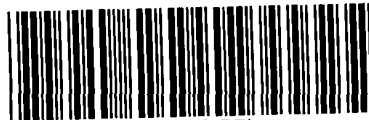


Elysium Healthcare No. 4 Limited (formerly  
Speciality Care (Care Homes) Limited)  
Annual report and financial statements  
for the year ended 31 December 2016

Registered number: 03257732

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Elysium Healthcare No. 4 Limited (formerly Speciality Care  
(Care Homes) Limited)

Annual report and financial statements  
for the year ended 31 December 2016

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## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Strategic report for the year ended 31 December 2016**

The directors present their strategic report on Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited) for the year ended 31 December 2016.

#### **Principal activities and review of business**

The principal activity of the company continues to be care delivery.

#### **Business review and KPIs**

The results for the year are set out in the profit and loss account on page 10 and the position of the company as at the year end is set out in the balance sheet on page 11.

<b>Summary Financial Results</b>	<b>2016</b>	<b>2015</b>
<b>Period ended 31 December</b>	<b>£m</b>	<b>£m</b>
Revenue	5.1	4.9
Operating result	1.6	1.2
Loss on disposal of fixed assets	(0.9)	-
<b>Profit before taxation</b>	<b>0.6</b>	<b>1.2</b>

Revenue for the year totalled £5.1 million (2015: £4.9 million) and arose predominantly from provision of mental health services to the patients for either NHS Clinical Commissioning Groups ("CCGs") or local authorities.

Gross margin for the Company for the period was 30.1% (2015: 35.4%) and is stated after all the hospital operating costs including staff and specialist costs. As seen across the care sector, the utilisation of agency and bank staff has increased and management are continuously monitoring the cost base to ensure the effective use of the Company's resources.

Property, plant and equipment of £19.7 million (2015: £19.7million) includes £18.5 million (2015: £18.9 million) in respect of land and buildings. During the period the company incurred £0.8 million (2015: £0.5 million) of additions including work commencing on the re-branding of the sites to Elysium Healthcare.

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Strategic report for the year ended 31 December 2016 (continued)**

The company also entered into one sale and leaseback arrangement for the disposal of the freehold land and buildings and at the same time entered into a 125 year term finance lease for the buildings and an operating lease of the same term for the rental of the land. The loss of £0.9m arising on the disposal has been recognized as an exceptional loss with the apportionment of the disposal proceeds between the freehold land interests and the buildings.

On 16 February 2016 the company's then ultimate parent, Priory Group No. 1 Limited was acquired by the Acadia Healthcare group.

On 30 November 2016 100% of the issued share capital of the company's immediate parent, Elysium Healthcare No. 3 Limited (formerly Craegmoor Hospitals Limited) was acquired by Elysium Healthcare Holdings 3 Limited.

#### **Principal risks and uncertainties**

##### ***Regulatory risks***

The results of the Company are subject to the regulatory environment related to health and safety, quality of care, the storage and distribution of controlled drugs and medicines, the disposal of hazardous waste and data protection, principally through the costs related to compliance. The Company's sites are subject to regular review by the Care Quality Commission ('CQC') and the Health Inspectorate Wales and could be closed if compliance with their guidelines cannot be demonstrated. As a leading provider of mental health services in the United Kingdom, the Company is well placed to respond to and comply with regulatory changes through dedicated regulatory and compliance teams.

The Company receives, generates and stores volumes of personal data containing patients personal and medical information. The Company is therefore subject to the privacy laws with respect to the use, transfer and disclosure of this data. A failure to adequately safeguard confidential patient information could result in significant fines, penalties and litigation.

##### ***NHS & CCG contracts***

The NHS and CCG contracts under which the Company operate are relatively standard and subject to annual review with each body. These provide clear benefits to the Company, both in terms of income stability and visibility. However, as with any system, there are could to be modifications, potentially through the introduction of a new contract structure or the services that are sought by the NHS or CCGs from service providers like Elysium Healthcare. The extent of any such modifications could have a favourable or adverse impact on the Company. However, the Company maintains a close dialogue with the both the NHS and the Government in developing care programmes so that appropriate changes to the Company's services can be made in a timely manner.

