Four Seasons Health Care

Q1 2022 Trading and Restructuring Update
Draft, unaudited results for the quarter ended 31 March 2022

14 July 2022

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Q1 2022 Trading Overview[1]

Q1 2022 financial results

- Q1 2022 Group[5] EBITDA[2,6] of negative £1.5m is £5.0m lower than Q1 2021 (£4.1m lower when adjusting for the impact of THG disposal).
- The Q1 2022 EBITDA[2] in respect of the CHD[4] was negative £1.5m and included Covid-19 support income of £4.9m (Q1 2021: £2.6m and Covid-19 support income of £4.1m).

Income [4,6]

- Q1 2022 turnover was £6.2m higher than Q1 2021, after adjusting for revenue from homes closed, sold or migrated.
- Along with the rest of the sector, occupancy remains significantly impacted following the decline that was suffered as a result of the first wave of Covid-19 during Q2 2020.
- Admission levels during December 2021 and into Q1 2022 have been substantially impacted as a result of the legislation restricting homes taking new admissions for prolonged periods following an outbreak of Covid-19. However, despite admissions being adversely impacted, average Q1 2022 occupancy of 80.9% was 2.4 percentage points higher than the comparative quarter, and in line with Q4 2021. Referrals and enquiries have remained strong and the death rate has been below historical levels since the start of June 2020.
- The average weekly fee in Q1 2022 increased by £50, or 5.9%, year on year. The Care Home Division (CHD) income in Q1 2022 includes c£4.9m of financial support from Local Authorities and CCGs in respect of exceptional Covid-19 costs incurred (Q1 2021: c£4.1m). However, reimbursement of these costs does not fully compensate for the occupancy decline.

Payroll, care and facility costs [4]

- The staffing environment continued to be challenging during the period as a result of underlying difficulties faced by the sector which have been exacerbated by Covid-19, specifically staff isolation rules which resulted in acute workforce pressures developing during Q1 2022.
- As a result, payroll as a percentage of income at 76.1% during Q1 2022 was 4.4 percentage points higher than in Q1 2021. Agency usage, which had been well controlled during FY 2020 and H1 2021 and was significantly below levels prior to the organisational restructure and wider sector averages, increased by 5.5 percentage points to 18.1% in Q4 2021 and by a further 3.6 percentage points to 21.7% in Q1 2022.
- Despite substantial inflationary pressures, care and facility overheads were well controlled during the quarter at 16.1% of turnover (a 1.1 percentage point increase on Q1 2021).

EBITDARM [4]

- As a result, Q1 2022 EBITDARM[3], excluding the impact of homes closed, sold or migrated, of £7.0m was £4.1m lower than Q1 2021.

Notes:
1. The Group's results for the year ended 31 December 2020, the year ended 31 December 2021, and the quarter ended 31 March 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 Northern Ireland disposal sites up to the date of completion (26 July 2021), 4 England/Scotland operational sites up their respective dates of completion (March, May and July 2022) 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 not been recognised in the results/KPIs throughout this presentation

Operational Update (1/2)

The focus of the business during the first half of the 2022 has been to drive profitable occupancy, reduce agency and to maintain care quality. Progress has been achieved in these areas despite the pressures that Covid-19 has continued to place upon the social care sector.

Occupancy

- Steady improvements had been made in occupancy during 2021, with an increase of 1.8 percentage points during the year. With a death rate consistently below historical levels since the start of June 2020, Covid accounting for a very low proportion of all deaths, and admissions having recovered to pre Covid levels by Q2 2021 the business was in a strong place to continue occupancy recovery.

- However, infection numbers rose sharply in both residents and team members from December 2021 and into Q1 2022 mirroring the wave of Omicron infections that has swept through the UK. Whilst infections have not led (in the vast majority of cases) to serious illness or death, positive Covid-19 cases adversely impact the Group (and indeed wider sector occupancy) predominantly as a result of three factors (i) Public Health England requirements resulting in a large number of homes being delayed in or prevented entirely from accepting new admissions for multiple weeks following two positive Covid-19 cases (ii) higher rates of staff isolation than previously seen have led to workforce shortages which is resulting in us having to decline admissions where we cannot be sure of having adequate team available to provide safe and effective care as well as on-boarding of new admissions, and (iii) the perceived risk of the virus is making people understandably nervous about putting loved ones into care homes, not necessarily because of the direct health risk but because of the concern of future lockdowns and enforced isolation.

- Infection numbers have now returned to "pre-Omicron" levels and inquiries and referrals have remained strong throughout. As a result we have seen a return to c90% of normalised admission levels since mid-February 2022. This has been achieved despite the on-going restrictions and demonstrates the strength of enquiries and referral levels.

- H1 2022 closing occupancy was 82%, which is a 3 percentage point improvement on the low point of 79% in Summer 2020.

Workforce

- The lack of people across the sector has been a long standing issue and was made more difficult during 2021 by the mandating of the Covid-19 vaccine as a condition of deployment for those working in social care and the opening up of the wider economy which together conspired to create an even more acute workforce shortage.

- As previously reported, pay rates are rising rapidly and agency costs are also increasing. Further to these structural workforce pressures, the increase in infection numbers and isolation requirements have, since December and during 2022 so far, resulted in a material shift in agency usage. As a percentage of total payroll agency costs have increased from a low point of 6% in mid 2020 to an average of c18% in Q4 2021 and further again to 22% in Q1 2022, the highest figure that we have seen. Hours worked during May and June show early signs of a reduction in agency staffing, however the trend of significantly increased agency is consistent across the sector and is anticipated to remain a challenge, at least in the short term.

- Agency usage will remain a key area of management focus and a series of initiatives are ongoing to address this and improve profitability during the second half of the year.

- The working environment remains extremely challenging (PPE, testing, infection control protocols etc) and, whilst homes have to a degree learned to "live with the virus", staff are continuing to work at unsustainable levels of pressure that Covid-19 has placed on the social care sector during the past two years.

Operational Update (2/2)

Other operational factors

- Government support during the course of the pandemic has been significant with the Group having benefitted from c£52m since March 2021. However, this support has now drawn to a close in England where the majority of our homes are located although support from Scottish and Northern Irish Governments has continued into Q2. The cessation of support in England is concerning given that sector recovery remains some way off both in terms of occupancy and that the consequences of the virus remain, including restrictions to visitors, admissions, requirements of testing and team member isolation and the challenges that this poses to the care and support staff caring for our residents.

- The problems outlined above are material and inevitably place constraints on us operationally and financially, but we are confident we have the tools and team in the team in place to manage these issues in the short term as the sector continues to return to normality. Since our last bondholder update, we have put in place a revised Senior Leadership Team structure and there is a sense of stability and collective purpose in the team.

- Whilst financial performance is driven by occupancy and agency, maintaining care quality is essential in ensuring a stable platform. During the first half of the year quality outcomes have been stable despite the challenging regulatory environment, driven by a continued strong operational focus and supported by systems introduced during 2021, as well as a sense of stability and collective purpose in the management team.

Restructuring Update (1/2)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group. On 31 December 2021, Joe O'Connor (a Managing Director of AlixPartners UK LLP, and an experienced restructuring professional who has worked extensively in the social care sector) was appointed as Mericourt Limited's Implementation Officer in accordance with the Super Senior Term Loan, as amended and restated on 15 November 2021. Mr O'Connor has also been appointed as a director of Mericourt Limited.

- Mr O'Connor has been gradually assuming further responsibilities and has been appointed interim CEO in order to provide leadership for the Group, working closely with the existing senior management team and the Joint Administrators.

- The Joint Administrators, Mr O'Connor 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).

Disposals update – Northern Ireland and Value Portfolio

- Following the sale of fourteen homes in Northern Ireland in July 2021, the Group received interest in the remainder of the Northern Ireland portfolio and on 22 March 2022 the Group announced that a conditional sale and purchase agreement was entered into with Beaumont Care Homes Limited and Beaumont Care Homes Property Limited (together, the "Buyers") on 21 March 2022 relating to the sale of the business and assets of the remaining 29 operating sites in the Group's NI Portfolio for an aggregate value of £36,000,000 in cash (the "Transaction"). Completion of the Transaction is subject to customary closing conditions including regulatory approvals, which were received on 4 July 2022. As such a consent solicitation process was launched on 8 July 2022 and closes on 15 July 2022. The transaction is anticipated to complete on 18 July 2022.

- The sale process in relation to the Value Portfolio is ongoing, with sales completed on two closed sites on 7 March 2022, one operational home on 28 March 2022, two operational homes on 16 May 2022 and a further operational home on 13 June 2022. One further operational home is subject to a Conditional Sale and Purchase Agreement, with completion anticipated to take place in August 2022. Further updates will be provided in due course.

Launch of 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.

- 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.

- Throughout the 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 the transition to new ownership is seamless.

