Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 September 2012

Contents

Presentation of financial data

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Elli Investments Limited. The summary financial information provided has been derived from our records for the accounting periods to September 2012 which are maintained in accordance with UK GAAP. These interim results are not necessarily indicative of the results to be expected for the full year.

The report includes the period prior to the closing of the notes offering by Elli Investments Limited and Elli Finance (UK) plc, which took place on 28 June 2012 ("closing"). On that day, Elli Investments Limited and Elli Finance (UK) plc placed the funds in Escrow until the completion of the acquisition of FSHC (Jersey) Holdings Limited by Elli Acquisitions Limited which took place on 12 July 2012. Elli Acquisitions Limited then transferred FSHC (Jersey) Holdings Limited to Elli Finance (UK) plc, who became the parent company to not only FSHC (Jersey) Holdings Limited, but also to the trading entities within the Four Seasons Health Care group of companies. Acquisition accounting under UK GAAP is applied in these accounts with regard to the 2012 information presented. A summarised corporate structure chart was presented in the Offering Memorandum showing the structure subsequent to completion on 12 July 2012.

We have presented certain non-GAAP information in the quarterly report. This information includes "EBITDA" and "EBITDAR", which represents 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.

Some information presented in this report is described as Like-For-Like ("LFL"). This information excludes any care homes or specialised units trading in the group in the period or the comparative period but not in both.

Group financial highlights

- Elli Investments Limited acquired FSHC (Jersey) Holdings Limited on 12 July 2012
- Q3 2012 turnover for Elli Investments Limited[1] is £47.5m (37.3%) higher than Q3 2011 for FSHC (Jersey) Holdings Limited due to the inclusion of care homes and specialised units acquired from Southern Cross ("SX") in Q4 2011
- Q3 2012 like-for-like turnover is constant at £123.6m
- Q3 2012 occupancy in the Care Home Division at 87.9%
- Additional operating expenditure and enhanced maintenance regimes have increased occupancy in the ex-Southern Cross care homes to approximately 88% in Q3 2012
- The Huntercombe Group occupancy at 68.7% is 3.2 percentage points above its Q3 2011 comparative, but 1.1 percentage points below Q2 2012
- Q3 2012 EBITDA of £25.3m is down by £1.7m compared to the comparable period in 2011 due to the impact of the Southern Cross integration and on-going regulatory scrutiny
- Like-for-like EBITDARM is down by £2.7m compared to Q3 2011
- Q3 LTM EBITDA is £95.8m[2], is down from £102.0m at Q1 2012
- Actions taken, and resources deployed, to address increased regulatory scrutiny have reduced the number of regulatory actions taken against the group since Q2 2012
- Q3 2012 expenses KPIs continue the improvement seen in Q2 2012
- £28.7m net cash inflow from operating activities following the acquisition of FSHC (Jersey) Holdings Limited
- Closing Q3 2012 cash balance of £44.2m; net debt of £480.8m at September 2012 (excluding amounts owed to group undertakings)

Commentary on results

Four Season Health Care is pleased to announce its results for the quarter ended 30 September 2012.

This quarterly report is the first to be presented since the group's (Elli Investments Limited and its subsidiary undertakings) high yield bonds were issued on 28 June 2012 in connection with FSHC (Jersey) Holdings Limited's acquisition by Elli Investments Limited on 12 July 2012. As such no comparative figures are shown in the UK GAAP condensed consolidated financial statements. However, for illustrative purposes, comparative information for prior periods based on the results of FSHC (Jersey) Holdings Limited has been provided as part of this commentary on the group's results. There are no material differences in the operational activities comprising these two groups of companies.

The end of Q3 2012 represents almost a full year since the 139 care homes and specialised units were acquired from Southern Cross. During this time the group has invested significant management time and resource to stabilise and successfully turnaround the acquired business. Together with the increased regulatory scrutiny, this turnaround has required both higher staffing costs and expenses with knock on effects to the existing estate. However, during the period since the acquisition occupancy in the ex-Southern Cross ("ex-SX") care homes has increased significantly to approximately 88% (excluding homes operated as management agreements), in line with the existing estate and the wider market. KPIs have seen sustained quarterly improvement since Q1 2012 and are closer to historical levels.

