Four Seasons Health Care

FY 2022 Trading and Restructuring Update
Draft, unaudited results for the 53 week period ended 31 December 2022

12 April 2023

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FY 2022 Trading Overview[1]

FY 2022 financial results

- FY 2022 CHD[4] EBITDA[2] of £6.5m was £15.9m lower than FY 2021. However, this result included Covid-19 support income of only £12.2m (FY 2021: £24.0m), as this Government support measure was unwound despite the operational recovery from the impact of the pandemic being more gradual in nature.

Income[4]

- FY 2022 turnover was £19.6m higher than FY 2021, after adjusting for revenue from homes closed, sold or migrated and the 53 week period.
- Along with the rest of the sector, occupancy remains significantly impacted following both the decline that was suffered as a result of the first wave of Covid-19 during Q2 2020 and recovery during the last three years being thwarted by legislation restricting homes taking new admissions for prolonged periods following an outbreak of Covid-19.
- However, recovery of the top line has received significant focus during 2022 and as a result the Group's occupancy and AWF build has been market leading during the last twelve months. Enquiry and referral numbers grew during the year, admissions have been consistently at, or in excess of, pre-Covid levels and the strength of our conversion rates demonstrates the attractiveness of the service offering in our homes. AWF outcomes across both private pay and local authority funded residents are the strongest the Group has ever achieved and combined with our occupancy growth have further driven an exceptionally strong top line performance during the year.
- As a result, notwithstanding the impact of the Omicron wave in January 2022, occupancy growth during FY 2022 was the strongest in five years, with Q4 2022 occupancy and AWF of 83.1% and AWF of £968 being 2.3 percentage points and £86 (9.8%) ahead of the prior year respectively.
- Income growth has been achieved despite a significant year on year reduction (of £12m) in financial support from Local Authorities and CCGs. This support was provided in respect of exceptional Covid-19 costs incurred (predominantly PPE and enhanced staffing requirements) so has neither fully compensated for the occupancy decline during the pandemic nor the time taken to rebuild occupancy which has further necessitated the Group's work in bolstering its top line.

Payroll, care and facility costs[4]

- The staffing environment continued to be challenging during the year as a result of wider UK labour market challenges and the underlying difficulties faced by the social care sector which have been exacerbated by Covid-19, specifically staff isolation rules which resulted in acute workforce pressures throughout 2022.
- Significant management action and focus has been required in the year to address these workforce pressures, initially to arrest and then bring down agency usage significantly but also management of workforce KPIs across the board. Whilst payroll as a percentage of income for the year of 73.5% was a 4.0 percentage point increase on the prior year, management actions became more evident during Q4 2022. Agency as a percentage of total payroll, which averaged 21.5% during the first three quarters of the year was brought down significantly during the final quarter, to 16.6%, 5 and 1.5 percentage points lower than the prior and comparative quarter respectively. Similarly, total payroll as a percentage of income of 71.3% in Q4 2022 also improved, by 2.2 and 1.0 percentage points, on the prior and comparative quarter respectively.
- Despite substantial inflationary pressures, care and facility overheads were well controlled during 2022 at 15.6% of turnover (only a 1.5 percentage point increase on 2021).

EBITDARM[4]

- As a result, FY 2022 EBITDARM[3], excluding the impact of homes closed, sold or migrated and adjusting for the 53 week period, of £31.3m was £11.8m lower than FY 2021.

Notes:
1. The Group's results for the year ended 31 December 2020, the year ended 31 December 2021 and the 53 week period ended 31 December 2022 are draft and unaudited
2. 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. In respect of the Care Home Division, comprising FSHC and brighterkind (CHD)
5. 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 sites up to the date of sale completion (5 March 2021), 13 and remaining 29 Northern Ireland disposal sites up to the date of completion (26 July 2021 and 18 July 2022 respectively), and the results of any leaseholds up to the date of migration/administration
6. On the 11th May 2022 the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been included in the Q2 2022 results and KPIs throughout this presentation

Operational Update (1/2)

The focus of the business during 2022 has been to rebuild profitable occupancy, arrest the increase in agency (and then bring agency down significantly), maintain care quality and manage operating costs against the pressures that Covid-19 and the wider economic and political turmoil in the UK has continued to place upon both the social care sector and the wider economy.

Income

- Efforts to drive the Group's top line performance (both through driving occupancy recovery and ensuring a fair price is received for the critical care services we provide) have been essential at a time of increasing cost pressures and the difficulties of operating in the sector and wider economy particularly during the last twelve months.

- Consistent improvements have been made in occupancy recovery over the last 15 months, with occupancy at 26 March 2023 of 83.9% representing a c5 percentage point improvement on the low point of 79% in Summer 2020 and a further 0.8 percentage point increase since our last update (which reported spot occupancy at 11 December 2022).