##### ***Financial risk management***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's activities expose it to a variety of risks which are detailed below.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls to monitor both the risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Strategic report for the year ended 31 December 2016 (continued)**

#### ***Doctors, Clinicians and other qualified staff***

The Company requires skilled doctors, psychologists, clinicians and nurses in order to care for its growing patient base. The expansion of the European Union ('EU') over recent years has increased the supply of clinicians and other qualified staff available to the Company. The Directors recognise the importance of quality doctors, clinicians for ensuring the continued success of the Company. The Company manages the risk associated with the supply of doctors, clinicians and nurses through training and development programmes to enhance retention and a recruitment strategy to ensure that the growth in patient numbers can be treated. The UK's decision to withdraw from membership of the EU may impact the supply of doctors, clinicians and nurses in the future and the Company continues to monitor developments.

The Company continues to invest in improving pay structures and incentivisation for nurses and other clinical staff and continues to review the impact of changes resulting from the introduction of the Apprenticeship Levy and future increases to the National Living Wage upon its staffing structures.

#### ***Inflation risk***

Inflation risk is the risk that the cost of key services and products procured by the Company will rise with inflation and affect the Company's income. The rates paid under the terms of the Company's NHS contracts are generally reviewed on an annual basis and, over the course of the past few years, the annual uplifts have typically been lower than the rate of both RPI and CPI.

The Company undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the Company seeks to rationalise its supplier base to benefit from its scale.

#### **Key performance indicators**

The following KPIs are fundamental to the business and reflect focus on the drivers of value that will enable and inform the management team to achieve the business plans, strategic aims and objectives.

- Revenue
- Operating profit
- Gross profit margin
- Net bank debt
- Number of available beds
- Average occupancy
- Earnings before Interest, Taxation, Depreciation, Amortisation and Rent ("EBITDAR")
- EBITDA after finance lease interest

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**


### **Strategic report for the year ended 31 December 2016 (continued)**

#### **Future developments**

The future developments of the Company are aligned to the strategy of the Elysium Healthcare Holdings 2 Limited group. The group's strategy for future development is to focus on delivering growth through:

- delivering high quality care and promoting the highest clinical standards;
- investing in the equipment and buildings of our estate;
- optimising delivery of its existing NHS and CCG contracts;
- growing our portfolio and the size of the estate through selective acquisition of businesses;
- building new facilities either on existing sites or at new sites
- exploring opportunities to grow or diversify revenues through tendering for new contracts and providing new or differentiated services to the NHS;
- leveraging the investment in the Elysium Healthcare brand to attract new patients, increase brand recognition and expand our service offering;
- implementing improved systems and processes to increase productivity, efficiency and oversight; and;
- using the size of our portfolio and systems to procure materials and services more efficiently and effectively.

On behalf of the board



WHM Robson

Director

27 September 2017

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Directors' report for the year ended 31 December 2016**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2016.

This report should be read in conjunction with the strategic report, which contains disclosures regarding the business review and KPIs, future developments and financial risk management.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and interest rates risk are described in the Strategic Report on pages 1 to 2.

The group of which the Company is a member has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas. As a consequence, the Directors believe that the group is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future, including a letter of support from the group's parent company, Elysium Healthcare Holdings 1 Limited. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Dividends**

The directors do not recommend the payment of a final dividend (2015: £nil).

#### **Directors**

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

J Chamberlain	(appointed 1 December 2016)
Q Haque	(appointed 1 December 2016)
S Woolgar	(appointed 1 December 2016)
M Robson	(appointed 7 August 2017)
M Moran	(resigned 1 March 2016)
T Riall	(resigned 30 November 2016)

#### **Employee involvement**

The Company nurtures commitment and excellence in its staff by encouraging the active involvement of all staff at all levels in the organisation's primary objective of improving patient care. Staff are encouraged to strive continually for improvements in all aspects of the business and to be active members of the team in which they work. All levels of staff are encouraged to engage in events held across the UK to link in with patients and family and actively contribute to the company. We give two-way internal communication high priority, with a ward to board governance structure and feedback is actively sought.

We strive continually to get higher levels of staff retention, to promote equality and diversity in our workforce, and to support self-development where consistent with the organisation's objectives.

#### **Disabled employees**

The Company recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and to progress within the Company.

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

**Directors' report for the year ended 31 December 2016 (continued)**

In addition to complying with the requirements of the Equality Act 2010, the Company has established procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs. Where employees become disabled in the course of their employment, the Company will attempt to ensure they remain in employment by making reasonable adjustment to accommodate their disability.

