

Registered number: 10481896

Elysium Healthcare Holdings 1 Limited
(formerly known as Grenadier Midco 1 Limited)

Directors' report and financial statements

Period from 16 November 2016 to 31 December 2016

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Elysium Healthcare Holdings 1 Limited

Company Information

Directors

Joy Chamberlain (appointed 1 December 2016)
Quazi Haque (appointed 1 December 2016)
Mark Robson (appointed 7 August 2017)
Idriss Soumare (resigned 1 December 2016)
James Rivers (resigned 1 December 2016)
Matthew Tooth (resigned 1 December 2016)

Company secretary

Sarah Livingston

Registered number

10481896

Registered office

2 Imperial Place
Maxwell Road
Borehamwood
Hertfordshire
WD6 1JN

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Elysium Healthcare Holdings 1 Limited

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Elysium Healthcare Holdings 1 Limited

Group strategic report For the period ended 31 December 2016

The Directors present their strategic report for the period ended 31 December 2016.

Principal activities

The Company was incorporated on 16 November 2016 to facilitate the acquisition of various companies by BC Partners. The principal activity of the Company during the period was to act as a holding company. The principal activities of the group of companies owned by Elysium Healthcare Holdings 1 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 parent company is Elysium Healthcare Group Limited.

Business ownership

The Group is ultimately owned and controlled by funds advised by BC Partners LLP. Founded in 1986 BC Partners has grown and evolved into a leader in buy-outs, principally investing in larger businesses in the European region and selectively in North America and is currently advising funds totalling over €17 billion.

BC Partners' majority holding is owned by P Health S.à.r.l., an investment vehicle for BC Partners. As at 31 December 2016, senior managers of the Group held 10.58% of the equity interest in the ultimate parent company.

The equity funding in the ultimate parent company, 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.

Number of shares (% of total)	Management		BC Partners		Total	
	('000)	%	('000)	%	('000)	%
A ordinary shares	1,505	0.09	1,698,495	99.91	1,700,000	100
B ordinary shares	48,000	100 -	-	-	48,000	100
C ordinary shares	162,000	100 -	-	-	162,000	100
Total	211,505	11	1,698,495	89	1,910,000	100

Business review

On 1 December 2016 the ultimate 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 (including one site in development) providing mental health services predominantly to the National Health Service ('NHS') and in England and Wales.

These sites had previously been operated as part of the Partnerships in Care or Priory Groups, both groups having been previously acquired by Acadia Inc in 2014 and 2016 respectively. Following an investigation by the Competition and Markets Authority during 2016, the 22 sites were required to be sold.

The acquired sites provide a variety of mental health services, including acute, secure, CAMHS, rehabilitation and neurological services. The Group is now one of the largest providers of mental health services in the UK offering care and support to 786 patients.

Elysium Healthcare Holdings 1 Limited

Group Strategic Report (continued) For the period ended 31 December 2016

Following the acquisitions, all of the sites were re-branded to Elysium Healthcare, a change which 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 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.

The Group's main trading entities are Elysium Healthcare Limited, Elysium Healthcare No. 2 Limited, Elysium Healthcare No. 3 Limited and Elysium Healthcare No. 4 Limited.

In addition to the provision of a quality service to the patient 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 time being able to provide a continuous care pathway to patients and more diverse services.

In moving towards its strategic goals, the Elysium business since the end of the period has acquired:

- Raphael Healthcare, a specialist mental health services provider with 2 facilities in England;
- Badby Group, a specialist neuro disability care provider with 4 facilities in England;
- Stanley House, a specialist neurological provider in Herefordshire, thereby expanding the Group's neuro division following the Badby Group acquisition;
- Lighthouse Healthcare, a specialist learning disability and mental health provider bringing 11 new facilities to the Group across the Midlands and Wales.

Since the period end and in addition to the above acquisitions, the Group has already developed and opened the new facility in Wellesley, Somerset acquired from Acadia Inc. and during the financial year ended 31 December 2017 will open additional facilities in Middlesbrough and Briars Hay with sites in Wrexham and Darlington due to open in 2018.

The Group's turnover was principally derived from the provision of mental health services to the patients 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").

The period to 31 December was 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 and registration requirements were maintained. The Directors are therefore satisfied with the performance of the sites and the business.

