

Laurels Lodge Limited

**Directors' report and financial
statements**

Registered number 3138898

31 December 2011



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Directors' report

The directors present their annual report and the audited financial statements for the year ended to 31 December 2011

Principal activities

The principal activity of the company is the operation of a care home for the elderly. It should be noted that the 2010 comparatives are for eight months of trade only.

Business and financial review

Details of key performance indicators including available beds, occupancy levels and average fee rates of the FSHC (Jersey) Holdings group, of which the company is a member, can be found in the financial statements of FSHC (Jersey) Holdings Limited. Copies of these financial statements can be obtained from the address given in note 15.

Principal risks and uncertainties

There is a risk management program in place which is designed to identify, manage and mitigate business risk. This program is overseen by the group's Chief Executive Officer. Further details can be found in the financial statements of FSHC (Jersey) Holdings Limited.

Going concern

On 29 April 2012 the company's ultimate parent (FSHC (Guernsey) Holdings Limited) entered into a conditional sale and purchase agreement ("SPA") for the sale of the entire issued share capital of FSHC (Jersey) Holdings Limited and that company's subsidiary undertakings (together, the "FSHC Jersey Group"), to Elli Capital Limited. The sale was completed on 12 July 2012.

As part of the acquisition by Elli Capital Limited, all debt-related liabilities owed by FSHC Jersey Group were repaid in full on 12 July 2012. Elli Capital Limited and its subsidiary undertakings (together, the "Elli Group") entered into a £525 million debt facility as part of the acquisition. Of this, £350 million pays interest at 8.75% and is due for repayment in 2019 and £175 million pays interest at 12.25% and is due for repayment in 2020. This provides the group with a more stable and secure financial structure.

The directors have a reasonable expectation that the company, together with the Elli Group, have adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Please refer to note 1 for further detail.

Environmental policy

The group has an environmental policy statement which includes policies for procurement, transport and estate management. Further details can be found in the financial statements of FSHC (Jersey) Holdings Limited.

Results and dividends

The results for the period are shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2010: £nil).

Directors

The directors during the period under review were

P Calveley
D J Kay
B R Taberner

Directors' report (*continued*)

Employment policies

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

The company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continued employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Details of ultimate ownership

At the year end the ultimate parent undertaking was FSHC (Guernsey) Holdings Limited, an entity incorporated in Guernsey. From the 12 July 2012 the ultimate parent undertaking is Ellii Capital Limited, an entity incorporated in Guernsey.


Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D J Kay
Secretary

Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

28/9/ 2012

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Laurels Lodge Limited

We have audited the financial statements of Laurels Lodge Limited for the year ended 31 December 2011 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Laurels Lodge Limited

(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

28/9/ 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	955	537
Cost of sales		(884)	(542)
Operating profit/(loss)		71	(5)
Profit/(loss) on ordinary activities before taxation	3-5	71	(5)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) for the financial year	12	71	(5)

All amounts relate to continuing operations

There have been no gains or losses in either the current or preceding period, other than those reported above
Accordingly no statement of total recognised gains and losses has been prepared

Balance sheet
at 31 December 2011

		2011		2010	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	7		7		8
Tangible assets	8		39		9
			<hr/>		<hr/>
			46		17
Current assets					
Debtors	9	150		72	
Creditors: amounts falling due within one year	10	(130)		(94)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			20		(22)
			<hr/>		<hr/>
Total assets less current liabilities			66		(5)
			<hr/>		<hr/>
Net assets/(liabilities)			66		(5)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		-		-
Profit and loss account	12		66		(5)
			<hr/>		<hr/>
Shareholder's funds/(deficit)			66		(5)
			<hr/>		<hr/>

The financial statements include the notes on pages 9 to 15

These financial statements were approved by the board of directors on 28/9/2012 and were signed on its behalf by

B. R. Taberner

B R Taberner
Director

Reconciliation of movement in shareholder's funds/(deficit)
for the year ended 31 December 2011

	2011 £000	2010 £000
Opening shareholder's deficit	(5)	-
Profit/(loss) for the financial year	71	(5)
	<hr/>	<hr/>
Closing shareholder's funds/(deficit)	66	(5)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and within the requirements of the Companies Act 2006

Going concern

In presenting the financial statements on a going concern basis, the directors have considered the company's business activities together with factors likely to affect future performance and financial position. These include cash flows, and the risks and uncertainties relating to the company's business activities

On 29 April 2012 the company's ultimate parent (FSHC (Guernsey) Holdings Limited) entered into a conditional sale and purchase agreement ("SPA") for the sale of the entire issued share capital of FSHC (Jersey) Holdings Limited and that company's subsidiary undertakings (together, the "FSHC Jersey Group"), to Elli Capital Limited. The sale was completed on 12 July 2012.

As part of the acquisition by Elli Capital Limited, all debt-related liabilities owed by FSHC Jersey Group were repaid in full on 12 July 2012. Elli Capital Limited and its subsidiary undertakings (together, the "Elli Group") entered into a £525 million debt facility as part of the acquisition. Of this, £350 million pays interest at 8.75% and is due for repayment in 2019 and £175 million pays interest at 12.25% and is due for repayment in 2020. This provides the group with a more stable and secure financial structure.

At 31 December 2011 the company is dependent on funding provided by group companies. For this reason the funding position of the company is dependent on that of the Elli Group as a whole.