**Independent auditors**

Deloitte LLP were appointed as auditors during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

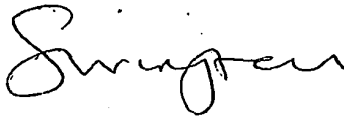
**Disclosure of information to auditors**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the board on 27 September and signed on its behalf.



Sarah Livingston  
Company Secretary



## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Directors' responsibilities statement for the year ended 31 December 2016**

The directors are responsible for preparing the annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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 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.

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Independent auditors' report to the members of Elysium Healthcare No. 4 Limited**

We have audited the financial statements of Elysium Healthcare No. 4 Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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, 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 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2016 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **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.



Matthew Ward, FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom

29 September 2017

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited).**

**Profit and loss account for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
Turnover	2	5,094	4,864
Cost of sales		(3,517)	(3,141)
Gross profit		1,577	1,723
Administrative expenses		(46)	(521)
Operating profit		1,531	1,202
Loss on disposal of fixed assets	6	(918)	-
Profit before interest and taxation		613	1,202
Interest receivable	7	11	-
Interest payable and similar expenses	8	(3)	(3)
Profit before taxation	3	621	1,199
Tax on profit	9	295	180
Profit for the financial year		916	1,379

The results for the current and prior financial year derive from continuing activities.

There is no other comprehensive income for the current or prior financial year. Therefore no statement of comprehensive income has been prepared.

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

**Balance sheet as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	19,702	19,672
Debtors	11	8,433	-
		<b>28,135</b>	<b>19,672</b>
<b>Current assets</b>			
Stocks	13	-	1
Debtors	12	599	364
Cash at bank and in hand		232	7
		<b>831</b>	<b>372</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(5,178)</b>	<b>(532)</b>
<b>Net current liabilities</b>		<b>(4,347)</b>	<b>(160)</b>
<b>Total assets less current liabilities</b>		<b>23,788</b>	<b>19,512</b>
Creditors: amounts falling due after more than one year	15	(6,700)	-
Provisions for liabilities	16	(2,552)	(3,070)
<b>Net assets</b>		<b>14,536</b>	<b>16,442</b>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Merger reserve		(2,822)	-
Profit and loss account		17,358	16,442
<b>Total shareholders' funds</b>		<b>14,536</b>	<b>16,442</b>

The notes on pages 13 to 31 form part of these financial statements.

The financial statements were approved by the board and signed on its behalf on 27 September 2017



WHM Robson  
Director

Registered number: 03257732

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

**Statement of changes in equity for the year ended 31 December 2016**

	Not e	Called up share capital £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholde rs' funds £'000
At 1 January 2015		-	-	15,063	15,063
Profit for the financial year		-	-	1,379	1,379
At 1 January 2016		-	-	16,442	16,442
Merger accounting movements in the year		-	(2,822)	-	(2,822)
Profit for the financial year		-	-	916	916
At 31 December 2016		-	(2,822)	17,358	14,536

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies**

#### **General Information**

Elysium Healthcare No. 4 Limited (the 'Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is: 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN.

The nature of the Company's operations and its principal activities of the company is the provision of mental health services, including acute, secure, CAMHS, rehabilitation and neurological services predominantly to the National Health Service ('NHS') and in England and Wales.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### **Significant Accounting Policies**

##### **Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to: presentation of a cash flow statement, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Elysium Healthcare Holdings 2 Limited.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

##### **Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the foreseeable future, including a letter of support from the group's parent company, Elysium Healthcare Holdings 1 Limited. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Merger Accounting**

During the year the Company carried out a group reorganization prior to it being sold outside of the Priory Group.

Where the reconstruction is achieved by way of transferring trade and assets between two group companies, for the acquiring entity only financial statements it is not considered appropriate to apply either full merger accounting or fair value acquisition accounting. Consequently a hybrid of the two has been applied, whereby:

- the assets and liabilities of the acquiree are recognised at the acquisition date carrying values;
- the consideration is recognised either as a decrease in cash or an increase in liabilities, at the actual value of consideration given;
- the difference between the consideration and the carrying value of the net assets acquired is recognised directly in equity, in a merger reserve;
- comparatives are not restated to include the acquired business; and
- profit and loss is recognised for post-acquisition earnings only

During the current year, the Company acquired certain facilities as part of the previous shareholders' group structuring. This acquisition involved transferring of land and buildings as well as trade assets between two companies within the same group. The Company adopted a hybrid accounting policy and chose to record the difference between the consideration and the carrying value of the net assets acquired is recognised directly in equity, in a merger reserve.

