Four Seasons HEALTH CARE GROUP

FY 2023 Trading and Restructuring Update

Draft, unaudited results for the 52 week period ended 31 December 2023

27 March 2024

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FY 2023 Trading Overview

Four Seasons HEALTH CARE GROUP

FY 2023 financial results

- FY 2023 EBITDA of £20m was £13.5m higher than FY 2022 due to the operational turnaround of the group.

Income

- FY 2023 turnover was £21.6m higher than FY 2022, after adjusting for homes sold, closed or migrated.
- Along with the rest of the UK social care sector, occupancy remains significantly impacted following both the decline that was suffered as a result of the Covid-19 pandemic and the ability to recover during the last three years being impacted by legislation restricting homes taking new admissions for prolonged periods following an outbreak of Covid-19. In addition, we are seeing a more recent trend of commissioning residents into residential and nursing care later than previously and therefore, with, on average, higher acuity of needs and often closer to end of life, reducing our average length of stay KPI.
- Despite these challenges, recovery of the top line is an area of significant management focus, particularly during the last two years. AWF outcomes across both privately funded and local authority funded residents are the strongest the Group has ever achieved and the Group continues to pursue additional commercial opportunities to further drive the top line. The Group has deliberately focused on profitable occupancy growth therefore.
- As a result of this focus, Q4 occupancy of 86.8% and AWF of £1,068 were 3.7 percentage points and £100 (10%) ahead of the prior year, respectively. FY 2023 average occupancy over the year was 84.8%, 2.7 percentage points higher than FY 2022. Our current occupancy of 89.1% demonstrates further improvement.
- The Group has now achieved consistent recovery and growth in its top line performance, with thirteen consecutive quarters of income growth from Q3 2021 onwards, in respect of those homes which the Group was still operating at the Q4 2023 quarter end.

Payroll, care and facility costs

- The staffing environment continues to be challenging as a result of wider UK labour market challenges and the underlying difficulties faced by the social care sector including an ongoing shortage of skilled workers.
- Significant management action and focus has been required to address these workforce pressures, initially to arrest the increase and then bring down agency usage significantly as well as improved management of all workforce KPIs. As a result of these actions significant improvements have been achieved, with payroll as a % of income for FY 2023 being 68.3%, a 5.2% improvement on FY 2022. Similarly, agency of a % of total payroll reduced from 20.3% to 12.2%, a reduction of 8.1%.
- Despite substantial inflationary pressures, care and facility expenses were well controlled during 2023 at 15.6% of turnover (a consistent percentage with 2022).

EBITDARM

- As a result of the operational turnaround across our KPIs, FY 2023 EBITDARM, excluding the impact of homes which have been sold, closed or migrated by the quarter end was £40.3m, some £8.8m higher than FY 2022.

Operational Update (1/2)

The focus of the business continues to be to rebuild profitable occupancy, ensure appropriate workforce management (particularly in relation to the dependencies of our residents) to ensure appropriate and safe staffing and agency reduction, to maintain, and seek to improve, care quality and manage operating costs effectively.

Income

- Efforts to drive the Group's top line performance (both through driving occupancy recovery and ensuring a fair fee is received for the care services we provide) have been essential at a time of increasing cost pressures and the difficulties of operating in the sector and wider economy particularly during the last two years.
- Consistent improvements have been made with occupancy recovery, with Q4 2024 occupancy of 86.8% representing a c.8 percentage point improvement on the low point of 79% in Summer 2020. Further recovery has been achieved since the year end, with current occupancy of over 89% being c2% ahead of the Q4 2023 average.
- Through the continued efforts of both home level and central teams, enquiries, referrals and conversion levels have remained strong throughout 2023. As a result, we have generally achieved a return to c. 90% of normalised admission levels during both 2022 and 2023.
- Work continues to ensure that the Group takes full advantage of available demand and, in particular, ensuring our service offering continues to be the best fit possible to take advantage of commissioning activity, respite placements and maximise admissions through reduction in the time taken from enquiry to move in date.
- In addition to these occupancy initiatives, strong AWF outcomes across both private pay and local authority funded residents continues to be achieved, with an increase in Q4 2023 AWF of £100 (c10%) on the comparative quarter and our AWF has now been in excess of £1,000 per resident per week since the end of Q1 2023. The increase builds upon the FY 2022 increases previously reported and are the highest outcomes the Group has seen. Whilst there is always more to do, there have been real improvements in obtaining appropriate fee levels for our existing residents and new admissions, requiring a change in 'mind-set' of both the Group and commissioners and this has been necessary to build upon a good top line performance and ensure profitable occupancy growth. This has included rejection of certain placements at unsustainable fee rates (impacting occupancy in the short term). The review of the appropriateness of existing fee rates for our current resident base is supported by an improved clinical dependency tool. The Group continues to pursue commercial opportunities to drive top level performance wherever possible including a refreshed focus for teams on obtaining top-ups and ancillary fees where appropriate.
- The Group has now finalised its 2024 fee review in respect of its private funded resident base and work has commenced in respect of Local Authority funded resident's uplifts for 2024/25. Uplifts in respect of Local Authority funded residents are generally applied for the 12 months commencing from April of each year and these successful negotiations for 2023/24 added significant benefit to our FY 2023 results.

