000	Work in progress £000	Equipment and fixtures £000	Motor vehicles £000	Total £000
Cost					
Balance at beginning of year	**646,341**	**307**	**222,225**	**9,603**	**878,476**
Additions	35	3,591	23,208	440	27,274
Transfers	1,493	(3,174)	1,681	-	-
Disposals	(9,197)	-	(8,299)	(1,119)	(18,615)
Balance at end of year	**638,672**	**724**	**238,815**	**8,924**	**887,135**
Depreciation and impairment					
Balance at beginning of year	**239,165**	**-**	**141,873**	**7,236**	**388,274**
Depreciation charge for the year	4,124	-	26,819	1,187	32,130
Reversal of previous impairments	(1,904)	-	(1,087)	-	(2,991)
Impairment losses	37,017	-	3,632	-	40,649
Disposals	(5,518)	-	(8,145)	(1,113)	(14,776)
Balance at end of year	**272,884**	**-**	**163,092**	**7,310**	**443,286**
Net book value					
At 1 January 2018	407,176	307	80,352	2,367	490,202
At 31 December 2018	**365,788**	**724**	**75,723**	**1,614**	**443,849**

Impairment loss and subsequent reversal

As at 31 December 2018 the directors reviewed the property portfolio in line with the requirements of FRS 102 Chapter 27 *Impairment of assets* guided by a valuation carried out by an independent valuer in March 2016 and having regard to the current and expected trading in individual care homes and specialist units with particular focus on occupancy levels, fee rates and payroll costs, or, where applicable, based on actual or expected disposal proceeds (see note 24, Accounting estimates and judgements). Certain of the group's properties were valued by an external independent valuer in March 2018 and March 2019, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. As a result of this review and the independent external valuation of certain properties, the value of the group’s tangible fixed assets has been decreased by £37.6m, being the net of a £3.0m reversal of previous property impairments and £40.6m of current year impairments.

Security

The term loan facility and senior secured notes (see note 15) are secured on the trade and assets of certain subsidiary undertakings.

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

11 Tangible fixed assets (continued)

Land and buildings

The net book value of land and buildings comprises:

Group	2018 £000	2017 £000
Freehold	**345,580**	404,373
Long leasehold	**20,208**	2,803
	365,788	407,176

12 Fixed asset investments

Group	£000
Cost	
Balance at beginning and end of year	174,368
Provisions	
Balance at beginning and end of year	(174,368)
Net book value	
At 1 January 2018	-
At 31 December 2018	**-**

A list of the company's principal subsidiary undertakings at 31 December 2018 is provided below. All of the companies are wholly owned and are indirect subsidiaries of the company.

The following companies are incorporated in, and operate in, the United Kingdom:

Company	Nature of business
Four Seasons (Bamford) Limited	Operator of care homes
Tamaris Healthcare (England) Limited	Operator of care homes
Tamulst Care Limited	Operator of care homes
Alliance Care (Dales Homes) Limited	Operator of care homes
Four Seasons 2000 Limited	Operator of care homes
Four Seasons Homes No.4 Limited	Operator of care homes
brighterkind Health Care Limited	Operator of care homes
brighterkind Leaseco Limited	Holding company
Four Seasons Group Holdings Limited	Holding company
Elli Finance (UK) Plc (*in administration*)	Holding company
The Huntercombe Group Leaseco Limited	Holding company
Huntercombe (No.12) Limited	Operator of specialist units

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

12 Fixed asset investments (continued)

The following companies are incorporated in, and operate in, the United Kingdom: *(continued)*

Company	Nature of business
brighterkind Group Limited	Central cost company
THG Healthcare Limited	Central cost company
Huntercombe (SP) Limited	Property holding company
Sistine Properties (Westbury) Limited	Property holding company
Huntercombe (BIR) Limited	Property holding company
FSHC Properties (CH2) Limited	Property holding company

The following companies are incorporated in the Isle of Man:

Company	Nature of business
Four Seasons Health Care (England) Limited	Operator of care homes
Four Seasons Health Care (Northern Ireland) Limited	Operator of care homes

The following company is incorporated in Jersey, Channel Islands:

Company	Nature of business
PHF Securities No.1 Limited	Property holding company

13 Debtors

	Group 2018 £000	**Company 2018 £000**	Group 2017 £000	Company 2017 £000
Trade debtors	**33,340**	**-**	29,508	-
Amounts owed by related undertakings	**451**	**-**	1,651	90,272
Amounts owed by subsidiary undertakings	**-**	**-**	-	2,266
Corporation tax	**36**	**-**	-	-
Prepayments, other debtors and accrued income	**15,509**	**-**	19,584	-
	49,336	**-**	50,743	92,538

All of the group's debtors are due within one year and the amounts owed by related undertakings are unsecured and repayable on demand.

Amounts owed to the company by related undertakings have a maturity date in 2020 and accrue interest at 15%. Notwithstanding the maturity date, given the classification of all external debt as due within one year, the amounts due from related undertakings have also been classified as due in less than one year. In addition, given the ongoing group restructuring process, a 100% provision of c£114.3m (being the remaining unprovided amount as at 31 December 2018) (*2017: c£96.4m provision, £92.6m unprovided)* has been made against the recoverability of these balances.

