

Parent of
ELYSIUM HEALTHCARE
PROPERTY 5 LIMITED 5852377

Registered number: 10419351

Elysium Healthcare Holdings 2 Limited

Directors' report and financial statements

For the year ended 31 December 2017



Elysium Healthcare Holdings 2 Limited
Company Information

Directors	Joy Chamberlain Mark Robson (<i>appointed 7 August 2017</i>)
Company secretary	Sarah Livingston
Registered number	10419351
Registered office	2 Imperial Place Maxwell Road Borehamwood Hertfordshire WD6 1JN United Kingdom
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ United Kingdom

Elysium Healthcare Holdings 2 Limited

Contents

	Page
Group strategic report.....	1
Directors' report	8
Directors' responsibilities statement	10
Independent auditor's report.....	11
Consolidated profit and loss account.....	14
Consolidated balance sheet	15
Company balance sheet	16
Consolidated statement of changes in equity	17
Company statement of changes in equity	17
Consolidated statement of cash flows	18
Notes to the financial statements	20

Elysium Healthcare Holdings 2 Limited

Group strategic report For the year ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017. This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Group Limited and its subsidiary undertakings when viewed as a whole.

Principal activities

The principal activities of the group of companies owned by Elysium Healthcare Holdings 2 Limited ('the Group') are 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. The principal activity of the Company during the year was to act as a holding company.

The Group is ultimately owned and controlled by funds advised by BC Partners whose majority holding is owned by P Health S.à.r.l. These consolidated statutory accounts for the year ending 31 December 2017 have been prepared for Elysium Healthcare Holdings 2 Limited to satisfy banking obligations. The Group's immediate parent company, Elysium Healthcare Holdings 1 Limited has prepared consolidated statutory accounts for the same year.

Business ownership

As at 31 December 2017, senior managers of the Group held 14.46% of the equity interest in one of the intermediate parent companies, Elysium Healthcare Group.

The equity funding in Elysium Healthcare Group Limited, is split between preference and ordinary share capital, with the ordinary capital being designated A ordinary shares, B ordinary shares and C ordinary shares for ownership identification. A and B ordinary shares have a nominal value of £0.01, and the C ordinary shares have a nominal value of £1.00. Elysium Healthcare Group Limited is a subsidiary of P Health S.à.r.l and the immediate parent of Elysium Healthcare Holdings 1 Limited, which is itself the immediate parent of Elysium Healthcare Holdings 2 Limited.

Shareholdings of Elysium Healthcare Group Limited

Number of shares (% of total)	Management		BC Partners		Total	
	('000)	%	('000)	%	('000)	%
A ordinary shares	4,034	0.2	2,141,123	99.8	2,145,157	100
B ordinary shares	126,943	100	-	-	126,943	100
C ordinary shares	231,000	100	-	-	231,000	100
<hr/>						
Total	361,977	14.46	2,141,123	85.54	2,503,100	100

Business review

On 1 December 2016 the intermediate parent company Elysium Healthcare Group Limited via its' subsidiaries acquired 100% of the issued share capital of Elysium Healthcare Limited (formerly known as *Partnership in Care (2016) Limited*), Elysium Healthcare No.2 Limited (formerly known as *Priory Secure Services Limited*) and Elysium Healthcare No.3 Limited (formerly known as *Craegmoor Hospitals Limited*) together with its' subsidiary entities from Acadia Inc and therefore took over the operations of 22 sites providing mental health services predominantly to the NHS in England and Wales.

During 2017, an additional six acquisitions were made by the Group and one development site opened, adding an additional 23 sites to the Group. Further details of the acquisitions and opening are given below.

The year to 31 December 2017 has therefore been a period of extensive change across the Elysium network which included the integration of operations and the complete re-branding of the sites. Additionally, the necessary regulatory compliance, registration and clinical governance requirements were maintained. The Directors are therefore satisfied with the performance of the sites and the results of the business.

Elysium Healthcare Holdings 2 Limited

Group Strategic Report (continued) For the year ended 31 December 2017

The Group is now one of the largest providers of mental health, as well as neuro and complex community care services in the UK offering care and support to 1,214 patients (2016 – 786 patients) across 45 trading sites (2016 – 22 sites). The Group's turnover was principally derived from the provision of mental health and other services to individuals for varying periods of stay that have been individually agreed and put in place with NHS England, Clinical Commissioning Groups ("CCGs") or NHS Wales. In addition and provided the Group hits certain performance and qualitative performance related criteria then NHS England will also provide commissioning for quality and innovation payments ("CQUIN").

All of the sites acquired in 2016 together with the majority of the sites acquired in 2017 have been successfully re-branded to Elysium Healthcare. The introduction of the Elysium brand across the sites has been well received by the Group's patients, staff and clinicians and involves not just a change to the look of the sites and facilities but also to their operation, by staff and clinicians aligned to a set of values. These values seek to put the patient and service user at the heart of all aspects of hospital life and to deliver individualised care which is evidenced based, so that they can move through pathways of care as their needs change. We are committed to making families and friends an active part in each patient's recovery process and helping all reach the end goal of more independent living.

All of our employees and clinicians are aligned to a set of values which are:

- Innovation,
- Empowerment,
- Collaboration,
- Integrity; and;
- Compassion.

In addition to the provision of a quality service to the patients base, the strategic aims of the Group and its shareholders are to acquire new businesses or to develop existing sites that allow the Group to expand its geographical reach across the UK whilst at the same being able to provide a continuous care pathway to patients and more diverse services.

In this respect the Directors are pleased with the progress made during 2017 and the potential for 2018. In February 2017 a brand new 75 bed medium and low secure and rehabilitation hospital was opened at Wellesley in Somerset and, in close co-operation with the local CCG's, by the year-end already had 33 patients in place. In addition two smaller units were opened in close proximity to two existing sites in Bromley and Atherton.

During the year ending December 2018 the Directors anticipate that at least an additional 4 new sites together with new ward extensions at up to 4 sites will be opened across the UK providing secure, CAMHS, rehabilitation and neurological services predominantly to the NHS in England and Wales.

In addition to these new site openings the Group has successfully acquired and integrated the following businesses into the Elysium network:

On 14 February 2017, the Group purchased the Raphael Health Care Group by acquiring the entire share capital of RHC Group (2012) Limited. This acquisition was partly financed by drawing down on an existing debt facility and using existing cash in the business.

On 12 April 2017, the Group purchased the entire share capital of Sunfleur Limited, the entire share capital of Sunflower Property S.à.r.l., the entire share capital of Adderley Green Care Centre Limited and the entire share capital of Badby Stoke (Care Homes) Property S.à.r.l. This acquisition was financed by third party bank debt.

On 10 August 2017 the Group purchased the entire share capital of Stanley House Limited. This acquisition was financed by intercompany Loan Notes.

On 11 August 2017 the Group purchased the entire share capital of Lighthouse Healthcare Group Limited. This acquisition was partly financed by intercompany Loan Notes and third party bank debt.

On 31 October 2017 the Group purchased the entire share capital of Broadham Care Limited. This acquisition was financed by third party bank debt.

Elysium Healthcare Holdings 2 Limited

Group Strategic Report (continued) For the year ended 31 December 2017

On 21 December 2017 the Group purchased the entire share capital of The Bridge Care Centre Limited, Darlington Neurological Care Centre Limited, Badby Stoke (Care Homes 2) Property S.à.r.l., Badby Properties (Middlesbrough) S.à.r.l. and Badby Properties (Darlington) S.à.r.l. These entities had originally been acquired by Elysium Healthcare Group Limited on 5 April 2017 and this acquisition was part of a Group reorganisation. Further details are set out in note 10 to the accounts. This acquisition was financed by inter-company Loan Notes.

