Four Seasons Health Care

(Elli Investments Limited (in administration))

Financial results:

Quarter ended 31 March 2019

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Contents

Presentation of financial data

This report summarises the consolidated financial and operating data derived from the draft unaudited consolidated financial statements of Elli Investments Limited. The summary financial information provided has been derived from our records for the quarter ended 31 March 2019 which are maintained in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. These interim results are not necessarily indicative of the results to be expected for the full year.

We have presented certain non-GAAP information in the quarterly report. This information includes "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDAR", which represents (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation and one-off exceptional and strategic items (and Rent). Our Management believes that EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA is used by our chief operating decision makers to track our business evolution, establish operational and strategic targets and make important business decisions. In addition, we believe that EBITDA is a measure commonly used by investors and other interested parties in our industry.

DISCLAIMER

ON 30 APRIL 2019 ADMINISTRATORS WERE APPOINTED TO MANAGE THE AFFAIRS, BUSINESS AND PROPERTY OF ELLI INVESTMENTS LIMITED AND ONE OF ITS SUBSIDIARIES, ELLI FINANCE (UK) PLC. TRADING IN THE GROUP'S LISTED NOTES ON EURONEXT DUBLIN IS CURRENTLY SUSPENDED, IN ACCORDANCE WITH LISTING RULE 7.22 OF THE GLOBAL EXCHANGE MARKET LISTING RULES.

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Group financial highlights

- On 30 April 2019 administrators were appointed to manage the affairs, business and property of Elli Investments Limited and one of its subsidiaries, Elli Finance (UK) Plc. Trading in the group's listed notes on Euronext Dublin is currently suspended, in accordance with listing rule 7.22 of the Global Exchange Market Listing Rules
- On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process
- The group's results for the quarter ended 31 March 2019 are draft and unaudited
- The £160.1m turnover in Q1 2019 turnover for Elli Investments Limited is £6.4m, or 4.2%, higher than Q1 2018 after adjusting for the impact of disposals and closures (an average reduction of c200 effective beds)
- Q1 2019 Adjusted EBITDA (EBITDA before the non-cash onerous and operating lease credit) of £6.9m is £3.2m higher than Q1 2018
- Group occupancy % in Q1 2019 saw a 1.5 percentage point increase (Four Seasons Health Care: 1.3 percentage point increase to 89.5%; brighterkind: 2.3 percentage point increase to 88.9%; The Huntercombe Group (THG): 2.4 percentage point increase to 84.7%) compared to Q1 2018
- Q1 2019 group average weekly fee was £860, 3.9% higher than Q1 2018 (Four Seasons Health Care: 4.9% increase; brighterkind 3.3% increase; THG: 2.6% decrease)
- Q1 2019 payroll as a percentage of turnover in the group's care homes improved by 1.5 percentage points compared to Q1 2018. Within THG, payroll as a percentage of turnover increased by 0.3 percentage points in comparison to Q1 2018
- Q1 2019, agency as a percentage of payroll of 9.5% in the group's care homes increased by 0.2 percentage points compared to Q1 2018, and reflects the impact of operational challenges and the on-going shortage of nurses across the wider healthcare sector. Agency spend continues to represent a challenge in THG, although Q1 2019 agency as percentage of payroll saw a 2.4 percentage point improvement compared to the FY 2018 average
- £13.7m net cash outflow from operating activities in Q1 2019 was largely driven by a £15.2m working capital outflow during the period
- Closing cash balance increased by £12.4m from December 2018 to £42.9m at March 2019. Over the same period, the group's net debt increased by £17.6m to £582.1m (excluding any accrued interest and amounts owed to related undertakings)

Commentary on results

Four Seasons Health Care is pleased to announce its results for the quarter ended 31 March 2019.

The results and KPIs for the group since Q1 2018 are summarised below.

Unaudited	2018					2019
	Q1	Q2	Q3	Q4	Year [2]	Q1
Turnover (£m)						
- FSHC	105.6	108.3	109.1	108.9	**431.9**	109.0
- brighterkind	25.0	25.4	25.7	26.0	**102.2**	26.5
- THG	24.9	25.7	25.0	24.8	**100.4**	24.6
Effective beds						
- FSHC	13,359	13,242	13,196	13,166	**13,241**	12,960
- brighterkind	2,210	2,210	2,210	2,210	**2,210**	2,205
- THG	690	685	686	686	**687**	678
Occupancy %						
- FSHC	88.2%	88.2%	88.5%	88.6%	**88.4%**	89.5%
- brighterkind	86.6%	85.4%	87.0%	88.5%	**86.9%**	88.9%
- THG	82.3%	84.0%	83.2%	82.6%	**83.0%**	84.3%
Average Weekly Fee (£)						
- FSHC	689	713	719	718	**710**	723
- brighterkind	996	1,021	1,020	1,016	**1,013**	1,029
- THG	3,144	3,154	3,120	3,093	**3,128**	3,063
Payroll % (of turnover)[1]						
- FSHC	67.7%	67.1%	66.0%	65.9%	**66.7%**	66.0%
- brighterkind	56.8%	57.2%	55.8%	55.6%	**56.4%**	56.6%
- THG	74.9%	73.6%	78.0%	79.2%	**76.4%**	75.2%
Agency % (of payroll)[1]						
- FSHC	10.4%	10.6%	11.9%	10.7%	**10.9%**	10.5%
- brighterkind	3.6%	3.9%	4.7%	4.5%	**4.2%**	5.0%
- THG	16.2%	17.0%	19.6%	18.1%	**17.7%**	15.3%
EBITDARM (£m)[6]						
- FSHC	17.5	19.7	21.4	19.6	**78.4**	20.1
- brighterkind	7.3	7.9	8.5	8.1	**31.8**	8.0
- THG	3.5	3.9	3.0	2.0	**12.4**	3.3
Total Adjusted EBITDA before exceptional items (£m)[4]	3.8	7.5	9.3	4.6	**25.2**	6.9

Notes:

1 Payroll % excludes central payroll from total payroll
2 Full year numbers may include minor rounding differences compared to the four quarter aggregate
3 "FSHC" Four Seasons Health Care; "THG" The Huntercombe Group
4 Q1 – Q3 2018 Adjusted EBITDA before exceptional items has been re-presented to include closing and closed home costs which were previously included in exceptional items (see note 6)
5 Adjusted EBITDA = EBITDA before the non-cash onerous and operating lease credit
6 EBITDARM before closed and closing home costs (see note 5)

Commentary on results (continued)

Turnover

Q1 2019 turnover for Elli Investments Limited is £6.4m or 4.2%, higher than Q1 2018 after adjusting for the impact of disposals and closures (an average reduction of c200 effective beds).

Average Weekly Fee

During Q1 2019 the Average Weekly Fee ("AWF") of £860 across the group was 3.9% higher than the comparative quarter in 2018. Since Q1 2018 FSHC has seen an increase of 4.9%, brighterkind a 3.3% increase and THG a 2.6% decrease.

Occupancy

Average occupancy in the group in Q1 2019 was 89.2% (Care homes: 89.4%; THG: 84.7%), compared to 87.7% in Q1 2018 (Care homes: 88.0%; THG: 82.3%).

Payroll

Payroll in the group's care homes as a percentage of turnover was 64.1% in Q1 2019, a 1.5% improvement on Q1 2018. Within this number, FSHC payroll as a percentage of turnover improved by 1.7 percentage points and brighterkind improved by 0.2 percentage points. THG payroll as a percentage of turnover increased by 0.3 percentage points in Q1 2019 compared to Q1 2018, however it improved by 4.0 percentage points compared to Q4 2018.

Total agency costs as a percentage of payroll across the group in Q1 2019 have remained consistent with Q1 2018 at 10.5%. Whilst agency spend remains a challenge, predominantly due to operational challenges and the continued shortage of nurses across the wider healthcare sector, it has reduced by 1.8 percentage points from the peak of 12.3% in Q3 2018.

Care and facility expenses

Q1 2019 expenses (care and facility combined), at 14.6% of turnover, have improved by 0.2 percentage points compared to Q1 2018.

Rent

£11.7m was charged for rent in Q1 2019, a £1.0m increase from Q1 2018, being a combination of underlying inflationary uplifts, the surrender of certain leases and a £0.8m decrease (Q1 2019: £1.4m; Q1 2018: £2.2m) in the non-cash credit resulting from the unwind of the group's onerous and operating lease provisions.

Central costs

Central costs, at 6.4% of turnover in Q1 2019, have improved by 0.3 percentage points compared to Q1 2018.

Adjusted EBITDA

As a consequence of the factors outlined above, the Adjusted EBITDA (EBITDA before the onerous and operating lease credit) of £6.9m for Q1 2019 was £3.2m higher than the same period in 2018. LTM Adjusted EBITDA at March 2019 is therefore £28.3m, £3.2m higher than the year to December 2018.

Capital expenditure and disposals

Capital expenditure in Q1 2019 was £3.4m (Q1 2018: £4.6m). No care homes or THG units have been disposed of during Q1 2019.

Four Seasons Health Care

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Commentary on the unaudited condensed consolidated financial statements

Background

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

Profit and loss account and other comprehensive income

The consolidated profit and loss account and other comprehensive income of Elli Investments Limited is for the quarter ended 31 March 2019. The comparative period is for the quarter ended 31 March 2018.

Balance sheet

Elli Investments Limited is an intermediate holding company in a wider group headed by FSHC Group Holdings Limited. There are therefore certain balances between Elli Investments Limited and other members of the wider FSHC Group Holdings Limited group of companies which only net out on consolidation further up the corporate structure.

Profit and loss account and other comprehensive income (page 10)

For an analysis of profit and loss account categories above interest, please see the "Commentary on results" section.

Interest

The interest charge for the period includes £15.0m interest and default interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance primarily relates to £19.1m of accrued interest on the amounts owed to parent and related party undertakings, £0.3m in respect of the amortisation of debt issue costs and £0.9m interest on the term loan.

Tax

The tax credit for the quarter was £0.5m, being a £0.1m tax charge, reflecting the current estimate of the full year charge, offset by a £0.6m credit for the utilisation of group relief.

Balance sheet (page 11)

Goodwill

The negative goodwill balance is a function of the 12 July 2012 acquisition structure, the fair value of the acquired net assets and the acquisition costs, less amortisation and amounts to reflect the subsequent disposal of assets.

Fixed assets

Land and buildings are included at their 31 December 2018 carrying value plus any subsequent movements for additions, disposals and depreciation. An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Debtors

The following table presents an extract of debtors at 31 March 2019 and 31 March 2018.

	March 2019 £000	March 2018 £000
Extract		
Trade debtors	**23,163**	24,063
Prepayments, other debtors and accrued income	**13,530**	16,182
Amounts owed by related undertakings	**1,077**	1,526
	37,770	41,771

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 31 March 2019 and 31 March 2018.

	March 2019 £000	March 2018 £000
Extract		
Term loan	**100,000**	49,000
High yield bonds	**525,000**	525,000
Trade creditors	**19,044**	17,879
Accruals and deferred income	**24,778**	25,633
Taxation and social security	**8,110**	12,712
Other creditors	**37,125**	39,284
Accrued interest and finance costs	**99,860**	41,507
	813,917	711,015

Provisions for liabilities and charges

Provisions are held in respect of onerous leases on certain of the group's leasehold properties. In addition there is a provision of £13.4m to reflect guaranteed increases in operating leases, other than those linked to RPI, on a straight line basis over the life of the lease.

On 11 March 2019 the group increased its £70m term loan facility to £110m of which £100m was drawn at 31 March 2019. Interest accrued on the term loan at LIBOR + 3.75%. The term loan had a maturity date of 3 June 2019, but remains outstanding at the date of these accounts and is in default.

Financial liabilities

At 31 March 2019 the group's financing arrangements comprised the following:

- Senior Secured Notes: £350m, at a fixed rate of 8.75%, due to be repaid in 2019
- Senior Notes: £175m, at a fixed rate of 12.25%, due to be repaid in 2020

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Financial liabilities (continued)

Notwithstanding their maturity date, in light of the interest defaults on 15 December 2017, 15 June 2018 and 15 December 2018 and the administration of the high yield bond issuers, (Elli Investments Limited and Elli Finance (UK) Plc) on 30 April 2019, the senior notes have been classified as due in less than one year.

- Term loan: £100m drawn, at an interest rate of LIBOR + 3.75%. Notwithstanding a maturity date of 3 June 2019, the loan remains outstanding at the date of these accounts.
- Accrued interest is £99.9m at 31 March 2019, including interest on accrued but unpaid interest
- Amounts owed to parent and related undertakings: £566.7m, being amounts owed to entities within the wider FSHC Group Holdings Limited group of companies

Cash flow statement (page 12)

Cash flow and liquidity

At 31 March 2019 the group's cash balance was £42.9m. Net cash utilised by operating activities in the quarter ended 31 March 2019, excluding interest payments and after a working capital outflow of £15.2m, was £13.7m. In the quarter ended 31 March 2018, the net cash utilised from operating activities, excluding interest payments and after a working capital outflow of £5.5m, was £6.7m.

Working capital

The cash outflow from working capital was £15.2m in the quarter, compared to a £5.5m outflow in Q1 2018.

Interest paid

No interest was paid on the £525m high yield bonds during the quarter. £0.8m of interest was paid on the term loan during Q1 2019.

Elli Investments Limited

Condensed consolidated financial statements
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Quarter ended 31 March 2019

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Consolidated profit and loss account and other comprehensive income (unaudited)

for the quarter ended 31 March 2019

	Note	**Quarter ended March 2019 £000**	Quarter ended March 2018* £000
Turnover	*5*	**160,082**	155,563
Cost of sales		**(148,101)**	(145,857)
Gross profit		**11,981**	9,706
Administrative expenses before exceptional items		**(11,862)**	(11,915)
Exceptional items	*6*	**(5,318)**	(5,495)
Other operating income	*4,6*	**-**	275
Total administrative expenses		**(17,180)**	(17,135)
Operating loss		**(5,199)**	(7,429)
Ordinary profit/(loss) before exceptional items		**119**	(2,209)
Exceptional items		**(5,318)**	(5,220)
		(5,199)	(7,429)
Interest payable and similar charges		**(35,361)**	(36,516)
Interest receivable and other income		**35**	24
Net interest payable and similar charges		**(35,326)**	(36,492)
Loss before taxation		**(40,525)**	(43,921)
Tax on loss	*7*	**514**	592
Retained loss for the financial period		**(40,011)**	(43,329)
Other comprehensive income		**-**	-
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the financial period		**(40,011)**	(43,329)

Non-GAAP measure: (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation ((Adjusted) EBITDA)		
Analysed as:		
Operating profit/(loss) before exceptional items as analysed above	**119**	(2,209)
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,641**	8,555
Deduct: amortisation of negative goodwill	**(397)**	(372)
EBITDA before exceptional items	**8,363**	5,974
Deduct: non-cash onerous and operating lease credit	**(1,415)**	(2,186)
Adjusted EBITDA before exceptional items	**6,948**	3,788

*Re-presented – see note 6 for details

Consolidated balance sheet (unaudited)

At 31 March 2019

	Note	**March 2019 £000**	March 2018 £000
Fixed assets			
Negative goodwill	*8*	**(19,427)**	(21,247)
Tangible assets	*9*	**438,629**	483,468
		419,202	462,221
Current assets			
Debtors	*10*	**37,835**	41,771
Cash at bank and in hand		**42,908**	21,432
		80,743	63,203
Creditors: amounts falling due within one year	*11*	**(814,523)**	(708,474)
Net current liabilities		**(733,780)**	(645,271)
Total assets less current liabilities		**(314,578)**	(183,050)
Creditors: amounts falling due after more than one year	*12*	**(566,070)**	(492,235)
Provisions for liabilities and charges			
Deferred tax liabilities	*13*	**-**	(5,087)
Other provisions	*14*	**(46,933)**	(28,565)
		(46,933)	(33,652)
Net liabilities		**(927,581)**	(708,937)
Capital and reserves			
Called up share capital	*15*	**174,368**	174,368
Profit and loss account		**(1,101,949)**	(883,305)
Shareholder's deficit		**(927,581)**	(708,937)

Consolidated statement of changes in equity (unaudited)

	Called up share capital £000	Profit and loss account £000	**Total £000**
Balance at 1 January 2018	174,368	(839,976)	**(665,608)**
Total comprehensive income for the period			
Loss for the period	-	(43,329)	**(43,329)**
Other comprehensive income	-	-	**-**
Total comprehensive income for the period	-	(43,329)	**(43,329)**
Balance at 31 March 2018	174,368	(883,305)	**(708,937)**
Balance at 1 January 2019	174,368	(1,061,938)	**(887,570)**
Total comprehensive income for the period			
Loss for the period	-	(40,011)	**(40,011)**
Other comprehensive income	-	-	**-**
Total comprehensive income for the period	-	(40,011)	**(40,011)**
Balance at 31 March 2019	174,368	(1,101,949)	**(927,581)**

Consolidated cash flow statement (unaudited)

for the quarter ended 31 March 2019

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Cash flows from operating activities		
Loss for the period	**(40,011)**	(43,329)
Adjustments for:		
Depreciation and amortisation	**8,244**	8,183
Net interest payable and similar charges	**35,326**	36,492
Gain on sale of tangible fixed assets	**(30)**	(288)
Taxation	**(514)**	(592)
	3,015	466
Decrease in cash arising from working capital movement	**(15,221)**	(5,524)
Decrease in provisions	**(1,415)**	(2,248)
	(13,621)	(7,306)
Interest received	**35**	24
Tax (paid)/received	**(150)**	541
Net cash from operating activities	**(13,736)**	(6,741)
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	**381**	3,020
Acquisition of tangible fixed assets	**(3,438)**	(4,575)
Net cash from investing activities	**(3,057)**	(1,555)
Cash flows from financing activities		
Interest paid	**(795)**	(1,167)
Repayment of term loan	**-**	(40,000)
Drawdown of amended/new term loan	**30,000**	49,000
Debt refinance and exit related costs	**-**	(4,100)
Net cash from financing activities	**29,205**	3,733
Increase/(decrease) in cash and cash equivalents	**12,412**	(4,563)
Cash and cash equivalents at 1 January	**30,496**	25,995
Cash and cash equivalents at 31 March	**42,908**	21,432

Notes

(forming part of the financial statements)

1 General information

Elli Investments Limited (the "company") is a company registered in Guernsey. The condensed interim financial statements of the company are for quarter ended 31 March 2019.

This report does not constitute statutory financial statements and is draft and unaudited.

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.

2 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). They do not include all of the information required for full annual statements and should be read in conjunction with the draft, unaudited consolidated financial statements of Elli Investments Limited for the year ended 31 December 2018 which were prepared in accordance with UK Generally Accepted Accounting Practice.

3 Accounting policies

The condensed consolidated financial statements have been prepared on the basis of the accounting policies set out in the draft unaudited 2018 annual report and accounts of Elli Investments Limited.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Direct costs incurred in enabling a care facility to become registered are capitalised together with, where appropriate, finance costs associated with the period of construction, and are included in the cost of the facility.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings – 45 years
- Equipment and fixtures – 3 to 10 years
- Motor vehicles – 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

Notes *(continued)*
(forming part of the financial statements)

3 Accounting policies (continued)

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Goodwill

Goodwill is stated at cost less any accumulated amortisation, accumulated impairment losses and disposals.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to benefit. Where the assets which gave rise to the negative goodwill are subsequently closed or sold, the associated negative goodwill balance is included with the net disposals charge recognised in exceptional items in the profit and loss account.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

(forming part of the financial statements)

3 Accounting policies (continued)

Exceptional items

Items that are material in size and non-recurring in nature are presented as exceptional items in the profit and loss account. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, changes to business processes, gains or losses on the disposal or impairment of assets and other significant non-recurring gains or losses. Where exceptional items are reversed, the reversal is debited or credited to exceptional items.

Alternative performance measures

The financial statements include certain financial data that are non-GAAP financial measures.

This information includes EBITDA (pre-exceptional Earnings Before Interest, Tax, Depreciation and Amortisation), EBITDAR (pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation and Rent) and EBITDARM (being EBITDAR before central costs). The directors believe that EBITDA is a better measure of underlying performance because it is meaningful for investors as it provides an analysis of the group's operating results, profitability and ability to service debt and because EBITDA is used by the group's chief operating decision makers to management business evolution, establish operational and strategic targets and make important business decisions. In addition, management believe that EBITDA is a measure commonly used by investors and other interested parties in our industry. An Adjusted EBITDA has also been provided, being EBITDA as defined above, before the 'non-cash onerous and operating lease credit' relating to certain of the group's leasehold properties.