- This improvement has been achieved in spite of the wave of Omicron infections that swept through the UK during December 2021 and into Q1 2022. The Omicron wave provided valuable experience of managing through periods of increased infections with a death rate consistently below historical levels since the start of June 2020 and Covid-19 infections not leading (in the vast majority of cases) to serious illness or death. However, positive Covid-19 cases threatened to adversely impact the Group (and indeed wider sector) during 2022 as a result of admissions being impacted through Public Health England requirements during deemed outbreaks, staff isolation and sentiment around the perceived risk of the virus.

- However, through the efforts of central and home-level teams, enquiries and referrals have remained strong throughout 2022 and into 2023 (at levels significantly higher than historical norms). As a result we have generally achieved a return to c90% of normalised admission levels since mid-February 2022. This has been achieved despite the on-going challenges as result of the virus and demonstrates the strength of enquiries and referral levels and the hard work of our team in identifying and taking full advantage of this demand.

- In addition to these occupancy improvements, strong AWF outcomes across both private pay and local authority funded residents have also been achieved, with a year-on-year increase in Q4 2022 AWF of £86, equating to 9.8%. This increase builds upon the Q2 and Q3 2022 year on year increases previously reported and are the highest outcomes the Group has seen. Whilst there is always more to do, there has been real improvements in obtaining appropriate fee levels for our existing residents and new admissions, requiring a change in 'mind-set' of both the Group and commissioners and this has been necessary to build upon a good top line performance. This has included rejection of certain placements at unsustainable fee rates. The review of the appropriateness of existing fee rates for our current resident base supported by an improved clinical dependency tool has yielded pleasing results.

- Additionally, the Group has now finalised its 2023 fee review in respect of its private funded resident base and work has now begun to ensure a successful negotiation round in respect of Local Authority funded residents uplifts for the 2023/24 year.

Operational Update (2/2)

Workforce

- The lack of people across the sector has been a longstanding issue and was made more difficult during 2021 by the challenges that Covid-19 poses to the working environment and the opening up of the wider economy, both of which conspired to create an even more acute workforce shortage going into the year, including the loss of casual labour and carer staff to hospitality, retail and travel sectors.
- This backdrop, exacerbated by the general inflationary environment and 'cost of living' pressures, which have been well publicised, as well as material increases to statutory pay rates, caused own team pay rates and agency costs to rise rapidly throughout 2022. This situation is not unique to the Group and is being felt sector wide.
- Management actions to reduce reliance on agency staff and optimize the skills mix within homes have successfully embedded within the business and include the implementation of new recruitment and retention strategies, improved governance around use of agency staff, and leveraging our software and systems to drive transparency and accountability for appropriate staffing at all levels. The conclusion of a review of our operating model and staffing model optimization was largely completed during 2022, supported by the successful roll out of a new clinical dependency tool. The delivery of quality care is central to all of these initiatives.
- As a result, agency costs, which had increased from a low point of 6% in mid 2020 to an average of c18% in Q4 2021 and further again to 21-22% throughout the first half of 2022, were arrested and brought down significantly during the latter half of 2022, with a decrease of 5.0 percentage points being achieved in Q4 2022 compared to the prior quarter and firm evidence of the positive impact of these initiatives on wider care quality and home performance.
- Management of workforce KPIs has yielded impressive results during Q4 2022 but the sector wide workforce pressures are not likely to abate during 2023. The intense management focus applied toward the end of 2022 is therefore continuing in earnest and the appointment of a Chief Transformation Officer will continue to support the CEO and COO in ensuring the initiatives and systems initially introduced during 2022 continue to be embedded and the significant momentum in turnaround of workforce KPIs continues to be built upon.
- Ensuring our staff are fairly compensated for their role in delivering the critical care to our residents remains a key priority for the Group and planning for our pay rates not directly linked to NLW, together with dialogue with the three trade unions recognised by the Group, continues. This union dialogue continues to be collaborative and constructive and is now nearing conclusion for the 2023/24 cycle.

Other operational factors

- Government support for the challenges of the pandemic largely drew to a close during Q2 2022 in England (where the majority of our homes are located), although support from Scottish and Northern Irish Governments continued up to the end of the year. The cessation of support is concerning given that sector recovery remains gradual in nature and some of the consequences of the virus remain, including restrictions to visitors, admissions, requirements of testing and team member isolation.
- Operating costs, aside from staffing costs, have been well controlled, particularly as a result of our commercial team's focus and with a focus on central cost control. The risks posed by the wider economy, particularly around food inflation and energy costs, have been successfully mitigated to date and for as far into 2023 as has been possible.
- Whilst financial performance is driven by occupancy, fee and agency, maintaining care quality is essential in ensuring a stable platform. During the year quality outcomes have been stable despite the challenging regulatory environment, driven by a continued strong operational focus, although improvements have become more evident following the year-end.

Restructuring Update (1/2)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group. This has been focused to date 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 sale processes, notably completion of sales processes of THG business, the Northern Ireland portfolio and the Value Portfolio. All non-core disposals were completed during 2022.
- Alongside Joe O'Connor (Interim Chief Executive Officer and director of Mericourt Limited), the Joint Administrators, and the Group remain focused on maintaining operational stability and continuity of care, whilst maximising returns to lenders from the assets and operations of the Group, in particular its core portfolio of 111 freehold homes (see below).