The group has carefully considered its cash flows and financial covenants for at least twelve months from the date of signing the financial statements. These have been appraised in light of the uncertainty in the current economic climate and, as such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and the Elli Group.

The Elli Group's forecasts and projections, sensitised to take into account all reasonably foreseeable changes in trading performance, show that the Elli Group has sufficient funding and covenant headroom within its current financing arrangements.

After making appropriate enquiries, the directors have a reasonable expectation that the company and the Elli Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as at 31 December 2011 it was a wholly owned subsidiary undertaking of FSHC (Jersey) Holdings Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, Paragraph 3(c) and as the company is a wholly owned subsidiary of FSHC (Jersey) Holdings Limited have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Notes (continued)

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a systematic and rational basis over the period of the lease

Guarantees

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other related parties which are subsidiaries of its ultimate parent, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make payment under the guarantee

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Equipment and fixtures	-	10% straight line
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Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Goodwill

Positive goodwill arising on acquisition (representing the excess fair value of the consideration over the separable net assets acquired) is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. The directors' estimate of useful economic life is considered on an individual basis. Goodwill capitalised to date is being amortised over 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

2 Turnover

Turnover represents the amounts received and receivable in respect of goods and services in the operation of nursing homes

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

	2011 £000	2010 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Depreciation	5	-
Amortisation of goodwill	1	-
Operating lease rentals – land and buildings	205	170
	<u>211</u>	<u>170</u>

The auditor's remuneration of £600 (2010 £550) for audit services was borne by another group undertaking. Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 Remuneration of directors

None of the directors received any emoluments from the company during the year (2010 £nil).

5 Staff numbers and costs

The average number of persons employed by the group (including directors) at the year end, analysed by category was as follows:

	Number of employees 2011	2010
Administration	2	2
Healthcare	38	16
	<u>40</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	430	244
Social security costs	21	14
	<u>451</u>	<u>258</u>

Notes (continued)

6 Taxation

Analysis of charge in period

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Corporation tax charge	-	-
Deferred tax charge	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2010 higher) than the standard rate of corporation tax in the UK (26.5%, 2010 28%) due principally to the availability/surrender of current year losses from/to other group companies. The differences are explained below.

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	71	(5)
	<u>71</u>	<u>(5)</u>
Current tax at 26.5% (2010 28%)	19	(1)
<i>Effects of</i>		
Depreciation in excess of capital allowances	1	-
Group relief	(20)	1
	<u>-</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>-</u>

Factors that may affect future current and total tax charge

On the 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 25% with effect from 1 April 2012. This change became substantively enacted in July 2011 and therefore the effect of the rate reduction on the deferred tax balances has been included in the figures above.

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012. As this rate was not substantively enacted at the balance sheet date it has not been reflected in the above figures.

The Chancellor has also proposed changes to further reduce the main rate of UK corporation tax by 1% per annum to 22% by 1 April 2014. These reductions have not been substantively enacted; the changes are not reflected in the above figures.

Notes (continued)

7 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	8
	<hr/>
<i>Amortisation</i>	
At beginning of year	-
Charge for year	1
	<hr/>
At end of year	1
	<hr/>
<i>Net book value</i>	
At 31 December 2011	7
	<hr/>
At 31 December 2010	8
	<hr/>

Goodwill relates to the acquisition of the trade and assets of one care home on 11 May 2010, and is being written off in equal annual instalments over its estimated useful economic life of 20 years

8 Tangible fixed assets

	Equipment and fixtures £000
<i>Cost</i>	
At beginning of year	9
Additions	35
	<hr/>
At end of year	44
	<hr/>
<i>Depreciation</i>	
At beginning of year	-
Charge for year	5
	<hr/>
At end of year	5
	<hr/>
<i>Net book value</i>	
At 31 December 2011	39
	<hr/>
At 31 December 2010	9
	<hr/>

Notes (continued)

9 Debtors

	2011 £000	2010 £000
Trade debtors	23	67
Amounts due from group undertakings	72	-
Other debtors	55	5
	<u>150</u>	<u>72</u>

The amounts due to group undertakings are interest free, unsecured and repayable on demand

10 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	81	18
Amounts due to group undertakings	1	33
Other tax and social security	6	6
Other creditors	28	23
Accruals and deferred income	14	14
	<u>130</u>	<u>94</u>

The amounts due to group undertakings are interest free, unsecured and repayable on demand

11 Share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

12 Reserves

	Profit and loss account £000
At beginning of year	(5)
Retained profit for the year	71
	<u>66</u>
At end of year	<u>66</u>

Notes (continued)

13 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2011 £000	2010 £000
Operating leases which expire Over five years – land and buildings	211	170

14 Contingent liabilities

The company, together with its parent and fellow subsidiary undertakings is party to a number of financing arrangements. The implications of this are explained more fully in note 1.

15 Ultimate undertaking

The company's immediate parent company is Four Seasons Health Care Group Limited, a company incorporated in the United Kingdom.

At the year end the ultimate parent undertaking was FSHC (Guernsey) Holdings Limited, an entity incorporated in Guernsey. From the 12 July 2012 the ultimate parent undertaking is Elli Capital Limited, an entity incorporated in Guernsey.

The largest and smallest group in which the results of the company are consolidated is that headed by FSHC (Jersey) Holdings Limited. The consolidated financial statements of this company are available to the public and may be obtained from Ogier Corporate Services (Jersey) Limited, Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG.