

**Tammillec Limited**

**Annual report and financial statements**

**Registered number 03245111  
31 December 2015**

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## Strategic report

### Background and ownership structure

Tammillec Limited is a trading company within the Elli Investments Limited group of companies.

The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity.

### Financial results

The company made a loss before taxation of £1,090,000 (2014: loss of £1,170,000).

### Principal activity

The principal activity of the Company is the operation of care homes for elderly and disabled people.

### Business review and KPIs

The results of the Company are consolidated in the group headed by Elli Investments Limited, the consolidated financial statements of which contain a detailed business review and KPIs relating to the group. Copies of these financial statements can be obtained from the Four Seasons Health Care website.

On 7 October 2015 the Company was acquired by Four Seasons Group Holdings Limited as part of the Group's restructure into the three distinct business segments.

On an individual company basis, the main financial and operational KPIs were as follows:

	2015	2014
Turnover	£7,533,000	£7,273,000
Operating loss	£(1,090,000)	£(1,170,000)
Average occupancy in the year	90.2%	89.0%

### Principal risks and uncertainties

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

## Strategic report *(continued)*

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

### *Financial risks*

- *Reduction in the demand for our services*

Mitigation: the Company continues to invest in its assets and staff in order to provide an attractive and competitive proposition.

- *Liquidity risk*

Mitigation: liquidity is managed centrally within the group. Performance is monitored by strong financial and management accounting through the finance function, monthly tracking of long-term business plans and short term budgets against actual performance in line with obligations under financing agreements.

### *Operational risks*

- *Reputational risk*

Mitigation: in order to mitigate this risk as far as possible, the Company has implemented rigorous clinical governance, carries out substantial employee training, employee inductions and employee reference procedures, including a criminal background check for all frontline staff.

- *Regulatory risk*

Mitigation: the Company devotes a considerable amount of time to the management of regulatory matters. Compliance with the on-going requirements of these licences and changes arising from the evolving regulatory environment mean that significant attention has been, and will continue to be, dedicated to regulatory compliance.

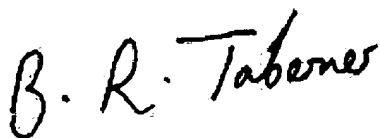
## Employment policies

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

## Environmental policy

The Elli Investments Limited group has an environmental commitment which includes compliance with existing environmental regulations, minimising the consumption of resources, a policy of "reduce, reuse and recycle" and providing awareness amongst staff of the environmental impact of travel.

By order of the board



**B R Taberner**  
*Director*

Norcliffe House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

13 July 2016

## Directors' report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2015.

### Results and dividends

The results for the year are shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2014: £nil).

### Directors

The directors who held office were as follows:

I Smith (resigned 15 February 2016)  
M C Royston  
B R Taberner  
B R Taberner  
M O'Reilly (appointed 15 February 2016)  
A How (appointed 15 February 2016, resigned 17 March 2016)

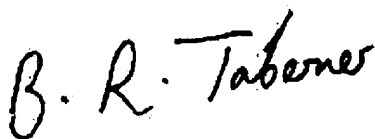
### Disclosure of information to auditor

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



**B R Taberner**  
*Director*

Norcliffe House  
Station Road  
Wilmslow  
Cheshire  
SK9 1BU

13 July 2016

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP  
1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

## **Independent auditor's report to the members of Tammillec Limited**

We have audited the financial statements of Tammillec Limited for the year ended 31 December 2015 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with 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 4, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 and of its loss 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 matters prescribed by the Companies Act 2006**

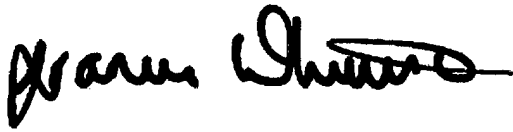
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Tammillec 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.