#### **Revenue**

Revenue represents the supply of services including, bed fees, observation fees, training fees and is stated net of VAT, rebates and trade discounts and represents the value of services provided and delivered under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue received in advance is included in deferred income until the service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income.

#### **Leases**

During the period the Company entered into a sale and leaseback arrangement for the disposal of the freehold land and buildings and at the same time entered into a 125 year term finance lease for the buildings and an operating lease of the same term for the rental of the land. The result arising on the disposal has been recognized in exceptional items with the apportionment of the disposal proceeds between freehold land and the building based upon external professional valuation advice. The finance lease liability from the resulting finance leases have been recognized on the balance sheet and the operating lease rentals on the land have been charged to the profit and loss account.

Leases in which the company 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. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.



# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Leases (continued)**

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### **Tangible fixed assets**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Assets in the course of construction represent the direct costs of purchasing, constructing and installing property, plant and equipment ahead of their productive use and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	- 50 years
Short leasehold land and buildings	- over lease term
Fixtures and fittings	- 3 to 16 years
Motor vehicles	- over shorter of the lease term and 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Land is not depreciated on the basis that land has an unlimited life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Impairment of tangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Stocks**

Stocks are stated at the lower of cost and net realizable value. Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Financial instruments**

##### **Financial Assets**

##### ***Loans and receivables***

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade & other receivables are initially measured at transaction price including any transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Financial instruments (continued)**

##### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows associated with the asset have been affected.

For certain categories of financial asset, such as trade debtors that are not considered to be individually impaired may be assessed for impairment on a collective basis. Objective evidence for impairment for a portfolio of receivables could include the company's past experience of collecting payment, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### ***Derecognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Financial instruments (continued)**

##### *Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Group relief*

Payment is generally made for group relief at the current tax rate at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of the change.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

##### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

##### *(i) Short-term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits are recognized as an expense in the period in which the service is received.

##### *(ii) Pensions*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense in the profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### **Exceptional items**

FRS 101 sets out the following parameters for the disclosure of material sums:

An entity shall present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is relevant to an understanding of the entity's financial performance.

When items included in total comprehensive income are material, an entity shall disclose their nature and amount separately, in the statement of comprehensive income (and in the income statement, if presented) or in the notes.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1 Accounting Policies (continued)**

#### **Critical accounting judgements**

In preparing the financial statements, the directors are required to make significant judgements concerning the future. The principal areas of the financial statements where judgements and estimates have been made are:

##### *(i) Apportionment of disposal proceeds in the sale and leaseback transactions*

During the period the Group entered into seven sale and leaseback arrangements for the disposal of the freehold land and buildings and at the same time entered into a 125 year term finance lease for the buildings and an operating lease of the same term for the rental of the lands. In determining the split of the proceeds between the land and buildings management has made assumptions and made reference to the professional valuation advice and the fair values determined in arriving at the valuation of the tangible assets.

#### **Key sources of estimation uncertainty**

In preparing the financial statements, the directors are required to make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results and could result in a change to the estimates in the next or future financial years. These estimates will also have a knock on impact on the tax charge for the period. The Directors have concluded that there are no key sources of estimation uncertainty.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **2 Turnover**

The company's turnover, profits before taxation and net assets arise primarily from its principal activity of care delivery.

All turnover and profit before taxation arose within the United Kingdom and from one class of business.

### **3 Profit before taxation**

Profit before taxation is stated after charging:

	2016	2015
	£'000	£'000
Staff costs (note 5)	2,493	2,206
Depreciation of tangible assets:		
Owned	422	373
Leased	10	7
Operating lease rentals - other	19	3
Loss on disposal of fixed assets (note 6)	918	-

The remuneration of the auditors of £15,000 (2015: £1,000) in relation to the audit was borne by another group undertaking in the prior year.

### **4 Remuneration of directors**

During the year, no Director received any emoluments (2015 - £NIL) for any qualifying services provided to this company.



# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **5 Staff numbers and costs**

The average monthly number of persons employed by the company (including directors) during the year, analysed by activity, was as follows:

	2016	2015
	Number	Number
Analysis by activity:		
Nursing	77	112
Administrative	18	6
	95	118

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	2,288	2,031
Social security costs	192	163
Other pension costs (note 0)	13	12
	2,493	2,206

### **6 Loss on disposal of fixed assets**

During the year, land was disposed of as part of a sale and leaseback transaction.

	2016	2015
	£'000	£'000
Proceeds	1,615	-
Net book value	(2,533)	-
Loss on disposal	(918)	-

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

**Notes to the financial statements for the year ended 31 December 2016**

**7 Interest receivable**

	2016	2015
	£'000	£'000
Interest receivable on loan notes	11	-

**8 Interest payable and similar charges**

	2016	2015
	£'000	£'000
On finance leases and hire purchase contracts	3	3

**9 Tax on profit**

	2016	2015
	£'000	£'000
UK corporation tax:		
Current tax charge arising in the year	224	127
Adjustments in respect of prior years	-	1
<b>Total current tax</b>	<b>224</b>	<b>128</b>
Deferred tax:		
Origination and reversal of timing differences	119	33
Impact of rate changes	(494)	(338)
Adjustments in respect of prior years	(143)	(3)
<b>Total deferred tax</b>	<b>(518)</b>	<b>(308)</b>
<b>Total tax credit</b>	<b>(295)</b>	<b>(180)</b>

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **9 Tax on profit (continued)**

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 20.25%). The actual tax credit (2015: credit) for the year is higher (2015: higher) than the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Profit before taxation	621	1,199
Tax on profit at standard rate	124	243
Factors affecting charge for the year:		
Depreciation of non-qualifying assets	216	38
Group relief surrendered / (claimed)	(170)	-
Short term timing differences	-	(37)
Transfer pricing adjustments	194	(75)
Impact of rate change	(165)	(347)
Adjustment in respect of prior years	(494)	(2)
<b>Total tax credit for the year</b>	<b>(295)</b>	<b>(180)</b>

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 20% (2015: 20.25%).

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 December 2016.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **10 Property, plant and equipment**

	Land and buildings £'000	Assets under construction £'000	Furniture and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2016	20,496	12	1,888	29	22,425
Additions	2,475	-	469	52	2,996
Transfers	-	(12)	12	-	-
Disposals	(2,533)	-	(13)	(29)	(2,575)
<b>At 30 November 2016</b>	<b>20,438</b>	<b>-</b>	<b>2,356</b>	<b>52</b>	<b>22,846</b>
<b>Accumulated depreciation</b>					
At 1 January 2016	1,632	-	1,096	25	2,753
Charge for the year	270	-	151	10	431
Disposals	-	-	(13)	(27)	(40)
<b>At 30 November 2016</b>	<b>1,902</b>	<b>-</b>	<b>1,234</b>	<b>8</b>	<b>3,144</b>
<b>Net book amount</b>					
<b>At 31 December 2016</b>	<b>18,536</b>	<b>-</b>	<b>1,122</b>	<b>44</b>	<b>19,702</b>
<b>At 31 December 2015</b>	<b>18,864</b>	<b>12</b>	<b>792</b>	<b>4</b>	<b>19,672</b>

The net book value of assets held under finance leases is £44,000 (2015: 4,000) for motor vehicles and £18,536,000 (2015: NIL) for buildings.

The land element of Land and buildings was disposed of during the year as part of a sale and leaseback transaction. Therefore, the net book value of land not depreciated at 31 December 2016 is £NIL. (2015: £2.5m)

Bank loans of Elysium Healthcare Holdings 3 Limited are secured by a floating charge over the assets of the Company.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **11 Debtors: amounts falling due after more than one year**

	2016	2015
	£'000	£'000
Amounts owed by group undertakings	8,433	-
	8,433	-

Amounts owed by group undertakings were unsecured, bore interest at LIBOR plus 5.25% per annum and are repayable in December 2031.

### **12 Debtors: amounts falling due within one year**

	2016	2015
	£'000	£'000
Amounts due within one year:		
Trade debtors	519	358
Prepayments and accrued income	80	6
	599	364

### **13 Stock**

	2016	2015
	£'000	£'000
Medical drugs and catering supplies	-	1
	-	1

Stock recognised in cost of sales during the year as an expense was £1,000 (2015: £NIL).