Restructuring Update (2/2)

Leasehold estate restructuring

- The Group previously reported that between December 2019 and 30 June 2021, 127 operational care homes and other facilities (including the portfolios of the four largest landlords where it was not possible to renegotiate rental levels in respect of those portfolios) had transitioned away from the Group.
- The leaseholds that have migrated since December 2019 contributed a net EBITDAM of c£4m during 2019. However, after capex and costs for closed homes, these care homes and specialist units resulted in a c£5.0m cash outflow for the Group.
- Progression of the leasehold estate restructuring was impacted from Q2 2020 onwards by Covid-19. The Group remains in discussion with landlords and has recommenced the payment of rents on certain homes but is working with landlords in respect of the migration of the remaining 14 operational homes in its leasehold estate to new operators and 7 are in in the process of transitioning with regulatory applications submitted or in advanced stages of preparation, including 3 expected to complete in July 2022.

Liquidity and financing

- The Group has undertaken a detailed review of its cash flow forecasts for the period from 28 March 2022 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. In connection with the foregoing cash flow review, the Group's preliminary estimate of the net cash usage for the period to the realisation of the Group's assets is between £36m and £41m.
- The Group continues to seek to reduce this net cash usage estimate and expects to fund these net cash usages, to the extent further cash is required, through a combination of options, including:
  - i. retaining certain asset disposal net proceeds; and/or
  - ii. identifying further operational improvement and cost savings initiatives; and/or
  - iii. seeking a modest incremental facility under the Group's Super Senior Term Loan.
- At the end of March 2022, the Group had a cash balance of £30.6m and as of 10 July 2022 this had decreased to £23.7m.

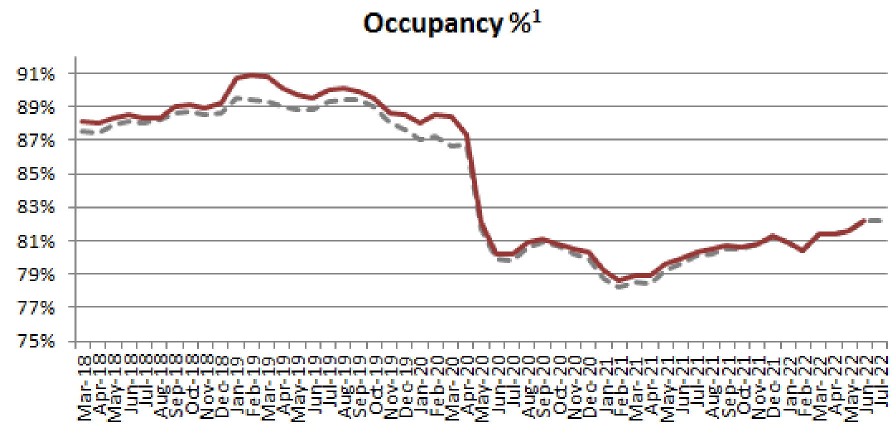
Results – KPIs (CHD[1])

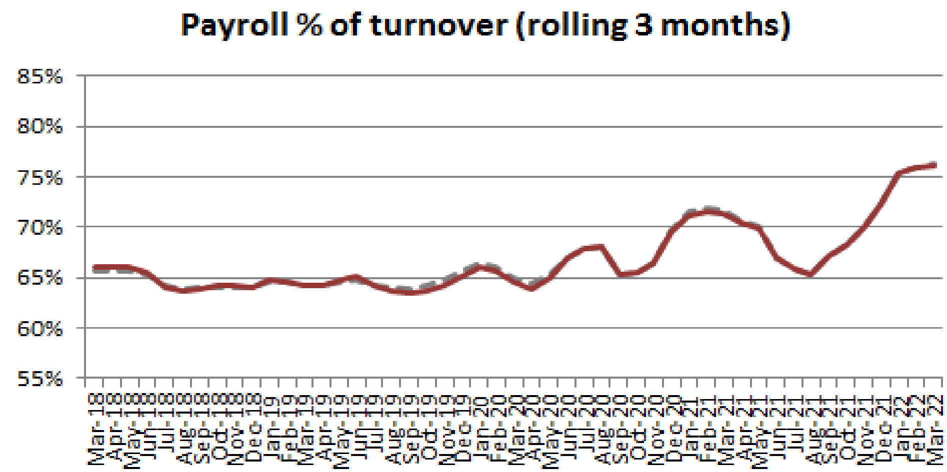
	2020					2021					2022
	Q1	Q2	Q3	Q4	Year (2)	Q1	Q2	Q3	Q4	Year (2)	Q1
Turnover (£m)	111.7	93.9	92.5	92.2	390.4	88.6	94.6	89.2	86.7	359.1	85.3
EBITDAR (£m)(4)(5)	12.8	9.7	11.7	6.1	40.3	4.5	11.1	10.5	3.3	29.3	(0.4)
EBITDA (£m) (5)(6)(7)	6.4	7.3	9.7	4.1	27.4	2.6	9.3	8.7	1.8	22.4	(1.5)
Effective beds	12,445	9,932	9,813	9,782	10,493	9,653	9,613	9,193	8,762	9,305	8,468
Occupancy %	87.0%	82.8%	80.4%	80.3%	82.6%	78.5%	79.1%	80.2%	80.8%	79.7%	80.9%
Average weekly fee (£)	792	845	831	839	827	852	874	875	882	871	902
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%
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%
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%
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%
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%
KPIs excluding migrated leaseholds *(10)*											
Turnover (£m)	84.7	87.4	87.1	87.0	346.2	85.4	91.1	85.8	84.5	346.7	85.0
Effective beds	9,185	9,185	9,185	9,185	9,185	9,216	9,193	8,773	8,517	8,925	8,439
Occupancy %	88.3%	83.2%	80.7%	80.5%	83.2%	78.9%	79.5%	80.5%	80.9%	80.0%	80.9%
Average weekly fee (£)	801	846	833	839	830	853	876	878	884	873	902
Payroll (% of turnover)(2)	64.4%	66.9%	65.4%	69.5%	66.6%	71.4%	67.0%	67.2%	72.3%	69.5%	76.0%
EBITDARM (% of turnover)(4)	20.4%	18.3%	20.4%	15.3%	18.6%	13.6%	19.6%	19.4%	12.6%	16.3%	7.9%
Agency (% of payroll)(2)	8.2%	8.7%	7.0%	8.8%	8.2%	8.4%	8.2%	12.6%	18.1%	11.8%	21.7%
Expenses (% of turnover)	14.5%	14.2%	13.6%	14.5%	14.2%	14.4%	13.4%	13.3%	15.0%	14.0%	16.1%
Memo: THG EBITDA (£m) (9)	0.2	1.0	2.1	1.2	4.5	0.9					

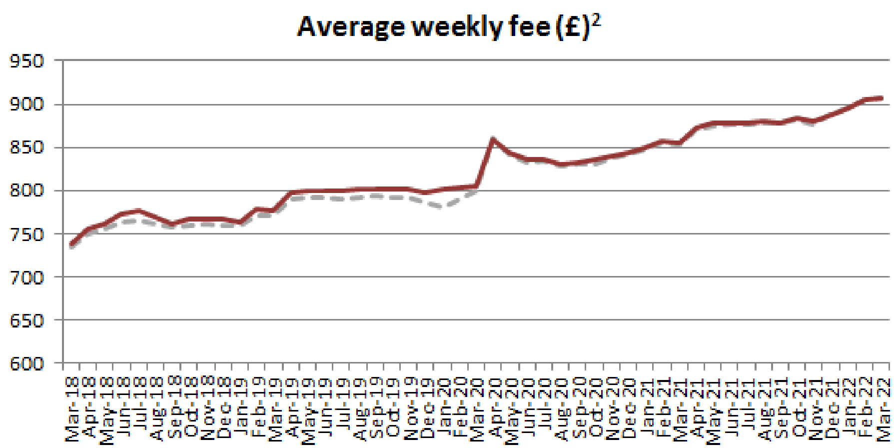
Notes

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 and 1 care home in Q1 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 not been recognised in the results/KPIs throughout this presentation.