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

14 Cash and cash equivalents

	Group	Company	Group	Company
	2018	**2018**	2017	2017
	£000	**£000**	£000	£000
Cash at bank and in hand	**30,496**	**-**	25,995	16
Cash and cash equivalents	**30,496**	**-**	25,995	16

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2018	**2018**	2017	2017
	£000	**£000**	£000	£000
Term loan	**70,000**	**-**	40,000	-
High yield bonds	**525,000**	**175,000**	525,000	175,000
Debt issue costs	**(292)**	**-**	(5,062)	-
Trade creditors	**23,012**	**-**	19,164	-
Amounts owed to related undertakings	**368**	**-**	130	-
Amounts owed to subsidiary undertakings	**-**	**2,515**	-	2,393
Amounts owed to parent undertakings	**179**	**1**	173	1
Taxation and social security	**6,780**	**-**	6,957	-
Other creditors	**44,716**	**-**	45,645	-
Accruals and deferred income	**41,601**	**12**	38,168	5
Corporation tax creditor	**-**	**-**	310	-
Accrued interest and finance costs	**84,808**	**35,222**	28,997	11,717
	796,172	**212,750**	699,482	189,116

On 20 March 2018, the group refinanced its £40m term loan facility with a £70m term loan. The new term loan paid interest at LIBOR + 3.75% and had a maturity date of March 2019. The proceeds from this facility were used to repay the existing £40m term loan facility. At the year end the interest accrued was £137,000. On 11 March 2019 the group increased its £70m term loan facility to £110m. The term loan continues to pay interest at LIBOR + 3.75% and had a maturity date of 3 June 2019.

The high yield bonds consist of:

- £350,000,000 of senior secured notes accruing interest at a fixed rate of 8.75% plus default interest. At the year end, the interest accrued was £49,449,000 (*2017: £16,739,000*) all of which was due within one year. The notes are due to be repaid in June 2019.
- £175,000,000 of senior notes accruing interest at a fixed rate of 12.25% plus default interest. At the year end, the interest accrued was £35,222,000 (*2017: £11,717,000*) all of which was due within one year. The notes are due to be repaid in June 2020.

Notwithstanding the maturity date, in light of the interest default on the senior secured and senior notes on 15 December 2017, 15 June 2018 and 15 December 2018 and the ongoing group restructuring process, the senior notes have all been classified as due in less than one year.

The term loan facility and senior secured notes are secured on the trade and assets of certain subsidiary undertakings.

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

16 Creditors: amounts falling due after more than one year

	Group 2018 £000	**Company 2018 £000**	Group 2017 £000	Company 2017 £000
Amounts owed to related undertakings	**544,504**	**-**	473,481	-
Amounts owed to parent undertakings	**2,483**	**2,483**	2,159	2,159
	546,987	**2,483**	475,640	2,159

The amount due to related undertakings accrues effective interest at 15% on a compounding basis and is due for repayment in 2022.

Maturity of credit facilities

The maturity profile of the group's gross credit facilities was as follows:

	Group 2018 £000	Group 2017 £000
In less than one year	**595,000**	565,000
In 1 to 2 years	**-**	-
In 2 to 5 years	**546,987**	475,640
In more than 5 years	**-**	-
	1,141,987	1,040,640

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

16 Creditors: amounts falling due after more than one year (continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison, by category, of the book values and fair values of the group's financial assets and liabilities, excluding accrued interest and excluding balances with related undertakings:

Group	**Book value 2018 £000**	**Fair value 2018 £000**	Book value 2017 £000	Fair value 2017 £000
Primary financial instruments held or issued to finance the group's operations:				
Financial assets: cash	**30,496**	**30,496**	25,995	25,995
Financial liabilities:				
8.75% senior secured notes	**350,000**	**330,523**	350,000	350,438
12.25% senior notes	**175,000**	**101,584**	175,000	117,250
Term loan	**70,000**	**70,000**	40,000	40,000

The fair values have been calculated by reference to the prices available as at 31 December 2018 for the senior secured notes and the senior notes. Please refer to page 13 for details of the principal financial risks facing the group.

17 Deferred tax liabilities

	Group 2018 £000	Group 2017 £000
Deferred tax liabilities are attributable to the following:		
Accelerated capital allowances	**-**	5,076

Notes *(continued)*

(forming part of the financial statements)

18 Other provisions

Group	Provision for operating leases £000	Provision for onerous leases £000	Total £000
Balance at beginning of year	**12,662**	**18,069**	**30,731**
Provisions made during the year	579	31,090	31,669
Provisions used during the year	(685)	(11,997)	(12,682)
Provisions released to exceptional items during the year	-	(1,778)	(1,778)
Unwinding of discounted amounts	-	328	328
Balance at end of year	**12,556**	**35,712**	**48,268**

£4.9m (*2017: £5.0m)* of the provision for onerous leases will unwind over the period of the relevant contracts, with the balance expected to unwind in the two year period (*2017: 12 months*) following the balance sheet date. (See note 24 for further details)

The provision for operating leases will unwind over the life of the particular leases.

19 Share capital and other comprehensive income

	2018		2017	
	No.	**£000**	No.	£000
Ordinary shares of £1 each - allotted, called up and fully paid	**174,367,500**	**174,368**	174,367,500	174,368

Other comprehensive income

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

20 Employee benefits

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

The total cost charged to the profit and loss account during the year was £3,576,000 (*2017: £2,355,000).* At the year end £589,000 (*2017: £335,000*) of pension contributions were outstanding.