Operational Update (2/2)

Workforce

- The lack of people across the sector has been a longstanding issue and was made more difficult by the challenges that Covid-19 posed to the working environment and economy.
- This backdrop, exacerbated by the general inflationary environment, ‘cost of living’ pressures and material increases to statutory pay rates caused own team pay rates and agency costs to rise rapidly throughout 2022 and 2023. This situation is being felt sector wide and is continuing into 2024.
- However, management actions to reduce reliance on agency staff and optimise the skills mix within the homes have successfully embedded within the business and include the implementation of new recruitment and retention strategies, improved governance around use of agency staff, and leveraging our software and systems to drive transparency and accountability for appropriate staffing at all levels. The conclusion of a review of our operating model and staffing model optimisation was largely completed during 2022, supported by the successful roll out of a new clinical dependency tool and we have seen the benefits of this throughout 2023. The delivery of quality care and safe and effective staffing levels is central to all of these initiatives.
- The impact upon our workforce KPIs as a result of this work has been significant. Agency costs, which had increased to an average of c18% in Q4 2021 and further again to 21-22% throughout the first half of 2022, were controlled and brought down significantly during the latter half of 2022, with a decrease of 5 percentage points being achieved in Q4 2022 compared to the prior quarter and firm evidence of the positive impact of these initiatives on wider care quality and home performance. Agency usage decreased further still during 2023 with a reduction to 10.7% of total payroll during Q4 2023 . FY 2023 agency percentage is 12.2% which is 8.1 percentage points lower than FY 2022. The intense management focus on all workforce KPIs continued throughout 2023 and into 2024. Ongoing actions including full review of support team hours, systems and processes to ensure available shifts are filled with our own teams wherever possible including appropriate management of annual leave and ensuring that agency (where required) is procured in the most cost-effective manner.
- Ensuring our teams are fairly compensated for their role in delivering the critical care to our residents remains a key priority for the Group and planning for our pay rates not directly linked to National Living Wage, together with dialogue with the three Trade Unions recognised by the Group, continues to be collaborative and constructive and was successfully concluded for the 2023/24 cycle, with support being received from all three unions for our pay offer. The agreement improved pay and also enhanced benefits to better recognise the hard work, commitment and loyalty of our teams across the Group. Additionally, during Q2 2023 a one off ‘cost of living payment’ was made, with this payment benefitting over 5,000 of our team members. The Group is currently in dialogue with the three Trade unions around our 2024/25 pay offer and this dialogue is expected to conclude during Q2 2024.
- Management are working hard to ensure an attractive offering for team members and ensure we have high colleague retention rates, demonstrated by recent evidence from Glassdoor that 79% of our team members would recommend our Group as a place to work for their friends and relatives, a strong measure of advocacy.

Other operational factors

- Other operating costs have been well controlled with Group-wide focus on cost control and efficient systems and processes. The risks posed by the wider economy, particularly around food inflation and energy costs have been successfully mitigated to date as far as possible.
- An exercise to ‘right size’ our central support costs (completed in conjunction with a holistic review of how all of our teams and processes work) is now materially complete and will result in further cost savings in Q1 2024, ensuring our cost base is commensurate with the reduction in the Group’s estate size.
- Whilst financial performance is driven by occupancy, fees and agency usage, maintaining care quality is essential in ensuring a stable platform and the Group has an ongoing strategic initiative to deliver excellent care quality and has seen the Group’s external care quality ratings improve during 2023.

Restructuring Update (1/2)

Overview

- The Joint Administrators and the Group continue to focus on the restructuring the Group. Over the last two years, this has been focussed on finalising the restructuring of the Group's leasehold estate, the successful disposal of the Northern Ireland portfolio and the Value portfolios, extensive operational restructuring to improve the financial performance of the Group and on launching the wider core portfolio sales process, which continues to progress well (see below).
- Led by Joe O'Connor (Chief Executive Officer, Director and Implementation Officer of Mericourt Limited), the Group, and its Joint Administrators, remain focused on maintaining operational stability and continuity of care, whilst maximising returns to creditors from the assets of the operations of the Group.