The Group and the individual financial statements of Elysium Healthcare Holdings 1 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.

Elysium Healthcare Holdings 1 Limited

Group Strategic Report (continued) For the period ended 31 December 2016

Consolidated income statement

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

Summary Financial Results	2016
Period ended 31 December	£m
Revenue	11.6
Operating result excluding exceptional items	(0.4)
Profit on disposal of land	2.5
Interest payable and similar expenses	(1.7)
Other exceptional items	(0.4)
Profit on ordinary activities before taxation	0.0

Revenue for the period of 1 month through to 31 December 2016 totalled £11.6 million and arose predominantly from provision of mental health services to the patients for either NHS England or Clinical Commissioning Groups ("CCGs"). At the end of the period the Group had 911 beds available with an average occupancy of 86% over the period.

Gross margin for the Group for the period was 28.5% and is stated after all the hospital operating costs including staff and specialist costs. As seen across the care sector, the utilisation of agency and bank staff has increased and management are continuously monitoring the cost base to ensure the effective use of the Group's resources.

Exceptional items predominantly relate to a gain arising from a sale and leaseback transaction which is described in more detail in the balance sheet review. Other exceptional items are professional fees, pre-opening expenses and rebranding costs.

Consolidated balance sheet

Goodwill and intangible assets amount to £211.2 million and arose from the acquisition of the Elysium Healthcare Limited, Elysium Healthcare No.2 Limited and Elysium Healthcare No.3 Limited together with its subsidiary entities from Acadia Inc on 30 November 2016. Amounts ascribed to intangible assets acquired 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 & CCG contractual arrangements and customer relationships. Further details are provided in note 10 to the financial statements.

Property, plant and equipment of £117 million include £92.2 million in respect of land and buildings. During the period the Group incurred £0.8 million of additions.

The Group also entered into 21 sale and leaseback arrangements for the disposal of the freehold land and buildings and at the same time entered into a 125 year term finance lease for the buildings and an operating lease of the same term for the rental of the land. The profit arising on the disposal of land has been recognized in exceptional income with the apportionment made of the disposal proceeds between the freehold land interests and the buildings based upon external professional valuation advice and upon which the fair values were based at the time the Group originally acquired its interest in the subsidiary undertakings.

The Group financed the acquisition of Elysium Healthcare Limited, Elysium Healthcare No.2 Limited and Elysium Healthcare No.3 Limited through a mix of bank and shareholder debt. In terms of bank debt commitments, at 31 December 2016 the Group had term loan facility of £133.0 million, acquisition facilities totalling £25.0 million and a revolving facility commitment of £15.0 million. The terms of the facilities are to November 2023 for the term loan facility, the acquisition facilities and the revolving facility commitment.

Elysium Healthcare Holdings 1 Limited

Group Strategic Report (continued) For the period ended 31 December 2016

At 31 December 2016, borrowings, including shareholder debt and finance leases, totalled £305.0 million. Borrowings comprise £127.5 million of bank debt as detailed above, net of unamortised arrangement fees, along with £76.7 million of 10% loan notes, which together include accrued interest of £0.7 million. The loan notes are not redeemable until November 2026.

Consolidated cash flow statement

Cash generated from operations of £17.0 million reflecting the strong cash generation properties of the Group's business units.

After the servicing of external finance costs, investments made in the estate including the re-branding, the closing cash balance was £83.6 million.

Subsequent events

As set out in the business review section, at the date of this report, the Group has acquired four additional businesses and opened one development site.

Principal risks and uncertainties

Regulatory risks

The results of the Group are subject to the regulatory environment related to health and safety, quality of care, the storage and distribution of controlled drugs and medicines, the disposal of hazardous waste and data protection, principally through the costs related to compliance. The 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.

NHS & CCG contracts

The NHS and CCG 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 are could to be modifications, potentially through the introduction of a new contract structure or the services that are sought by the NHS or CCGs from service providers like Elysium Healthcare. The extent of any such modifications could have a favourable or adverse impact on the Group. However, the Group maintains a close dialogue with 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. 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, clinicians and nurses 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.

Elysium Healthcare Holdings 1 Limited

Group Strategic Report (continued) For the period ended 31 December 2016

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.

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.

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.