Core Portfolio sales process

- In light of strong investor interest in the UK social care sector and the ongoing recovery of the Group following the COVID-19 pandemic, on 28 June 2022 the Joint Administrators announced the launch of a sales process for the Group's core property portfolio and the care home businesses associated with those properties. The Group has engaged Christie & Co, a leading advisory firm in the health and social care sector, to act as sales broker. The portfolio comprises 111 core freehold care homes in England, Scotland and Jersey and certain ancillary assets.
- As previously reported, subject to the Group's objective of maximising value for its creditors, and the attractiveness of offers received, the sales process is expected to complete in the second half of 2023. As with prior transactions undertaken by the Group, any sales are subject to appropriate legal and regulatory considerations.
- Since our last update the sales process has progressed well and has generated significant market interest to date. Guided site visits with multiple potential purchasers has now successfully concluded and the Group and its advisors, Christie & Co, remain actively engaged with potential purchasers currently, including on-going diligence and other dialogue.
- Throughout the ongoing sales process, our priority remains the continuity of care for all residents, and the Group will work closely with Christie & Co, potential buyers and other counterparties, as well as all relevant regulators, to ensure that the sales process and any transition to new ownership is seamless.

Restructuring Update (2/2)

Leasehold estate restructuring

- The Group continues to hold discussions with landlords of the remaining 9 operational homes in its leasehold estate.

Liquidity and financing

- As previously reported, the Group has undertaken a detailed review of its cash flow forecasts for the period to 31 December 2023 to forecast the income and costs associated with the Group's operations, professional and exceptional costs and costs to complete the orderly winding down of the Group's activities.

- The Group's estimate of the net cash usage for the period to the realisation of the Group's assets, which was initially reported at between £36m and £41m in our July 2022 bondholder update, has been materially improved over the course of the last twelve months and has reduced to approximately £25m to £27m as a result of the continued improvements in our operational turnaround and focus on cost control.

- The Group continues to carefully manage its working capital, overall liquidity and expenditures, including identifying further operational improvement and cost savings initiatives, including those referred to in the Workforce section above.

- At the end of December 2022, the Group had a cash balance of £12.6m and as of 10 April 2023 this was £13.1m.

- As announced on 31 January 2023, the maturity date of the Super Senior Term Loan was extended to 30 September 2023 in accordance with the revised terms agreed on 21 December 2022.

Administration Period

- The Joint Administrators of Elli Finance (UK) Plc (in administration) (EFUK) have applied to Court to extend the administration of EFUK for 12 months until 29 April 2024 (on the basis that to do so would be in the best interests of creditors of EFUK). A Court hearing in respect of that application is expected to take place in the next 2-3 weeks. The administration of Elli Investments Limited (in administration) is not limited in its duration, and so there is no need for its administration to be extended.

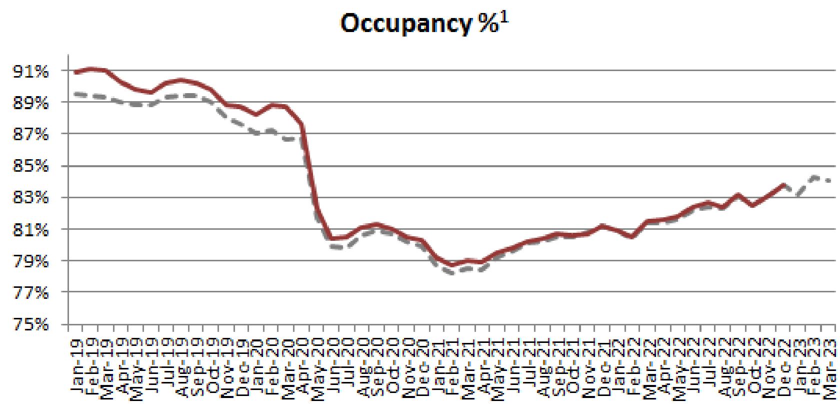
Results – KPIs (CHD[1])