Core Portfolio sales process

- In light of strong investor interest in the UK social care sector and the ongoing recovery of the Group following the Covid-19 pandemic, on 28 June 2022 the Joint Administrators announced the launch of a sales process for the Group's core property portfolio and the care home businesses associated with those properties. The Group engaged Christie & Co, a leading advisory firm in the health and social care sector, to act as sales advisor. The core portfolio sales process when initially launched comprised 111 core freehold care homes in England, Scotland and Jersey and certain ancillary assets.
- As part of the core portfolio sales process, we have now completed sales for 47 operational homes and 3 closed sites. In addition, we have exchanged contracts on a further 10 care homes and continue to negotiate contracts on a further 5 care homes, with exchange of contracts expected during Q2 2024. We expect all these care home sales to complete over the coming months as they are still subject to final legal processes and regulatory approval by the relevant inspector teams. The final completion dates will depend on the timing of these regulatory approvals.
- 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 any transition to new ownership is seamless.
- In light of the Group's improving trading and care quality performance we announced, on 14 August 2023, that the Group had taken the decision that for a sub-portfolio of approximately a third of its freehold care homes, it was expected to be beneficial for all stakeholders of the Group to continue to operate these homes in the near term to secure ongoing incremental cash flow, maximise growth prospects for the homes and potentially increase the capital value of these homes. Certain key performance indicators of this sub-portfolio are included in the graphs on slide 8.

Restructuring Update (2/2)

Leasehold estate restructuring

- The Group continues to hold discussions with landlords of the remaining three operational homes (as well as one closed site) in its leasehold estate.

Liquidity and financing

- As announced on 25 September 2023, the maturity date of the Super Senior Term Loan was extended to 30 September 2024.
- As previously reported, the Group has undertaken a detailed review of its cash flow forecasts 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 case this is required at a future date.
- The Group's estimate of the net cash usage for the period to the realisation of the Group's assets, which was initially reported at between £36m and £41m in our July 2022 bondholder update, has been materially improved over the course of the last eighteen months and has reduced to approximately £20m as a result of the continued improvements in our operational turnaround and focus on cost control.
- The Group continues to carefully manage its working capital, overall liquidity and expenditures, including identifying further operational improvement and cost savings initiatives, including those referred to in the Income and Workforce section above, as well as the 'right sizing' of central costs in line with the reduced Group estate size.
- At the end of December 2023, the Group had a cash balance of £16.2m (including £5.4m of sales deposits) and as of 25 March 2024 this was £11.6m (including £1.8m of sales deposits).

Results – KPIs (CHD)