**Frances Whittle (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

13 July 2016



**Profit and loss account and other comprehensive income**  
*for the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>7,533</b>	<b>7,273</b>
Cost of sales		<b>(8,623)</b>	<b>(8,443)</b>
<b>Gross loss</b>		<b>(1,090)</b>	<b>(1,170)</b>
<b>Operating loss</b>		<b>(1,090)</b>	<b>(1,170)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(1,090)</b>	<b>(1,170)</b>
Tax on loss on ordinary activities	<b>6</b>	-	-
<b>Loss for the financial year</b>		<b>(1,090)</b>	<b>(1,170)</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,090)</b>	<b>(1,170)</b>

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

All amounts relate to continuing operations.

The financial statements include the notes on pages 10 to 25.

**Balance sheet**  
*at 31 December 2015*

		2015	2014
	Note	£000	£000
<b>Fixed assets</b>			
Tangible assets	7	816	981
		<u>816</u>	<u>981</u>
<b>Current assets</b>			
Debtors	8	32	8,864
Cash at bank and in hand		5	1
		<u>37</u>	<u>8,865</u>
<b>Creditors: amounts falling due within one year</b>	9	(2,563)	(10,466)
		<u>(2,563)</u>	<u>(10,466)</u>
<b>Net current liabilities</b>		<u>(2,526)</u>	<u>(1,601)</u>
<b>Total assets less current liabilities</b>		<u>(1,710)</u>	<u>(620)</u>
<b>Net liabilities</b>		<u>(1,710)</u>	<u>(620)</u>
<b>Capital and reserves</b>			
Called up share capital	11	280	280
Profit and loss account		(1,990)	(900)
		<u>(1,710)</u>	<u>(620)</u>
<b>Shareholders' deficit</b>		<u>(1,710)</u>	<u>(620)</u>

The financial statements include the notes on pages 10 to 25.

These financial statements were approved by the board of directors on 13 July 2016 and were signed on its behalf by:

*B. R. Taberner*

**B R Taberner**  
*Director*

## Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	280	270	550
<b>Total comprehensive income for the period</b>			
Loss for the period	-	(1,170)	(1,170)
Other comprehensive income	-	-	-
	<u>-</u>	<u>(1,170)</u>	<u>(1,170)</u>
Total comprehensive income for the period	-	(1,170)	(1,170)
<b>Balance at 31 December 2014</b>	<b><u>280</u></b>	<b><u>(900)</u></b>	<b><u>(620)</u></b>

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	280	(900)	(620)
<b>Total comprehensive income for the period</b>			
Loss for the period	-	(1,090)	(1,090)
Other comprehensive income	-	-	-
	<u>-</u>	<u>(1,090)</u>	<u>(1,090)</u>
Total comprehensive income for the period	-	(1,090)	(1,090)
<b>Balance at 31 December 2015</b>	<b><u>280</u></b>	<b><u>(1,990)</u></b>	<b><u>(1,710)</u></b>

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

### **1 Accounting policies**

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations - business combinations that took place prior to 1 January 2014 have not been restated;
- Fair value or revaluation as deemed cost - the fair value/ old UK GAAP revaluation at 1 January 2014 has been used as deemed cost for land and building;
- Separate financial instruments - carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 1 January 2014; and
- Lease incentives - for leases which commenced before 1 January 2014 the Group and Company have continued to account for lease incentives under old UK GAAP.

The Company's intermediate parent undertaking, Elli Investments Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Elli Investments Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

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

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

## Notes (continued)

### 1 Accounting policies (continued)

As the consolidated financial statements of Elli Investments Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates and discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss and investment property.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Going concern*

The company, together with its intermediate parent company Elli Investments Limited and fellow subsidiary undertakings (collectively the “Elli Investments group” or “the group”), is party to a number of financing arrangements under which guarantees have been provided by certain group companies. Notwithstanding specific company guarantees, given the operational and financial support provided by the group, the going concern assessment of the company is dependent on that of the Elli Investments group as a whole.