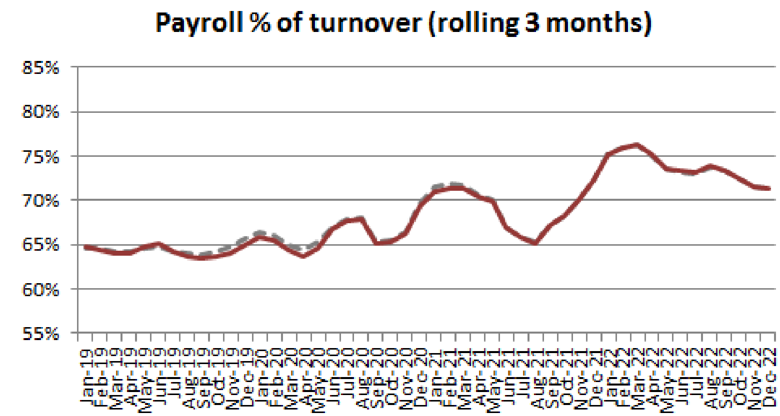
	2020					2021					2022				
	Q1	Q2	Q3	Q4	Year [3]	Q1	Q2	Q3	Q4	Year [3]	Q1	Q2	Q3	Q4 [12]	Year [3, 12]
Turnover (£m)	111.7	93.9	92.5	92.2	390.4	88.6	94.6	89.2	86.7	359.1	85.3	88.8	72.9	74.2	321.0
EBITDAR (£m)[5][6]	12.8	9.7	11.7	6.1	40.3	4.5	11.1	10.5	3.3	29.3	(0.4)	4.5	3.3	3.0	10.5
EBITDA (£m)[6][7][8]	6.4	7.3	9.7	4.1	27.4	2.6	9.3	8.7	1.8	22.4	(1.5)	3.4	2.4	2.3	6.5
Effective beds	12,445	9,932	9,813	9,782	10,493	9,653	9,613	9,193	8,762	9,305	8,468	8,323	7,027	6,508	7,582
Occupancy %	87.0%	82.8%	80.4%	80.3%	82.6%	78.5%	79.1%	80.2%	80.8%	79.7%	80.9%	81.7%	82.6%	83.1%	82.1%
Average weekly fee (£)	792	845	831	839	827	852	874	875	882	871	902	950	948	968	942
Payroll (% of turnover)[2]	65.0%	66.9%	65.4%	69.7%	66.8%	71.7%	67.0%	67.2%	72.3%	69.5%	76.1%	73.0%	73.5%	71.3%	73.5%
EBITDARM (% of turnover)[4]	19.7%	18.3%	20.4%	15.0%	18.4%	13.2%	19.6%	19.5%	12.5%	16.3%	7.8%	12.0%	12.2%	11.5%	10.8%
Agency (% of payroll)[2]	8.8%	8.6%	7.0%	9.0%	8.4%	8.5%	8.1%	12.6%	18.1%	11.8%	21.7%	21.3%	21.6%	16.6%	20.3%
Expenses (% of turnover)	15.3%	14.8%	14.2%	14.9%	14.8%	15.0%	13.3%	13.3%	14.7%	14.1%	16.1%	15.0%	14.3%	17.1%	15.6%
Central costs (% of turnover)	8.1%	7.7%	7.6%	8.2%	7.9%	8.0%	7.8%	8.2%	8.9%	8.2%	8.2%	6.9%	7.7%	7.6%	7.6%
KPIs excluding migrated leaseholds [10]															
Turnover (£m)	82.2	84.9	84.6	84.4	336.0	82.8	88.4	83.2	81.9	336.3	82.0	85.6	71.3	73.9	312.7
Effective beds	8,924	8,924	8,924	8,924	8,924	8,955	8,932	8,512	8,256	8,664	8,178	8,062	6,870	6,485	7,399
Occupancy %	88.2%	83.1%	80.6%	80.3%	83.1%	78.8%	79.2%	80.3%	80.8%	79.8%	80.7%	81.6%	82.5%	83.1%	82.0%
Average weekly fee (£)	801	846	833	839	830	854	877	878	885	873	903	950	948	1,043	961
Payroll (% of turnover)[2]	64.5%	66.9%	65.3%	69.5%	66.6%	71.5%	67.1%	67.1%	72.3%	69.5%	76.4%	73.3%	73.5%	71.4%	73.7%
EBITDARM (% of turnover)[4]	20.3%	18.3%	20.4%	15.3%	18.6%	13.5%	19.6%	19.5%	12.7%	16.3%	7.6%	11.6%	12.3%	11.5%	10.7%
Agency (% of payroll)[2]	8.3%	8.7%	7.1%	8.9%	8.2%	8.6%	8.4%	12.6%	18.2%	12.0%	21.8%	21.3%	21.7%	16.6%	20.4%
Expenses (% of turnover)	14.5%	14.2%	13.6%	14.4%	14.2%	14.3%	13.3%	13.3%	14.9%	14.0%	16.0%	15.0%	14.2%	17.1%	15.6%
Memo: THG EBITDA (£m) [9]	0.2	1.0	2.1	1.2	4.5	0.9									