	2021					2022					2023				
	Q1	Q2	Q3	Q4	Year [3]	Q1	Q2	Q3	Q4 [12]	Year [3, 12]	Q1	Q2	Q3	Q4	Year [3]
Turnover (£m)	88.6	94.6	89.2	86.7	359.1	85.3	88.8	72.9	74.2	321.0	70.2	71.9	71.1	64.2	277.2
EBITDAR (£m)[5][6]	4.5	11.1	10.5	3.3	29.3	(0.4)	4.5	3.3	3.0	10.5	3.7	4.9	7.6	6.0	22.3
EBITDA (£m) [6][7][8]	2.6	9.3	8.7	1.8	22.4	(1.5)	3.4	2.4	2.3	6.5	3.1	4.2	7.1	5.5	20.0
Effective beds	9,653	9,613	9,193	8,762	9,305	8,468	8,323	7,027	6,508	7,582	6,483	6,365	6,141	5,314	6,076
Occupancy %	78.5%	79.1%	80.2%	80.8%	79.7%	80.9%	81.7%	82.6%	83.1%	82.1%	83.8%	83.7%	84.9%	86.8%	84.8%
Average weekly fee (£)	852	874	875	882	871	902	950	948	968	942	991	1,034	1,050	1,068	1,034
Payroll (% of turnover)[2]	71.7%	67.0%	67.2%	72.3%	69.5%	76.1%	73.0%	73.5%	71.3%	73.5%	69.0%	70.3%	67.1%	67.0%	68.3%
EBITDARM (% of turnover)[4]	13.2%	19.6%	19.5%	12.5%	16.3%	7.8%	12.0%	12.2%	11.5%	10.8%	13.6%	14.7%	18.3%	17.7%	16.1%
Agency (% of payroll)[2]	8.5%	8.1%	12.6%	18.1%	11.8%	21.7%	21.3%	21.6%	16.6%	20.3%	14.1%	11.4%	12.8%	10.7%	12.2%
Expenses (% of turnover)	15.0%	13.3%	13.3%	14.7%	14.1%	16.1%	15.0%	14.3%	17.1%	15.6%	17.3%	15.0%	14.6%	15.4%	15.6%
Central costs (% of turnover)	8.0%	7.8%	8.2%	8.9%	8.2%	8.2%	6.9%	7.7%	7.6%	7.6%	8.3%	8.0%	7.6%	8.4%	8.1%
KPIs excluding migrated leaseholds [10]															
Turnover (£m)	79.9	85.4	80.4	79.0	324.7	79.1	82.6	68.3	70.7	300.7	67.1	69.9	71.0	64.1	272.2
Effective beds	8,665	8,642	8,222	7,966	8,374	7,888	7,772	6,580	6,195	7,109	6,193	6,169	6,138	5,314	5,954
Occupancy %	78.4%	78.9%	80.2%	80.5%	79.5%	80.4%	81.3%	82.3%	82.8%	81.7%	83.5%	83.8%	85.0%	86.8%	84.8%
Average weekly fee (£)	855	880	880	887	875	906	955	952	973	946	995	1,039	1,050	1,068	1,038
Payroll (% of turnover)[2]	71.6%	67.2%	67.2%	72.4%	69.6%	76.5%	73.3%	73.5%	71.4%	73.7%	69.0%	70.2%	67.0%	66.9%	68.3%
EBITDARM (% of turnover)[4]	13.3%	19.4%	19.4%	12.7%	16.2%	7.5%	11.7%	12.3%	11.7%	10.8%	13.7%	15.1%	18.3%	17.7%	16.2%
Agency (% of payroll)[2]	8.7%	8.4%	12.6%	18.2%	12.0%	21.8%	21.4%	21.7%	16.5%	20.4%	14.0%	11.2%	12.7%	10.5%	12.1%
Expenses (% of turnover)	14.4%	13.4%	13.3%	14.8%	14.0%	16.0%	15.0%	14.2%	16.9%	15.5%	17.2%	14.8%	14.6%	15.4%	15.5%
Memo: THG EBITDA (£m) [9]	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 and where appropriate are averages for the year
4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
5. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
6. EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
7. Rent on migrated leaseholds is accrued up to the date of the migration
8. The Group's results for the periods presented above are draft and unaudited
9. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG sites for which a sale process completed on 5 March 2021
10. KPIs excluding all leasehold care homes which have been migrated to alternative operators in Q4 2019 (45 operating and 13 closed care homes), Q1 2020 (66 care homes and 11 closed care homes), and Q2, Q3 and Q4 2020 (5 operational care homes and 7 closed sites), 2 care homes in Q1 2021, 6 care homes in Q4 2021, 1 care home in Q1 2022, 4 care homes in August 2022, 1 care home in October 2022 and 5 operating and 1 closed care home in Q2 2023
11. On 11 May 2022 the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been included in the Q2 2022 results and KPIs throughout this presentation
12. FY 2022 is a 53 week period (with Q4 2022 being a 14 week period)

Results – Group and core sub-portfolio analysis

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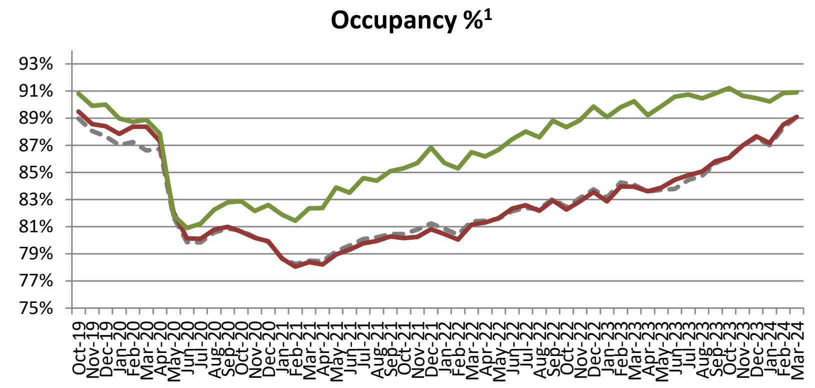
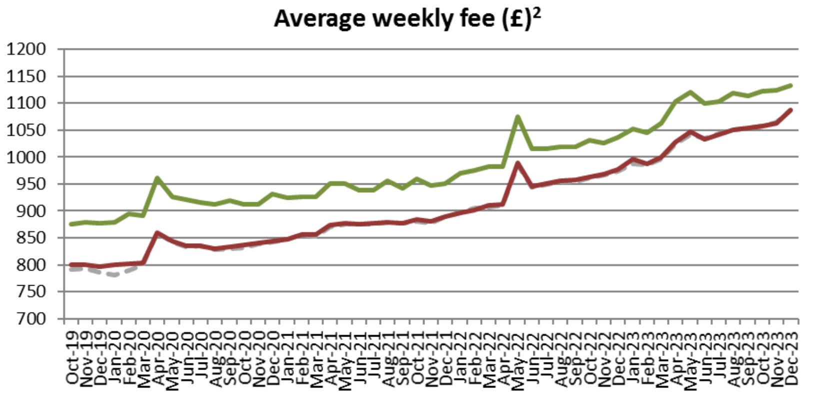
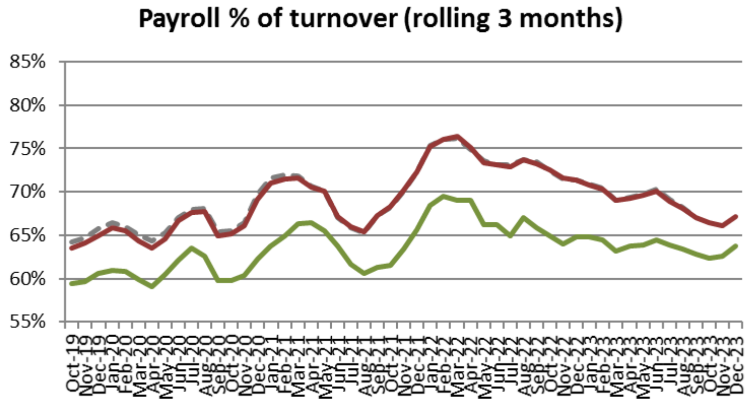