Results – Care homes







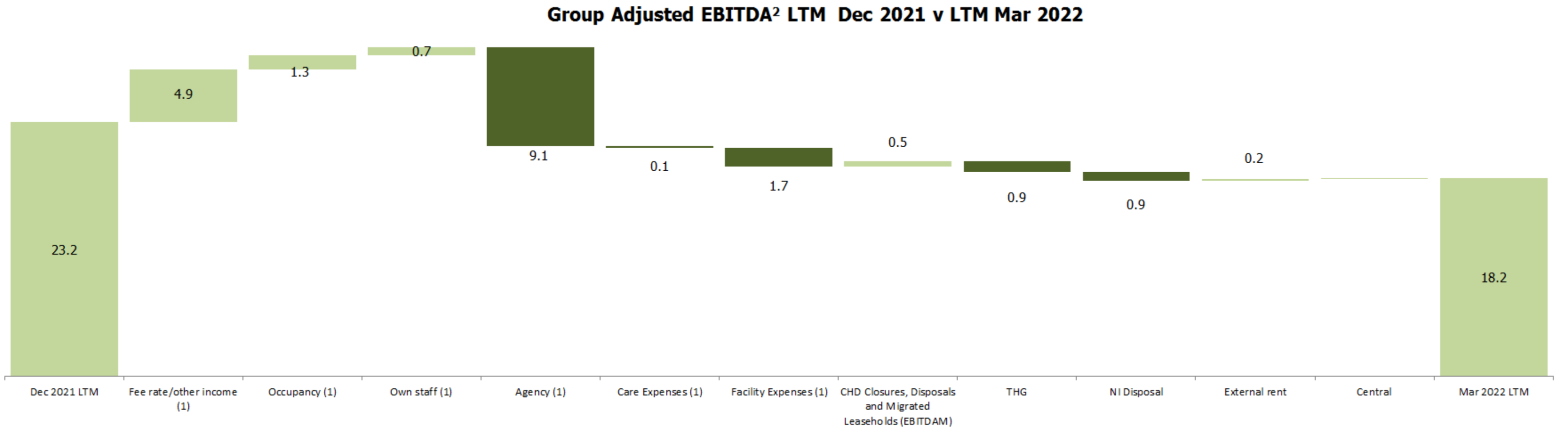
- - - Full historical CHD estate —— Excluding Migrated Leaseholds

Note 1 – Jul-22 occupancy % represents 10 July 2022 spot occupancy % (at 82.2%)

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 not been recognised in the KPIs presented above.

- Average Q1 2022 occupancy in the care home business of 80.9% was 2.4 percentage points higher than the comparative quarter and in line with the Q4 2021 occupancy despite admissions being adversely impacted by the impact of the Omicron wave.
- 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, an increased level of infections coupled with the requirements around deemed outbreaks and staff isolation has restricted the ability of a large proportion of homes in the estate being able to take full advantage of demand around new admissions since December 2021 and during January and February 2022.
- Despite this, admissions since mid February 2022 have returned to 90% of normalised levels and the current (10 July 2022) spot occupancy of 82.2% represents a 81.3 percentage point increase on the Q1 2022 average occupancy.
- Staff isolation rules are also having an impact on payroll costs which were already challenging due to sector wide labour shortages.
- Agency, which, at an average of 8.9% of total payroll during 2020 and up to Q3 2021 had been well controlled, increased to an average of 18.1% of total payroll during Q4 2021 and by a further 3.6 percentage points to 21.7% during Q1 2022.
- Predominantly as a result of this increased agency usage, total payroll as a percentage of turnover in Q1 2022 increased by 4.4 percentage points compared to Q1 2021 to 76.1%
- AWF [2] averaged £902 during Q1 2022 which was a £50, or 5.9%, increase on the comparative quarter.

Results – LTM Adjusted EBITDA Dec 2021 v LTM Mar 2022



- The LTM movement, excluding closures, disposals (including THG and the NI disposal which completed in July 2021) and migrations, was largely a result of the following drivers:
  - Income was £6.2m higher in March 2022 LTM than December 2021 LTM:
    - Group fee rates were higher leading to an overall favourable fee rate variance of £4.2m
    - Income of £4.8m (2021 Q1: £4.1m) was received from LAs and CCGs in respect of an element of the exceptional Covid-19 costs
    - Slightly higher occupancy in Q1 2022 compared to Q1 2021 resulted in an favourable occupancy variance of £1.3m
  - Own staff payroll costs decreased by £0.7m despite the on-going pressures of Covid-19 and staffing shortages
  - However, agency resulted in a £9.1m decrease to LTM EBITDA due to the on-going recruitment crisis and the Covid-19 isolation rules
  - A further £1.8m decrease in LTM EBITDA was incurred in care and facility expenses due to inflationary pressures and additional infection control costs
- The EBITDAM impact of CHD closures, disposals and migrations was a £0.5m increase during the period, whilst the EBITDA of THG and the NI disposal which completed in July 2021 resulted in a £1.8m decrease
- There was no material impact as a result of external rent and central costs during the period

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 2020, FY 2021 and Q1 2022 EBITDA and cash flow analysis