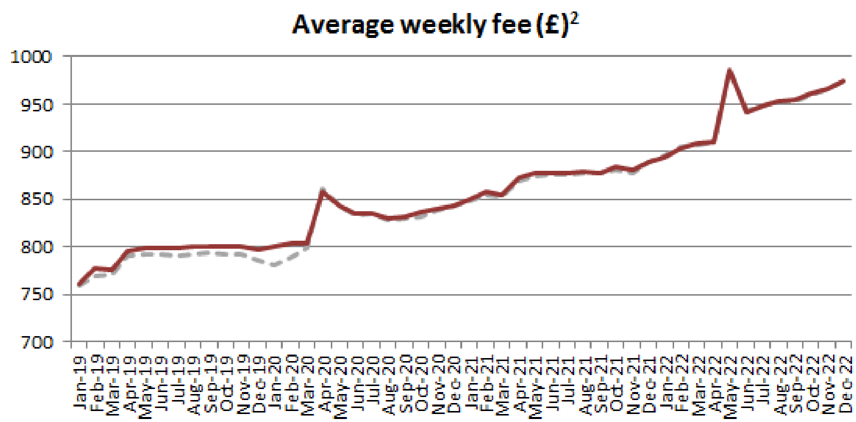
Notes

1. KPIs presented for the combined CHD (FSHC and brighterkind) only following disposal of THG division on 5 March 2021
2. Payroll excludes central payroll
3. Full year numbers may include minor rounding differences compared to the four quarter aggregate
4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
5. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
6. EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
7. Rent on migrated leaseholds is accrued up to the date of the migration
8. The Group's results for the periods presented above are draft and unaudited
9. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG sites for which a sale process completed on 5 March 2021
10. KPIs excluding all leasehold care homes which have been migrated to alternative operators in Q4 2019 (45 operating and 13 closed care homes), Q1 2020 (66 care homes and 11 closed care homes), and Q2, Q3 and Q4 2020 (5 operational care homes and 7 closed sites), 2 care homes in Q1 2021, 6 care homes in Q4 2021, 1 care home in Q1 2022, 4 care homes in August 2022 and 1 care home in October 2022
11. On the 11th May 2022 the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been included in the Q2 2022 results and KPIs throughout this presentation
12. FY 2022 is a 53 week period (with Q4 2022 being a 14 week period)

Results







- - - Full historical CHD estate — Excluding Migrated Leaseholds

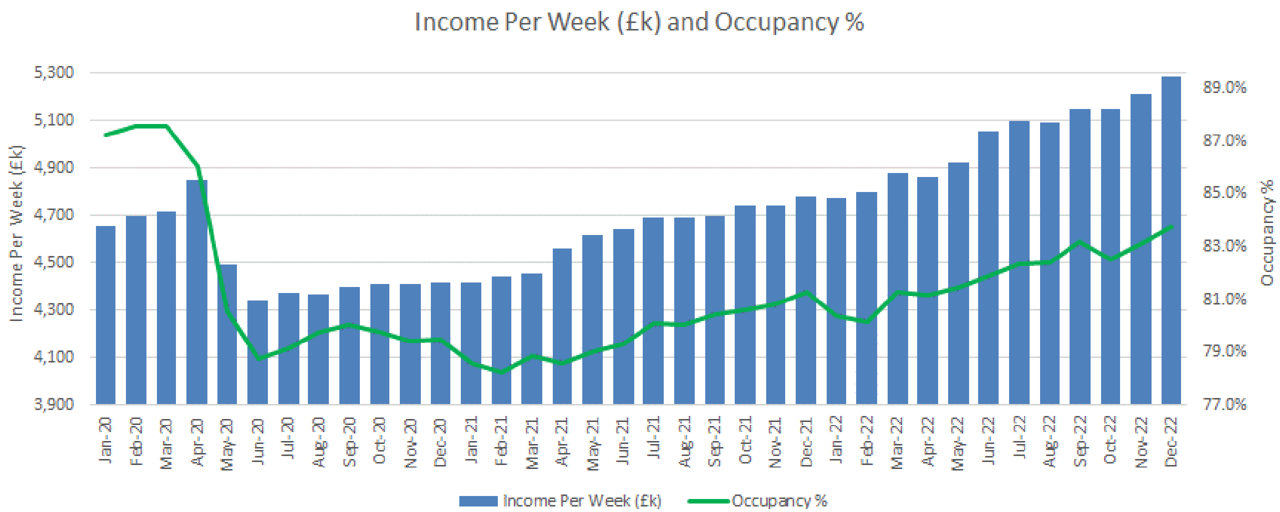
Note 1 – Mar-23 occupancy % represents 26 March 2023 spot occupancy % (at 83.9%)

Note 2 - On the 11th May 2022, the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 26 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been recognised in the Q2 2022 results and KPIs.

- Average Q4 2022 occupancy in the care home business of 83.1% was 2.3 percentage points higher than the comparative quarter and 0.5 percentage points higher than the previous quarter.
- The death rate continues to be significantly below the last four year average and since March 2021 Covid-19 has accounted for a very low level of all deaths and is generally not resulting in serious illness.
- However, requirements around deemed outbreaks and staff isolation restricts the ability of a homes being able to take full advantage of demand around new admissions where Covid-19 infections are present. This was most pronounced during December 2021 and Q1 2022 and the impact has been well managed at low levels since, with admissions since mid February 2022 having returned to 90% of normalised levels and the current (26 March 2023) spot occupancy of 83.9% representing a further 0.8 percentage point increase on the Q4 2022 average occupancy.
- AWF, which averaged £968 during Q4 2022, was £86, or 9.8%, higher than the comparative quarter. Significant improvements in AWF have bolstered the Group's top line throughout 2022.
- Payroll KPIs continue to be challenging but management focus resulted in pleasing improvements during Q4 2022. Agency costs increased to an average of 18.1% of total payroll during Q4 2021 and by a further 3-4 percentage points to levels between 21% and 22% percent during Q1-Q3 2022. Improvements of c5 percentage points were achieved during Q4 2022, with a decrease to 16.6%.
- Total payroll as a percentage of turnover was also managed down in Q4 2022, reducing by 2 percentage points on the prior quarter and 1 percentage point on the comparative quarter, to 71.3%. Management focus to bring this down continues.