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	2016
Period ended 31 December	
Revenue (£'m)	11.6
Operating profit / (loss)	(0.8)
Gross profit margin (%)	28.5%
Number of operating sites	21
Number of sites in development	1
Net bank debt (£'m)	126.3

As the Group is only reporting on 4 ½ weeks trading to 31 December 2016, the other KPIs monitored in the business would have limited meaning. These include the number of available beds, average occupancy, Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and EBITDA after finance lease interest. These will be reported on in more detail in future reports.

Elysium Healthcare Holdings 1 Limited

Group Strategic Report (continued) For the period ended 31 December 2016

Future outlook & strategy

Whilst the market continues to be challenging with pressures on NHS funding, 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 and CCG contracts;
- growing our portfolio and the size of the estate through selective acquisition of businesses;
- building new facilities either on existing sites or at new sites
- exploring opportunities to grow or diversify revenues through tendering for new contracts and providing new or differentiated services to the NHS;
- leveraging the investment in the Elysium Healthcare brand to attract new patients, increase brand recognition and expand our service offering;
- implementing improved systems and processes to increase productivity, efficiency and oversight; and;
- using the size of our portfolio and systems to procure materials and services more efficiently and effectively.

Approved by the Board and signed on its behalf by:



WHM Robson
Director

27 September 2017

Elysium Healthcare Holdings 1 Limited

Directors' report For the period ended 31 December 2016

The Directors present their report and the audited financial statements for the period ended 31 December 2016.

The Company was incorporated on 10 October 2016 and changed its name from Grenadier Midco 1 Limited to Elysium Healthcare Holdings 1 Limited on 1 December 2016. The period of accounts represent the 11 weeks to 31 December 2016, with trading results reflecting the 4½ week period following the acquisition of the operating subsidiaries on 30 November 2016.

Going Concern

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.

Directors

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

Joy Chamberlain (appointed 1 December 2016)

Quazi Haque (appointed 1 December 2016)

Mark Robson (appointed 7 August 2017)

Idriss Soumare (appointed 10 October 2016, resigned 1 December 2016)

James Rivers (appointed 10 October 2016, resigned 1 December 2016)

Matthew Tooth (appointed 10 October 2016, resigned 1 December 2016)

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 1 Limited

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

Independent Auditors

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

Disclosure of information to auditors

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

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

Post balance sheet events

On 14 February 2017, the Group purchased the Raphael Health Care Group by acquiring the entire share capital of RHC Group (2012) Ltd.

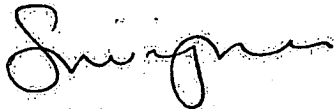
On 12 April 2017, the Group purchased the entire share capital of Sunfleur Limited, the entire share capital of Sunflower Property SARL, the entire share capital of Adderley Green Care Centre Limited, and the entire share capital of Badby Stoke (Care Homes) Property SARL.

On 10 August 2017 the Group purchased the entire share capital of Stanley House Limited.

On 11 August 2017 the Group purchased the entire share capital of Lighthouse Healthcare Group Ltd.

Total consideration for all of these transactions was £118m.

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



Sarah Livingston
Company secretary

Elysium Healthcare Holdings 1 Limited

Directors' responsibilities statement For the period ended 31 December 2016

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 period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 period. In preparing these financial statements, the Directors are required to:

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

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

Elysium Healthcare Holdings 1 Limited

Independent auditor's report to the members of Elysium Healthcare Holdings 1 Limited

We have audited the financial statements of Elysium Healthcare Holdings 1 Limited for the period ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

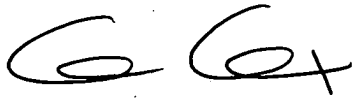
Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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

Elysium Healthcare Holdings 1 Limited

- 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.



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

28 September 2017

Date

Elysium Healthcare Holdings 1 Limited

**Consolidated profit and loss account
For the period ended 31 December 2016**

		Period 16 November to 31 December 2016
	Note	£'000
Turnover	2	11,607
Cost of Sales		(8,459)
Gross profit		3,148
Administrative expenses (including operating exceptional costs of £494,000)	7	(3,945)
Operating loss	3	(797)
Profit on disposal of land	7	2,542
Interest payable and similar expenses	8	(1,734)
Profit on ordinary activities before taxation		11
Tax on profit	9	29
Profit / (loss) for the period		40

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

All amounts related to continuing operations.