A reconciliation of operating profit to EBITDA, Adjusted EBITDA, Adjusted EBITDAR and Adjusted EBITDARM is presented in note 5, Segmental Information.

4 Other operating income

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Net profit on sale of tangible fixed assets	**-**	275

5 Segmental information

	Quarter ended 31 March 2019				
	Four Seasons Health Care £000	**brighterkind £000**	**The Huntercombe Group £000**	**Unallocated/closed home costs £000**	**Total £000**
Turnover	**109,000**	**26,451**	**24,631**	**-**	**160,082**
EBITDARM before exceptional items	**20,124**	**8,049**	**3,332**	**(1,268)**	**30,237**
Rent				**(11,700)**	**(11,700)**
Central costs				**(10,174)**	**(10,174)**
EBITDA					**8,363**

Notes *(continued)*
(forming part of the financial statements)

5 Segmental information *(continued)*

	Quarter ended 31 March 2018				
	Four Seasons Health Care £000	brighterkind £000	The Huntercombe Group £000	Unallocated/closed home costs* £000	Total £000
Turnover	105,627	25,032	24,904	-	155,563
EBITDARM before exceptional items	17,541	7,328	3,508	(1,300)	27,077
Rent				(10,720)	(10,720)
Central costs				(10,383)	(10,383)
EBITDA					5,974

*Re-presented – see note 6

The disclosure of financial information above correlates with the information presented to the board.

No analysis of individual business assets and liabilities is presented to the board on a monthly basis and therefore no measure of business assets and liabilities is disclosed above. The total group assets and liabilities are as presented in the consolidated balance sheet.

Reconciliation of non-GAAP pre-exceptional (Adjusted) Earnings Before Interest, Tax, Depreciation, Amortisation (and rent) (Adjusted EBITDA(R)), (and management charges (Adjusted EBITDAR(M)) to statutory operating profit:

	Quarter ended March 2019 £000	Quarter ended March 2018* £000
Operating profit/(loss) before exceptional items	**119**	(2,209)
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,641**	8,555
Deduct: amortisation of negative goodwill	**(397)**	(372)
EBITDA before exceptional items	**8,363**	5,974
Deduct: non-cash onerous and operating lease credit	**(1,415)**	(2,186)
Adjusted EBITDA before exceptional items	**6,948**	3,788
Add back: rent	**11,700**	10,720
Adjusted EBITDAR before exceptional items	**18,648**	14,508
Add back: central costs	**10,174**	10,383
Adjusted EBITDARM before exceptional items	**28,822**	24,891
Add back: non-cash onerous and operating lease credit	**1,415**	2,186
EBITDARM before exceptional items	**30,237**	27,077

*Re-presented – see note 6

Notes *(continued)*

(forming part of the financial statements)

6 Exceptional items

	Quarter ended March 2019 £000	Quarter ended March 2018* £000
Exceptional items	**(5,318)**	(5,495)
Net profit on sale of tangible fixed assets	**-**	275
	(5,318)	(5,220)

The operating profit during the quarter includes exceptional costs of £5.3m, which predominantly relate to the restructuring.

The operating loss during the Q1 2018 includes exceptional costs of £5.2m. Within this total are project costs of £0.5m and £4.6m relating to the restructuring.

**Re-presentation*

Due to their ongoing nature, in Q1 2019 costs of £1.3m, relating to closed and closing homes, have been included in "Operating loss before exceptional items". In prior periods these costs were included in exceptional items as it was anticipated that these costs would not be incurred on an ongoing basis. The 2018 comparative has been re-presented to reflect this change, being £1.3m for closed and closing homes. There is no impact on the net profit and loss, total comprehensive income for the period or on the balance sheet.

7 Taxation

	Quarter ended March 2019 £000	Quarter ended March 2018 £000
Total expense recognised in the profit and loss account and other comprehensive income and equity		
UK corporation tax		
Current tax on loss for the period	**(635)**	(720)
UK income tax		
Current tax on profit for the period	**121**	117
Foreign tax		
Current tax on income for the period	**-**	-
Total current tax	**(514)**	(603)
Deferred tax (see note 13)		
Origination and reversal of timing differences	**-**	11
Total deferred tax	**-**	11
Total tax	**(514)**	(592)

The group structure results in certain profits being taxable under UK income tax rather than UK corporation tax. This increases the group's tax liability in the quarter by £121,000. This has been offset by a £635,000 credit for the utilisation of group relief by a related group.