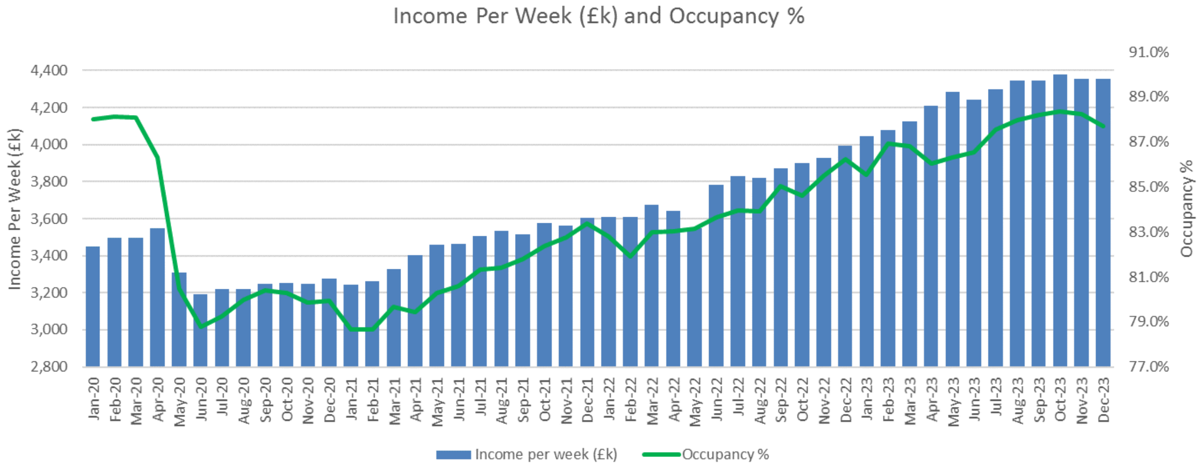


- Average Q4 2023 occupancy of 86.8% was 3.7 percentage points higher than the comparative quarter in the prior year and 1.9% higher than the prior quarter.
- Admissions have returned to 90% of normalised levels and the latest spot occupancy for the current estate (of 89.1%) represents further growth on the Q4 2023 occupancy.
- AWF which averaged £1,068 during Q4 2023 and £1,034 for FY 2023 was 9.8% higher than FY 2022. Significant improvements in AWF during 2022 and 2023 have strengthened our top line performance and is a continued focus into 2024 to ensure we are receiving the appropriate fee for the care we are providing.
- As per previous reports the sector wide staffing environment remains challenging however management focus during FY 2023 resulted in pleasing improvements. Agency costs decreased to 12.2% of payroll for FY 2023 a decrease of 8.1 percentage points on FY 2022 with Q4 2023 being 10.7%.
- Agency focus combined with overall hours management resulted in total payroll as percentage of income improving by 5.2 percentage points for FY 2023 on FY 2022 to 68.3%.
- KPIs for the sub-portfolio, that the Group will continue to operate in the near-term, are shown in green. KPIs for this sub-portfolio have also benefitted from the operational turnaround and are ahead of both the wider Group and many competitors in the sector.

Note 1 – March 24 occupancy % represents 26 March spot occupancy % (at 89.1%) for the current estate
Note 2 - On 11 May 2022, the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been recognised in the Q2 2022 results and KPIs.

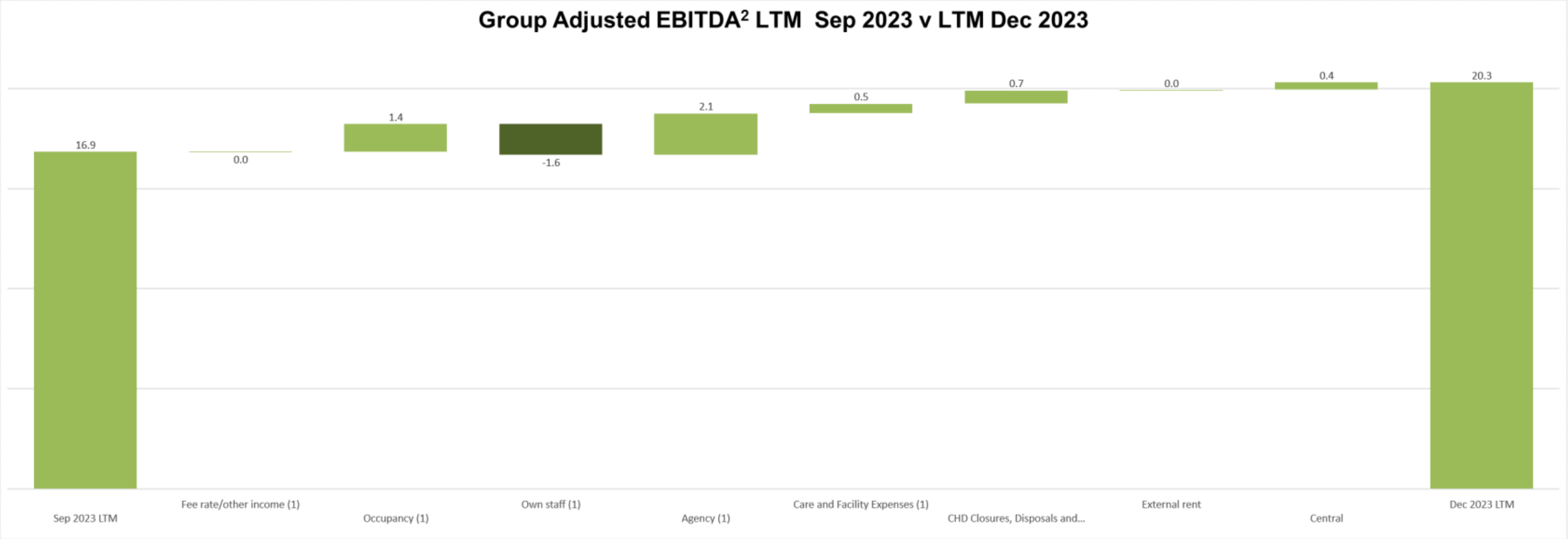
Results - Income

	2020					2021					2022					2023				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4 (1)	Year (1)	Q1	Q2	Q3	Q4	Year (1)
Turnover (£m)	45.3	43.5	42.0	42.4	173.1	42.6	44.8	45.8	46.5	179.6	47.2	47.4	49.9	55.2	199.8	53.1	55.2	56.3	56.7	221.4



- The graph above shows income per week (blue/left axis) in comparison to occupancy % (green/right axis) and the table shows quarterly income. Both exclude (i) the benefit of any Covid-19 support income, and (ii) the income of any disposals and migrations to the extent that they had been completed by the quarter end.
- Following the initial wave of Covid-19 (impacting in Q2 and Q3 2020) occupancy recovery had been challenging for both the Group and the wider sector, particularly as a result of further waves of infections in Q1 2021 and the Omicron wave in Q1 2022 which resulted in periods of reduced admissions.
- Despite this, occupancy has consistently recovered, and Q4 2023 occupancy of 88.2% represents a c6% recovery from the low point of 79% in Summer 2020.
- Additionally, the AWF of £1,088 in Q4 2023 was £87 ahead and FY 2023 is £83 ahead of FY 2022 (8.4% increase). Strong AWF outcomes have been achieved across both private pay and local authority funded residents through negotiations for existing residents and in addition to a renewed focus on building 'profitable' occupancy being applied, particularly from H2 2022 onwards.
- This growth in AWF has been critical at a time of increasing cost pressures and the difficulties of operating in the sector and wider economy and it is essential that occupancy is driven only at 'profitable' levels and where a fair price for the care provided is received.
- As a result, the Group has achieved consistent recovery and growth in income. This is shown in the table with thirteen consecutive quarters of income growth, and income being ahead of pre Covid levels from Q3 2021 onwards. (Note FY 2022 was a 53 week period (with Q4 2022 being 14 week period) Q4 2022 turnover adjusted to 13 weeks is £51.3m).