£m	2020					2021					2022
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1
EBITDARM	25.5	21.3	23.7	17.3	87.7	14.1	18.6	17.4	10.8	60.9	6.6
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)
Central costs	(10.7)	(8.9)	(8.5)	(8.9)	(37.0)	(8.2)	(7.4)	(7.3)	(7.7)	(30.6)	(7.0)
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)**
Maintenance Capex	(2.7)	(2.4)	(1.9)	(5.4)	(12.4)	(2.2)	(3.0)	(2.9)	(3.5)	(11.6)	(2.5)
Central Capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)
Capex	**(2.7)**	**(2.4)**	**(1.9)**	**(5.5)**	**(12.6)**	**(2.2)**	**(3.1)**	**(2.9)**	**(3.5)**	**(11.7)**	**(2.6)**
Exceptionals - restructuring	(14.0)	(6.4)	(4.4)	(8.8)	(33.6)	(5.0)	(3.5)	(3.6)	(7.6)	(19.7)	(2.7)
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)**
Debt drawdown/(repayment)	-	-	-	-	-	(31.6)	-	(13.3)	-	(44.9)	(1.4)
Taxation	(0.2)	-	(0.2)	-	(0.4)	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	(0.3)	(0.3)	(1.5)
Disposal proceeds	-	-	-	-	-	35.0	-	16.1	0.2	51.3	1.5
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
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)**
Opening cash balance	34.2	35.2	46.2	50.6		46.3	40.7	47.0	41.1		33.1
Closing cash balance	35.2	46.2	50.6	46.3		40.7	47.0	41.1	33.1		30.6

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 Q1 2022 was £5.9m, £4.1m and £0.7m 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)
5. Closing cash balance includes £4.2m being held in respect of deposits for care home transactions that had exchanged but had not completed at the quarter end as well as £1.5m relating to other restricted balances.

- 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.
- 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 Q1 2022 the group utilised £4.1m of operating cash before exceptional costs of £2.7m and a working capital inflow of £5.6m
- 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 previous closed homes was completed in Q1 2022 with net proceeds of £1.4m having been returned to lenders
- As a result of the above, the Group's cash balance decreased by £13.2m and by £2.6m during FY 2021 and Q1 2022 and cash flow remains somewhat lower than in the pre-Covid-19 period
- 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£5.9m in Q2-Q4 2020 and H1 2021 compared to comparative periods, 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]. Central costs in Q1 2021 include £1.2m attributable to THG.
- Given the Group's high central cost base, a cost reduction exercise was undertaken in Q1 2022 and a further exercise is ongoing currently.

Regulatory action as at 29 June 2022

The table below sets out a summary of the regulatory action within each business, as at 29 June 2022:

Summary of current regulatory action as of 29 June 2022				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	-	3	8	130
brighterkind	1	1	2	24
Total	1	4	10	154

- 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

£m	Q1 2022	Q1 2021
Fixed assets		
Investments	-	-
Tangible assets [2]	355.7	371.6
	355.7	**371.6**
Current assets		
Debtors	11.9	14.5
Cash at bank and in hand	30.6	40.7
	42.5	**55.2**
Creditors: amounts falling due within one year	(81.8)	(86.6)
Financing	(1,755.5)	(1,585.9)
Net current liabilities	**(1,794.8)**	**(1,617.3)**
Total assets less current liabilities	**(1,439.1)**	**(1,245.7)**
Creditors: amounts falling after more than one year	-	-
Provisions [5]	(11.2)	(11.2)
Net liabilities	**(1,450.3)**	**(1,256.9)**
Share capital	174.4	174.4
Reserves	(1,624.7)	(1,431.4)
Shareholder's equity	**(1,450.3)**	**(1,257.0)**

Debtors	Q1 2022	Q1 2021
Trade receivables	10.2	11.4
Prepayments, other debtors and net accrued income	1.7	3.1
Taxation	-	-
	11.9	**14.5**

Payables and other creditors	Q1 2022	Q1 2021
Trade payables	(10.6)	(7.9)
Accruals and other creditors	(71.2)	(78.7)
Taxation	-	-
	(81.8)	**(86.6)**

Financing	Q1 2022	Q1 2021
Term loan [3]	(69.9)	(68.6)
High yield bonds	(525.0)	(525.0)
Accrued interest	(304.4)	(241.9)
Amounts owed to connected entities [4]	(856.2)	(750.4)
	(1,755.5)	**(1,585.9)**

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 (see slide 5)
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
7. Closing cash balance includes £4.2m being held in respect of deposits for care home transactions that had exchanged but had not completed at the quarter end as well as £1.5m relating to other restricted balances.

Contacts

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