The notes on pages 17 to 36 form part of these financial statements.

Elysium Healthcare Holdings 1 Limited

Registered number: 10481896

**Consolidated balance sheet
As at 31 December 2016**

	Note	2016 £'000
Fixed assets		
Intangible assets	10	240,682
Tangible assets	11	116,573
Current assets		
Stocks	13	89
Debtors	15	16,689
Cash at bank and in hand		83,606
		<u>100,384</u>
Creditors amounts falling due within one year	16	<u>(33,471)</u>
Net current assets		<u>66,913</u>
Total assets less current liabilities		<u>424,168</u>
Creditors amounts falling due after more than one year	17	(301,590)
Provisions for liabilities	18	(63,903)
Net assets		<u><u>58,675</u></u>
Capital and reserves		
Called up share capital	19	58,635
Profit and loss account	18	40
Shareholders' funds		<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 September 2017



WHM Robson
Director

The notes on pages 17 to 36 form part of these financial statements.

Elysium Healthcare Holdings 1 Limited

Registered number: 10481896

**Company balance sheet
As at 31 December 2016**

	Note	31 December 2016 £'000
Non-current assets		
Investments	12	58,635
Debtors	14	31,664
Current assets		
Debtors	15	45,000
Total assets less current liabilities		<u>135,299</u>
 Creditors: amounts falling due after more than one year	17	<u>(76,664)</u>
Net assets		<u><u>58,635</u></u>
 Capital and reserves		
Called up share capital	19	58,635
Profit and loss account	18	-
Shareholders' funds		<u><u>58,635</u></u>

The profit for the financial year dealt with in the financial statements of the parent Company was: £NIL.

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



WHM Robson
Director

The notes on pages 17 to 36 form part of these financial statements.

Elysium Healthcare Holdings 1 Limited

**Consolidated statement of changes in equity
For the period ended 31 December 2016**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 16 November 2016	-	-	-
Share issued in the period	58,635	-	58,635
Profit for the period	-	40	40
At 31 December 2016	<u>58,635</u>	<u>40</u>	<u>58,675</u>

**Company statement of changes in equity
For the period ended 31 December 2016**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 16 November 2016	-	-	-
Share issued in the period	58,635	-	58,635
Profit for the period	-	-	-
At 31 December 2016	<u>58,635</u>	<u>-</u>	<u>58,635</u>

Elysium Healthcare Holdings 1 Limited

**Consolidated statement of cashflows
For the period ended 31 December 2016**

	2016 £'000
Cash flows from operating activities	
Profit / (loss) for the financial period	40
Adjustments for:	
Depreciation of property, plant and equipment	840
Amortisation of intangible assets	1,006
Interest expense	1,734
Profit on the sale of tangible fixed assets	(2,542)
Taxation	(29)
Operating cash flow before movement in working capital	1,049
Decrease / (increase) in trade and other receivables	(4,568)
Decrease / (increase) in inventories	-
Increase / (decrease) in payables	20,575
Increase / (decrease) in deferred tax liability	(48)
Cash generated from operating activities	17,009
Cash flows from investing activities	
Acquisition of subsidiaries' assets excluding cash	(337,074)
Cash acquired on acquisition of subsidiaries	3,789
Purchases of tangible fixed assets	(792)
Proceeds from sale of land	38,897
Net cash from investing activities	(295,180)
Cash flows from financing activities	
Issue of ordinary share capital	58,635
Proceeds from financing of buildings	100,703
Repayment of borrowings	(67,015)
Repayment of obligations under finance leases	(29)
Interest paid	(999)
Finance fees incurred	(5,518)
Borrowings	276,000
Net cash used in financing activities	381,777
Net increase/(decrease) in cash and cash equivalents	83,606
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	83,606

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies

General information and basis of accounting

Elysium Healthcare Holdings 1 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 2 Limited and its subsidiaries (collectively, the 'Group'). The principal activity of the Company during the period 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 National Health Service ('NHS') and in England and Wales.

Statement of compliance

The Group and the individual financial statements of Elysium Healthcare Holdings 1 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.

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 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.

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 £83.6m as well as undrawn debt facilities, namely a £25m acquisition facility and a £15m revolving credit facility. Drawn bank debt at 31 December 2016 is £127.5m.

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

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies (continued)

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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account. The profit for the financial period of the parent Company was £NIL.