Total consideration for all of these transactions was £168.4m.

The acquired sites provide a variety of mental health services, including acute, secure, CAMHS, rehabilitation and neurological services.

The Group and the individual financial statements of Elysium Healthcare Holdings 2 Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Consolidated income statement

The Group's results for the year are summarised below.

Summary Financial Results Period ended 31 December	2017 £m	2016 £m
Revenue	176.8	11.6
Operating result excluding exceptional items	9.3	(0.4)
Profit on disposal of land	-	2.5
Interest payable and similar expenses	(18.6)	(1.7)
Exceptional items	(9.9)	(0.4)
(Loss) / profit on ordinary activities before taxation	(19.2)	0.0

Revenue for the year of 12 months through to 31 December 2017 totaled £176.8 million (2016: 1 month: £11.6 million) and arose predominantly from provision of mental health services to patients for either NHS England or CCGs. At the end of the year the Group had 1,454 (2016: 911) beds available with an average occupancy of 82% (2016: 86%) over the year. The occupancy % is slightly lower than the previous year due to a number of new services opening which take time to reach mature levels of occupancy.

Gross margin for the Group for the year was 31.4% (2016: 27.1%) and is stated after all the hospital operating costs including staff and specialist costs.

Exceptional items for the year ended 31 December 2017 predominantly relate to professional fees paid in relation to the acquisitions, integration and pre-opening expenses and re-branding costs. Further details are given in note 7 to the accounts.

Elysium Healthcare Holdings 2 Limited

Group Strategic Report (continued) For the year ended 31 December 2017

Consolidated balance sheet

Goodwill and intangible assets amount to £339.8 million (2016 restated: £239.1 million) and the increase arose from the acquisition of the various business combinations detailed in the business review. Amounts ascribed to intangible assets acquired in 2016 through business combinations are determined by using appropriate valuation techniques, including estimated discounted future cash flows. The principal intangible assets recognised by the Group are the NHS contractual arrangements and customer relationships. These are both reflected in Goodwill in line with early adoption of the transitional provisions in Section 18 of FRS 102. Further details are provided in note 10 to the financial statements.

Property, plant and equipment of £192.6 million (2016: £116.6 million) include £163.6 million (2016: £92.2 million) in respect of land and buildings. During the year the Group acquired £86.1 million (2016: £153.8 million) of property, plant and equipment of which £65.6 million (2016: £153.0 million) was through its acquisition of subsidiaries, the fair value of which is based upon external professional valuation advice, and the remaining £20.5 million (2016: £0.8 million) was expenditure on other property, plant and equipment additions.

The Group financed the 2017 acquisitions through a mix of bank debt, shareholder debt and cash already in the business. In terms of bank debt commitments, at 31 December 2017 the Group had a term loan facility of £155.0 million (2016: £133.0 million), incremental facilities totalling £69.0 million (2016: £nil) acquisition facilities totalling £25.0 million (2016: £25.0 million) and a revolving facility commitment of £15.0 million (2016: £15.0 million). The terms of all facilities are to November 2023.

At 31 December 2017, borrowings, including shareholder debt and finance leases, totaled £417.3 million (2016: £305 million). Borrowings comprise £240.5 million (2016: £127.5 million) of bank debt as detailed above, net of unamortised arrangement fees. Shareholder borrowings comprise £27.8 million (2016: £31.7 million) of 10% loan notes and a £49.0 million (2016: £nil) intercompany loan which accrues interest at LIBOR plus 5.25%, the shareholder loans together include accrued interest of £3.1 million (2016: £0.7 million). The loan notes are not redeemable until November 2026. Finance lease creditors comprise of a present value of £101.1m (2016: £100.7m) repayable over 125 years from 2016. Further details of the finance lease arrangements are set out in note 1 to the accounts.

Consolidated cash flow statement

The operating cash generated before movements in working capital totaled £24.5m (2016: £1.0m) Cash generated from operations, including an intra-group loan repayment of £45m (2016: £nil) was negative £0.7 million (2016: positive £17.0 million).

The Group's acquisitions totaled £162.7m (2016: £333.3m) (net of cash acquired on the acquisition of the subsidiaries). An additional £20.5m (2016: £0.8m) was spent on the purchase of tangible fixed assets.

The investing activities were funded through a combination of shareholder loans and bank debt which totaled £184.0m (2016: £334.6m) After the servicing of external finance costs of £18.4m (2016: £6.5m), the repayment of borrowings of £5.3m (2016: £6.5m), the closing cash balance was £9.8 million (2016: £83.6 million).

Subsequent events

On 11 April 2018 the Group successfully re-financed its' bank debt. In place of facilities totaling £249m of term loan and £15m RCF, new facilities of £275m term "B" commitment and £55m of Revolving Credit Facility ("RCF") were put in place. The loans are repayable in April 2025. Interest is payable in arrears on the term facilities at a rate of LIBOR plus 5.25% per annum. £24m of term "B" commitment can only be drawn in the event of a specific acquisition which the Directors anticipate will be completed over the next 3 to 4 months. The terms of the B and RCF facilities require the Group to meet a certain leverage (EBITDA to bank loan) ratio for acquisitions to be made using these facilities.

Elysium Healthcare Holdings 2 Limited

Group Strategic Report (continued) For the year ended 31 December 2017

Principal risks and uncertainties

Regulatory risks

The results of the Group are subject to the regulatory environment and costs of compliance 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. The Group'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 Group is well placed to respond to and comply with regulatory changes through dedicated regulatory and compliance teams.

The Group receives, generates and stores volumes of personal data containing patients' personal and medical information. The Group 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. The Group believes that it has adequate safeguards in place to mitigate this risk.

NHS contracts

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

Doctors, Clinicians and other qualified staff

The Group 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 Group, apart from EU registered nurses whose qualification is not permitted in the UK without further training. The Directors recognise the importance of quality doctors, clinicians for ensuring the continued success of the Group. The Group 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 and clinicians in the future and the Group continues to monitor developments.

The Group 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.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market (including currency and interest rate risk) and inflation risk.

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the Group will rise with inflation and affect the Group's income. The rates paid under the terms of the Group'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 Group undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the Group seeks to rationalise its supplier base to benefit from its scale.

Elysium Healthcare Holdings 2 Limited

Group Strategic Report (continued) For the year ended 31 December 2017

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The nature of the Group's contracts with the NHS means that credit risk is minimised for a significant proportion of Group revenue.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Group's reputation.

The Group regularly monitors its cash flow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. Further details of the Group's bank facilities and other borrowings are set out in note 18.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's income or costs. The Group has policies and procedures in place to mitigate the impact of fluctuations in interest rates and, in particular, to provide reasonable certainty over the Group's cash flows, through the use of, for example, derivative financial instruments such as interest rate swaps.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

KPIs – financial and non-financial

The KPIs set out in the table below 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.

KPIs		
Period ended 31 December	2017	2016
Revenue (£'m)	176.8	11.6
Operating loss	(0.6)	(0.8)
Gross profit margin (%)	31.4%	27.1%
Number of operating sites	45	21
Number of sites in development	4	1
Net bank debt (£'m)	240.5	127.5
Available beds	1,454	911
Occupancy*	86.2%	86.5%
Adjusted EBITDAR**	35,723	1,511

* Occupancy as measured at mature, fully-operational sites.