Results – LTM Adjusted EBITDA Sep 23 v LTM Dec 23



The LTM movement, excluding closures, disposals (to the extent they had completed by the quarter end) and migrations, was largely a result of the following drivers:

- Income was £1.4m higher in December 2023 LTM than September 2023 LTM. Group fee rates and other income were consistent, however this comprised of an increase from weekly fee of £0.6m, offset by a £0.6m reduction in other income. Higher occupancy in Q4 2023 compared to Q4 2022 resulted in a favourable occupancy variance of £1.4m
- Own team payroll costs increased by £1.6m in light of inflationary, cost of living and statutory pay rate increases (applied from April 2023)
- Agency reduction resulted in a £2.1m increase to LTM EBITDA, another significant improvement as a result of robust agency and hours management
- A £0.5m increase in LTM EBITDA from cost control around care and facility expenses
- The EBITDA impact of the disposal homes was an increase of £0.7m

Notes

1. *Excludes closures/disposals of care homes that had completed by the quarter end*
2. *Adjusted EBITDA is EBITDA before the non-cash onerous lease credit and after closed and closing home costs*
3. *Rent on migrated leaseholds is accrued up to the date of the migration*

FY 2021, FY 2022 and FY 2023 EBITDA and cash flow analysis

Four Seasons HEALTH CARE GROUP

£m	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2023 Year
EBITDARM	14.1	18.6	17.4	10.8	60.9	6.6	10.7	8.9	8.6	34.8	9.6	10.6	13.0	11.4	44.6
Closed home costs	(0.3)	(0.3)	0.3	-	(0.3)	-	-	-	-	-	-	-	-	-	-
Rent[(1)(2)(3)]	(2.0)	(1.8)	(1.6)	(1.5)	(6.9)	(1.1)	(1.1)	(0.9)	(0.7)	(3.9)	(0.7)	(0.6)	(0.5)	(0.5)	(2.3)
Central costs	(8.2)	(7.4)	(7.3)	(7.7)	(30.6)	(7.0)	(6.1)	(5.6)	(5.6)	(24.3)	(5.8)	(5.7)	(5.4)	(5.4)	(22.3)
Adjusted EBITDA[(3)]	**3.5**	**9.2**	**8.8**	**1.7**	**23.1**	**(1.5)**	**3.4**	**2.4**	**2.3**	**6.5**	**3.1**	**4.2**	**7.1**	**5.5**	**20.0**
Maintenance Capex	(2.2)	(3.0)	(2.9)	(3.5)	(11.6)	(2.5)	(2.3)	(2.3)	(2.2)	(9.2)	(1.9)	(1.6)	(1.7)	(1.5)	(6.7)
Central Capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.3)	(0.0)	(0.0)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)
Capex	**(2.2)**	**(3.1)**	**(2.9)**	**(3.5)**	**(11.7)**	**(2.6)**	**(2.6)**	**(2.3)**	**(2.2)**	**(9.7)**	**(2.0)**	**(1.6)**	**(1.7)**	**(1.6)**	**(6.9)**
Exceptionals - restructuring	(5.0)	(3.5)	(3.6)	(7.6)	(19.7)	(2.7)	(3.4)	(4.4)	(3.7)	(14.2)	(2.4)	(3.3)	(2.3)	(4.5)	(12.5)
Exceptionals - other	-	-	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-
Exceptionals	**(5.0)**	**(3.5)**	**(3.6)**	**(7.7)**	**(19.8)**	**(2.7)**	**(3.4)**	**(4.4)**	**(3.7)**	**(14.2)**	**(2.4)**	**(3.3)**	**(2.3)**	**(4.5)**	**(12.5)**
Debt drawdown/(repayment)	(31.6)	-	(13.3)	-	(44.9)	(1.4)	(11.0)	(34.9)	-	(47.3)	-	-	(13.0)	(36.8)	(49.8)
Taxation	-	-	-	-	-	-	-			-	-	-	-	-	-
Interest	-	-	-	(0.3)	(0.3)	(1.5)	(0.4)	(0.2)	(0.6)	(2.7)	(0.8)	(0.8)	(1.0)	(17.5)	(20.1)
Disposal proceeds	35.0	-	16.1	0.2	51.3	1.5	12.8	41.5	-	55.8	-	-	13.6	58.2	71.8
Working capital/other movement	(5.4)	3.8	(11.0)	1.7	(10.9)	5.6	(3.5)	(10.0)	(1.2)	(9.1)	2.4	(1.3)	3.4	(3.2)	1.3
Net cash flow	**(5.7)**	**6.4**	**(5.9)**	**(8.0)**	**(13.2)**	**(2.6)**	**(4.7)**	**(8.0)**	**(5.5)**	**(20.7)**	**0.3**	**(2.8)**	**6.1**	**0.1**	**3.8**
Opening cash balance	46.3	40.6	47.0	41.1		33.1	30.5	25.9	17.9		12.4	12.7	9.9	16.1	
Closing cash balance	40.6	47.0	41.1	33.1		30.5	25.9	17.9	12.4		12.7	9.9	16.1	16.2	