Notes *(continued)*
(forming part of the financial statements)

8 Negative goodwill

	Negative goodwill £000
Net book value	
At beginning of period	**(19,824)**
Amortisation	**397**
At 31 March 2019	**(19,427)**
At 31 March 2018	(21,247)

Negative goodwill is being amortised over 20 years.

9 Tangible fixed assets

	Total £000
Net book value	
At beginning of period	**443,849**
Additions	**3,438**
Depreciation	**(8,658)**
At 31 March 2019	**438,629**
At 31 March 2018	483,468

An impairment review is carried out at each year end and an impairment is reflected where the carrying value of a property is higher than its recoverable amount.

10 Debtors

	March 2019 £000	March 2018 £000
Trade debtors	**23,163**	24,063
Prepayments, other debtors and accrued income	**13,530**	16,182
Amounts owed by related undertakings	**1,077**	1,526
Corporation tax	**65**	-
	37,835	41,771

Notes *(continued)*
(forming part of the financial statements)

11 Creditors: amounts falling due within one year

	March 2019 £000	March 2018 £000
Term loan	**100,000**	49,000
High yield bonds	**525,000**	525,000
Debt issue costs	**-**	(3,059)
Trade creditors	**19,044**	17,879
Amounts due to related undertakings	**427**	189
Amounts due to parent undertakings	**179**	92
Accruals and deferred income	**24,778**	25,633
Taxation and social security	**8,110**	12,712
Other creditors	**37,125**	39,284
Corporation tax	**-**	237
Accrued interest and finance costs	**99,860**	41,507
	814,523	708,474

12 Creditors: amounts falling due after more than one year

	March 2019 £000	March 2018 £000
Amounts due to related undertakings	**563,500**	490,000
Amounts due to parent undertakings	**2,570**	2,235
	566,070	492,235

13 Deferred tax liabilities

	March 2019 £000	March 2018 £000
Deferred tax liabilities are attributable to the following:		
Accelerated capital allowances	**-**	5,087

Notes *(continued)*

(forming part of the financial statements)

14 Other provisions

	Provision for operating leases £000	Provision for onerous leases £000	Total £000
Balance at beginning of period	**12,556**	**35,712**	**48,268**
Provisions used during the period	(181)	(2,295)	(2,476)
Provisions made during the period	1,061	-	1,061
Unwinding of discounted amounts	-	80	80
Balance at end of period	**13,436**	**33,497**	**46,933**

£4.9m of the provision for onerous leases will unwind over the period of the relevant contracts. The balance is expected to unwind in the 21 month period following the balance sheet date, with the utilisation in the period relating to closed homes; the utilisation relating to open onerous leases is assessed on an annual basis.

The provision for operating leases will unwind over the life of the particular leases.

15 Share capital and other comprehensive income

	March 2019		March 2018	
	No.	**£000**	No.	£000
Ordinary shares of £1 each - allotted, called up and fully paid	**174,367,500**	**174,368**	174,367,500	174,368

Other comprehensive income

The group has no recognised gains or losses in the current or prior period other than those reported in the consolidated profit and loss account.

16 Post balance sheet events

Appointment of administrators

On 30 April 2019 an Administration Order was made in relation to Elli Investments Limited ("EIL") pursuant to Section 374(1) of the companies (Guernsey) Law, 2008 (as amended) and administrators were appointed to manage the affairs, business and property of EIL.

On 30 April 2019 the directors of Elli Finance (UK) Plc ("EFUK"), an indirect subsidiary of Elli Investments Limited, and the issuer of the group's senior secured notes, (pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986) appointed administrators to manage the affairs, business and property of EFUK.

Launch of sale process

On 3 May 2019 the group announced the launch of an independent sales process which is expected to complete by the year end. The group's operating companies are unaffected by the appointment of administrators at the Elli Investments Limited and Elli Finance (UK) Plc levels and all businesses are continuing to trade as normal and maintain continuity of care. The group has available liquidity for the purposes of maintaining continuity of care for all of the group's residents and patients throughout the sales process.