In July 2012 the group issued £350 million of senior secured notes which pay interest at 8.75% and are due for repayment in June 2019 and £175 million of senior notes which pay interest at 12.25% and are due for repayment in June 2020. In addition, the group has a £40 million term loan facility which has a repayment date in December 2017.

The directors of Elli Investments Limited recognise that the current funding structure of the group may not be appropriate for the long term needs of the business and in October 2015 advisors were appointed to conduct a review of the group’s current financing arrangements. Options are now being explored for and on behalf of a parent undertaking (FSHC Group Holdings Limited) with regard to a financing solution for the group. The directors acknowledge that there can be no certainty that this process will be successful although, at the date of approval of these financial statements, they have no reason to believe otherwise and are targeting a completion by no later than the end of 2016.

The directors have prepared trading and cash flow forecasts for the group to December 2017. These forecasts include a number of assumptions in relation to trading performance and indicate that the increased cost base driven by the National Living Wage is expected to be met by improved operational performance. These forecasts include proceeds in the next six months from the disposal of properties, of which £20 million, assuming the operational forecasts are achieved, is required to ensure adequate resources to continue to meet the group’s liabilities as they fall due in the next 12 months.

These forecasts, after adjustment for sensitivity analysis to incorporate the impact of reasonably foreseeable changes in trading and cash flow performance, and a delay in the timing of property disposal proceeds, show that the group has sufficient funding and covenant headroom within its current financing arrangements. In addition, the directors have a number of mitigating options available to them including phasing of non-mandatory capital expenditure, additional disposals and new equity.

The Elli Investments group net liabilities of £439.5 million (2014: net liabilities of £66.0 million) include £358 million (2014: £311 million) within creditors falling due after more than one year due to related undertakings which are controlled by the same ultimate parent undertaking and which accrues interest at 15% on a compounding basis and is due for repayment in 2022. The directors have confirmed that this facility will continue to be available to the group allowing it to meet its liabilities as they fall due and therefore continue in operational existence for the foreseeable future.

Based on the above, the directors have a reasonable expectation that the company has adequate resources to continue to meet its liabilities as and when they fall due for the foreseeable future. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

#### *Foreign currency*

Transactions in foreign currencies are translated to the Company’s 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 except for differences arising on the retranslation of qualifying cash flow hedges with changes taken to other comprehensive income.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

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

##### *Investments in 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.

##### *Investments in subsidiaries*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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; and
- Hedging instruments in a designated hedging relationship shall be recognised as set out below.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

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 last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### *Revaluation*

Certain fixed assets are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in equity. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

## Notes (continued)

### 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 Company recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- 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.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company 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.

#### *Intangible assets, goodwill and negative goodwill*

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *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 shall be recognised in profit or loss in the periods expected to benefit.

##### *Amortisation*

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value.

- 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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***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.

#### ***Investment property***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i) Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii) No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

## Notes (continued)

### 1 Accounting policies (continued)

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

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

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

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

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Provisions*

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

Where the 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.

#### *Turnover*

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

All turnover arises from operations in the United Kingdom, and is attributable to fees for the provision of healthcare services.

#### *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. 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/are expensed as incurred.

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### ***Taxation***

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

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

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

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

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

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

#### ***Exceptional items***

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

## Notes (continued)

### 2 Turnover

Turnover represents the amounts derived from the provision of health care services to customers and all arose in the United Kingdom.