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 are measured at fair value at the acquisition date and amortised over its estimated useful economic life.

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 period 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.

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 period end is included within accrued income.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

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 recognized 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 scrapping 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 realize 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 1 Limited

Notes to the financial statements For the period ended 31 December 2016

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.

Leases

During the period 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 has been recognized in exceptional items. The apportionment of the disposal proceeds between the freehold land interests and the buildings has been 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 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.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies (continued)

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.

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.

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.

Stocks

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

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.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies (continued)

Taxation (continued)

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 realize the asset and settle the liability simultaneously.

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 realize 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.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies (continued)

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 recognized 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.

Exceptional items

FRS 102 sets out the following parameters for the disclosure of material sums:

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

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

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

1. Accounting policies (continued)

Critical accounting judgements

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

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

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

(ii) Valuation of tangible and intangibles acquired in business combinations

As part of accounting for business combinations, management has made a number of assumptions in determining the valuation of both the tangible and intangible assets acquired. This has included the split of land & building valuations, the fair value of the NHS contractual arrangements and relationships acquired in the business combinations including the estimation of the value of the cash flows related to those arrangements or relationships as well as a suitable discount rate in order to calculate the present values.

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 fixed assets

At each reporting date, fixed assets, including goodwill, intangible assets and tangible assets, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In determining whether there is an indication of impairment a number of factors must be considered, including an estimate of the future economic benefits that can be delivered from those cash generating units, current market conditions and the selection of appropriate discount rates in order to calculate the net present value of those cash flows. A 7% decrease in the EBITDA growth rate would result in an impairment of £8m.

(ii) Provisions

Provision has been made for certain constructive legal obligations, dilapidations and other contingencies. These provisions require management's best estimate of the costs that will be incurred based on the legislative and contractual requirements. In addition, the timing of the cash flows and the discount rate used to establish net present value of the obligations require management's judgement. For legal provisions the risk relates to volume of claims incurred but not reported but that exposure is limited to on average £30,000 per claim with up to a total of c. £330,000 per annum. See also note 18.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

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.

3. Operating loss

The operating loss is stated after charging:

Period 16 November to
31 December
2016
£'000

Depreciation of tangible fixed assets	840
Amortisation of intangible fixed assets	1,006
Operating lease rentals	69
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4. Auditors' remuneration

Period 16 November to
31 December
2016
£'000

Fees payable to the Group's auditor for the audit of the Group's annual accounts	488
	<hr/>

5. Employees

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

Period 16 November
to 31 December
2016
£'000

Wages and salaries	5,854
Social security costs	549
Cost of defined contribution scheme	91
	<hr/>
	6,494
	<hr/>

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

Period 16 November
to 31 December
2016
No

Operations	2,028
Administration	473
	<hr/>
	2,501
	<hr/>

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

6. Directors' remuneration

Period 16 November
to 31 December
2016
£'000

Directors' emoluments	55
Company contributions to defined contribution pension schemes	<u>2</u>

During the period retirement benefits were accruing to 1 Director in respect of defined contribution pension schemes.

The highest paid Director in the period received remuneration of £33,080 and did not exercise any share options in the year and had no share receivables under long-term incentive schemes.

7. Exceptional expenses

Period 16 November to
31 December
2016
£'000

Recognised in arriving at operating profit:		
Professional fees	219	
Rebranding expenses	126	
Pre-opening costs	<u>49</u>	
		394
Recognised below operating profit:		
Profit on disposal of land	<u>2,542</u>	
		2,542
		<u><u>2,936</u></u>

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

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

8. Interest payable and similar expenses

	Period 16 November to 31 December 2016 £'000
Interest payable on bank loan	825
Interest on loan notes	664
Interest payable on finance leases	175
Finance fees	70
	<u>1,734</u>

9. Taxation

	Period 16 November to 31 December 2016 £'000
Current tax	
UK corporation tax	<u>10</u>
	<u>10</u>
Deferred tax	
Origination and reversal of timing differences	<u>(39)</u>
Total deferred tax	<u>(39)</u>
Taxation charge / (credit) on profit on ordinary activities	<u>(29)</u>

Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 20%. The Finance Act 2013 reduced the main rate of corporation tax to 20% effective from 1 April 2015. Finance No 2 Act 2015 which was substantively enacted on 26 October 2015 included provisions to further reduce the corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. Finance Act 2016 which was substantively enacted on 6 September 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly deferred tax assets and liabilities at 31 December 2016 have been calculated at the rates which will be in force when the timing differences are projected to reverse.

