Four Seasons Health Care

FY 2020 Trading and Restructuring Update
Draft, unaudited results for the year ended 31 December 2020

23 March 2021

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FY 2020 Trading Overview[1]

FY 2020 financial results

- FY 2020 Adjusted EBITDA[2] of £32.0m is consistent with FY 2019, despite the negative impact of Covid-19 during the year

Income

- FY 2020 turnover for the Group[4] was £8.4m, or 2.0%, higher than FY 2019, after adjusting for revenue from homes closed, sold or migrated
- Average Group occupancy percentage in FY 2020 decreased by 6.2 percentage points compared to FY 2019 (Care Home Division (CHD): 6.4 percentage point decrease; The Huntercombe Group (THG): 2.4 percentage point increase). Along with the rest of the sector, occupancy within the care home business has been significantly impacted by the negative effect of Covid-19 on death rates and admissions
- Q4 2020 CHD occupancy of 80.3% was stable in comparison to the previous quarter
- The average weekly fee in FY 2020 increased by 5.2% year on year in the CHD and by 20.1% in THG
- CHD income in the year includes c£18m of financial support from Local Authorities and CCGs in respect of exceptional Covid-19 costs incurred. However, reimbursement of these costs does not fully compensate for the occupancy decline

Payroll, care and facility costs

- Payroll KPIs remained well controlled during the year, particularly in light of the underlying staffing challenges faced by the sector which have been exacerbated by Covid-19 pressures
- In the group's care homes, payroll as a percentage of income at 66.8% was 2.2 percentage points higher than the prior year. Agency usage in FY 2020 was significantly below levels prior to the organisational restructure and wider sector averages, with agency as a percentage of payroll at 8.4% during the year being 1.7 percentage points lower than FY 2019
- Within THG, payroll as a percentage of turnover in FY 2020 improved by 1.1 percentage points compared to FY 2019. Agency as a percentage of payroll, at 18.4%, is a 0.5 percentage point increase on the prior year
- Care and facility overheads were well controlled during the year and were consistent with the prior year at 14.1% of turnover

EBITDARM

- As a result, FY 2020 EBITDARM[3], excluding the impact of migrated leaseholds, of £78.3m was £5.1m, or 6.1%, lower than FY 2019

Notes:
1. The Group's results for the year ended 31 December 2019 and the year ended 31 December 2020 are draft and unaudited
2. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
3. Before closed and closing home costs
4. Group = Elli Investments Limited (in administration) and its direct or indirect subsidiary undertakings. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG site for which a sale process completed on 5 March 2021

Restructuring Update (1/3)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group
- This has focused primarily on the restructuring of the Group's leasehold estate, the unification of the two care home businesses, the rationalisation of the CHD and shared service central functions and the progression of the sale processes in relation to certain parts of the Group
- Continuity of care for residents and patients has continued to be a key guiding principle and remains the priority throughout the restructuring process

Leasehold estate restructuring

- As per the last update, the Group reported that between December 2019 and 31 March 2020, 113 operational care homes and other facilities (including the portfolios of the four largest landlords where it has not been possible to renegotiate rental levels in respect of those portfolios) transitioned away from the Group
- During Q2 2020 a further 2 operational care homes, as well as 2 closed sites, migrated from the Group
- During Q3 2020 one specialist unit and one care home, as well as 2 closed sites, left the group
- During Q4 2020 six specialist units and two care homes left the group. During Q1 2021 a further two care homes have left the group
- The leaseholds that have migrated since December 2019 contributed a net EBITDAM of c£2.8m during 2019. However, after capex and costs for closed homes, these care homes and specialist units resulted in a c£6.0m cash outflow for the Group
- Progression of the leasehold estate restructuring was impacted from Q2 2020 onwards by Covid-19. The Group continues to consider all options in relation to the other care homes in its leasehold estate (c22 operational homes). It remains in discussions with the landlords of those homes. Following discussions, the Group has recommenced the payment of rents on certain homes. The Group anticipates that further migrations of care homes to new operators may be agreed in due course, or other arrangements may be agreed with landlords such that some leases that might be continued are done so on long-term sustainable market terms

Restructuring Update (2/3)

Disposals - THG

- While the sale process for The Huntercombe Group was paused as result of the impact of Covid-19, the process resumed towards the end of June 2020
- On 2 November 2020, the Group announced that a conditional sale and purchase agreement had been entered into relating to the sale of the business and assets of certain sites within the THG business for an aggregate value of £35m in cash. The Group has retained a total of £3.4m to cover the unwind of the negative net working capital position relating to the transferring sites (£2.6m) and legal and other professional costs (£0.8m), with the remaining proceeds returned to the lenders
- The sale process completed on 5 March 2021 and represented a key milestone in the Group's ongoing restructuring process
- The Group will continue to work closely with the Buyer and relevant regulators to ensure the transition of the THG sites and staff to the Buyer is seamless and as part of the sale the Group will provide transitional services to the Buyer for a limited period