### 3 Expenses and auditor's remuneration

The auditor's remuneration of £1,500 (2014: £1,400) 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 Staff numbers and costs

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

	Number of employees	
	2015	2014
Administration	10	10
Healthcare facilities	333	344
	<u>343</u>	<u>354</u>

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	4,527	4,323
Social security costs	321	286
Pension costs	22	20
	<u>4,870</u>	<u>4,629</u>

### 5 Directors' remuneration

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

### 6 Taxation

	2015	2014
	£000	£000
<b>Total tax expense recognised in the profit and loss account, other comprehensive income and equity</b>		
<i>UK corporation tax</i>		
Current tax on loss for the period	-	-
Total current tax	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

## Notes (continued)

### 6 Taxation (continued)

#### Reconciliation of effective tax rate

	2015 £000	2014 £000
Loss for the year	(1,090)	(1,170)
Total tax expense	-	-
Loss excluding taxation	(1,090)	(1,170)
Tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	(221)	(251)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	11
Group relief for nil consideration	155	177
Current year movement in unrecognised deferred tax assets	60	63
Total tax expense included in profit and loss	-	-

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

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Any deferred tax liability at the balance sheet date has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax liability accordingly.

### 7 Tangible fixed assets

	Leasehold land and buildings £000	Equipment and fixtures £000	Total £000
<b>Cost</b>			
Balance at 1 January 2015	577	3,716	4,293
Additions	-	158	158
Balance at 31 December 2015	577	3,874	4,451
<b>Depreciation</b>			
Balance at 1 January 2015	386	2,926	3,312
Depreciation charge for the year	18	305	323
Balance at 31 December 2015	404	3,231	3,635
<b>Net book value</b>			
At 1 January 2015	191	790	981
At 31 December 2015	173	643	816



## Notes (continued)

### 8 Debtors

	2015 £000	2014 £000
Trade debtors	18	-
Amounts owed by group undertakings	-	8,858
Other debtors	-	2
Prepayments	14	4
	<u>32</u>	<u>8,864</u>

The amounts owed by group undertakings are unsecured and repayable on demand. No interest is charged.

### 9 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	40	46
Other taxation and social security	54	65
Amounts due to group undertakings	1,933	9,866
Accruals	117	123
Other creditors	419	366
	<u>2,563</u>	<u>10,466</u>

The amounts due to group undertakings are unsecured and repayable on demand. No interest is charged.

### 10 Employee benefits

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

The total cost charged to the profit and loss account during the year was £22,400 (2014:£20,160). At the year end £nil (2014:£nil) of pension contributions were outstanding.

## Notes (continued)

### 11 Share capital and other comprehensive income

#### Share capital

	2015 No. of shares	2015 £000	2014 No. of shares	2014 £000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	280,158	280	280,158	280
Shares classified as shareholders' deficit	280,158	280	280,158	280

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

No further shares were issued during the period.

### 12 Operating leases

#### Leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	1,321	1,313
Between one and five years	5,283	5,252
More than five years	21,793	22,979
	<u>28,397</u>	<u>29,544</u>

During the year £1,322,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £1,315,800).

### 13 Charges with other parties

A bond and floating charge is held over the company's business and assets by Atlantic Healthcare Finance Limited, a third party, as security for the company's lease obligations.

### 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 Commitments

The Company's contractual commitments to purchase tangible fixed assets at the year end were £6,500 (2014: £47,900).

## Notes (continued)

### 16 Related parties

The directors have taken advantage of the exemption in FRS 102 Chapter 33.1A and, as the Company is a wholly owned subsidiary of Elli Investments Limited, have not disclosed related party transactions with parent and fellow subsidiary undertakings.

### 17 Ultimate parent

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

The ultimate parent undertaking is Terra Firma Holdings Limited, an entity incorporated in Guernsey. The ultimate controlling party is Guy Hands.

The largest group in which the results of the Company are consolidated is that headed by FSHC Group Holdings Limited. The consolidated financial statements of this company are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

The smallest group in which the results of the Company are consolidated is that headed by Elli Investments Limited. The consolidated financial statements of this company are available to the public and may be obtained from Morgan Sharpe, Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, GY4 6RT.

### 18 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

- The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.
- The Company makes an estimate of the fair value of investment properties. On a periodic basis the Company obtains a third party valuation, but in the intervening periods the Company applies the Directors' best estimate of the fair value. This is estimated by taking into account the individual circumstances of each property.