Notes:

1 The analysis in the Group Financial Highlights for Q3 2012 assumes Elli Investments Limited acquired the FSHC (Jersey) Holdings group of companies at the beginning of the quarter

2 LTM EBITDA of £95.8m excludes £0.4m of new home in-fill losses in respect of Westbury Park and Pennine Lodge that were opened in Q2 2012. £1.3m of income has been included in respect of the 11 homes acquired from SX which take the form of management agreements

Commentary on results (continued)

The results and KPIs for the group during 2012 are summarised below.

	Q1 2011	Q2 2011	Q3 2011	Q1 2012	Q2 2012	Q3 2012	Q1-Q2 2012 % Variance	Q2-Q3 2012 % Variance
Turnover[1] £m	**126.5**	**126.9**	**127.3**	**174.1**	**175.3**	**174.8**	0.7%	(0.3%)
EBITDAR[1] £m	**30.9**	**34.1**	**34.5**	**33.8**	**35.2**	**37.7**	4.1%	7.0%
EBITDA[1] £m	**23.7**	**26.8**	**27.0**	**22.3**	**23.5**	**25.3**	5.4%	7.5%
LTM EBITDA[1] £m	-	-	-	**102.0**	-	**95.8**	-	-
Key performance indicators								
Average Effective Beds	**17,401**	**17,579**	**18,015**	**24,050**	**23,978**	**24,151**	(0.3%)	0.7%
Average Occupied beds	**15,121**	**15,300**	**15,622**	**20,803**	**20,782**	**20,927**	(0.1%)	0.7%
Occupancy (%):								
Care Home Division	**87.5%**	**87.8%**	**88.4%**	**87.7%**	**87.9%**	**87.9%**	0.2%	(0.0%)
The Huntercombe Group	**75.1%**	**72.7%**	**65.5%**	**70.4%**	**69.8%**	**68.7%**	(0.6%)	(1.1%)
Average weekly fee (£):								
Care Home Division	**£566**	**£563**	**£562**	**£559**	**£565**	**£566**	1.1%	0.2%
The Huntercombe Group	**£1,741**	**£1,738**	**£2,015**	**£1,947**	**£1,937**	**£1,905**	(0.5%)	(1.7%)
Payroll (% of Turnover)[2]	**59.8%**	**58.7%**	**59.7%**	**62.1%**	**61.7%**	**61.0%**	0.4%	0.7%
Agency to total payroll (%)	**3.8%**	**4.0%**	**6.1%**	**6.5%**	**5.4%**	**4.1%**	1.1%	1.3%
Expenses (% of Turnover)	**13.2%**	**12.1%**	**12.7%**	**14.9%**	**14.1%**	**13.5%**	0.8%	0.5%
Central costs (% of Turnover)	**4.6%**	**4.3%**	**4.1%**	**3.9%**	**4.5%**	**4.3%**	(0.6%)	0.2%
Maintenance capex (£m)[3]	**2.9**	**3.8**	**3.3**	**5.8**	**6.2**	**6.2**	(6.9%)	0.0%

Notes:

1 The analysis in the Group Financial Highlights for Q3 2012 assumes Elli Investments Limited acquired the FSHC (Jersey) Holdings group of companies at the beginning of the quarter
2 Payroll % excludes central payroll and all periods have been recalculated excluding investment property income from turnover
3 CHD and THG operational capex

Turnover

Turnover in Q3 2012 for Elli Investments Limited increased by £47.5m (37.3%) to £174.8m compared to £127.3m for the prior year comparative for FSHC (Jersey) Holdings Limited. This increase reflects the impact of the 139 ex-SX care homes and specialised units taken over in Q4 2011 (see below for like-for-like analysis). However, turnover decreased by £0.5m (0.3%) in Q3 2012 compared to Q2 2012.

Average Weekly Fee

During Q3 2012 the Average Weekly Fee ("AWF") in the Care Home Division ("CHD") increased by 0.7% to £566 from £562 in Q3 2011. This was driven by increases of 2.75% and 2.5% in Scotland and Northern Ireland respectively in April 2012, together with private fee rate increases of up to 4% and slight increases in English local authority fees. At the quarter end approximately 80% of local authority fee rate settlements in England have been agreed.