** A reconciliation of operating loss to Earnings Before Interest, Tax, Depreciation, Amortisation and Rent ("EBITDAR") is set out in note 7 to the accounts.

Elysium Healthcare Holdings 2 Limited

**Group Strategic Report (continued)
For the year ended 31 December 2017**

Future outlook & strategy

The Directors believe that the Group continues to be well positioned to take advantage of further opportunities. *In particular, the Group will continue 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 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.

Approved by the Board and signed on its behalf by:



WHM Robson
Director
27 April 2018

Elysium Healthcare Holdings 2 Limited

Directors' report For the year ended 31 December 2016

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the Group. The going concern requirements are set out in Note 1 to the accounts – basis of preparation.

Dividends

The directors do not recommend the payment of a dividend (2016: £NIL).

Directors

The Directors who served during the year and up to the date of signing the financial statements were as follows:

Joy Chamberlain

Quazi Haque (resigned 30 November 2017)

Mark Robson (appointed 7 August 2017)

Employee involvement

The Group 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 Group 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 Group.

In addition to complying with the requirements of the Equality Act 2010, the Group 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 Group will attempt to ensure they remain in employment by making reasonable adjustment to accommodate their disability.

Elysium Healthcare Holdings 2 Limited

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

Independent Auditors

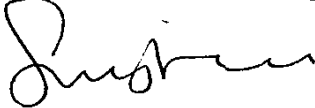
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Sarah Livingston
Company secretary

Elysium Healthcare Holdings 2 Limited

Directors' responsibilities statement For the year ended 31 December 2017

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 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 year.

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
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Elysium Healthcare Holdings 2 Limited

Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Elysium Healthcare Holdings 2 Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Elysium Healthcare Holdings 2 Limited

Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Elysium Healthcare Holdings 2 Limited

Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited (continued)

Report on other legal and regulatory requirements

Opinions 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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.



Emma Cox, BA ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 April 2018

Date

Elysium Healthcare Holdings 2 Limited

**Consolidated profit and loss account
For the year ended 31 December 2017**

		Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
	Note		
Turnover	2	176,806	11,607
Cost of Sales		(121,303)	(8,459)
Gross profit		55,503	3,148
Administrative expenses (including operating exceptional costs of £9,931,000, 2016: £394,000)	7	(56,145)	(3,945)
Operating loss	3	(642)	(797)
Profit on disposal of land	7	-	2,542
Interest payable and similar expenses	8	(18,612)	(1,734)
(Loss) / profit on ordinary activities before taxation		(19,254)	11
Tax credit on profit	9	4,509	29
(Loss) / profit for the year		(14,745)	40

There were no recognised gains and losses for the year other than those included in the consolidated profit and loss account.

All amounts related to continuing operations.

The notes on pages 20 to 48 form part of these financial statements.

Elysium Healthcare Holdings 2 Limited

Registered number: 10419351

**Consolidated balance sheet
As at 31 December 2017**

		2017 £'000	2016 Restated Note 1 £'000
Fixed assets	Note		
Intangible assets	10	339,872	239,131
Tangible assets	11	192,583	116,573
Derivative financial instruments	12	1,128	-
Current assets			
Stocks	14	252	89
Debtors	16	31,142	16,689
Cash at bank and in hand		9,801	83,606
		<u>41,195</u>	<u>100,384</u>
Creditors: amounts falling due within one year	17	<u>(23,502)</u>	<u>(78,471)</u>
Net current assets		17,693	21,913
Total assets less current liabilities		<u>551,276</u>	<u>377,617</u>
Creditors: amounts falling due after more than one year	18	(414,925)	(256,590)
Provisions for liabilities	19	<u>(72,421)</u>	<u>(62,352)</u>
Net assets		<u><u>63,930</u></u>	<u><u>58,675</u></u>
Capital and reserves			
Called up share capital	21	78,635	58,635
Profit and loss account	22	<u>(14,705)</u>	<u>40</u>
Shareholders' funds		<u><u>63,930</u></u>	<u><u>58,675</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2018



WHM Robson
Director

The notes on pages 20 to 48 form part of these financial statements.

Elysium Healthcare Holdings 2 Limited

Registered number: 10419351

**Company balance sheet
As at 31 December 2017**

	Note	31 December 2017 £'000	31 December 2016 £'000
Non current assets			
Investments	13	78,635	58,635
Debtors	15	76,778	31,664
Current liabilities			
Creditors	17	(89)	-
Total assets less current liabilities		<u>155,324</u>	<u>90,299</u>
 Creditors: amounts falling due after more than one year	 18	 (76,778)	 (31,664)
Net assets		<u><u>78,546</u></u>	<u><u>58,635</u></u>
 Capital and reserves			
Called up share capital	21	78,635	58,635
Profit and loss account	22	(89)	-
Shareholders' funds		<u><u>78,546</u></u>	<u><u>58,635</u></u>

The loss for the financial year dealt with in the financial statements of the parent Company was £89,027 (2016: £NIL).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2018



WHM Robson
Director

The notes on pages 20 to 48 form part of these financial statements.

Elysium Healthcare Holdings 2 Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 10 October 2016	-	-	-
Shares issued in the period	58,635	-	58,635
Profit for the period	-	40	40
At 31 December 2016	58,635	40	58,675
Shares issued in the year	20,000	-	20,000
Loss for the year	-	(14,745)	(14,745)
At 31 December 2017	<u>78,635</u>	<u>(14,705)</u>	<u>63,930</u>

**Company statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 10 October 2016	-	-	-
Shares issued in the period	58,635	-	58,635
Result for the period	-	-	-
At 31 December 2016	58,635	-	58,635
Shares issued in the year	20,000	-	20,000
Loss for the year	-	(89)	(89)
At 31 December 2017	<u>78,635</u>	<u>(89)</u>	<u>78,546</u>

Elysium Healthcare Holdings 2 Limited

**Consolidated statement of cash flows
For the year ended 31 December 2017**

		Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
	Note		
Cash flows from operating activities			
(Loss) / profit for the financial year		(14,745)	40
Adjustments for:			
Depreciation of property, plant and equipment	11	10,146	840
Amortisation of intangible assets	10	15,016	1,006
Interest expense	8	18,612	1,734
Profit on the sale of tangible fixed assets	7	-	(2,542)
Unrealised gain on financial instruments		(1,128)	-
Taxation	9	(4,509)	(29)
Operating cash flow before movement in working capital		23,392	1,049
Increase in trade and other receivables		(11,004)	(4,568)
Increase in inventories		(141)	-
(Decrease) / increase in payables		(11,620)	20,575
Income taxes paid		(2,469)	-
Cash (used in) / generated from operating activities		(1,842)	17,057
Cash flows from investing activities			
Acquisition of subsidiaries' assets excluding cash		(171,968)	(337,122)
Cash acquired on acquisition of subsidiaries		5,663	3,789
Purchases of tangible fixed assets	11	(20,533)	(792)
Proceeds from sale of land		-	38,897
Net cash used in investing activities		(186,838)	(295,228)
Cash flows from financing activities			
Issue of ordinary share capital		20,000	58,635
Repayment of borrowings		(50,746)	(67,015)
Finance leases entered into during the period		568	100,703
Repayment of finance leases		(217)	(29)
Interest paid		(14,494)	(999)
Finance fees paid		(4,223)	(5,518)
Proceeds from new borrowings		163,987	276,000
Net cash from financing activities		114,875	361,777
Net (decrease) / increase in cash and cash equivalents		(73,805)	83,606
Cash and cash equivalents at beginning of the period		83,606	-
Cash and cash equivalents at end of the period		9,801	83,606