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 2021, FY 2022, FY 2023 was £4.1m, £3.0m and £2.2m 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 (£0.1m in Q1 2021)

- In FY 2021 the group generated £11.4m of operating cash before exceptional costs of £19.8m and a working capital outflow of £10.9m.
- In FY 2022 the Group utilised £3.2m of operating cash before exceptional costs of £14.2m and a working capital outflow of £9.1m. The working capital outflow was predominantly a result of the unwind of negative working capital in relation to the sale of the Group's remaining 29 care homes in Northern Ireland.
- In FY 2023 the Group generated £13.1m of operating cash before exceptional costs of £12.5m and a working capital inflow of £1.3m which after adjusting for sale deposits received, there was a working capital outflow of £3.8m.
- Operating cash (EBITDA less Capex) has been positive throughout 2023, as a result of the continued operational turnaround and this continued in Q4 2023 with the Group generating EBITDA of £5.5m less capex of £1.5m resulting in operating cash of £3.9m.
- Several disposals were completed during FY2021 and FY2022 (most notably the disposal of the THG business and Northern Ireland care home estate) following which proceeds exceeding £90m were returned to creditors.
- The Group completed the sale of twenty seven operating and two closed sites during FY 2023 as well as the sale of a further twenty operating sites and one further closed site subsequent to the year end (12 on 29 January 2024 and 9 on 26 February 2024). Completion of these sales in FY 2023 generated gross proceeds of £71.8m and, after cost and other deductions relating to these agreements, the Group repaid £23.5m of its Super Senior Term Loan facility as well making partial payments of £42.3m to holders of the Senior Secured Notes.
- As a result of the above, the Group's cash balance decreased by £13.2m and £20.7m during FY 2021 and FY 2022 respectively however increased by £3.8m in FY 2023.
- Central costs in Q1 2021 include £1.2m attributable to THG. Central costs have been tightly controlled, with a focus on central cost reduction to better fit the cost base to the business performance.

Regulatory action as at 15 March 2024 - TBC

- The table below sets out a summary of the regulatory action within each business, as at 15 March 2024:

Summary of current regulatory action as of 15 March 2024				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	-	2	2	49
brighterkind	-	-	-	15
Total	-	2	2	64

- 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 outcomes for 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. 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

Four Seasons HEALTH CARE GROUP

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

£m	2023	2022
Fixed assets		
Investments	-	-
Tangible assets [2]	204.7	302.6
	204.7	**302.6**
Current assets		
Debtors	19.5	26.6
Cash at bank and in hand	16.2	12.5
	35.7	**39.1**
Creditors: amounts falling due within one year	(65.9)	(64.7)
Financing	(2,132.3)	(1,882.1)
Net current liabilities	**(2,162.5)**	**(1,907.7)**
Total assets less current liabilities	**(1,957.8)**	**(1,605.1)**
Creditors: amounts falling after more than one year	-	-
Provisions [5]	(3.3)	(11.2)
Net liabilities	**(1,961.1)**	**(1,616.3)**
Share capital	174.4	174.4
Reserves	(2,135.5)	(1,790.7)
Shareholder's equity	**(1,961.1)**	**(1,616.3)**

Debtors	2023	2022
Trade receivables	12.9	18.1
Prepayments, other debtors and net accrued income	6.6	8.5
Taxation	-	-
	19.5	**26.6**

Payables and other creditors	2023	2022
Trade payables	(7.0)	(8.2)
Accruals and other creditors	(58.9)	(56.5)
Taxation	-	-
	(65.9)	**(64.7)**

Financing	2023	2022
Term loan [3]	(1.0)	(24.1)
High yield bonds	(500.3)	(525.0)
Accrued interest	(427.4)	(360.4)
Amounts owed to connected entities [4]	(1,203.6)	(972.6)
	(2,132.3)	**(1,882.1)**

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, 21 December 2022 and 25 September 2023. As announced on 25 September 2023 the maturity date was extended to 30 September 2024
4. Amounts owed to connected entities are not expected to be cash settled
5. Provisions principally relate to costs associated with leases which include fixed rate increases across the lease. The cost of these leases has 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 the EIL Consolidated Balance Sheet presented above and the balance sheet of the sub-group headed by Mericourt Limited.

Contacts

- An investor relations page is available on the Four Seasons Health Care Group's website: www.fshcgroup.com

Thank You

Four Seasons
HEALTH CARE GROUP