During the year beginning 1 January 2017 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 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

9. Taxation (continued)

Period 16 November
to 31 December
2016
£'000

Profit on ordinary activities before tax	11
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20%	2
Effects of:	
Ineligible amortisation	(53)
Fixed Asset differences	(266)
Capital gains/(losses)	469
Adjustments to tax rates	(157)
Other tax adjustments, reliefs and transfers	(25)
Total tax charge / (credit) for the year	(29)

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

10. Intangible fixed assets

On 1 December 2016 the Group acquired 100% of the share capital of Elysium Healthcare Limited, Elysium Healthcare No. 2 Limited and Elysium Healthcare No. 3 Limited for consideration of £337.1m. All three companies are registered in England and Wales.

Goodwill

	Customer Relationships £'000	Goodwill £'000	Total £'000
Group Cost			
At 16 November 2016	-	-	-
Additions	128,400	113,288	241,688
At 31 December 2016	128,400	113,288	241,688
Amortisation			
At 16 November 2016	-	-	-
Charge for the period	(535)	(471)	(1,006)
At 31 December 2016	(535)	(471)	(1,006)
Net book value			
At 31 December 2016	127,865	112,817	240,682
At 16 November 2016	-	-	-

	Book value £'000	Provisional fair value adjustment £'000	Fair value £'000
Tangible fixed assets	340,694	(187,717)	152,977
Intangible fixed assets	-	128,400	128,400
Debtors	12,211		12,211
Cash	3,789		3,789
Creditors including provisions	(11,440)	(2,127)	(13,567)
Deferred tax	(23,089)	(36,925)	(60,014)
Net assets	322,165	(98,369)	223,796
Consideration			337,084
Goodwill			113,288

Provisional fair value adjustments

A valuation of the Group's freehold property was carried out by professional valuation specialists resulting in its carrying value being reduced by £187.7m to £153.0m. 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.

A valuation of the Group's intangible fixed assets was carried out by professional valuation specialists based on the fair value at the acquisition date. Intangible assets identified were customer relationships and these were valued using the multi-period excess earnings method (or MEEM).

Both fair value adjustments were based on a number of inputs, some of which were unobservable, and as a consequence rely on a high degree of professional judgement and therefore contain a margin for error.

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

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 16 November 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 16 November 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 16 November 2016	-	-	-	-	-	-

Net book value of Land and buildings at 31 December 2016 is £92,158,000. Of this amount, £467,000 is freehold and £91,691,000 is long leasehold.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

12. Fixed asset investments

Company	Investments in subsidiary companies £'000
Cost	
At 16 November 2016	-
Additions in the year	58,635
At 31 December 2016	<u>58,635</u>
Net book value	
At 31 December 2016	<u>58,635</u>
At 16 November 2016	<u>-</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 Holdings 3 Limited	England and Wales	100%	Holding company
*Elysium Healthcare Limited	England and Wales	100%	Mental Healthcare Services
*Elysium Healthcare No. 2 Limited	England and Wales	100%	Mental Healthcare Services
*Elysium Healthcare No. 3 Limited	England and Wales	100%	Mental Healthcare Services
*Elysium Healthcare No. 4 Limited	England and Wales	100%	Mental 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

+ Held directly by Elysium Healthcare Holdings 1 Limited.

* Held indirectly by Elysium Healthcare Holdings 1 Limited.

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

13. Stocks

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

Stock recognised in cost of sales during the period as an expense was £125,192.

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

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

	Group 2016 £'000	Company 2016 £'000
Amounts owed by group undertakings	-	31,664
	-	31,664

The amounts owed by group companies is comprised of loan notes owed by Elysium Healthcare Holdings 2 Limited. The loan notes are unsecured and fall due on 30 November 2026. Interest is receivable at 10% per annum, accruing 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 period totalled £664,000.

15. Debtors: amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000
Trade debtors	12,481	-
Amounts owed by group undertakings		45,000
Prepayments and accrued income	3,402	-
Other debtors	806	-
	16,689	45,000

The amounts owed by group companies is owed by Elysium Healthcare limited. The amount is unsecured, interest free and repayable on demand.

16. Creditors: Amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000
Trade creditors	439	-
Corporation tax	1,710	-
Other taxation and social security	2,315	-
Other creditors	18,691	-
Accruals and deferred income	10,316	-
	33,471	-

Amounts owed to group undertakings are owed to Elysium Healthcare Holdings 1, the parent company. This amount is unsecured, interest free and repayable on demand.

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

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

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

The amounts owed by group companies is comprised of loan notes owed to Elysium Healthcare Holdings Group Limited, the parent company and management. The loan notes are unsecured and fall due on 30 November 2026. Interest is payable at 10% per annum, accruing 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 period totalled £664,000.

As at 31 December 2016, the Group has the following available borrowing facilities:

£133 million term "B" facility commitment

£25 million acquisition facility commitment, and;

£15 million Revolving Credit Facility ("RCF").

At the period end £127,538,000 had been drawn on the term facility. Interest is payable in arrears on the facility at a rate of LIBOR plus 5.25% 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.

Both the acquisition and the revolving credit facilities were undrawn at 31 December 2016. Interest is payable in arrears on both facilities 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.

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

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

Long term lease creditors

Finance leases are repayable as follows:

	Group 2016 £'000
Minimum lease payments	£'000
Within one year	3,404
In the second to fifth years inclusive	13,614
After five years	207,724
Less: future finance charges	(124,002)
Present value of lease obligations	<u>100,740</u>

	Group 2016 £'000
Present value of minimum lease payments	£'000
Within one year	3,352
In the second to fifth years inclusive	13,392
After five years	83,996
Present value of lease obligations	<u>100,740</u>

Finance lease creditors

Within one year	3,352
After more than one year	97,388
	<u>100,740</u>

18. Provisions for liabilities

Group	CQC inspection obligations £'000	Legal claims £'000	Deferred tax £'000	Total £'000
At 10 October 2016	-	-	-	-
On acquisition of subsidiaries	1,128	2,800	60,014	63,942
Charged to profit or loss	-	-	(39)	(39)
At 31 December 2016	<u>1,128</u>	<u>2,800</u>	<u>59,975</u>	<u>63,903</u>

The deferred tax liability is made up as follows:

	Group 2016 £'000	Company 2016 £'000
Accelerated capital allowances	238	-
Tax losses carried forward	(296)	-
Short term timing differences	36,500	-
Chargeable gains held/rolled over	23,133	-
	<u>59,575</u>	<u>-</u>

Elysium Healthcare Holdings 1 Limited

**Notes to the financial statements
For the period ended 31 December 2016**

18. 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 as at 1 December 2016 at which point the properties were acquired by the Group.

19. Share capital

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

The Company has one class of ordinary shares which carry no right to fixed income. During the period the Company allotted 58,634,499 ordinary shares with a nominal value of £58,634,499 for total consideration of £58,634,499.

20. Reserves

Profit and loss account

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

21. Capital commitments

At 31 December 2016 the Group had capital commitments as follows:

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

22. 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 £91,043. Contributions totaling £265,665 were payable to the fund at the balance sheet date and are included in creditors.

Elysium Healthcare Holdings 1 Limited

Notes to the financial statements For the period ended 31 December 2016

23. Commitments under operating leases

At 31 December 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within 1 year	1,317	-	20	-
2-5 years	5,270	-	12	-
Greater than 5 years	158,096	-	-	-
	<u>164,683</u>	<u>-</u>	<u>32</u>	<u>-</u>

24. Post balance sheet events

On 14 February 2017, the Group purchased the Raphael Health Care Group by acquiring the entire share capital of RHC Group (2012) Ltd. 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 SARL, the entire share capital of Adderley Green Care Centre Limited and the entire share capital of Badby Stoke (Care Homes) Property SARL. 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 Ltd. This acquisition was partly financed by intercompany Loan Notes and third party bank debt.

Total consideration for all of these transactions was £118m.

25. Related parties and related party transactions

The Group has subscribed to loan notes issued by the immediate parent undertaking and management during the year. The amount outstanding is disclosed in note 17.

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

26. Controlling party

The immediate parent undertaking is Elysium Healthcare Group Limited, a company incorporated in Guernsey.

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.