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

21 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2018 £000	Group 2017 £000
Assets measured at amortised cost	**63,836**	55,503
Liabilities measured at amortised cost	**(1,141,695)**	(1,035,578)
	(1,077,859)	(980,075)

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 £000	Group 2017 £000
Land and buildings – in less than one year	**52,740**	52,011
Land and buildings – in two to five years	**190,365**	196,584
Land and buildings – more than five years	**478,848**	531,587
	721,953	780,182

During the year £39,109,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2017: £42,584,000*), net of a non-cash onerous lease credit of £12.0m (*2017: £8.5m*)

23 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year end were as follows:

	Group 2018 £000	Group 2017 £000
Contracted	**1,359**	2,544

The company had no capital commitments at 31 December 2018 (*31 December 2017: £nil*).

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

24 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:

Impairment of tangible fixed assets

The directors have reviewed the carrying value of the group's tangible fixed assets on a home by home basis and assessed whether there is any indication that assets may be impaired. There are a number of key judgements in determining the appropriate method to identify assets to be considered for impairment and to estimate the value of the impairment.

The assessment is based on those assets with significant negative movements in actual or expected performance. The directors have also considered whether for any previously impaired assets there is an indication that the reason for the impairment has ceased to apply. For assets with an indication of impairment, or an indication of a reversal of a previous impairment, the carrying value is compared to the estimated recoverable amount.

The fair value less cost to sell is based on the profits method which multiplies a "fair maintainable trade", being an estimate of the cash flows/profits that could be achieved by a reasonably efficient operator from the asset, by an appropriate multiple which takes account of an individual asset's circumstances including its quality, location and market factors. The directors based their assessment of fair maintainable trade and multiples on those in a valuation previously provided by a third party valuer in accordance with RICS valuation. Whilst the multiples utilised in the directors' valuation were not adjusted from the original third party valuation, sensitivity analysis was performed for properties identified for impairment, and for properties where a potential reversal of impairment was identified. This sensitivity analysis indicated that the director's review of the carrying value of the group's tangible fixed assets was not significantly sensitive to any reasonable change in multiples. (Each 0.25x change in multiple would result in an additional net impairment of c£1m for the homes considered for impairment).

The above sensitivity excludes certain of the group's properties, which had experienced larger variances in recent performance, and which were therefore valued by an external valuer in April 2019.

The directors believe that the inherent difficulties in reliably calculating a value in use for each property asset given the level of volatility that can occur in individual home performance, mean that the fair value less cost to sell is a more appropriate approach. They have therefore assumed, in accordance with paragraph 27.13 of FRS 102, that for freehold and long leasehold properties that there is no reason to believe that an asset's value in use materially exceeds its fair value less cost to sell and have therefore used the latter as its recoverable amount.

In respect of tangible fixed assets utilised by leasehold sites, the estimate of impairment has assumed that assets continue to be utilised in their respective entities over their remaining useful economic life, however this is subjective as the format and outcome of the expected sale of the group is not currently certain.

For properties which were held for disposal, the carrying value was compared to recoverable amount. This was estimated by reference to discussions with agents, offers received or prices agreed for the relevant properties.

The details of the impairment charge and reversal of previous impairments is detailed in note 11. In respect of the methodology, the directors consider the approach taken to be appropriate with multiple impairment triggers being considered and a significant hurdle, before a reversal of impairment is considered.

Onerous lease provisions

The company makes an estimate of onerous lease provisions. These provisions represent the best estimate of the amount an entity would rationally pay to settle the obligation at the balance sheet date. The onerous lease provision includes a provision for costs associated with both closed leasehold homes and a number of open homes where the unavoidable costs of the lease exceed the economic benefits expected to be received under it.

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

24 Accounting estimates and judgements (continued)

Onerous lease provisions (continued)

For closed homes the provision requires an estimate of the time required to exit the lease, the expected cost to exit, including any surrender premia, and dilapidation costs. When assessing the quantum of the provision for open homes the factors for consideration include the minimum operating loss under the lease and the time required to address that loss, either operationally or via exiting the lease.

In arriving at this estimate at 31 December 2018, management have taken account of the ongoing group restructuring/sales process and the expectation that a restructuring of the leasehold estate will take place to address its over-rented position. On this basis, management determined that the most likely cost of exiting the onerous leases, including the costs in the period until a leasehold estate restructuring is completed, was equivalent to 24 months rent. This estimate is subjective as there remains some uncertainty over the timing and outcome of the restructuring and any related leasehold estate restructuring.

Estimates will be revised each period until the actual liability arises, with any differences accounted for in the period in which the revision is made.

Treatment of items as exceptional

The group has presented items as exceptional within the consolidated 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 group's underlying performance. These items 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 5 for details of the exceptional items.

Recoverability of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors, the value of security held over the debtor, the reason for the ageing and historical experience.

Recoverability of amounts owed by related undertakings

For the parent company, an estimate is made in respect of the recoverability of amounts owed by related undertakings. In making this assessment, management have considered the ability of the relevant related undertakings to pay the amount owed. At the year end the value of the senior notes and accrued interest on the senior notes, including default interest, is greater than the asset value due from related undertakings, as such a full provision has been made against the intercompany debtor on the Elli Investments Limited company only balance as no amount is considered recoverable.

Four Seasons Health Care

(Elli Investments Limited (in administration))

Financial results:

Quarter ended 31 March 2019

DRAFT

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Presentation of financial data

This report summarises the consolidated financial and operating data derived from the draft unaudited consolidated financial statements of Elli Investments Limited. The summary financial information provided has been derived from our records for the quarter ended 31 March 2019 which are maintained 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. These interim results are not necessarily indicative of the results to be expected for the full year.

We have presented certain non-GAAP information in the quarterly report. This information includes "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDAR", which represents (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation and one-off exceptional and strategic items (and Rent). Our Management believes that EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA is used by our chief operating decision makers to track our business evolution, establish operational and strategic targets and make important business decisions. In addition, we believe that EBITDA is a measure commonly used by investors and other interested parties in our industry.