Commentary on results (continued)

Average Weekly Fee (continued)

Within The Huntercombe Group ("THG") the AWF decreased by £110 or 5.5% between Q3 2011 and Q3 2012. Whilst annual fee rate settlements in the division were broadly flat in April 2012, occupancy mix has impacted the AWF, with comparatively higher occupancy in lower fee rate units (see below regarding Q3 occupancy in the Child and Adolescent Mental Health units).

Occupancy

Average occupancy in the group in Q3 2012 was 86.6%, comparable with Q3 2011. Within this number CHD occupancy decreased by 0.5 percentage points, as a result of the blending effect of ex-SX care homes occupancy. Like-for-like CHD occupancy increased by approximately 0.3 percentage points over the same period. During 2012 the usual seasonal increase in CHD occupancy was complemented by the steady increase in occupancy in the ex-SX care homes from approximately 85% at the start of 2012 to an average of approximately 88% in Q3. THG occupancy increased by 3.2 percentage points to 68.7% between Q3 2011 and Q3 2012. However, the division saw a decrease of 1.7 percentage points since Q1 2012 - a large element of the decrease was in the higher fee rate Child and Adolescent Mental Health units, which experience seasonal summer decreases, and adult medium secure units.

Investment property income

Income from the group's 30 investment properties was £0.8m in Q3 2012, a decrease of £2.7m compared to Q3 2011. This decrease is a direct result of the in-housing, in Q4 2011, of 44 homes previously leased to Southern Cross. Rental income from the remaining properties increased in line with the lease agreements.

Payroll

Payroll, as a percentage of turnover, has continued to reduce since Q1 2012, but is 1.3 percentage points above prior period levels in Q3 2012. During the first half of 2012 the significant incremental costs were driven by a combination of own staff hours and agency spend required to address the operational issues in the ex-SX care homes as well as the knock on effect to the group's existing care homes.

Whilst the level of regulator actions against the group has decreased since the historical highs seen in Q1 and Q2 2012, regulator scrutiny, in both the quantity and rigour of inspections, remains high. As a result, although staffing levels and costs decreased during the quarter, the current run rate is above the levels achieved in 2011.

Care expenses

Q3 2012 expenses (care and facility combined) as a percentage of turnover, at 13.5%, remain above historical levels.

Care expenses have followed a similar pattern to payroll costs during 2012, being driven by the same operational issues - the "op-ex" and response maintenance spend required to help drive the operational turnaround in a number of the ex-SX care homes was significant. Care expenses in the existing care homes also saw an increase, albeit to a lesser extent, largely due to the knock on effects of the SX integration.

However the downward trend since the beginning of 2012 has continued during Q3 reducing by 0.8 percentage points between Q2 and Q1 and a further 0.6 percentage points in Q3 compared to Q2.

Rent

£12.4m was charged for rent in Q3 2012, a 65% increase compared to Q3 2011 of £7.5m. Whilst this increase includes an element of inflationary increase on the group's original leases (£0.3m), the increase is primarily a result of additional rental charge on the care homes and specialised units acquired from SX.

Central costs

Central costs, at 4.3% of turnover in Q3 2012, are at the same level as the comparable period in 2011. This represents a 0.2 percentage point reduction since Q2 2012. The absolute increase of £2.3m compared to the prior year is a function of the conscious build-up to support an accelerated integration and turnaround of the ex-SX care homes and specialised units.

Commentary on results (continued)

EBITDA

As a consequence of the factors outlined above, the EBITDA of £25.3m for Q3 2012 was £1.7m below the comparable period in 2011 of £27.0m, with a 6.7% decrease in the margin.

However, during 2012 the EBITDA margin, as a percentage of turnover, has increased from a low of 12.8% in Q1 to 14.5% in Q3 as the payroll percentage is reined back and expenses are brought back towards historical levels. Nonetheless, the Southern Cross homes, their integration, regulatory scrutiny and the resulting operational pressures experienced during the first three quarters of 2012 have impacted the LTM – for the twelve months ended September 2012 the LTM EBITDA was £95.8m. This compares to an LTM of £102.0m (pro forma adjusted) at March 2012.

Capital expenditure

At £6.2m in Q3 2012, the maintenance capital expenditure deployed in CHD and THG was £2.9m higher than Q3 2011. The majority of this increase is driven by the 35% increase in the number of care home and specialised unit beds acquired from SX. In addition, in the first three quarters of 2012 the group has deployed catch up capital expenditure of c£7m on the ex-SX facilities. In certain areas the existing estate has also required additional capital expenditure to ensure regulatory compliance during a period of heightened scrutiny.