Results - Income

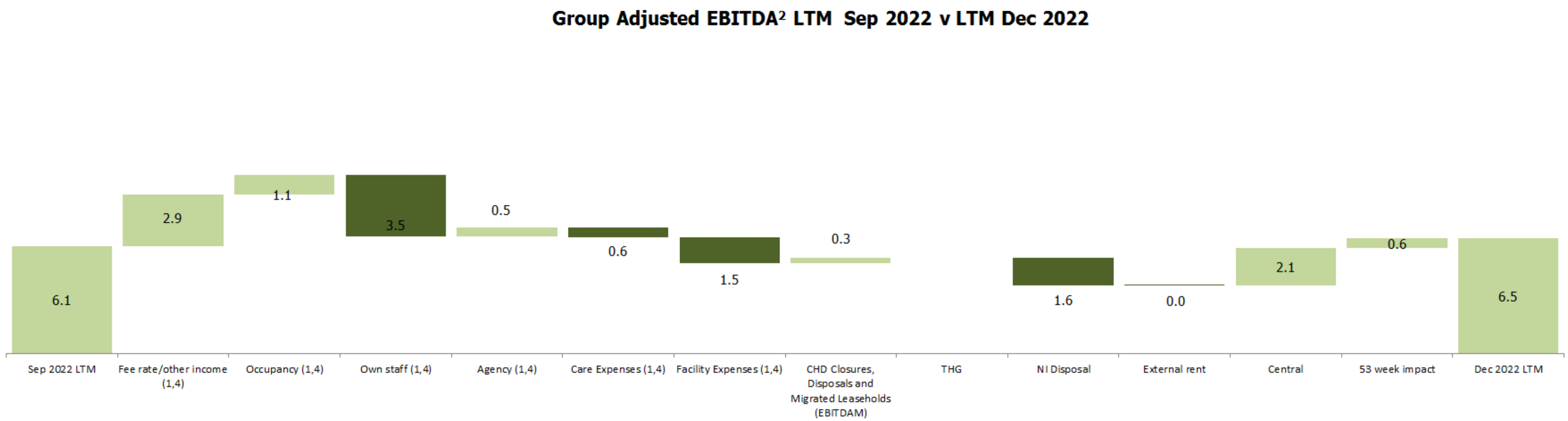
	2020					2021					2022				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4 [1]	Year [1]
Turnover (£m)	61.0	59.2	56.9	57.4	234.6	57.7	59.9	61.0	61.8	240.5	62.6	64.3	66.5	73.1	266.5



- The graph above shows income per week (blue/left axis) in comparison to occupancy % (green/right axis) and the table shows quarterly income. Both exclude (i) the benefit of any Covid-19 support income, and (ii) the income of any disposals and migrations, i.e. are on a 'current estate' like-for-like basis.
- Following the initial wave of Covid-19 (impacting in Q2 and Q3 2020) occupancy recovery has been challenging for both the Group and wider sector, particularly as a result of further waves of infections in Q1 2021 and the Omicron wave in Q1 2022, which have resulted in periods of reduced admissions for the reasons outlined on slide 3.
- Despite this, occupancy has consistently recovered, and Q4 2022 occupancy of 83.1% represents a c5% recovery from the low point of 79% in Summer 2020.
- Additionally, the AWF of £968 in Q4 2022 was £86 (9.8%) ahead of the comparative quarter and £20 (2.1%) ahead of the prior quarter. Year-on-year AWF growth of £71 (8.2%) was achieved.
- Strong AWF outcomes have been achieved across both private pay and local authority funded residents through negotiations for existing residents and in addition to a renewed focus on building 'profitable' occupancy being applied, particularly from H2 2022 onwards.
- This growth in AWF has been critical at a time of increasing cost pressures and the difficulties of operating in the sector and wider economy and it is essential that occupancy is driven only at 'profitable' levels and where a fair price for the care provided is received.
- As a result, the Group has achieved consistent recovery and growth in income. This is shown in the table with nine consecutive quarters of income growth, and income being ahead of "pre Covid" levels from Q3 2021 onwards.