DISCLAIMER

ON 30 APRIL 2019 ADMINISTRATORS WERE APPOINTED TO MANAGE THE AFFAIRS, BUSINESS AND PROPERTY OF ELLI INVESTMENTS LIMITED AND ONE OF ITS SUBSIDIARIES, ELLI FINANCE (UK) PLC. TRADING IN THE GROUP'S LISTED NOTES ON EURONEXT DUBLIN IS CURRENTLY SUSPENDED, IN ACCORDANCE WITH LISTING RULE 7.22 OF THE GLOBAL EXCHANGE MARKET LISTING RULES.

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Group financial highlights

- On 30 April 2019 administrators were appointed to manage the affairs, business and property of Elli Investments Limited and one of its subsidiaries, Elli Finance (UK) Plc. Trading in the group's listed notes on Euronext Dublin is currently suspended, in accordance with listing rule 7.22 of the Global Exchange Market Listing Rules
- On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process
- The group's results for the quarter ended 31 March 2019 are draft and unaudited
- The £160.1m turnover in Q1 2019 turnover for Elli Investments Limited is £6.4m, or 4.2%, higher than Q1 2018 after adjusting for the impact of disposals and closures (an average reduction of c200 effective beds)
- Q1 2019 Adjusted EBITDA (EBITDA before the non-cash onerous and operating lease credit) of £6.9m is £3.2m higher than Q1 2018
- Group occupancy % in Q1 2019 saw a 1.5 percentage point increase (Four Seasons Health Care: 1.3 percentage point increase to 89.5%; brighterkind: 2.3 percentage point increase to 88.9%; The Huntercombe Group (THG): 2.4 percentage point increase to 84.7%) compared to Q1 2018
- Q1 2019 group average weekly fee was £860, 3.9% higher than Q1 2018 (Four Seasons Health Care: 4.9% increase; brighterkind 3.3% increase; THG: 2.6% decrease)
- Q1 2019 payroll as a percentage of turnover in the group's care homes improved by 1.5 percentage points compared to Q1 2018. Within THG, payroll as a percentage of turnover increased by 0.3 percentage points in comparison to Q1 2018
- Q1 2019, agency as a percentage of payroll of 9.5% in the group's care homes increased by 0.2 percentage points compared to Q1 2018, and reflects the impact of operational challenges and the on-going shortage of nurses across the wider healthcare sector. Agency spend continues to represent a challenge in THG, although Q1 2019 agency as percentage of payroll saw a 2.4 percentage point improvement compared to the FY 2018 average
- £13.7m net cash outflow from operating activities in Q1 2019 was largely driven by a £15.2m working capital outflow during the period
- Closing cash balance increased by £12.4m from December 2018 to £42.9m at March 2019. Over the same period, the group's net debt increased by £17.6m to £582.1m (excluding any accrued interest and amounts owed to related undertakings)

Commentary on results

Four Seasons Health Care is pleased to announce its results for the quarter ended 31 March 2019.

The results and KPIs for the group since Q1 2018 are summarised below.

Unaudited	2018					2019
	Q1	Q2	Q3	Q4	Year (2)	Q1
Turnover (£m)						
- FSHC	105.6	108.3	109.1	108.9	**431.9**	109.0
- brighterkind	25.0	25.4	25.7	26.0	**102.2**	26.5
- THG	24.9	25.7	25.0	24.8	**100.4**	24.6
Effective beds						
- FSHC	13,359	13,242	13,196	13,166	**13,241**	12,960
- brighterkind	2,210	2,210	2,210	2,210	**2,210**	2,205
- THG	690	685	686	686	**687**	678
Occupancy %						
- FSHC	88.2%	88.2%	88.5%	88.6%	**88.4%**	89.5%
- brighterkind	86.6%	85.4%	87.0%	88.5%	**86.9%**	88.9%
- THG	82.3%	84.0%	83.2%	82.6%	**83.0%**	84.3%
Average Weekly Fee (£)						
- FSHC	689	713	719	718	**710**	723
- brighterkind	996	1,021	1,020	1,016	**1,013**	1,029
- THG	3,144	3,154	3,120	3,093	**3,128**	3,063
Payroll % (of turnover)(1)						
- FSHC	67.7%	67.1%	66.0%	65.9%	**66.7%**	66.0%
- brighterkind	56.8%	57.2%	55.8%	55.6%	**56.4%**	56.6%
- THG	74.9%	73.6%	78.0%	79.2%	**76.4%**	75.2%
Agency % (of payroll)(1)						
- FSHC	10.4%	10.6%	11.9%	10.7%	**10.9%**	10.5%
- brighterkind	3.6%	3.9%	4.7%	4.5%	**4.2%**	5.0%
- THG	16.2%	17.0%	19.6%	18.1%	**17.7%**	15.3%
EBITDARM (£m)(6)						
- FSHC	17.5	19.7	21.4	19.6	**78.4**	20.1
- brighterkind	7.3	7.9	8.5	8.1	**31.8**	8.0
- THG	3.5	3.9	3.0	2.0	**12.4**	3.3
Total Adjusted EBITDA before exceptional items (£m)(4)	3.8	7.5	9.3	4.6	**25.2**	6.9

Notes:

1 Payroll % excludes central payroll from total payroll
2 Full year numbers may include minor rounding differences compared to the four quarter aggregate
3 "FSHC" Four Seasons Health Care; "THG" The Huntercombe Group
4 Q1 – Q3 2018 Adjusted EBITDA before exceptional items has been re-presented to include closing and closed home costs which were previously included in exceptional items (see note 6)
5 Adjusted EBITDA = EBITDA before the non-cash onerous and operating lease credit
6 EBITDARM before closed and closing home costs (see note 5)

Commentary on results (continued)

Turnover

Q1 2019 turnover for Elli Investments Limited is £6.4m or 4.2%, higher than Q1 2018 after adjusting for the impact of disposals and closures (an average reduction of c200 effective beds).