Care home division

- The Joint Administrators continue to explore all possible options for the remainder of the Group's organisational and capital structure, including potential portfolio sales of parts of the Group's care home business, with a near-term focus on Northern Ireland. The group commenced a sale process in relation to its 43 freehold and long leasehold homes in Northern Ireland in September 2020. The sale process is ongoing and the expected sale structure is similar to the THG process, with proceeds returned to the lenders after an estimated £8m deduction in relation to the net negative working capital position of the homes and a contribution towards certain costs
- In relation to the Group's care homes in England, Scotland and Jersey, no decision has been taken as to whether these properties will be offered for sale or will be subject to another form of restructuring. Notwithstanding, the Group has estimated the potential cost of unwinding net working capital across the England, Scotland and Jersey freehold operating homes to be £9m-12.5m (excluding legal and other professional costs associated with the sale). Continuity of care for the Group's residents remains a key priority

Restructuring Update (3/3)

Liquidity

- The Group has reported previously that it has been in discussions with the lenders under the Administration Funding Agreement ("AFA") albeit the Group has not drawn under the AFA at this stage and nor has this been required. Earlier in the year, the Group entered into a Time To Pay arrangement with HMRC to extend the Group's deferral of c£18m of PAYE and national insurance liabilities in respect of March, April and May 2020 with that deferral agreed to late 2020 and early 2021. Repayments commenced in line with the TTP arrangement and the deferral is expected to be fully repaid by the end of March 2021

- The Group continues to carefully manage its liquidity and expenditure. The Group is currently forecasting that it will have sufficient liquidity to progress the various strands of the restructuring over the course of the next six months. This remains subject to sensitivities including the ongoing impact of Covid-19

Summary

- The Joint Administrators continue to consider all possible options for the Group's organisational and capital structure. This includes potential sales of all or parts of the Group, internal reorganisations, refinancing, restructuring of the financial debt (which may or may not include a debt for equity swap) and/or a combination of any of the aforementioned

- At this stage, nothing is decided in respect of the options or the timing, and the Joint Administrators and the Group will decide on the most appropriate option in due course, focusing on the interests of the Group and its relevant stakeholders, and on maintaining continuity of care. Further announcements will be made in due course

Statutory matters

- The Joint Administrators of EFUK will shortly be applying to Court to extend the period of administration by 2 years, to 29 April 2023

Operational Update

- Since the last update, the Group has continued to make encouraging operational progress:
  - The new ways of working that we introduced last year continue to embed themselves into the business. Cultural change is a 'contact sport' and by definition harder to influence remotely but nevertheless we are continuing to drive significant change. A series of 18 virtual conferences have just been completed that set out not only what the objectives are for the year but equally importantly how we will deliver them. Feedback has been excellent, with change in culture and significantly improved communication highlighted as two keys themes in the feedback
  - The system / process changes that were mentioned in the last update have also been well received. Food & dining is now managed entirely in house, as is property maintenance and facilities management. Bringing both in house has enabled the Group to accelerate the pace of change and improve control in both areas at the same time
  - The RADAR care quality / audit system continues to develop, with the focus now turning to the roll out of a new incident management module, which will replace Datix over the next two months. The transition forms part of our wider objective to streamline the business information systems and help the operational 'boat go faster'
  - We have seen the lifting of a number of historic admissions suspensions in the early part of the year, a reflection of the hard work and focus of the Operations team. As we transition out of the pandemic and return to normality, this will positively impact occupancy growth
  - The alignment between the Operations and Care Quality functions continues to get better and is at the heart of our business improvement. The suspension of normal regulatory inspections has prevented us from demonstrating improvement through regulatory outcome and we are looking forward to the recommencement of inspections as it will enable us to demonstrate the underlying improvements that are being made
  - Notwithstanding the wider 'Covid-19' environment, we are adopting as much of a business as usual approach as possible. Care homes operate more effectively when open, and during Q1 we have encouraged the team to go about their business as normally as possible. Whilst safety of residents and team remains paramount, we are also focused on ensuring that quality of life is not diminished
- We welcomed the return of face to face visiting on March 8th. Whilst Covid-19 continues to present a risk, it's is important to consider the risk in relative terms against the impact of loneliness, isolation and mental well being. Families have been separated for far too long and the success of the vaccination roll out has reduced the risk from viral transmission in absolute terms
- We have recently completed an annual residents' and relatives' survey which included measuring a net promoter score ('NPS'). Feedback from the survey was very encouraging and the Group NPS was +60.4, an extraordinary score in the circumstances. Whilst the result is undoubtedly influenced by Covid-19 and how the Group has managed during the crisis, it reflects the strong levels of engagement that we have with our customer base and much of the feedback that we have gained will be used to shape the development of the business over the next period of time
- The re-structure of the Group that was undertaken last year continues to be well received. Many of the necessary foundations have been laid that will enable us to build successfully as we emerge from the Covid-19 pandemic. It is important to remember that cultural change takes time, often years and that whilst we have made very encouraging progress, we have only just begun