The development of the group's two new build properties remains on track: the total capital expenditure to date on St Margaret's in Edinburgh, due to open in Q1 2013, is £4.6m; the total capital expenditure to date on Longhedge in London, also due to open in Q1 2013, is £0.8m.

Like-for-like analysis

The like-for-like analysis compares the performance of those care homes and specialised units that were in operation in all of the quarters reported below. Broadly, the total group results have been adjusted to remove the contribution from the Care Principles specialised units acquired in July 2011 and and the ex-SX care homes and specialised units acquired in Q4 2011.

Like-for-like[4]	Q1 2011	Q2 2011	Q3 2011	Q1 2012	Q2 2012	Q3 2012	Q1-Q2 2012 % Variance	Q2-Q3 2012 % Variance
Turnover £m (excluding IP[3])	123.0	123.4	123.7	123.0	124.0	123.6	0.8%	(0.3%)
EBITDARM £m	33.6	35.8	36.1	30.4	32.2	33.4	6.1%	3.8%
Key performance indicators								
Average Effective Beds	17,401	17,579	17,579	17,320	17,286	17,286	(0.2%)	0.0%
Average Occupied beds	15,121	15,300	15,381	15,212	15,175	15,233	(0.2%)	0.4%
Occupancy (%):								
Care Home Division	87.5%	87.8%	88.4%	88.4%	88.3%	88.7%	(0.1%)	0.4%
The Huntercombe Group	75.1%	72.7%	74.0%	77.1%	78.2%	76.5%	1.2%	(1.8%)
Average weekly fee (£):								
Care Home Division	£566	£563	£562	£563	£569	£571	1.1%	0.3%
The Huntercombe Group	£1,741	£1,738	£1,702	£1,807	£1,841	£1,768	1.9%	(4.0%)
Payroll (% of Turnover)[2]	59.8%	58.7%	58.4%	61.3%	60.5%	59.9%	0.8%	0.6%
Agency to total payroll (%)	3.8%	4.0%	5.3%	6.2%	5.2%	4.1%	1.0%	1.1%
Expenses (% of Turnover)	13.2%	12.1%	12.5%	14.0%	13.5%	13.1%	0.5%	0.4%

Notes:

1 The analysis in the Group Financial Highlights for Q3 2012 assumes Elli Investments Limited acquired the FSHC (Jersey) Holdings group of companies at the beginning of the quarter
2 Payroll % excludes central payroll and all periods have been recalculated excluding investment property income from turnover
3 IP = Investment property rental income
4 Management account basis

Commentary on results (continued)

Turnover: like-for-like

Turnover on a like-for-like basis, excluding Investment Property income, remained flat in Q3 2012 compared to Q3 2011.

Whilst there was a 0.3 percentage point increase in occupancy and a 2.5 percentage point increase in THG, there was an absolute combined decrease across the two divisions of 148 residents and patients. However CHD AWF increased by 1.6%, whilst THG saw an increase of 3.9% in the AWF.

Payroll: like-for-like

Having spiked to 61.3% of turnover in Q1 2012, the CHD percentage has been reduced to 59.9% of turnover in Q3 2012. This was 1.5 percentage points above the comparable period in 2011 which was primarily a function of the on-going regulatory environment, but is also a legacy of the issues experienced when integrating and turning around the SX care homes. The decrease during 2012 was driven largely by the reduction in agency costs which it had been necessary to deploy in the first half of 2012. The agency cost as a percentage of total payroll which was 4.1% in Q3 2012 has continued to decrease in Q4 2012.

Expenses: like-for-like

Expenses in Q3, at 13.1% of turnover, are 0.6 percentage points higher than in Q3 2011. This is 0.4 percentage points lower than the blended group in Q3 2012 and shows a decrease of 0.9 percentage points during 2012.

Commentary on the unaudited condensed consolidated financial statements

Summary

On 12 July 2012 Elli Investments Limited acquired the trade and operations of FSHC (Jersey) Holdings Limited and its subsidiary undertakings.

Profit and loss account

The consolidated profit and loss account of Elli Investments Limited for the quarter ended 30 September 2012 includes the results of operations for the 74 day period from the date of acquisition to the quarter end. No comparatives are provided for the pre-acquisition period.