Average Weekly Fee

During Q1 2019 the Average Weekly Fee ("AWF") of £860 across the group was 3.9% higher than the comparative quarter in 2018. Since Q1 2018 FSHC has seen an increase of 4.9%, brighterkind a 3.3% increase and THG a 2.6% decrease.

Occupancy

Average occupancy in the group in Q1 2019 was 89.2% (Care homes: 89.4%; THG: 84.7%), compared to 87.7% in Q1 2018 (Care homes: 88.0%; THG: 82.3%).

Payroll

Payroll in the group's care homes as a percentage of turnover was 64.1% in Q1 2019, a 1.5% improvement on Q1 2018. Within this number, FSHC payroll as a percentage of turnover improved by 1.7 percentage points and brighterkind improved by 0.2 percentage points. THG payroll as a percentage of turnover increased by 0.3 percentage points in Q1 2019 compared to Q1 2018, however it improved by 4.0 percentage points compared to Q4 2018.

Total agency costs as a percentage of payroll across the group in Q1 2019 have remained consistent with Q1 2018 at 10.5%. Whilst agency spend remains a challenge, predominantly due to operational challenges and the continued shortage of nurses across the wider healthcare sector, it has reduced by 1.8 percentage points from the peak of 12.3% in Q3 2018.

Care and facility expenses

Q1 2019 expenses (care and facility combined), at 14.6% of turnover, have improved by 0.2 percentage points compared to Q1 2018.

Rent

£11.7m was charged for rent in Q1 2019, a £1.0m increase from Q1 2018, being a combination of underlying inflationary uplifts, the surrender of certain leases and a £0.8m decrease (Q1 2019: £1.4m; Q1 2018: £2.2m) in the non-cash credit resulting from the unwind of the group's onerous and operating lease provisions.

Central costs

Central costs, at 6.4% of turnover in Q1 2019, have improved by 0.3 percentage points compared to Q1 2018.

Adjusted EBITDA

As a consequence of the factors outlined above, the Adjusted EBITDA (EBITDA before the onerous and operating lease credit) of £6.9m for Q1 2019 was £3.2m higher than the same period in 2018. LTM Adjusted EBITDA at March 2019 is therefore £28.3m, £3.2m higher than the year to December 2018.

Capital expenditure and disposals

Capital expenditure in Q1 2019 was £3.4m (Q1 2018: £4.6m). No care homes or THG units have been disposed of during Q1 2019.

Four Seasons Health Care

(Elli Investments Limited (in administration))

Financial results:

Quarter ended 31 March 2019

DRAFT

Commentary on the unaudited condensed consolidated financial statements

Background

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

Profit and loss account and other comprehensive income

The consolidated profit and loss account and other comprehensive income of Elli Investments Limited is for the quarter ended 31 March 2019. The comparative period is for the quarter ended 31 March 2018.

Balance sheet

Elli Investments Limited is an intermediate holding company in a wider group headed by FSHC Group Holdings Limited. There are therefore certain balances between Elli Investments Limited and other members of the wider FSHC Group Holdings Limited group of companies which only net out on consolidation further up the corporate structure.

Profit and loss account and other comprehensive income (page 10)

For an analysis of profit and loss account categories above interest, please see the "Commentary on results" section.

Interest

The interest charge for the period includes £15.0m interest and default interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance primarily relates to £19.1m of accrued interest on the amounts owed to parent and related party undertakings, £0.3m in respect of the amortisation of debt issue costs and £0.9m interest on the term loan.

Tax

The tax credit for the quarter was £0.5m, being a £0.1m tax charge, reflecting the current estimate of the full year charge, offset by a £0.6m credit for the utilisation of group relief.

Balance sheet (page 11)

Goodwill

The negative goodwill balance is a function of the 12 July 2012 acquisition structure, the fair value of the acquired net assets and the acquisition costs, less amortisation and amounts to reflect the subsequent disposal of assets.

Fixed assets

Land and buildings are included at their 31 December 2018 carrying value plus any subsequent movements for additions, disposals and depreciation. An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Debtors

The following table presents an extract of debtors at 31 March 2019 and 31 March 2018.

	March 2019 £000	March 2018 £000
Extract		
Trade debtors	**23,163**	24,063
Prepayments, other debtors and accrued income	**13,530**	16,182
Amounts owed by related undertakings	**1,077**	1,526
	37,770	41,771

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 31 March 2019 and 31 March 2018.

	March 2019 £000	March 2018 £000
Extract		
Term loan	**100,000**	49,000
High yield bonds	**525,000**	525,000
Trade creditors	**19,044**	17,879
Accruals and deferred income	**24,778**	25,633
Taxation and social security	**8,110**	12,712
Other creditors	**37,125**	39,284
Accrued interest and finance costs	**99,860**	41,507
	813,917	711,015

Provisions for liabilities and charges

Provisions are held in respect of onerous leases on certain of the group's leasehold properties. In addition there is a provision of £13.4m to reflect guaranteed increases in operating leases, other than those linked to RPI, on a straight line basis over the life of the lease.