Covid-19

- Along with the rest of the sector, the care home business has been significantly affected by the impact of Covid-19, primarily in three areas:

– Occupancy decline:

  - Reduced occupancy levels, with Q2 2020 closing spot occupancy of 79.8% representing a c8.5% decrease from the opening occupancy of 88.3% as a result of the first wave of Covid-19. Occupancy only partly recovered during Q3 2020, with a closing spot occupancy of 80.8%. Whilst average occupancy during Q4 2020 was stable at 80.3%, the closing Q4 2020 spot occupancy of 78.4% represented a 2.0 percentage point decline, and the most recent spot occupancy at 14 March 2021 is 78.4%

  - Both the initial decline as a result of the first wave of Covid-19, and subsequent movements, are consistent with those seen by other operators

  - The death rate has remained consistently below the four year average since the start of June, with occupancy impacted by reduced admissions not an increased number of deaths. 'Excess' deaths which were 635 at the peak of the virus in April & May reduced to 310 over the course of 2020, and excess deaths in the last twelve months are down to 147 (c2%), and falling quickly week on week

  - Admissions, which dropped to c70% below pre Covid-19 levels, had recovered to levels which were only slightly below historical levels by September 2019 however they decreased again during Q4 2020, to 60%-70% of what would normally be expected during that time of year, The key impediment, then and now to a sustained recovery is the 28 day quarantine period imposed by PHE on any home where there is a Covid-19 outbreak, an outbreak being defined as two positive test results or more

– Increase in payroll and other care costs:

  - Increase in care costs is predominantly linked to the purchase of personal protective equipment ('PPE') and enhanced infection control procedures

  - During 2020, the care home business spent an additional c£4m on PPE. PPE costs continue to run significantly in excess of where they were pre the pandemic

  - Shielding and self isolation pushed staff absenteeism up to just under 11%, although this has now fallen back. Agency usage has been well controlled throughout the period and continues to be lower than pre Covid-19 levels

– LA and CCG funding

  - The Group has received support from the Local Authorities and CCGs, in respect of exceptional Covid-19 costs incurred

  - The offers are varied in scale and nature and the Group is currently assessing them all

  - Whilst a significant proportion of Covid-19 exceptional costs may ultimately be covered in one form or another, reimbursement of these costs will not compensate entirely for the occupancy decline

– The Group's estimate of the financial impact of Covid-19 in 2020 is up to £12m. The full impact of the virus on 2021 and beyond is unknown, and in particular there is significant uncertainty around the rate of occupancy recovery

Results – KPIs

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 Year [2]	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 Year [2]
Turnover - Group (£m)	160.1	163.6	165.0	158.8	647.6	137.4	119.9	119.3	116.3	492.8
- FSHC and brighterkind (£m)	135.5	138.0	138.9	132.7	545.2	111.7	93.9	92.5	92.2	390.4
- THG (£m) [4][10]	24.6	25.6	26.0	26.2	102.4	25.7	26.0	26.8	24.0	102.5
EBITDAR (£m)[5][6]	20.1	20.3	24.5	18.7	83.5	14.3	11.9	14.9	8.1	49.2
Adjusted EBITDA (£m)[6][7][8]	6.9	7.0	11.2	6.6	31.7	6.6	8.3	11.8	5.3	32.0
Effective beds - Group	15,840	15,731	15,716	15,233	15,630	13,077	10,495	10,372	10,286	11,058
- FSHC and brighterkind	15,165	15,073	15,057	14,567	14,965	12,445	9,932	9,813	9,782	10,493
- THG [11]	675	658	659	666	665	632	563	559	504	564
Occupied beds - Group	14,128	13,968	14,027	13,412	13,884	11,354	8,683	8,361	8,268	9,167
Occupancy % - FSHC and brighterkind	89.4%	88.9%	89.4%	88.2%	89.0%	87.0%	82.8%	80.4%	80.3%	82.6%
Occupancy % - THG [10]	84.7%	87.2%	86.4%	83.7%	85.5%	83.9%	82.1%	84.0%	82.5%	83.1%
Average weekly fee (£) - FSHC and brighterkind	767	791	792	792	786	792	845	831	839	827
Average weekly fee (£) - THG [10]	3,063	3,206	3,273	3,333	3,219	3,451	3,920	4,002	4,094	3,867
Payroll (% of turnover)[1] - FSHC and brighterkind	64.1%	64.8%	63.9%	65.6%	64.6%	65.0%	66.9%	65.4%	69.7%	66.8%
Payroll (% of turnover)[1] - THG [10]	75.2%	75.0%	75.7%	74.1%	75.0%	75.7%	73.6%	71.8%	74.5%	73.9%
EBITDARM (% of turnover)[5] - FSHC and brighterkind	20.8%	21.1%	22.6%	18.9%	20.8%	19.7%	18.3%	20.4%	15.0%	18.4%
EBITDARM (% of turnover)[4][5] - THG [10]	13.6%	14.3%	13.8%	14.4%	14.0%	13.2%	16.0%	17.8%	14.5%	15.4%
Agency (% of payroll)[1] - FSHC and brighterkind	9.5%	9.8%	11.1%	10.1%	10.1%	8.8%	8.6%	7.0%	9.0%	8.4%
Agency (% of payroll)[1] - THG [10]	15.3%	17.5%	18.9%	19.8%	17.9%	18.1%	18.2%	17.5%	19.7%	18.4%
Expenses (% of turnover)	14.6%	13.6%	13.1%	14.9%	14.1%	14.6%	14.0%	13.4%	14.3%	14.1%
Central costs (% of turnover)	6.4%	6.7%	5.8%	5.9%	6.2%	7.8%	7.4%	7.1%	7.6%	7.5%
Maintenance capex (£m)[3]	3.2	5.6	6.2	7.1	22.0	2.7	2.3	1.9	5.4	12.3

Notes

1. Payroll excludes central payroll
2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
3. Four Seasons Health Care, brighterkind and THG operational capex
4. Includes £0.2m rental income per quarter
5. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
6. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
7. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
8. Rent on migrated leaseholds is accrued up to the date of the migration
9. The Group's results for the year ended 31 December 2019 and the year ended 31 December 2020
10. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG site for which a sale process completed on 5 March 2021

Results – KPIs (excluding migrated leaseholds)

- The table below and the charts on page 10 re-present the results and KPIs without the migrated care homes and specialist units (see note 5 below and page 3). In total, 113 operational care homes and specialist units (and 24 closed sites) were migrated during Q4 2019 and Q1 2020
- During Q2, Q3 and Q4 2020 a further 5 operational care homes, 7 specialist units, as well as 4 closed sites, left the group
- During Q1 2021 a further two care homes have left the group
- In recent years the migrated leaseholds had, overall, been cash negative due to legacy rent levels on operational care homes and specialist units, as well as the rent burden and other ongoing costs on the 29 closed sites which did not contribute to EBITDARM
- Approximately 22 operational leasehold care homes and specialist units and 8 closed leasehold sites remain in the Group with discussions on-going in relation to many of these sites

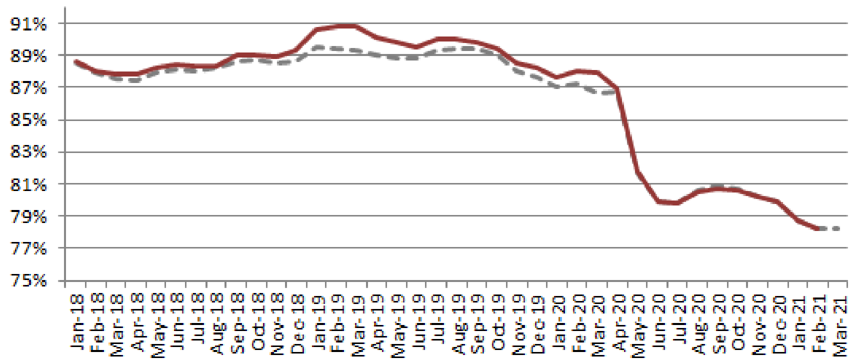
	2019					2020				
	Q1	Q2	Q3	Q4	Year [2]	Q1	Q2	Q3	Q4	Year [2]
Turnover - Group (£m)	104.5	106.9	107.5	106.4	425.3	105.5	109.0	109.7	109.5	433.7
- FSHC and brighterkind (£m)	87.6	89.5	90.0	88.6	355.8	88.0	90.9	90.7	90.4	359.9
- THG (£m) [4]	16.9	17.4	17.5	17.8	69.5	17.5	18.1	19.1	19.1	73.8
Effective beds - Group	10,062	10,052	10,053	10,060	10,057	10,027	10,023	10,023	10,021	10,023
- FSHC and brighterkind	9,621	9,621	9,621	9,621	9,621	9,607	9,607	9,607	9,607	9,607
- THG	441	431	432	439	436	420	416	416	414	416
Occupied beds - Group	9,106	9,016	9,026	8,897	9,011	8,796	8,298	8,068	8,050	8,303
Occupancy % - FSHC and brighterkind	90.7%	89.8%	90.0%	88.7%	89.8%	87.9%	82.9%	80.3%	80.2%	82.8%
Occupancy % - THG	85.1%	87.0%	85.7%	82.3%	85.0%	83.7%	81.3%	84.6%	83.6%	83.3%
Average weekly fee (£) - FSHC and brighterkind	771	796	798	798	791	800	845	832	837	829
Average weekly fee (£) - THG	3,174	3,323	3,406	3,508	3,353	3,604	3,823	3,914	4,003	3,836
Payroll (% of turnover)[1] - FSHC and brighterkind	64.0%	65.0%	63.6%	65.2%	64.4%	64.6%	66.9%	65.4%	69.7%	66.6%
Payroll (% of turnover)[1] - THG	76.2%	77.8%	77.7%	74.6%	76.6%	76.4%	74.4%	71.0%	73.4%	73.8%
EBITDARM (% of turnover)[4] - FSHC and brighterkind	20.8%	20.8%	22.8%	19.3%	20.9%	20.2%	18.3%	20.4%	15.1%	18.5%
EBITDARM (% of turnover)[3][4] - THG	12.2%	11.1%	10.9%	13.4%	11.9%	11.8%	15.2%	18.9%	16.0%	15.5%
Agency (% of payroll)[1] - FSHC and brighterkind	9.3%	9.9%	10.8%	9.5%	9.9%	8.3%	8.6%	7.1%	8.9%	8.2%
Agency (% of payroll)[1] - THG	15.9%	18.3%	18.9%	19.3%	18.1%	16.4%	16.3%	16.5%	19.2%	17.1%
Expenses (% of turnover)	14.5%	13.7%	13.3%	14.9%	14.1%	14.6%	14.2%	13.6%	14.5%	14.2%

Notes

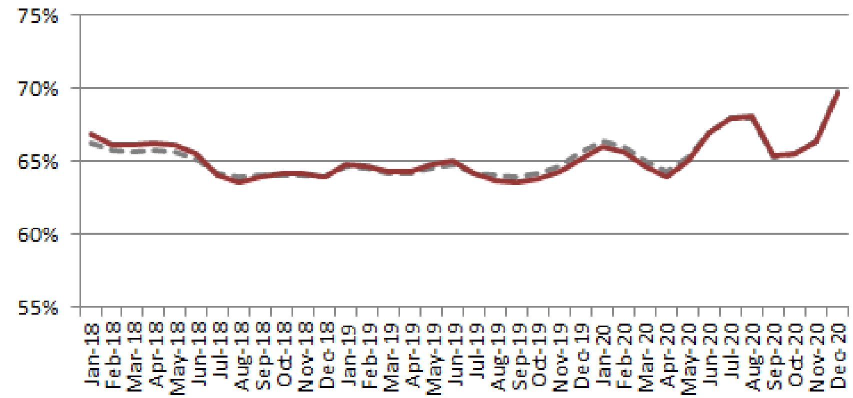
1. Payroll excludes central payroll
2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
3. Includes £0.2m rental income per quarter
4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
5. KPIs exclude all leasehold homes and specialist units which have been migrated to alternative operators in Q4 2019 (45 operating and 13 closed care homes), Q1 2020 (66 care homes and two specialist units plus 11 closed sites), and Q2, Q3 and Q4 2020 (5 operational care homes, 7 specialist units and 4 closed sites), and 2 care homes in Q1 2021. The impact of changes to the estate separate to the LER have not been excluded in the analysis above

Results – Care homes

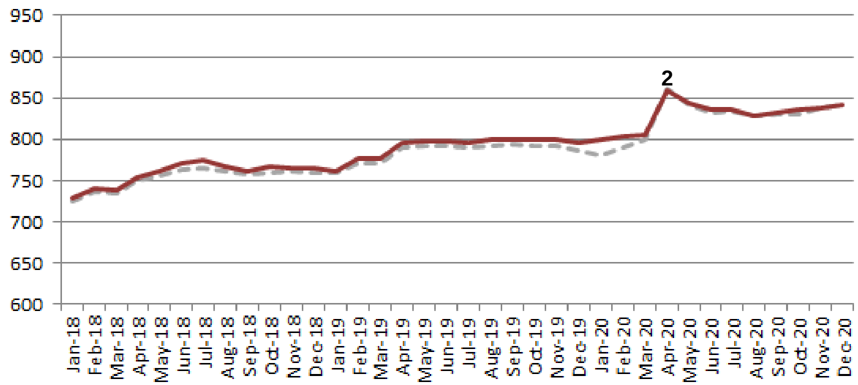
Occupancy %[1]



Payroll % of turnover (rolling 3 months)



Average weekly fee (£)



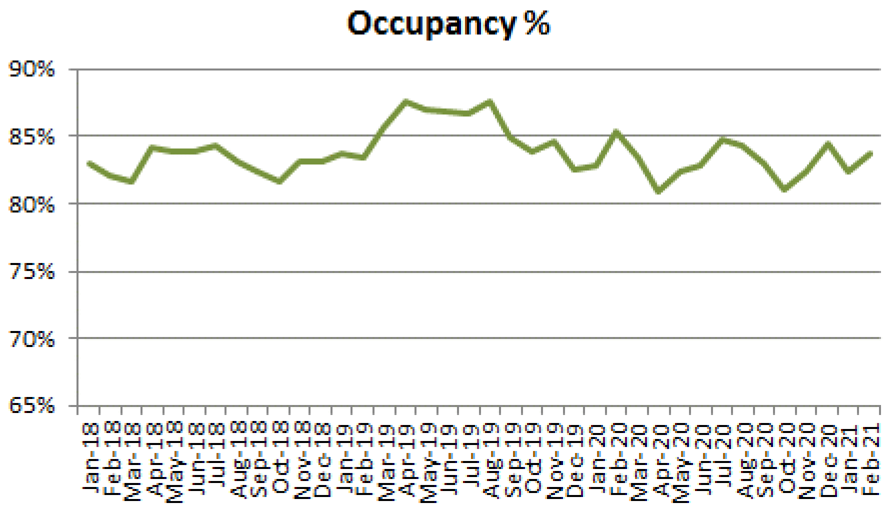
Full historical CHD estate — Excluding Migrated Leaseholds

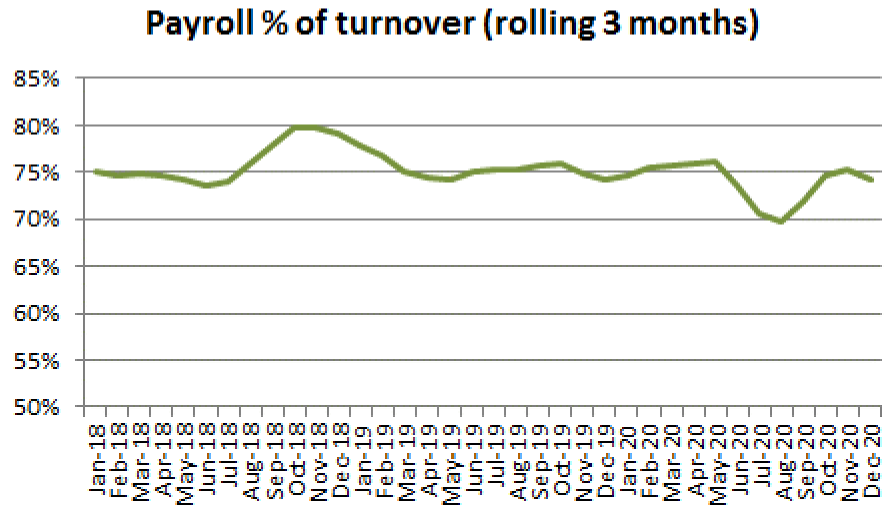
Note 1 – Mar-21 occupancy % represents 14 March 2021 spot occupancy %

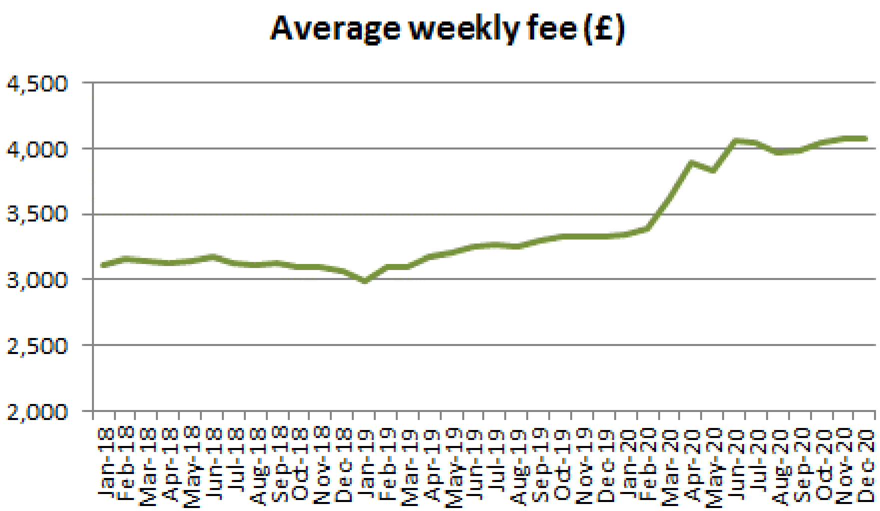
Note 2 - In April 2020 a c£15 (9%) increase to the Funded Nursing Care ("FNC") average weekly fee was announced. The increase is effective from 1 April 2019. Due to the timing of this announcement, the additional fee income has been reflected in Q2 2020 results and KPIs. The estimated EBITDARM impact is c£0.4m per quarter

- Average Q4 2020 occupancy in the care home business of 80.3% was stable compared to the prior quarter. However the closing Q4 2020 spot occupancy of 78.4% represented a 2.0 percentage point decline
- The current (14 March 2021) spot occupancy of 78.2% represents a further decrease of 0.2 percentage points
- Covid-19 continues to significantly impact the occupancy of the business, although largely as a continued result of a reduction in the number of admissions rather than an increase in death rate, which year to date remains significantly below the seasonal average
- AWF of £827 in FY 2020 was 5.2% higher than FY 2019
- Payroll as a percentage of turnover in FY 2020 was 2.1 percentage points higher than FY 2019, reflecting inflationary pressures, the occupancy reduction, and costs of staff shielding and self-isolation, particularly during Q4 2020
- However, agency as a percentage of total payroll of 8.4% for the quarter was an improvement of 1.8 percentage points compared to 2019

Results – THG

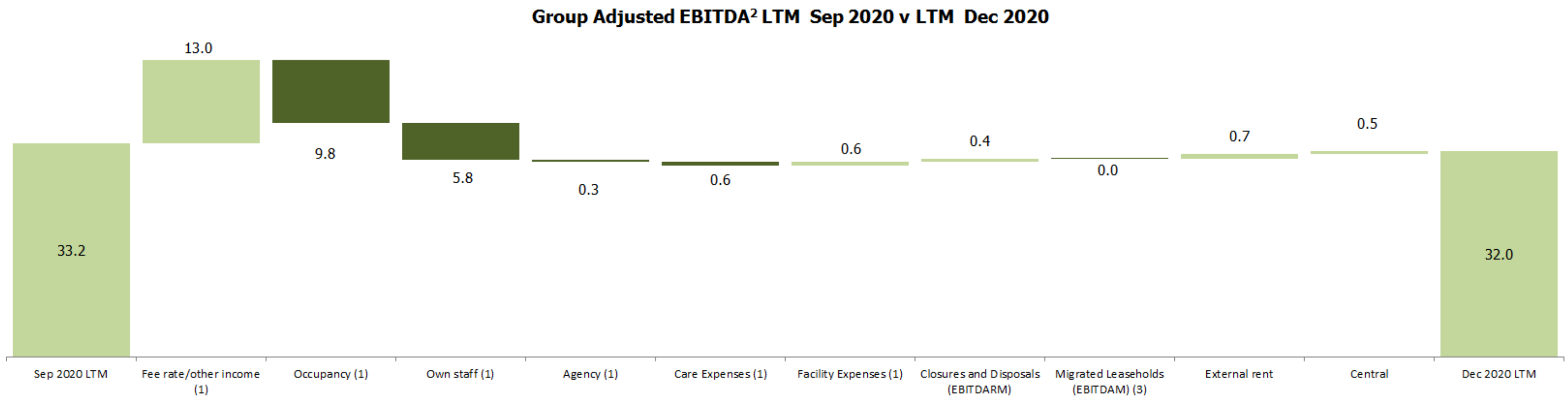






- The Group announced the completion of the sale process relating to the business and assets of THG on 5 March 2021
- THG's occupancy percentage of 82.5% in Q4 2020 was 1.5 percentage points lower than the prior quarter
- Average weekly fee in FY 2020 was 20.1% higher than in 2019
- Payroll as a % of turnover showed an improvement of 1.1 percentage points in the year compared to FY 2019
- Agency as a % of total payroll continued to be challenging at 18.4% in FY 2020 and represented an increase of 0.5 percentage points compared to FY 2019
- However, the overall impact of these KPIs was an improvement of 1.4 percentage points in EBITDARM margin to 15.4% in FY 2020 compared to FY 2019

Results – LTM Adjusted EBITDA September 2020 v LTM December 2020



- The LTM movement, excluding closures, disposals and migrations, was largely a result of the following drivers:
  - Income was £3.2m higher in Dec 2020 LTM than Sep 2020 LTM:
    - Group fee rates, were higher leading to an overall favourable fee rate variance of £6.7m
    - Income of c£6.3m was received from LAs and CCGs in respect of an element of the exceptional Covid-19 costs
    - Lower occupancy in Q4 2020 within the CHD and THG compared to Q4 2019 resulted in an adverse occupancy variance of £9.8m, predominantly as a consequence of the negative impact of Covid-19 upon death and admission levels within care homes
  - Own staff payroll costs increased by £5.8m, in part driven by an increased National Living Wage from April 2020
  - Agency was consistent (£0.3m increase), but remains a challenge
  - Care and facility expenses were broadly consistent with the comparative quarter despite inflationary pressures and additional PPE costs
- There was a £0.5m decrease in central costs predominantly as a result of the organisational restructure
- The EBITDARM impact of closures and disposals was £0.4m favourable, whilst the EBITDAM of the migrated leaseholds was neutral

Notes
1. Excludes closures/disposals of care homes and migrations
2. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
3. Rent on migrated leaseholds is accrued up to the date of the migration

FY 2019 and FY 2020 EBITDA and cash flow analysis

£m	2019 Q1	2019 Q2	2019 Q3	2019 Q4 [3]	2019 Year	2020 [3] Q1	2020 Q2	2020 Q3	2020 Q4	2020 Year
EBITDARM	31.5	32.8	35.0	28.8	128.1	25.5	21.3	23.7	17.3	87.7
Closed home costs	(1.3)	(1.5)	(0.9)	(0.8)	(4.5)	(0.4)	(0.5)	(0.3)	(0.3)	(1.6)
Rent[1][3]	(13.1)	(13.2)	(13.3)	(12.1)	(51.7)	(7.7)	(3.5)	(3.1)	(2.8)	(17.2)
Central costs	(10.2)	(11.0)	(9.6)	(9.4)	(40.2)	(10.7)	(8.9)	(8.5)	(8.9)	(37.0)
Adjusted EBITDA[2]	**6.9**	**7.0**	**11.2**	**6.6**	**31.7**	**6.6**	**8.3**	**11.8**	**5.3**	**32.0**
Maintenance Capex	(3.2)	(5.7)	(6.0)	(7.1)	(21.9)	(2.7)	(2.4)	(1.9)	(5.4)	(12.4)
Central Capex	(0.3)	(0.1)	(0.3)	(0.2)	(0.8)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Capex	**(3.4)**	**(5.8)**	**(6.2)**	**(7.2)**	**(22.6)**	**(2.7)**	**(2.4)**	**(1.9)**	**(5.5)**	**(12.6)**
Exceptionals - restructuring	(5.5)	(8.9)	(9.4)	(10.4)	(34.2)	(14.0)	(6.4)	(4.4)	(8.8)	(33.6)
Exceptionals - other	0.2	0.0	(0.0)	1.4	1.6	0.3	-	-	-	0.3
Exceptionals	**(5.3)**	**(8.9)**	**(9.5)**	**(9.0)**	**(32.7)**	**(13.7)**	**(6.4)**	**(4.4)**	**(8.8)**	**(33.3)**
Term loan drawdown	30.0	-	-	-	30.0	-	-	-	-	-
Taxation	(0.2)	0.4	(0.2)	-	0.1	(0.2)	-	(0.2)	-	(0.4)
Interest	(0.8)	0.0	0.0	0.0	(0.6)	-	-	-	-	-
Disposal proceeds	0.4	-	-	-	0.4	-	-	-	-	-
Working capital movement	(15.2)	(1.0)	0.8	12.9	(2.5)	11.0	11.5	(0.8)	4.7	26.4
Net cash flow	**12.4**	**(8.2)**	**(3.8)**	**3.3**	**3.7**	**1.0**	**11.0**	**4.4**	**(4.3)**	**12.1**
Opening cash balance	30.5	42.9	34.7	30.9		34.2	35.2	46.2	50.6	
Closing cash balance	42.9	34.7	30.9	34.2		35.2	46.2	50.6	46.3	

- In FY 2019 the Group generated £9.1m of operating cash before exceptional costs of £32.7m, a working capital outflow of £2.5m and £30m of additional drawings under the Group's term loan facility
- In FY 2020 the Group generated £19.4m of operating cash before exceptional costs of £33.3m and a working capital inflow of £26.4m
- The Q4 2019 and FY 2020 working capital movement was predominantly a result of rents which fell due and were accrued in respect of these quarters but which have not been paid. In addition the Group deferred PAYE and national insurance liabilities of c£18m in FY 2020, of which c£8m was carried into 2021 with full repayment by the end of March 2021
- In Q4 2019, the rent paid in cash was c£1.7m compared to the quarterly charge of £12.1m. The corresponding figures in:
  - Q1 2020 were c£1.4m paid and £7.7m charge;
  - Q2 2020 were c£2.0m paid and £3.5m charge;
  - Q3 2020 were c£1.7m paid and £3.1m charge, and
  - Q4 2020 were £0.8m paid and £2.8m charge
- The review of the CHD and shared service central functions and related cost base was completed by the end of April 2020, resulting in cost savings of c£4.0m in Q2, Q3 and Q4 2020 compared to comparative period, although an element of the reduction is due to imposed restrictions on the level of activity arising from Covid-19
- Central costs in FY 2020 include £6.2m attributable to THG (£1.3m in Q4 2020)[4]

Notes
1. Rent on migrated leaseholds is accrued up to the date of the migration
2. Notwithstanding the level of rent accrued, rent paid in cash in Q4 2019, Q1 2020, Q2 2020, Q3 2020 and Q4 2020 was c£1.7m, c£1.4m, £2.0m, £1.7m and £0.8m respectively
3. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
4. THG central costs include a recharge of CHD/group costs (£0.9m in FY 2020)

Material regulatory action as at 31 January 2021

The table below sets out a summary of the material regulatory action within each business, as at 31 January 2021:

Summary of current material regulatory action as at 31 January 2021				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	1	7	11	156
brighterkind	-	-	-	26
THG	-	-	-	11
Total	1	7	11	193

- All care homes and hospitals are subject to regular inspection by the relevant national regulator
- Each inspection results in a published regulatory rating which differs by regulator based on a compliance approach or relating to the outcome of those supported by the service. Each regulator categorises the services using a different system, but covering care related domains including safety, caring, leadership, effectiveness, responsiveness and environment
- Current regulatory status indicates where a service demonstrates a good or excellent performance against the standards with positive outcomes for residents and patients. Across the Group a proportion of services are rated as being non-compliant or requiring improvement in standards or outcomes
- All regulators have a range of enforcement powers which are utilised in the circumstances of significant breaches in regulatory compliance or risk to those receiving services. This includes the power to restrict admissions (embargo), require information to demonstrate quality recovery or in extreme circumstances impose conditions on, or revoke, the registration of a service

Contacts

- An investor relations page is available on the FSHC website: www.fshc.co.uk