An impairment loss of £NIL (2015: £NIL) was recognised in cost of sales against stock during the year.

# **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

## **Notes to the financial statements for the year ended 31 December 2016**

### **14 Creditors: amounts falling due within one year**

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	4,449	134
Group relief payable	-	128
Obligations under finance lease contracts (note 15)	242	5
Taxation and social security	286	47
Other creditors	42	33
Accruals and deferred income	159	185
	<b>5,178</b>	<b>532</b>

Obligations under finance lease contracts are secured against the leased assets.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### **15 Creditors: amounts falling due after more than one year**

	2016	2015
	£'000	£'000
Obligations under finance leases	6,700	-

Obligations under finance lease contracts are secured against the leased assets.

**Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

**Notes to the financial statements for the year ended 31 December 2016**

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

**Long term lease creditors**

Finance leases are repayable as follows:

**Minimum lease payments**

	2016	2015
	£'000	£'000
Within one year	242	5
In the second to fifth years inclusive	925	-
After five years	27,757	-
Less: future finance charges	(21,982)	-
Present value of lease obligations	6,942	5

**Present value of minimum lease payments**

	2016	2015
	£'000	£'000
Within one year	242	5
In the second to fifth years inclusive	939	-
After five years	5,761	-
Present value of lease obligations	6,942	5

**Finance lease creditors**

	2016	2015
	£'000	£'000
Within one year	242	5
After more than one year	6,700	-
	6,942	5

## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Notes to the financial statements for the year ended 31 December 2016**

#### **16 Provisions for liabilities**

	<b>Deferred tax</b>
	<b>£'000</b>
At 1 January 2016	3,070
Credited to the profit and loss account	(518)
<b>At 31 December 2016</b>	<b>2,552</b>

An analysis of deferred tax liabilities is as follows:

	<b>Accelerated capital allowances £'000</b>	<b>Capital gains/ (losses) £'000</b>	<b>Total £'000</b>
At 1 January 2016	150	2,920	3,070
Credit for the year	(356)	(162)	(518)
<b>At 31 December 2016</b>	<b>(206)</b>	<b>2,758</b>	<b>2,552</b>

#### **17 Called up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 (2015: 1,000) ordinary shares of £1 each	1,000	1,000
<b>Issued and fully paid</b>		
2 (2015: 2) ordinary shares of £1 each	2	2

The Company has one class of ordinary shares which carry no right to fixed income.

#### **Reserves**

##### **Profit and loss account**

The profit and loss account includes all current and prior period retained profit and losses.

##### **Merger reserve**

The merger reserve arose as a result of intragroup reorganization.



## **Elysium Healthcare No. 4 Limited (formerly Speciality Care (Care Homes) Limited)**

### **Notes to the financial statements for the year ended 31 December 2016**

#### **18 Commitments**

At 31 December 2016, the company had capital commitments, for which no provision has been made, of £2,000 (2015: £8,000).

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016		2015	
	Land	Other	Land	Other
	£'000	£'000	£'000	£'000
Within one year	54	-	-	2
In the second to fifth years inclusive	217	-	-	3
In over five years	6,501	-	-	-
	6,772	-	-	5

Operating lease payments represent rentals payable by the Company for the land on which its buildings are located. The leases were negotiated in the year for a term of 125 years.

#### **19 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £13,000 (2015: £12,000).

As at 31 December 2016, there were outstanding contributions of £6,000 (2015: £2,000) included in accruals.

#### **20 Ultimate parent company and controlling party**

The immediate parent undertaking is Elysium Healthcare No. 3 Limited.

The ultimate parent undertaking is P Health S.A.R.L., a company incorporated in Luxembourg which is controlled by funds advised by BC Partners LLP. The Directors consider there is no ultimate controlling related party.

The largest group in which the results of the Company are consolidated is that headed by Elysium Healthcare Holdings 1 Limited, incorporated in England and Wales. The smallest group in which the results of the Company are consolidated is that headed by Elysium Healthcare Holdings 2 Limited, incorporated in England and Wales. The address of the registered office of Elysium Healthcare Holdings 1 Limited and Elysium Healthcare Holdings 2 Limited is: 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN, where the consolidated financial statements of the Elysium Healthcare Holdings 1 Limited group and the Elysium Healthcare Holdings 1 Limited group may be obtained.