On 11 March 2019 the group increased its £70m term loan facility to £110m of which £100m was drawn at 31 March 2019. Interest accrued on the term loan at LIBOR + 3.75%. The term loan had a maturity date of 3 June 2019, but remains outstanding at the date of these accounts and is in default.

Financial liabilities

At 31 March 2019 the group's financing arrangements comprised the following:

- Senior Secured Notes: £350m, at a fixed rate of 8.75%, due to be repaid in 2019
- Senior Notes: £175m, at a fixed rate of 12.25%, due to be repaid in 2020

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Financial liabilities (continued)

Notwithstanding their maturity date, in light of the interest defaults on 15 December 2017, 15 June 2018 and 15 December 2018 and the administration of the high yield bond issuers, (Elli Investments Limited and Elli Finance (UK) Plc) on 30 April 2019, the senior notes have been classified as due in less than one year.

- Term loan: £100m drawn, at an interest rate of LIBOR + 3.75%. Notwithstanding a maturity date of 3 June 2019, the loan remains outstanding at the date of these accounts.
- Accrued interest is £99.9m at 31 March 2019, including interest on accrued but unpaid interest
- Amounts owed to parent and related undertakings: £566.7m, being amounts owed to entities within the wider FSHC Group Holdings Limited group of companies

Cash flow statement (page 12)

Cash flow and liquidity

At 31 March 2019 the group's cash balance was £42.9m. Net cash utilised by operating activities in the quarter ended 31 March 2019, excluding interest payments and after a working capital outflow of £15.2m, was £13.7m. In the quarter ended 31 March 2018, the net cash utilised from operating activities, excluding interest payments and after a working capital outflow of £5.5m, was £6.7m.

Working capital

The cash outflow from working capital was £15.2m in the quarter, compared to a £5.5m outflow in Q1 2018.

Interest paid

No interest was paid on the £525m high yield bonds during the quarter. £0.8m of interest was paid on the term loan during Q1 2019.

Elli Investments Limited

Condensed consolidated financial statements
DRAFT

Quarter ended 31 March 2019

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Consolidated profit and loss account and other comprehensive income (unaudited)

for the quarter ended 31 March 2019

	Note	**Quarter ended March 2019 £000**	Quarter ended March 2018* £000
Turnover	*5*	**160,082**	155,563
Cost of sales		**(148,101)**	(145,857)
Gross profit		**11,981**	9,706
Administrative expenses before exceptional items		**(11,862)**	(11,915)
Exceptional items	*6*	**(5,318)**	(5,495)
Other operating income	*4,6*	**-**	275
Total administrative expenses		**(17,180)**	(17,135)
Operating loss		**(5,199)**	(7,429)
Ordinary profit/(loss) before exceptional items		**119**	(2,209)
Exceptional items		**(5,318)**	(5,220)
		(5,199)	(7,429)
Interest payable and similar charges		**(35,361)**	(36,516)
Interest receivable and other income		**35**	24
Net interest payable and similar charges		**(35,326)**	(36,492)
Loss before taxation		**(40,525)**	(43,921)
Tax on loss	*7*	**514**	592
Retained loss for the financial period		**(40,011)**	(43,329)
Other comprehensive income		**-**	-
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the financial period		**(40,011)**	(43,329)

Non-GAAP measure: (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation ((Adjusted) EBITDA)		
Analysed as:		
Operating profit/(loss) before exceptional items as analysed above	**119**	(2,209)
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,641**	8,555
Deduct: amortisation of negative goodwill	**(397)**	(372)
EBITDA before exceptional items	**8,363**	5,974
Deduct: non-cash onerous and operating lease credit	**(1,415)**	(2,186)
Adjusted EBITDA before exceptional items	**6,948**	3,788

*Re-presented – see note 6 for details

Consolidated balance sheet (unaudited)

At 31 March 2019

	Note	**March 2019 £000**	March 2018 £000
Fixed assets			
Negative goodwill	*8*	**(19,427)**	(21,247)
Tangible assets	*9*	**438,629**	483,468
		419,202	462,221
Current assets			
Debtors	*10*	**37,835**	41,771
Cash at bank and in hand		**42,908**	21,432
		80,743	63,203
Creditors: amounts falling due within one year	*11*	**(814,523)**	(708,474)
Net current liabilities		**(733,780)**	(645,271)
Total assets less current liabilities		**(314,578)**	(183,050)
Creditors: amounts falling due after more than one year	*12*	**(566,070)**	(492,235)
Provisions for liabilities and charges			
Deferred tax liabilities	*13*	**-**	(5,087)
Other provisions	*14*	**(46,933)**	(28,565)
		(46,933)	(33,652)
Net liabilities		**(927,581)**	(708,937)
Capital and reserves			
Called up share capital	*15*	**174,368**	174,368
Profit and loss account		**(1,101,949)**	(883,305)
Shareholder's deficit		**(927,581)**	(708,937)

Consolidated statement of changes in equity (unaudited)

	Called up share capital £000	Profit and loss account £000	**Total £000**
Balance at 1 January 2018	174,368	(839,976)	**(665,608)**
Total comprehensive income for the period			
Loss for the period	-	(43,329)	**(43,329)**
Other comprehensive income	-	-	**-**
Total comprehensive income for the period	-	(43,329)	**(43,329)**
Balance at 31 March 2018	174,368	(883,305)	**(708,937)**
Balance at 1 January 2019	174,368	(1,061,938)	**(887,570)**
Total comprehensive income for the period			
Loss for the period	-	(40,011)	**(40,011)**
Other comprehensive income	-	-	**-**
Total comprehensive income for the period	-	(40,011)	**(40,011)**
Balance at 31 March 2019	174,368	(1,101,949)	**(927,581)**