The analysis above provides the detailed comparison of the Q3 2012 trading results against prior periods for FSHC (Jersey) Holdings Limited. There are no material differences in the operational activities comprising these two groups of companies.

Balance sheet

The balance sheet at 30 September 2012 is the first quarterly balance sheet prepared for the company since its incorporation. As such there is no comparative period. In the analysis below certain categories of the audited FSHC (Jersey) Holdings Limited balance sheet at December 2011 have been used as a comparative.

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 (page 11)

For an analysis of profit and loss account categories above interest, please see the commentary above.

Interest

The interest charge for the period primarily relates to interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The interest charge relating to the notes in the period was £12.6m. The balance relates to accrued interest on the balances owed to group undertakings and £1.0m in respect of the amortisation of debt issue costs.

Tax

The tax charge for the quarter was £1.2m, similar to Q3 2011 at £1.0m.

Balance sheet (page 12)

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.

Fixed assets

Land and buildings are currently included in the Elli Investments Limited consolidated balance sheet at their fair value on acquisition.

Commentary on the unaudited condensed consolidated financial statements (continued)

Debtors

The following table presents an analysis of debtors at 30 September 2012 and at 31 December 2012 for FSHC (Jersey) Holdings Limited.

	FSHC (Jersey) Holdings Limited December 2011 £000	**Elli Investments Limited September 2012 £000**
Trade debtors	31,142	**30,962**
Other debtors and prepayments	25,131	**16,066**
	56,273	**47,028**

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 30 September 2012 and at 31 December 2012 for FSHC (Jersey) Holdings Limited.

	FSHC (Jersey) Holdings Limited December 2011 £000	**Elli Investments Limited September 2012 £000**
Extract		
Trade creditors	17,515	**9,022**
Corporation tax	6,977	**5,782**
Other taxes and social security	6,560	**5,665**
Other creditors (including debt-like items at December 2011)	94,956	**39,564**
Accruals and deferred income	20,260	**20,062**
	146,279	**80,095**

Provisions for liabilities and charges

As well as the group's deferred tax liability, provisions are held in respect of onerous rental contracts on certain of the group's leasehold properties and a dilapidation provision in respect of certain of the leasehold properties acquired from Southern Cross in Q4 2011.

Long term liabilities

At 30 September 2012 the group's long term liabilities comprised the following:

- Senior Secured Notes: £350m, 8.75% interest rate
- Senior Notes: £175m, 12.25% interest rate
- Amounts owed to group undertakings £227.9m, being amounts owed to entities within the wider FSHC Group Holdings Limited group of companies

Commentary on the unaudited condensed consolidated financial statements (continued)

Cash flow statement (page 13)

Cash flow and liquidity

At 30 September 2012 the group's cash balance was £44.2m. Net cash generated from operating activities in the period to 30 September 2012 was £28.7m. In the comparative three month period (an additional 17 days) to 30 September 2011, the net cash generated from operating activities was £24.7m.

The group's £40m revolving credit facility remained undrawn at the quarter end.

Working capital

The cash flow on working capital was positive £8.4m since the date of acquisition of FSHC (Jersey) Holdings Limited.

Interest paid

No interest has been paid on the group's high yield bonds since they were drawn down into escrow on 28 June 2012. The first interest is due to be paid in December 2012.

Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 30 September 2012

Contents

Profit and loss account (unaudited)

for the quarter ended 30 September 2012

	Note	Quarter ended September 2012 £000
Turnover	*4*	**141,861**
Cost of sales		**(115,461)**
Gross profit		**26,400**
Administrative expenses - ordinary		**(11,317)**
Administrative expenses - exceptional		**(410)**
		(11,727)
Operating profit		**14,673**
Ordinary activities		**15,083**
Exceptional activities		**(410)**
		14,673
Interest payable and similar charges		**(21,104)**
Interest receivable and other income		**14**
Net interest payable and similar charges		**(21,090)**
Loss on ordinary activities before taxation		**(6,417)**
Tax on loss on ordinary activities	*5*	**(944)**
Retained loss for the financial period	*13*	**(7,361)**

Non-GAAP measure: Earnings Before Interest, Tax, Depreciation, Amortisation and exceptional items (EBITDA)	
Analysed as:	
Operating profit before exceptional items as analysed above	**15,083**
Add back: depreciation of tangible fixed assets	**6,364**
Deduct: negative goodwill written back	**(769)**
EBITDA before exceptional items	**20,678**

All amounts relate to continuing operations that were acquired during the period.