Elysium Healthcare Holdings 2 Limited

Consolidated statement of cash flows (continued)
For the year ended 31 December 2017

Net debt reconciliation

	Interest rate swap derivative	Borrowings	Finance lease creditor	Net debt
	£'000	£'000	£'000	£'000
At 10 October 2016	-	-	-	-
Issue of borrowings	-	276,000	-	276,000
Proceeds from financing of buildings	-	-	100,703	100,703
Finance leases on acquisition	-	-	66	66
Repayment of borrowings	-	(67,015)	-	(67,015)
Repayment of finance leases	-	-	(29)	(29)
Financing fees paid	-	(5,518)	-	(5,518)
Non cash movements				
Amortisation of finance fees	-	70	-	70
Interest on borrowings	-	664	-	664
At 31 December 2016	-	204,201	100,740	304,941
Issue of borrowings	-	163,987	-	163,987
Acquisition of new finance leases	-	-	568	568
Repayment of borrowings	-	(50,746)	(217)	(50,963)
Financing fees paid	-	(4,223)	-	(4,223)
Non cash movements				
Fair value gains and (losses)	(1,128)	-	-	(1,128)
Amortisation of finance fees	-	1,225	-	1,225
Interest on borrowings (unpaid)	-	2,893	-	2,893
At 31 December 2017	(1,128)	317,337	101,091	417,300

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies

General information and basis of accounting

Elysium Healthcare Holdings 2 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 Company's registered office is: 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN.

The Company is the holding company of Elysium Healthcare Holdings 3 Limited and its subsidiaries (collectively, the 'Group'). The principal activity of the Company during the year was to act as a holding company. The principal activities of the Group are the provision of mental health services, including acute, secure, CAMHS, rehabilitation and neurological services predominantly to the NHS in England and Wales.

Statement of compliance

The Group and the individual financial statements of Elysium Healthcare Holdings 2 Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. All amounts in these financial statements are presented in thousands of pounds Sterling (£'000), unless otherwise stated.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement and remuneration of key management personnel.

For the year ending 31 December 2017 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
Elysium Healthcare Property 1 Limited	05406117
Elysium Healthcare Property 2 Limited	05406155
Elysium Healthcare Property 3 Limited	05613375
Elysium Healthcare Property 4 Limited	05852393
Elysium Healthcare Property 5 Limited	05852377
Elysium Healthcare Property 6 Limited	07467929

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

The Group has elected to early adopt the Triennial amendments in the current year. As a consequence of early adopting the Triennial amendments, there is no material impact to the consolidated financial statements.

(b) Adjustments to the cost of a business combination contingent on future events

During 2017, the provisional fair values attributable to the 2016 acquisition were finalised resulting in adjustments to the provisional fair values attributed in 2016. In the balance sheet, the effect has been to increase goodwill by £1.6m, decrease the CQC provision by £0.7m and decrease the legal provision by £0.9m. Note 10 and note 19 provide further details.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the Group.

The Group 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 despite the current uncertain economic outlook.

At the year end the Group had a cash balance of £9.8m as well as undrawn debt facilities, namely a £15m revolving credit facility. Drawn bank debt at 31 December 2017 is £240.5m. As set out in note 26, Post balance sheet events, on 11 April 2018, the Group successfully refinanced its banking facilities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The Group meets its day to day working capital requirements through cash generated from operations and its borrowing facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's available borrowing facilities can be found in the strategic report.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired are consolidated for the periods from the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations & goodwill

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is incorporated in goodwill.

Intangible assets acquired as part of a business combination in 2016 were measured at fair value at the acquisition date and amortised over its estimated useful economic life. As a result of GAAP guidance issued in 2017, intangible assets are no longer recognised on business combinations undertaken since 1 January 2017.

Goodwill, arising on the acquisition of subsidiary undertakings and businesses, represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Based upon the services provided, management have determined there to be one cash generating unit in respect of the business combinations during the financial year so all goodwill has been allocated as such.

Goodwill is amortised on a straight line basis over its useful economic life, which is 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Intangible assets – customer relationships

Customer relationships are assets acquired as part of the 2016 business combination and are measured at fair value at the acquisition date. These assets have a finite useful life and are amortised in equal annual instalments over a period of 20 years which is their estimated useful economic life. For the acquisitions in the current year, the Directors decided to early adopt the FRC amendments published in December 2017 permitting the Company not to recognise customer relationships separately from goodwill. As the transitional provisions make it clear that changes in the recognition of intangible assets acquired in a business combination must take place prospectively, there has been no restatement for past business combinations.

Turnover

Turnover 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. Turnover received in advance is included in deferred income until the service is provided. Turnover in respect of services provided but not yet invoiced by the year end is included within accrued income.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Tangible Fixed Assets

Tangible assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided and recognised in the profit and loss account on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	- 50 years
Leasehold land and buildings	- term of lease
Plant and machinery	- 7 to 10 years straight line
Motor vehicles	- 4 years straight line
Fixtures & fittings	- 5 to 10 years straight line
Computer equipment	- 3 to 7 years straight line

Assets in the course of construction represent the direct costs of purchasing, constructing and installing property, plant and equipment ahead of their productive use.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Financial instruments (continued)

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when:

- a) the contractual rights to the cash flows from the financial asset expire or are settled,
- b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the Group and Company balance sheet, investments in subsidiaries are measured at cost less impairment.

(iii) Debtors

Debtors 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, and are assessed for indicators of impairment at each balance sheet date.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(v) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Leases

In 2016 the Group entered into a number of sale and leaseback arrangements for the disposal of the freehold land 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 resulting profit arising on the disposal of the freehold land was recognised in exceptional items. The apportionment of the disposal proceeds between the freehold land interests and the buildings was based upon external professional valuation advice and upon which the fair values were based at the time the Group acquired its' interest in the subsidiary undertakings.

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Leases (continued)

lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

(i) Non-Financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

(ii) Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference 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.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Stocks

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

Taxation

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

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 on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Borrowing costs

All borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Employee benefits

The Group 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 recognised as an expense in the period in which the service is received.

(ii) Pensions

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Group in independently administered funds.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies (continued)

Exceptional items

Exceptional items represent items of income or expenditure which individually, or in aggregate, are of exceptional size, and in the directors' judgement should be presented separately to give a clearer understanding of the group's trading performance.

Details of exceptional items are disclosed in note 7 to the accounts.

Critical accounting judgements

In preparing the financial statements, the Directors are required to make significant judgements concerning the future. The principle areas of the financial statements where judgements have been made are:

(i) Exceptional items

The directors apply judgement in deciding the presentation of exceptional items by virtue of the nature of the expenditure involved.