1 FY 2022 is a 53 week period (with Q4 2022 being 14 week period).

Results – LTM Adjusted EBITDA Sep 2022 v LTM Dec 2022



- The LTM movement, excluding closures, disposals (including THG and the NI disposals which completed on July 2021 and July 2022) and migrations, was largely a result of the following drivers:
  - Income was £4.0m higher in December 2022 LTM than September 2022 LTM:
    - Group fee rates were higher leading to an overall favourable fee rate variance of £5.5m
    - Income of £0.9m (2021 Q4: £3.5m) was received from LAs and CCGs in respect of an element of the exceptional Covid-19 costs
    - Higher occupancy in Q4 2022 compared to Q4 2021 resulted in an favourable occupancy variance of £1.1m
  - Own staff payroll costs increased by £3.5m in light of inflationary and statutory pay rate pressures and the on-going pressures of Covid-19 and staffing shortages
  - Agency resulted in a £0.5m increase to LTM EBITDA despite the on-going recruitment crisis as a result of robust management of agency usage
  - A further £2.1m decrease in LTM EBITDA was incurred in care and facility expenses due to inflationary pressures

- The EBITDAM impact of CHD closures, disposals and migrations was a £0.3m increase, whilst the EBITDA impact of the NI disposals which completed in July 2021 and July 2022 was a decrease of £1.6m

- There was no movement as a result of external rent, and a focus on better central cost control improved EBITDA by £2.1m

Notes
1. Excludes closures/disposals of care homes (including the sale of the remaining 29 care homes in Northern Ireland which completed on 18 July 2022) 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
4. Presented on a 52 week basis (with the net EBITDARM impact of the additional trading week presented in the final block of the bridge)

FY 2020, FY 2021 and FY 2022 YTD EBITDA and cash flow analysis

£m	2020					2021					2022				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
EBITDARM	25.5	21.3	23.7	17.3	87.7	14.1	18.6	17.4	10.8	60.9	6.6	10.7	8.9	8.6	34.8
Closed home costs	(0.4)	(0.5)	(0.3)	(0.3)	(1.6)	(0.3)	(0.3)	0.3	-	(0.3)	-	-	-	-	-
Rent(1)(2)(3)	(7.7)	(3.5)	(3.1)	(2.8)	(17.2)	(2.0)	(1.8)	(1.6)	(1.5)	(6.9)	(1.1)	(1.1)	(0.9)	(0.7)	(3.9)
Central costs	(10.7)	(8.9)	(8.5)	(8.9)	(37.0)	(8.2)	(7.4)	(7.3)	(7.7)	(30.6)	(7.0)	(6.1)	(5.6)	(5.6)	(24.3)
Adjusted EBITDA(3)	**6.6**	**8.3**	**11.8**	**5.3**	**32.0**	**3.5**	**9.2**	**8.8**	**1.7**	**23.1**	**(1.5)**	**3.4**	**2.4**	**2.3**	**6.5**
Maintenance Capex	(2.7)	(2.4)	(1.9)	(5.4)	(12.4)	(2.2)	(3.0)	(2.9)	(3.5)	(11.6)	(2.5)	(2.3)	(2.3)	(2.2)	(9.2)
Central Capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.3)	(0.0)	(0.0)	(0.4)
Capex	**(2.7)**	**(2.4)**	**(1.9)**	**(5.5)**	**(12.6)**	**(2.2)**	**(3.1)**	**(2.9)**	**(3.5)**	**(11.7)**	**(2.6)**	**(2.6)**	**(2.3)**	**(2.2)**	**(9.7)**
Exceptionals - restructuring	(14.0)	(6.4)	(4.4)	(8.8)	(33.6)	(5.0)	(3.5)	(3.6)	(7.6)	(19.7)	(2.7)	(3.4)	(4.4)	(3.7)	(14.2)
Exceptionals - other	0.3	-	-	-	0.3	-	-	-	(0.1)	(0.1)	-	-	-	-	-
Exceptionals	**(13.7)**	**(6.4)**	**(4.4)**	**(8.8)**	**(33.3)**	**(5.0)**	**(3.5)**	**(3.6)**	**(7.7)**	**(19.8)**	**(2.7)**	**(3.4)**	**(4.4)**	**(3.7)**	**(14.2)**
Debt drawdown/(repayment)	-	-	-	-	-	(31.6)	-	(13.3)	-	(44.9)	(1.4)	(11.0)	(34.9)	-	(47.3)
Taxation	(0.2)	-	(0.2)	-	(0.4)	-	-	-	-	-	-	-			-
Interest	-	-	-	-	-	-	-	-	(0.3)	(0.3)	(1.5)	(0.4)	(0.2)	(0.6)	(2.7)
Disposal proceeds	-	-	-	-	-	35.0	-	16.1	0.2	51.3	1.5	12.8	41.5	-	55.8
Working capital movement	11.0	11.5	(0.8)	4.7	26.4	(5.4)	3.8	(11.0)	1.7	(10.9)	5.6	(3.5)	(10.0)	(1.2)	(9.1)
Net cash flow	**1.0**	**11.0**	**4.4**	**(4.3)**	**12.1**	**(5.7)**	**6.4**	**(5.9)**	**(8.0)**	**(13.2)**	**(2.6)**	**(4.7)**	**(8.0)**	**(5.5)**	**(20.7)**
Opening cash balance	34.2	35.2	46.2	50.6		46.3	40.7	47.0	41.1		33.1	30.6	25.9	17.9	
Closing cash balance	35.2	46.2	50.6	46.3		40.7	47.0	41.1	33.1		30.6	25.9	17.9	12.5	