Consolidated cash flow statement (unaudited)

for the quarter ended 31 March 2019

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Cash flows from operating activities		
Loss for the period	**(40,011)**	(43,329)
Adjustments for:		
Depreciation and amortisation	**8,244**	8,183
Net interest payable and similar charges	**35,326**	36,492
Gain on sale of tangible fixed assets	**(30)**	(288)
Taxation	**(514)**	(592)
	3,015	466
Decrease in cash arising from working capital movement	**(15,221)**	(5,524)
Decrease in provisions	**(1,415)**	(2,248)
	(13,621)	(7,306)
Interest received	**35**	24
Tax (paid)/received	**(150)**	541
Net cash from operating activities	**(13,736)**	(6,741)
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	**381**	3,020
Acquisition of tangible fixed assets	**(3,438)**	(4,575)
Net cash from investing activities	**(3,057)**	(1,555)
Cash flows from financing activities		
Interest paid	**(795)**	(1,167)
Repayment of term loan	**-**	(40,000)
Drawdown of amended/new term loan	**30,000**	49,000
Debt refinance and exit related costs	**-**	(4,100)
Net cash from financing activities	**29,205**	3,733
Increase/(decrease) in cash and cash equivalents	**12,412**	(4,563)
Cash and cash equivalents at 1 January	**30,496**	25,995
Cash and cash equivalents at 31 March	**42,908**	21,432

Notes

(forming part of the financial statements)

1 General information

Elli Investments Limited (the "company") is a company registered in Guernsey. The condensed interim financial statements of the company are for quarter ended 31 March 2019.

This report does not constitute statutory financial statements and is draft and unaudited.

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

2 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). They do not include all of the information required for full annual statements and should be read in conjunction with the draft, unaudited consolidated financial statements of Elli Investments Limited for the year ended 31 December 2018 which were prepared in accordance with UK Generally Accepted Accounting Practice.

3 Accounting policies

The condensed consolidated financial statements have been prepared on the basis of the accounting policies set out in the draft unaudited 2018 annual report and accounts of Elli Investments Limited.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Direct costs incurred in enabling a care facility to become registered are capitalised together with, where appropriate, finance costs associated with the period of construction, and are included in the cost of the facility.

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

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

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

- Freehold buildings – 45 years
- Equipment and fixtures – 3 to 10 years
- Motor vehicles – 4 years

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

An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

Notes *(continued)*

(forming part of the financial statements)

3 Accounting policies (continued)

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.

Goodwill

Goodwill is stated at cost less any accumulated amortisation, accumulated impairment losses and disposals.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to benefit. Where the assets which gave rise to the negative goodwill are subsequently closed or sold, the associated negative goodwill balance is included with the net disposals charge recognised in exceptional items in the profit and loss account.

Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 reporting entity 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)*
(forming part of the financial statements)

3 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 group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, changes to business processes, gains or losses on the disposal or impairment of assets and other significant non-recurring gains or losses. Where exceptional items are reversed, the reversal is debited or credited to exceptional items.

Alternative performance measures

The financial statements include certain financial data that are non-GAAP financial measures.

This information includes EBITDA (pre-exceptional Earnings Before Interest, Tax, Depreciation and Amortisation), EBITDAR (pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation and Rent) and EBITDARM (being EBITDAR before central costs). The directors believe that EBITDA is a better measure of underlying performance because it is meaningful for investors as it provides an analysis of the group's operating results, profitability and ability to service debt and because EBITDA is used by the group's chief operating decision makers to management business evolution, establish operational and strategic targets and make important business decisions. In addition, management believe that EBITDA is a measure commonly used by investors and other interested parties in our industry. An Adjusted EBITDA has also been provided, being EBITDA as defined above, before the 'non-cash onerous and operating lease credit' relating to certain of the group's leasehold properties.

A reconciliation of operating profit to EBITDA, Adjusted EBITDA, Adjusted EBITDAR and Adjusted EBITDARM is presented in note 5, Segmental Information.

4 Other operating income

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Net profit on sale of tangible fixed assets	**-**	275

5 Segmental information

	Quarter ended 31 March 2019				
	Four Seasons Health Care £000	**brighterkind £000**	**The Huntercombe Group £000**	**Unallocated/closed home costs £000**	**Total £000**
Turnover	**109,000**	**26,451**	**24,631**	**-**	**160,082**
EBITDARM before exceptional items	**20,124**	**8,049**	**3,332**	**(1,268)**	**30,237**
Rent				**(11,700)**	**(11,700)**
Central costs				**(10,174)**	**(10,174)**
EBITDA					**8,363**

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

5 Segmental information *(continued)*

	Quarter ended 31 March 2018				
	Four Seasons Health Care £000	brighterkind £000	The Huntercombe Group £000	Unallocated/closed home costs* £000	Total £000
Turnover	105,627	25,032	24,904	-	155,563
EBITDARM before exceptional items	17,541	7,328	3,508	(1,300)	27,077
Rent				(10,720)	(10,720)
Central costs				(10,383)	(10,383)
EBITDA					5,974

*Re-presented – see note 6

The disclosure of financial information above correlates with the information presented to the board.

No analysis of individual business assets and liabilities is presented to the board on a monthly basis and therefore no measure of business assets and liabilities is disclosed above. The total group assets and liabilities are as presented in the consolidated balance sheet.