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 principal areas of the financial statements where estimates have been made are:

(i) Impairment of goodwill

At each reporting date, goodwill is tested for impairment, along with intangible assets and tangible assets. The key estimation uncertainty in relation to whether there is an indication of impairment is due to a number of factors which must be considered, including an estimate of the future economic benefits that can be delivered from the cash generating unit, the growth rates applied, and the selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

2. Turnover

The whole of turnover is attributable to the provision of healthcare services undertaken in the United Kingdom, therefore there is only one class of business.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

3. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Depreciation of tangible fixed assets	10,146	840
Amortisation of intangible fixed assets	15,015	1,006
Operating lease rentals	<u>1,272</u>	<u>69</u>

4. Auditors' remuneration

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	340	481
Fees payable to the Group's auditor for the non-audit services	<u>1,407</u>	<u>-</u>
	<u>1,747</u>	<u>481</u>

5. Employees

Staff costs, including Directors' remuneration, were as follows:

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Wages and salaries	89,837	5,854
Social security costs	8,421	549
Cost of defined contribution scheme	<u>1,281</u>	<u>91</u>
	<u>99,539</u>	<u>6,494</u>

The average monthly number of employees, including directors during the period was as follows:

	Year ended 31 December 2017 No.	Period 10 October to 31 December 2016 No.
Operations	2,852	2,028
Administration	<u>438</u>	<u>473</u>
	<u>3,290</u>	<u>2,501</u>

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

6. Directors' remuneration

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Directors' emoluments	726	55
Company contributions to defined contribution pension schemes	<u>9</u>	<u>2</u>

During the year retirement benefits were accruing to 1 (2016: 1) Director in respect of defined contribution pension schemes.

The highest paid Director in the year received remuneration of £361,774 (2016: £33,080) and no accrued pension provision (2016: £nil).

7. Exceptional items

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Recognised in arriving at operating profit:		
Professional fees and costs incurred on integration activities	4,360	219
Rebranding expenses	489	126
Staff costs: redundancy and restructuring	1,267	
Pre-opening costs on new sites	1,425	49
Professional fees in respect of abandoned acquisitions	<u>2,390</u>	
	9,931	394
Recognised below operating profit:		
Profit on disposal of land	<u>-</u>	<u>2,542</u>
	-	2,542
	<u>9,931</u>	<u>2,936</u>

On 1 December 2016 the Group initially took over the operations of 22 sites and during the year ended 31 December 2017, an additional five acquisitions were made by the Group and one development site opened, adding an additional 23 sites to the Group.

The year to 31 December 2017 has therefore been a period of extensive change across the Elysium network which included the integration of operations. Costs classified as exceptional include the salary costs of personnel undertaking integration activities, IT set-up, staff training and the complete re-branding of the sites. The acquisition programme has also led to staff redundancies and restructuring costs being incurred. As part of the growth programme the Group incurs set-up and pre-opening costs on greenfield and new developments up until the point patients are first admitted to new wards.

The Group has also incurred professional fees on potential acquisitions that were ultimately aborted.

The profit on disposal of land relates to 21 sale and leaseback arrangements that were entered into during 2016. See the accounting policy on leases in note 1.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

7. Exceptional items (continued)

Due to the size of these costs, the directors have presented them separately in the profit and loss account to enable users of the financial statements to understand the Group's financial performance.

A reconciliation of operating loss to Earnings Before Interest, Tax, Depreciation, Amortisation and Rent ("EBITDAR") is set out below:

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Operating loss	(642)	(797)
Exceptional costs	9,931	394
Depreciation	10,146	839
Amortisation	15,016	1,006
EBITDA	34,451	1,442
Rent	1,272	69
EBITDAR	35,723	1,511

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

8. Interest payable and similar expenses

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Interest payable on bank loan	10,634	825
Interest on loan notes	3,727	664
Interest payable on finance leases	3,352	175
Finance fees	1,225	70
Gain on interest hedging	(1,128)	-
Other interest	802	-
	<u>18,612</u>	<u>1,734</u>

The finance fees relate to the amortisation of loan facility fees to finance investments in subsidiaries.

9. Taxation

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
Current tax		
UK corporation tax	440	10
Adjustments in respect of prior periods	<u>(1,638)</u>	<u>-</u>
	<u>(1,197)</u>	<u>10</u>
Deferred tax		
Origination and reversal of timing differences	(3,269)	(39)
Adjustments in respect of prior periods	<u>(43)</u>	<u>-</u>
Total deferred tax	<u>(3,312)</u>	<u>(39)</u>
Taxation credit on profit on ordinary activities	<u>(4,509)</u>	<u>(29)</u>

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 19.25% (2016: 20%).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change was to reduce the main rate to 17% from 1 April 2020. The change to 17% from 1 April 2020 had been substantively enacted at the balance sheet date so its effects are included in these financial statements and the Company's deferred tax balances have been restated to reflect their expected unwind at 17% rather than the rate of 18% expected at the previous balance sheet date.

During the year beginning 1 January 2018 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge by £1,080,000 as a result of the projected reversal of accelerated capital allowances, short term timing differences and utilisation of losses carried forward.

There is no expiry date on timing differences, unused tax losses or tax credits.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

9. Taxation (continued)

	Year ended 31 December 2017 £'000	Period 10 October to 31 December 2016 £'000
(Loss) / profit on ordinary activities before tax	<u>(19,254)</u>	<u>11</u>
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(3,706)	2
Effects of:		
Expenses not deductible for tax purposes	(386)	(53)
Adjustments in respect of prior periods	(1,680)	-
Timing differences on fixed assets	562	(266)
Group relief claimed	35	-
Unrecognised deferred tax	366	-
Capital gains	-	469
Adjustments to tax rates	300	(157)
Other tax adjustments, reliefs and transfers	-	(25)
Total tax credit for the year	<u><u>(4,509)</u></u>	<u><u>(29)</u></u>

10. Intangible fixed assets

Group	Customer Relationships £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2017	128,400	113,288	241,688
Adjustment to prior year	-	(1,551)	(1,551)
At 1 January 2017 (restated)	<u>128,400</u>	<u>111,737</u>	<u>240,137</u>
Additions	-	115,757	115,757
At 31 December 2017	<u><u>128,400</u></u>	<u><u>227,494</u></u>	<u><u>355,894</u></u>
Amortisation			
At 1 January 2017	535	471	1,006
Charge for the period	<u>6,420</u>	<u>8,596</u>	<u>15,016</u>
At 31 December 2017	<u><u>6,955</u></u>	<u><u>9,067</u></u>	<u><u>16,022</u></u>
Net book value			
At 31 December 2017	<u><u>121,445</u></u>	<u><u>218,427</u></u>	<u><u>339,872</u></u>
At 31 December 2016 (restated)	<u><u>127,865</u></u>	<u><u>111,266</u></u>	<u><u>239,131</u></u>

On 14 February 2017, the Group purchased the Raphael Health Care Group by acquiring the entire share capital of RHC Group (2012) Limited. This acquisition was partly financed by drawing down on an existing debt facility of £22m and using existing cash in the business.

On 12 April 2017, the Group purchased the entire share capital of Sunfleur Limited, the entire share capital of Sunflower Property S.à.r.l., the entire share capital of Adderley Green Care Centre Limited

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

10. Intangible fixed assets (continued)

and the entire share capital of Badby Stoke (Care Homes) Property S.à.r.l. This acquisition was financed by third party bank debt.

On 10 August 2017 the Group purchased the entire share capital of Stanley House Limited. This acquisition was financed by intercompany Loan Notes.

On 11 August 2017 the Group purchased the entire share capital of Lighthouse Healthcare Group Limited. This acquisition was partly financed by intercompany Loan Notes and third party bank debt.