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 FY 2020, FY 2021, and FY 2022 was £5.9m, £4.1m, and £3.0m 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 and £0.1m in Q1 2021)

- 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 and in FY 2021 the group generated £11.4m of operating cash before exceptional costs of £19.8m and a working capital outflow of £10.9m.
- In FY 2022 the Group utilised £3.2m of operating cash before exceptional costs of £14.2m and a working capital outflow of £9.1m. The working capital outflow was predominantly a result of the unwind of negative working capital in relation to the sale of the Group's remaining 29 care homes in Northern Ireland.
- Two disposals were successfully completed during FY 2021 (i) on 5 March 2021 the disposal of THG business for an aggregate value of £35.0m, following which net proceeds of £31.6m have been returned to lenders, and (ii) on 26 July 2021 the disposal of 13 operating and one closed site in Northern Ireland completed for an aggregate value of £16.1m, following which net proceeds of £13.3m have been returned to lenders.
- A disposal of two previously closed homes was completed in Q1 2022 with net proceeds of £1.4m having been returned to lenders and disposals of four open homes was completed in Q2 2022 with net proceeds of £11m having been returned to lenders. Disposal of the remaining Northern Ireland estate (29 homes) and 1 England home was completed in Q3 2022 with net proceeds of £34.9m having been returned to lenders.
- As a result of the above, the Group's cash balance decreased by £13.2m and £20.7m during FY 2021 and FY 2022 respectively and cash flow remains somewhat lower than in the pre-Covid-19 period.
- Central costs in FY 2020 include £6.2m attributable to THG (£1.3m in Q4 2020)[4]. Central costs in Q1 2021 include £1.2m attributable to THG. Central costs have tightly been controlled, with a focus on central cost reduction to better fit the cost base to the business performance earlier in 2022.

Regulatory action as at 21 March 2023

The table below sets out a summary of the regulatory action within each business, as at 21 March 2023:

Summary of current regulatory action as of 21 March 2023				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	-	5	6	97
brighterkind	-	2	1	21
Total	-	7	7	118

- All care homes 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.

- Other stakeholders who commission services from the Group can also restrict admissions but these are limited to the services they commission. These are classed as other restrictions.

Condensed, Unaudited Consolidated Balance Sheet

Unaudited, Condensed, Balance Sheet - Elli Investments Limited (in administration) - £m

£m	2022	2021
Fixed assets		
Investments	-	-
Tangible assets [2]	302.6	358.0
	302.6	**358.0**
Current assets		
Debtors	26.6	19.2
Cash at bank and in hand	12.5	33.1
	39.1	**52.3**
Creditors: amounts falling due within one year	(64.7)	(82.7)
Financing	(1,882.1)	(1,709.9)
Net current liabilities	**(1,907.7)**	**(1,740.3)**
Total assets less current liabilities	**(1,605.1)**	**(1,382.3)**
Creditors: amounts falling after more than one year	-	-
Provisions [5]	(11.2)	(11.2)
Net liabilities	**(1,616.3)**	**(1,393.5)**
Share capital	174.4	174.4
Reserves	(1,790.7)	(1,567.9)
Shareholder's equity	**(1,616.3)**	**(1,393.5)**

Debtors	2022	2021
Trade receivables	18.1	15.6
Prepayments, other debtors and net accrued income	8.5	3.6
Taxation	-	-
	26.6	**19.2**

Payables and other creditors	2022	2021
Trade payables	(8.2)	(10.5)
Accruals and other creditors	(56.5)	(72.2)
Taxation	-	-
	(64.7)	**(82.7)**

Financing	2022	2021
Term loan [3]	(24.1)	(71.3)
High yield bonds	(525.0)	(525.0)
Accrued interest	(360.4)	(284.4)
Amounts owed to connected entities [4]	(972.6)	(829.2)
	(1,882.1)	**(1,709.9)**

Notes

1. Condensed, unaudited consolidated balance sheet for Elli Investments Limited (in administration) (EIL) and its direct or indirect subsidiary undertakings on a management accounts basis
2. Tangible assets guided by recent valuations carried out by an independent valuer in accordance with RICS standards, as well as recent disposal programmes
3. The term loan was amended and restated on 15 November 2021 and as announced on 31 January 2023 the maturity date was extended to 30 September 2023 in accordance with the terms agreed on 21 December 2022.
4. Amounts owed to connected entities are not expected to be cash settled
5. Provisions principally relate to costs associated with leases which included fixed rate increases across the lease. The cost of these leases have been straight lined, with the additional charge included in provisions, and the provision will unwind over the period of the relevant leases should the lease remain with the Group
6. Other than the financing balances held by EIL and its indirect subsidiary, Elli Finance (UK) Plc, there are no material differences between the balances of EIL Consolidated Balance Sheet presented above and the aggregate balance sheets of the two sub-groups headed by Mericourt Limited and Rhyme (Jersey) Limited

Contacts

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