Reconciliation of non-GAAP pre-exceptional (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation (and rent) (Adjusted EBITDA(R)), (and management charges (Adjusted EBITDAR(M)) to statutory operating profit:

	Quarter ended March 2019 £000	Quarter ended March 2018* £000
Operating profit/(loss) before exceptional items	**119**	(2,209)
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,641**	8,555
Deduct: amortisation of negative goodwill	**(397)**	(372)
EBITDA before exceptional items	**8,363**	5,974
Deduct: non-cash onerous and operating lease credit	**(1,415)**	(2,186)
Adjusted EBITDA before exceptional items	**6,948**	3,788
Add back: rent	**11,700**	10,720
Adjusted EBITDAR before exceptional items	**18,648**	14,508
Add back: central costs	**10,174**	10,383
Adjusted EBITDARM before exceptional items	**28,822**	24,891
Add back: non-cash onerous and operating lease credit	**1,415**	2,186
EBITDARM before exceptional items	**30,237**	27,077

*Re-presented – see note 6

Notes *(continued)*

(forming part of the financial statements)

6 Exceptional items

	Quarter ended March 2019 £000	Quarter ended March 2018* £000
Exceptional items	**(5,318)**	(5,495)
Net profit on sale of tangible fixed assets	**-**	275
	(5,318)	(5,220)

The operating profit during the quarter includes exceptional costs of £5.3m, which predominantly relate to the restructuring.

The operating loss during the Q1 2018 includes exceptional costs of £5.2m. Within this total are project costs of £0.5m and £4.6m relating to the restructuring.

**Re-presentation*

Due to their ongoing nature, in Q1 2019 costs of £1.3m, relating to closed and closing homes, have been included in "Operating loss before exceptional items". In prior periods these costs were included in exceptional items as it was anticipated that these costs would not be incurred on an ongoing basis. The 2018 comparative has been re-presented to reflect this change, being £1.3m for closed and closing homes. There is no impact on the net profit and loss, total comprehensive income for the period or on the balance sheet.

7 Taxation

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Total expense recognised in the profit and loss account and other comprehensive income and equity		
UK corporation tax		
Current tax on loss for the period	**(635)**	(720)
UK income tax		
Current tax on profit for the period	**121**	117
Foreign tax		
Current tax on income for the period	**-**	-
Total current tax	**(514)**	(603)
Deferred tax (see note 13)		
Origination and reversal of timing differences	**-**	11
Total deferred tax	**-**	11
Total tax	**(514)**	(592)

The group structure results in certain profits being taxable under UK income tax rather than UK corporation tax. This increases the group's tax liability in the quarter by £121,000. This has been offset by a £635,000 credit for the utilisation of group relief by a related group.

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

8 Negative goodwill

	Negative goodwill £000
Net book value	
At beginning of period	**(19,824)**
Amortisation	**397**
At 31 March 2019	**(19,427)**
At 31 March 2018	(21,247)

Negative goodwill is being amortised over 20 years.

9 Tangible fixed assets

	Total £000
Net book value	
At beginning of period	**443,849**
Additions	**3,438**
Depreciation	**(8,658)**
At 31 March 2019	**438,629**
At 31 March 2018	483,468

An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

10 Debtors

	March 2019 £000	March 2018 £000
Trade debtors	**23,163**	24,063
Prepayments, other debtors and accrued income	**13,530**	16,182
Amounts owed by related undertakings	**1,077**	1,526
Corporation tax	**65**	-
	37,835	41,771

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

11 Creditors: amounts falling due within one year

	March 2019 £000	March 2018 £000
Term loan	**100,000**	49,000
High yield bonds	**525,000**	525,000
Debt issue costs	**-**	(3,059)
Trade creditors	**19,044**	17,879
Amounts due to related undertakings	**427**	189
Amounts due to parent undertakings	**179**	92
Accruals and deferred income	**24,778**	25,633
Taxation and social security	**8,110**	12,712
Other creditors	**37,125**	39,284
Corporation tax	**-**	237
Accrued interest and finance costs	**99,860**	41,507
	814,523	708,474

12 Creditors: amounts falling due after more than one year

	March 2019 £000	March 2018 £000
Amounts due to related undertakings	**563,500**	490,000
Amounts due to parent undertakings	**2,570**	2,235
	566,070	492,235

13 Deferred tax liabilities

	March 2019 £000	March 2018 £000
Deferred tax liabilities are attributable to the following:		
Accelerated capital allowances	**-**	5,087

Notes *(continued)*

(forming part of the financial statements)

14 Other provisions

	Provision for operating leases £000	Provision for onerous leases £000	Total £000
Balance at beginning of period	**12,556**	**35,712**	**48,268**
Provisions used during the period	(181)	(2,295)	(2,476)
Provisions made during the period	1,061	-	1,061
Unwinding of discounted amounts	-	80	80
Balance at end of period	**13,436**	**33,497**	**46,933**

£4.9m of the provision for onerous leases will unwind over the period of the relevant contracts. The balance is expected to unwind in the 21 month period following the balance sheet date, with the utilisation in the period relating to closed homes; the utilisation relating to open onerous leases is assessed on an annual basis.

The provision for operating leases will unwind over the life of the particular leases.

15 Share capital and other comprehensive income

	March 2019		March 2018	
	No.	**£000**	No.	£000
Ordinary shares of £1 each - allotted, called up and fully paid	**174,367,500**	**174,368**	174,367,500	174,368

Other comprehensive income

The group has no recognised gains or losses in the current or prior period other than those reported in the consolidated profit and loss account.

16 Post balance sheet events

Appointment of administrators

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

Launch of sale process

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.