The company had no recognised gains or losses in the current period other than those reported above.

Balance sheet (unaudited)

at 30 September 2012

	Note	September 2012 £000
Fixed assets		
Intangible assets	*6*	**(74,840)**
Tangible assets	*7*	**901,044**
Investment properties	*8*	**29,780**
		855,984
Current assets		
Debtors	*9*	**47,028**
Cash at bank and in hand		**44,222**
		91,250
Creditors: amounts falling due within one year	*10*	**(92,649)**
Net current liabilities		**(1,399)**
Total assets less current liabilities		**854,585**
Creditors: amounts falling due after more than one year	*11*	**(714,867)**
Provisions for liabilities and charges	*12*	**(22,711)**
Net assets		**117,007**
Capital and reserves		
Called up share capital		**124,368**
Share premium account		**-**
Profit and loss account	*13*	**(7,361)**
Shareholders' funds		**117,007**

Cash flow statement (unaudited)

for the quarter ended 30 September 2012

	Quarter ended September 2012 £000
Operating profit	**14,673**
Depreciation, amortisation and impairment	**5,595**
Decrease in debtors	**11,317**
Decrease in creditors	**(2,917)**
Net cash inflow from operating activities	**28,668**
Returns on investments and servicing of finance	**(95)**
Capital expenditure and financial investment	**(6,532)**
Taxation	**(1,735)**
Acquisitions and disposals	**38,932**
Net cash inflow before financing	**59,238**
Debt issue costs	**(38,971)**
Financing	**23,955**
Increase in cash in the period	**44,222**
Cash brought forward	**-**
Cash carried forward	**44,222**

Reconciliation of net cash flow to movement in net debt (unaudited)

for the quarter ended 30 September 2012

	Quarter ended September 2012 £000
Decrease in cash in the period	**(21,278)**
Cash acquired with subsidiaries	**65,500**
Bank loans acquired with subsidiaries	**(846,023)**
Repayment of bank loans	**846,023**
High yield bonds	**(525,000)**
Loans from group undertakings	**(227,852)**
Debt issue costs	**38,971**
Movement in net debt in the period	**(669,659)**
Non cash movement	**(986)**
Net debt at start of period	**-**
Net debt at end of period	**(670,645)**

Reconciliation of movements in equity shareholders' funds (unaudited)

for the quarter ended 30 September 2012

	Quarter ended September 2012
	£000
New share capital issued	**124,368**
Loss for the financial period	**(7,361)**
Net movement in shareholders' funds	**117,007**
Opening shareholders' funds	**-**
Closing shareholders' funds	**117,007**

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 30 September 2012. The company was incorporated on 31 May 2012. On 12 July 2012 the company acquired the trade and assets of FSHC (Jersey) Holdings Limited (together referred to as the "group"). Prior to that date the company did not trade; as such the results for the quarter represent the group's trading for the 74 day period from 12 July 2012 to the quarter end. There is no comparative period.

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

2 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice (UK GAAP). They do not include all of the information required for full annual statements and should be read in conjunction with the consolidated financial statements for the group, FSHC (Jersey) Holdings Limited for the year ended 31 December 2011 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 2011 annual report and accounts of FSHC (Jersey) Holdings Limited.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

- Freehold buildings – straight line basis over 45 years
- Equipment and fixtures – straight line basis over 5 years
- Motor vehicles – straight line basis over 4 years

No depreciation is provided on freehold land or buildings under construction.

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.

Investment properties

Investment properties represent freehold properties which are leased outside the group. Investment properties are revalued annually to market value on an investment basis subject to the various leases. The aggregate valuation surplus or deficit is transferred to the revaluation reserve, whilst any permanent diminution in value is charged to the profit and loss account. Under the terms of the leases, properties are maintained to a high standard by tenants.

No depreciation is provided in respect of freehold investment properties. This treatment is a departure from the requirements of the Companies (Guernsey) Law 2008 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

Notes *(continued)*

(forming part of the financial statements)

Leases

Operating lease rentals are charged to the profit and loss account on a systematic and rational basis over the period of the lease.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised by equal annual instalments over its estimated useful economic life. The directors' estimate of the useful economic life is considered on an individual basis.