On 31 October 2017 the Group purchased the entire share capital of Broadham Care Limited. This acquisition was financed by third party bank debt.

On 21 December 2017 the Group purchased the entire share capital of Badby Stoke (Care Homes 2) Property S.à.r.l., The Bridge Care Centre Limited, Badby Properties (Middlesbrough) S.à.r.l., Darlington Neurological Care Centre Limited and Badby Properties (Darlington) S.à.r.l. This acquisition was financed by intercompany Loan Notes.

Total consideration for all of these transactions was £168m.

Restatement of prior year acquisition goodwill

During 2017, the provisional fair values attributable to the 2016 acquisition were finalised. In the balance sheet, the effect has been to increase goodwill by £1.6m, decrease the CQC provision by £0.7m and decrease the legal provision by £0.9m, as shown in note 18.

Acquisitions made in 2017

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	88,349	(22,726)	65,623
Stocks	22		22
Debtors	3,449	-	3,449
Cash	5,663	-	5,663
Creditors including provisions	(7,889)	(827)	(8,716)
Deferred tax	(2,735)	(10,654)	(13,389)
Net assets	<u>86,859</u>	<u>(34,207)</u>	<u>52,652</u>
Consideration			<u>168,409</u>
Goodwill			<u><u>115,757</u></u>

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

10. Intangible fixed assets (continued)

RHC Group (2012) Limited

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	32,049	(19,496)	12,553
Stocks	22		22
Debtors	175		175
Cash	(359)		(359)
Creditors including provisions	(718)	(66)	(784)
Deferred tax	(2,046)	(4,041)	(6,087)
Net assets	<u>29,123</u>	<u>(23,603)</u>	<u>5,520</u>
Consideration			<u>35,062</u>
Goodwill			<u>29,542</u>

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Sunflower Holding S.à.r.l. (part i)

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	14,990	(3,179)	11,811
Debtors	1,299		1,299
Cash	838		838
Creditors including provisions	(2,157)	(286)	(2,443)
Deferred tax	14	(1,027)	(1,013)
Net assets	<u>14,985</u>	<u>(4,492)</u>	<u>10,493</u>
Consideration			<u>36,997</u>
Goodwill			<u>26,504</u>

Stanley House Limited

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	3,809	2,864	6,673
Debtors	144		144
Cash	989		989
Creditors including provisions	(718)	(25)	(743)
Deferred tax	14	(329)	(315)
Net assets	<u>4,238</u>	<u>2,510</u>	<u>6,748</u>
Consideration			<u>13,464</u>
Goodwill			<u>6,716</u>

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

10. Intangible fixed assets (continued)

Lighthouse Healthcare Group Limited

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	21,439	(7,103)	14,336
Debtors	1,337		1,337
Cash	4,108		4,108
Creditors including provisions	(3,866)	(175)	(4,041)
Deferred tax	(508)	(3,005)	(3,513)
Net assets	<u>22,510</u>	<u>(10,283)</u>	<u>12,227</u>
Consideration			<u>49,498</u>
Goodwill			<u><u>37,271</u></u>

Broadham Care Limited

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	9,067	(1,200)	7,867
Debtors	64		64
Cash	87		87
Creditors including provisions	(427)	(225)	(652)
Deferred tax	(208)	(1,093)	(1,301)
Net assets	<u>8,582</u>	<u>(2,518)</u>	<u>6,064</u>
Consideration			<u>19,116</u>
Goodwill			<u><u>13,052</u></u>

Sunflower Holding S.à.r.l. (part ii)

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	6,995	5,388	12,383
Debtors	430		430
Cash	(0)		(0)
Creditors including provisions	(4)	(50)	(54)
Deferred tax	-	(1,159)	(1,159)
Net assets	<u>7,421</u>	<u>4,179</u>	<u>11,600</u>
Consideration			<u>14,272</u>
Goodwill			<u><u>2,672</u></u>

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

10. Intangible fixed assets (continued)

The acquisition of the Sunflower Holding S.à.r.l. group by Elysium Healthcare Holdings 2 Limited was carried out in two phases.

- (i) Sunflower Holding S.à.r.l. was acquired on 5 April 2017 by Elysium Healthcare Group Limited. On the 12 April 2017, Elysium Healthcare Holdings 3 Limited acquired the entire share capital of 5 of its subsidiaries (Sunfleur Limited, Badby Park Limited, Sunflower Property S.à.r.l., Adderley Green Care Centre Limited, Badby Stoke (Care Homes) Property S.à.r.l.) from Elysium Healthcare Group Limited.
- (ii) On 21 December 2017 as part of a group reorganisation, Elysium Healthcare Holdings 3 Limited acquired the entire share capital of the remaining subsidiaries of Sunflower Holding S.à.r.l. (Badby Stoke (Care Homes 2) Property S.à.r.l., The Bridge Care Centre Limited, Badby Properties (Middlesbrough) S.à.r.l., Darlington Neurological Care Centre Limited, Badby Properties (Darlington) S.à.r.l.)

Provisional fair value adjustments

Tangible fixed assets

A valuation of the Group's acquired freehold properties was carried out by professional valuation specialists resulting in its carrying value being reduced by £22.7m to £65.6m. The valuation was provided in accordance with the RICS valuation professional standards and was based on the market value with special assumption of vacant possession.

Creditors including provisions

A provision was required to provide for the costs to bring freehold properties up to the standards as required by CQC inspections, based on the state of properties as at date the properties were acquired by the Group, resulting in its carrying value being increased by £588k to £8.0m.

Deferred tax

This relates to deferred tax liabilities which were part of the net assets acquired in 2017, resulting in the carrying value being increased by £10.9m to £13.6m.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements

For the year ended 31 December 2017

11. Tangible fixed assets

Group	Fixtures and fittings £'000	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost						
At 1 January 2017	21,425	92,309	1,834	338	1,507	117,413
On acquisition of subsidiaries	697	62,701	1,762	185	278	65,623
Additions	1,845	13,522	3,012	226	1,924	20,528
Transfers between classes	1,677	(1,278)	(738)	83	256	-
Disposals	(876)	(27)	(19)	-	(23)	(945)
At 31 December 2017	24,768	167,227	5,851	832	3,942	202,619
Depreciation						
At 1 January 2017	88	151	557	11	33	840
Charge for the year	4,940	3,787	633	197	589	10,146
Transfers between classes	1,104	(333)	(766)	(2)	(3)	-
Disposals	(881)	(27)	(19)	-	(23)	(950)
At 31 December 2017	5,251	3,578	405	206	596	10,036
Net book value						
At 31 December 2017	19,517	163,649	5,446	626	3,346	192,583
At 31 December 2016	21,337	92,158	1,277	327	1,474	116,573

The net book value of Land and buildings at 31 December 2017 is £163,649,000 (2016: £92,158,000). Of this amount, £73,535,000 (2016: £467,000) is freehold and £90,114,000 (2016: £92,158,000) is long leasehold. Motor vehicles with a net book value of £99,000 (2016: £191,000) are held under finance leases.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements

For the year ended 31 December 2017

11. Tangible fixed assets (continued)

Group	Fixtures and fittings £'000	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost						
At 10 October 2016	-	-	-	-	-	-
On acquisition of subsidiaries	21,359	128,404	1,485	338	1,392	152,978
Additions	67	260	349	-	114	790
Disposals		(36,355)				(36,355)
At 31 December 2016	21,426	92,309	1,834	338	1,506	117,413
Depreciation						
At 10 October 2016	-	-	-	-	-	-
Charge for the period	88	151	557	11	33	840
At 31 December 2016	88	151	557	11	33	840
Net book value						
At 31 December 2016	21,338	92,158	1,277	327	1,473	116,573
At 10 October 2016	-	-	-	-	-	-

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

12. Derivative financial instruments

	Group 2017 £'000	Group 2016 £'000
Current assets		
Interest rate swap contracts	<u>1,128</u>	<u>-</u>

During the year the Group entered into fixed-to-floating interest rate swaps to hedge the interest rate risk arising where it has borrowed at floating rates. At 31 December 2017, the Group holds two interest rate swap contracts to swap LIBOR for a fixed rate. Both contracts are for a notional principal amount of £83.7 million, mature on 31 December 2021 and interest is fixed at 0.67%.