Negative goodwill is similarly included on the balance sheet and is credited to the profit and loss account in the periods in which the non-monetary assets are recovered, through depreciation or sale. Negative goodwill is being written back on a straight line basis over a period of 20 years.

Deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Guarantees

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other related parties which are subsidiaries of its ultimate parent, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make payment under the guarantee.

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

4 Segmental information

	Quarter ended September 2012	
	Turnover £000	**Result £000**
Property leases	**649**	**534**
Operation of care homes and specialised services	**141,212**	**14,139**
Group turnover/operating profit after exceptional activities	**141,861**	**14,673**
Net interest payable and similar charges		**(21,090)**
Loss before taxation		**(6,417)**

All activities arose in the United Kingdom, Isle of Man and Jersey and relate to acquisitions in the period.

The principal net operating assets utilised in the property leasing business are those properties identified as investment properties.

5 Taxation

	Quarter ended September 2012 £000
Analysis of tax charge in the period:	
UK corporation tax	
Current tax on loss for the period	**917**
Foreign tax	
Current tax on income for the period	**17**
Total current tax	**934**
Deferred tax	
Origination of timing differences	**10**
Tax on loss on ordinary activities	**944**

Due to the levels of interest payable by the acquired group, no UK Corporation tax has been payable by that group for a number of years. The current tax charge is in respect of the net property income in Jersey tax resident property companies. Accordingly, movements in the current tax charge of the group reflect movements in this net property income rather than movements in the group result before taxation.

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

6 Intangible fixed assets

	Goodwill
	£000
Cost	
At beginning of period	**-**
Acquisitions	**(75,609)**
At end of period	
Amortisation	
At beginning of period	**-**
Charge for the period	**769**
At end of period	**769**
Net book value	
At 30 September 2012	**(74,840)**

On 12 July 2012 Elli Investments Limited acquired FSHC (Jersey) Holdings Limited and its subsidiary undertakings. The provisional negative goodwill is based on a provisional assessment of fair values and will be reconsidered at December 2012. Negative goodwill is being amortised over 20 years.

7 Tangible fixed assets

	September 2012
	£000
Net book value	
At beginning of period	**-**
Additions	**6,532**
Acquisitions	**900,876**
Depreciation	**(6,364)**
At end of period	**901,044**

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

8 Investment properties

	September 2012 £000
At beginning of period	**-**
Acquisitions	**29,780**
At end of period	**29,780**

9 Debtors

	September 2012 £000
Trade debtors	**30,962**
Prepayments, other debtors and accrued income	**16,066**
	47,028

10 Creditors: amounts falling due within one year

	September 2012 £000
Trade creditors	**9,022**
Corporation tax	**5,782**
Other taxation and social security	**5,665**
Other creditors	**39,564**
Accruals and deferred income	**20,062**
Accrued interest	**12,554**
	92,649

Notes *(continued)*

(forming part of the financial statements)

11 Creditors: amounts falling due after more than one year

	September 2012
	£000
High yield bonds	**525,000**
Debt issue costs	**(37,985)**
High yield bonds net of debt issue costs	**487,015**
Amounts owed to group undertakings	**227,852**
	714,867

12 Provisions for liabilities and charges

	Deferred taxation	**Dilapidations provisions**	**Provision for onerous contracts**	**Total**
	£000	**£000**	**£000**	**£000**
At beginning of period	-	-	-	**-**
On acquisition	5,018	535	17,501	**23,054**
Charged/(released) to the profit and loss account	10	-	(291)	**(281)**
Utilised	-	(255)	-	**(255)**
Unwinding of discount	-	-	193	**193**
At end of period	5,028	280	17,403	**22,711**

The elements of deferred taxation are as follows:	
Difference between accumulated depreciation, amortisation and capital allowances	**5,028**

The group has unrecognised deferred tax assets arising on tax losses, timing differences and depreciation in excess of capital allowances on fixed assets. The group has not recognised these assets as there is no certainty over the group's ability to obtain value from the assets in the foreseeable future.

The provision for onerous contracts will unwind over the period of the relevant contracts.

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

13 Reserves

	Profit and loss account £000	Total £000
At beginning of period	-	**-**
Retained loss for the financial period	(7,361)	**(7,361)**
Revaluation	-	**-**
At end of period	(7,361)	**(7,361)**