The fair value of the interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.

13. Fixed asset investments

Company	Investments in subsidiary companies £'000
Cost	
At 1 January 2017	58,635
Additions in the year	<u>20,000</u>
At 31 December 2017	<u>78,635</u>
Net book value	
At 31 December 2017	<u>78,635</u>
At 1 January 2017	<u>58,635</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
+ Elysium Healthcare Holdings 3 Limited	England and Wales	100%	Holding company
* Elysium Healthcare Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare No. 2 Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare No. 3 Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare No. 4 Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare LC Limited	England and Wales	100%	Holding company
* Elysium Healthcare Property 1 Limited	England and Wales	100%	Property holding company
* Elysium Healthcare Property 2 Limited	England and Wales	100%	Property holding company
* Elysium Healthcare Property 3 Limited	England and Wales	100%	Property holding company
* Elysium Healthcare Property 4 Limited	England and Wales	100%	Property holding company
* Elysium Healthcare Property 5 Limited	England and Wales	100%	Property holding company
* Elysium Healthcare Property 6 Limited	England and Wales	100%	Property holding company
* Raphael Health Care Group (2012) Limited	England and Wales	100%	Dormant
* Raphael Health Care Group Limited	England and Wales	100%	Dormant
* Raphael Health Care (Holding) Limited	England and Wales	100%	Dormant
* Broadham Care Limited	England and Wales	100%	Healthcare services
* Stanley House Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare (Farndon) Limited	England and Wales	100%	Healthcare services

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Country of	Holding	Principal activity
* Darlington Neurological Care Centre Limited	England and Wales	100%	Healthcare services
* The Bridge Care Centre Limited	England and Wales	100%	Dormant
* Elysium Neurological Services (Adderley) Limited	England and Wales	100%	Healthcare services
* Elysium Neurological Services Limited	England and Wales	100%	Holding company
* Elysium Neurological Services (Badby) Limited	England and Wales	100%	Healthcare services
* Lighthouse Healthcare Group Limited	England and Wales	100%	Holding company
* Elysium Healthcare (Lighthouse) Limited	England and Wales	100%	Holding company
* Elysium Healthcare (Acorn Care) Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare (Phoenix) Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare (Healthinc) Limited	England and Wales	100%	Healthcare services
* Elysium Healthcare (Field House) Limited	England and Wales	100%	Healthcare services
* Badby Properties (Darlington) S.à.r.l.	Luxembourg	100%	Property holding company
* Badby Properties (Middlesbrough) S.à.r.l.	Luxembourg	100%	Property holding company
* Badby Stoke (Care Homes) Property S.à.r.l.	Luxembourg	100%	Property holding company
* Badby Stoke (Care Homes 2) Property S.à.r.l.	Luxembourg	100%	Property holding company
* Sunflower Property S.à.r.l.	Luxembourg	100%	Property holding company

+ Held directly by Elysium Healthcare Holdings 2 Limited.

* Held indirectly by Elysium Healthcare Holdings 2 Limited.

All UK subsidiary undertakings have the same registered address: 2 Imperial Place, Maxwell Road, Borehamwood, WD6 1JN.

All Luxembourg subsidiary undertakings have the same registered address: 29 Avenue de la Porte Neuve, L-2227 Luxembourg, RCS Luxembourg, B 194.610.

14. Stocks

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Food, pharmaceuticals and other consumables	<u>252</u>	<u>-</u>	<u>89</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £5,194,206 (2016: £125,192).

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

15. Debtors: amounts falling due in greater than one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts owed by group undertakings	<u>-</u>	<u>76,778</u>	<u>-</u>	<u>31,664</u>
	<u>-</u>	<u>76,778</u>	<u>-</u>	<u>31,664</u>

The amounts owed by group companies is comprised of loan notes owed by Elysium Healthcare Holdings 3 Limited. The loan notes are unsecured and fall due on 30 November 2026. For tranche one of the loan notes (£27,779,000) interest is receivable at 10% per annum and for tranche two of the loan notes (£48,998,000) interest is receivable at LIBOR + 5.25%. For both tranches, interest accrues on a day to day basis and if unpaid, capitalised on the last day of each financial year. The loan notes fall due on the earlier of a sale or listing of the Group or the repayment date of 30 November 2026. The interest accrued at the end of the year totalled £3,059,000 (2016: £664,000).

16. Debtors: amounts falling due within one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	23,333	-	12,481	-
Prepayments	2,494	-	2,458	-
Accrued income	4,761	-	944	-
Other debtors	<u>554</u>	<u>-</u>	<u>806</u>	<u>-</u>
	<u>31,142</u>	<u>-</u>	<u>16,689</u>	<u>-</u>

17. Creditors: Amounts falling due within one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade creditors	4,079	-	439	-
Corporation tax	(695)	-	1,710	-
Other taxation and social security	3,063	-	2,315	-
Other creditors	2,663	-	15,339	-
Amounts owed to group companies	-	85	45,000	-
Short term lease creditors	3,484	-	3,352	-
Accruals and deferred income	<u>10,908</u>	<u>4</u>	<u>10,316</u>	<u>-</u>
	<u>23,502</u>	<u>89</u>	<u>78,471</u>	<u>-</u>

For 2017, amounts owed to group undertakings are owed to Elysium Healthcare Limited, an indirect subsidiary company. This amount is unsecured, interest free and repayable on demand.

For 2016, amounts owed to group undertakings were owed to Elysium Healthcare Holdings 1 Limited, the parent company. This amount is unsecured, interest free and repayable on demand.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

18. Creditors: Amounts falling due in greater than one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts owed to group companies	76,778	76,778	31,664	31,664
Long term lease creditors	97,607	-	97,388	-
Bank loan balance	248,985	-	132,985	-
Less: Unamortised loan costs	<u>(8,445)</u>	<u>-</u>	<u>(5,447)</u>	<u>-</u>
	<u>414,925</u>	<u>76,778</u>	<u>256,590</u>	<u>31,664</u>

The amounts owed by group companies is comprised of loan notes owed to Elysium Healthcare Holdings 1 Limited, the parent company. The loan notes are unsecured and fall due on 30 November 2026. For tranche one of the loan notes (£25,733,000) interest is payable at 10% per annum and for tranche two of the loan notes (£47,986,000) interest is payable at LIBOR + 5.25%. For both tranches, interest accrues on a day to day basis and if unpaid, capitalised on the last day of each financial year. The loan notes fall due on the earlier of a sale or listing of the Group or the repayment date of 30 November 2026. The interest accrued at the end of the year totalled £3,059,000 (2016: £664,000).

As at 31 December 2017, the Group has the following available borrowing facilities:

£155 million term "B" facility commitment

£25 million acquisition facility commitment

£15 million Revolving Credit Facility ('RCF'), and;

£69 million in incremental facilities

At the year end the term facility, the acquisition facility and the incremental facilities were fully drawn. Interest is payable in arrears on the term and incremental facilities at a rate of LIBOR plus 5.25% per annum and on the acquisition facility at a rate of LIBOR plus 4.50% per annum. The terms of the B and acquisition facilities require the Group to meet a certain leverage (EBITDA to bank loan) ratio for acquisitions to be made using these facilities.

The revolving credit facility was undrawn at 31 December 2017. Interest is payable in arrears on this facility at a rate of LIBOR plus 4.50% per annum.

All the facilities fall due for repayment on 30 November 2023 and are secured by a fixed and floating charge over the assets of the Group.

As described in Note 26, on 11 April 2018, the Group's debt facilities were re-financed.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

18. Creditors: Amounts falling due in greater than one year (continued)

Long term lease creditors

Finance leases are repayable as follows:

	Group 2017 £'000	Group 2016 £'000
Minimum lease payments		
Within one year	3,613	3,404
In the second to fifth years inclusive	13,876	13,614
After five years	<u>404,171</u>	<u>207,724</u>
Less: future finance charges	<u>(320,569)</u>	<u>(124,002)</u>
Present value of lease obligations	<u>101,091</u>	<u>100,740</u>
	Group 2017 £'000	Group 2016 £'000
Present value of minimum lease payments		
Within one year	3,484	3,352
In the second to fifth years inclusive	12,343	13,392
After five years	<u>85,264</u>	<u>83,996</u>
Present value of lease obligations	<u>101,091</u>	<u>100,740</u>
Finance lease creditors		
Within one year	3,484	3,352
After more than one year	<u>97,607</u>	<u>97,388</u>
	<u>101,091</u>	<u>100,740</u>

19. Provisions for liabilities

Group	CQC inspection obligations £'000	Legal claims £'000	Deferred tax £'000	Total £'000
At 1 January 2017	1,128	2,800	59,975	63,903
Adjustment to prior year	<u>(724)</u>	<u>(827)</u>	-	<u>(1,551)</u>
Revised provision	404	1,973	59,975	62,352
On acquisition of subsidiaries	587	-	13,618	14,206
Utilisation of provisions	<u>(207)</u>	<u>(618)</u>	<u>(3,312)</u>	<u>(4,137)</u>
At 31 December 2017	<u>784</u>	<u>1,355</u>	<u>70,281</u>	<u>72,421</u>

The deferred tax liability is made up as follows:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Accelerated capital allowances	747	-	238	-
Tax losses carried forward	-	-	(296)	-
Short term timing differences	46,791	-	36,900	-
Chargeable gains held/rolled over	<u>22,743</u>	<u>-</u>	<u>23,133</u>	<u>-</u>
	<u>70,281</u>	<u>-</u>	<u>59,975</u>	<u>-</u>

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

19. Provisions for liabilities (continued)

Provision for deferred tax

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

Legal claims

Legal claims exclude VAT on legal costs, and are made based on management estimates of the liability that is not covered by insurance.

CQC inspection obligations

The provision is required to provide for the costs to bring properties up to the standards as required by CQC inspections, based on the state of properties at the point the properties were acquired by the Group.

20. Financial instruments

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Financial assets				
Financial assets measured at fair value through profit or loss	1,128	-	-	-
Cash at bank and in hand	9,801	-	83,606	-
Financial assets measured at amortised cost	<u>24,328</u>	<u>76,778</u>	<u>14,398</u>	<u>31,664</u>
	<u>35,257</u>	<u>76,778</u>	<u>98,004</u>	<u>31,664</u>
 Financial liabilities measured at amortised cost	 <u>358,139</u>	 <u>76,867</u>	 <u>255,045</u>	 <u>31,659</u>
	<u>358,139</u>	<u>76,867</u>	<u>255,045</u>	<u>31,659</u>

Financial assets measured at fair value through profit or loss comprise interest rate swap derivatives.

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income and amounts owed by group undertakings

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, other loans, trade creditors, other creditors, lease creditors, taxation and social security, accruals and amounts owed to group undertakings.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

21. Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
78,634,500 (2016: 58,634,500) Ordinary shares of £1 each	<u>78,635</u>	<u>58,635</u>

The Company has one class of ordinary shares which carry no right to fixed income. During the year the Company allotted 20,000,000 (2016: 58,634,499) ordinary shares with a nominal value of £20,000,000 (2016: £58,634,499) for total consideration of £20,000,000 (2016: £58,634,499).

On 11 April 2018 the immediate parent company, Elysium Healthcare Holdings 1 Limited subscribed for an additional £17 million of ordinary share capital issued at par to provide funds for the Group's acquisition programme.

22. Reserves

Profit and loss account

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

23. Capital commitments

At 31 December 2017 the Group had capital commitments as follows:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Contracted for but not provided in these financial statements	<u>3,402</u>	<u>-</u>	<u>1,456</u>	<u>-</u>

Capital commitments relate to building or refurbishment projects which have been contracted for, but not yet received.

Elysium Healthcare Holdings 2 Limited

Notes to the financial statements For the year ended 31 December 2017

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1,280,292 (2016: £91,043). Contributions totaling £299,826 (2016: £265,665) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within 1 year	1,317	1,317	-	20
2-5 years	5,270	5,270	-	12
Greater than 5 years	157,767	158,096	-	-
	<u>164,354</u>	<u>164,683</u>	<u>-</u>	<u>32</u>

26. Post balance sheet events

On 11 April 2018 the Group successfully re-financed its' bank debt. In place of facilities totaling £249m of term loan and £15m RCF, new facilities of £275m term "B" commitment and £55m of Revolving Credit Facility ("RCF") were put in place. The loans are repayable in April 2025. Interest is payable in arrears on the term facilities at a rate of LIBOR plus 5.25% per annum. £24m of term "B" commitment can only be drawn in the event of a specific acquisition which the Directors anticipate will be completed over the 3 to 4 months. The terms of the B and RCF facilities require the Group to meet a certain leverage (EBITDA to bank loan) ratio for acquisitions to be made using these facilities.

On 23 April 2018, the Group acquired a rehabilitation hospital from CAS Behavioural Health Limited. The acquisition was financed by using existing cash in the business.

On 11 April 2018, the Group entered into a commitment to purchase the entire issued share capital of H&SCP Ann House Limited and H&SCP Gregory House Limited and the trading activities of two complex care homes operated by these companies. The acquisition was funded by the subscription of the ultimate parent company P Health S.à.r.l. for share capital in the immediate parent company, Elysium Healthcare Holdings 1 Limited.

The total consideration of these transactions was £15.2 million.

27. Related parties and related party transactions

The Group has subscribed to loan notes issued by the immediate parent undertaking during the year. The amount outstanding is disclosed in note 18.

The Directors of the Group received remuneration in respect of their duties, details are disclosed in note 6.

Elysium Healthcare Holdings 2 Limited

**Notes to the financial statements
For the year ended 31 December 2017**

28. Controlling party

The immediate parent undertaking is Elysium Healthcare Holdings 1 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.

At the year end the largest and smallest 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 address of the registered office of Elysium Healthcare Holdings 1 Limited is: 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN, where the consolidated financial statements of the Elysium Healthcare Holdings 1 Limited group may be obtained.