Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 31 March 2013

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 three accounting periods to March 2013 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.

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Group financial highlights

- Elli Investments Limited acquired FSHC (Jersey) Holdings Limited on 12 July 2012
- Q1 2013 turnover for Elli Investments Limited is £0.6m (0.3%) higher than Q1 2012
- Like-for-like turnover is higher by £1.8m at £123.3m for the same period
- Q1 2013 occupancy in the Care Home Division, ("CHD") was 87.8% up from 87.7%
- The Huntercombe Group ("THG") occupancy, at 74.6% in Q1 2013, is 4.2 percentage points above the 2012 comparative
- In Q1 2013 payroll as a percentage of turnover in both CHD and THG has improved since the comparative period in 2012, driven by a 3.2 percentage point reduction in agency costs as a percentage of total payroll
- Q1 2013 EBITDA of £22.8m is up by £0.5m compared to the comparative period in 2012
- March 2013 LTM EBITDA of £97.1m, is £0.5m higher than the £96.6m for the full-year to 31 December 2012
- £19.2m net cash inflow from operating activities during Q1 2013
- Closing Q1 2013 cash balance of £29.7m; net debt of £495.3m at March 2013 (excluding amounts owed to related undertakings and debt issue costs)

Commentary on results

Four Season Health Care is pleased to announce its results for the quarter ended 31 March 2013.

This is the third report 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 results and KPIs for the group since Q1 2011 are summarised below.

Unaudited	2011					2012					2013
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Turnover (£m)	126.5	126.9	127.3	173.4	554.1	174.1	175.3	174.8	187.5	711.7	174.7
CHD Turnover (£m)	107.4	107.9	108.4	135.2	458.8	143.5	144.7	146.4	157.2	591.9	145.2
THG Turnover (£m)	15.6	15.5	15.3	37.1	83.5	29.6	29.6	27.4	29.3	115.9	28.5
CHD EBITDARM (% of turnover)	28.3%	30.5%	30.5%	25.9%	28.6%	23.8%	24.9%	27.0%	25.2%	25.2%	25.2%
THG EBITDARM (% of turnover)	20.2%	21.6%	15.3%	17.5%	18.1%	19.2%	20.5%	17.0%	16.7%	18.4%	19.1%
EBITDAR (£m)	30.9	34.1	34.5	34.2	133.8	33.8	35.2	37.7	38.3	144.9	35.2
EBITDA (£m)	23.7	26.8	27.0	24.2	101.7	22.3	23.5	25.3	25.5	96.6	22.8
Effective beds – group	17,401	17,579	18,015	23,278	19,068	24,050	23,978	24,151	24,109	24,072	23,772
Occupied beds – group	15,121	15,300	15,622	19,866	16,477	20,803	20,782	20,927	20,892	20,851	20,676
CHD occupancy %	87.5%	87.8%	88.4%	86.6%	87.6%	87.7%	87.9%	87.9%	87.9%	87.8%	87.8%
THG occupancy %	75.1%	72.7%	65.5%	67.3%	70.2%	70.4%	69.8%	68.7%	68.7%	69.4%	74.6%
CHD average weekly fee (£)	566	563	562	550	560	559	565	566	565	564	569
THG average weekly fee (£)	1,741	1,738	2,015	1,957	1,891	1,947	1,937	1,905	1,893	1,920	1,944
CHD payroll (% of turnover)[1]	58.4%	57.2%	56.9%	59.4%	58.1%	60.7%	60.6%	59.2%	59.9%	60.1%	59.9%
THG payroll (% of turnover)[1]	69.2%	68.9%	72.3%	70.0%	70.3%	68.6%	67.5%	71.1%	70.8%	69.5%	68.4%
Agency to total payroll (%)[1]	3.8%	4.0%	6.1%	5.5%	4.9%	6.5%	5.4%	4.1%	3.1%	4.7%	3.3%
Expenses (% of turnover)	13.2%	12.1%	12.7%	14.3%	13.2%	14.9%	14.1%	13.5%	14.5%	14.3%	14.5%
Central costs (% of turnover)	4.6%	4.3%	4.1%	4.1%	4.3%	3.9%	4.5%	4.3%	3.8%	4.1%	4.2%

Notes:

1 Payroll % excludes central payroll and investment property income from turnover

Turnover

Q1 2013 turnover for Elli Investments Limited was £0.6m (0.3%) higher than Q1 2012 due to an improvement in CHD average weekly fee (AWF) offset fewer residents and patients.

Average Weekly Fee

During Q1 2013 the AWF in CHD increased by 1.8% to £569 from £559 in Q1 2012. This was driven by local authority 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, on average, slight increases in English local authority fees. The period-on-period movement is also impacted by an increase in fees payable by privately funded care home residents in England from February 2013.

Commentary on results (continued)

THG AWF saw minimal change, decreasing by 0.2% between Q1 2012 and Q1 2013. Annual fee rate settlements in the division were broadly flat in April 2012 and net changes to resident mix had minimal overall impact on the blended fee rates.

Occupancy

Average occupancy in the group in Q1 2013 was 87.0%, compared to 86.5% in Q1 2012. Within this number CHD occupancy increased by 0.1 percentage points, and THG by 4.2 percentage points. The actual movement in occupancy was a decrease of approximately 130. This was primarily the result of the closure/disposal of 7 homes (equating to c170 residents), a reduction in the number of homes operated as management agreements, offset by additional occupancy from Westbury Court and Pennine Lodge which were opened in H1 2012.

Income from the group's investment properties was £0.9m in Q1 2013 which is consistent with Q1 2012 with rental income increasing in line with the lease agreements.

Payroll

CHD payroll, as a percentage of turnover, was 0.8% lower in the current quarter than the 60.7% peak in Q1 2012. Similarly, at 68.4% of turnover, the THG payroll percentage in Q1 2013 was as its lowest since Q2 2012 despite wage rate and National Minimum Wage increases during 2012.

Contributing to the relative decrease in overall payroll costs was a 3.2 percentage point decrease in agency spend as a percentage of total payroll between Q1 2012 and Q1 2013. This was primarily a result of the resolution of many of the operational issues inherited with the ex-Southern Cross units and a significant decrease in the number of embargoes across the group. However, 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 the reduction that has been achieved in the level of agency usage has been replaced, in part, by an increase in the usage of own staff.

Care expenses

Q1 2013 expenses (care and facility combined) at 14.5% of turnover is 0.4 percentage points below the comparable period in 2012, with a large element of the saving relating to lower maintenance costs following the investments made in the ex-Southern Cross estate in the prior year.

Rent

£12.4m was charged for rent in Q1 2013, an 8% increase compared to Q1 2012 of £11.5m. Whilst this increase includes approximately £0.3m of inflation, it is primarily the result of variable rental payments on certain of the ex-Southern Cross units which have flexed upwards as profits have increased.

Central costs

Central costs, at 4.2% of turnover in Q1 2013, are at a similar level to the comparable period in 2012 and the average for full-year 2012.

EBITDA

As a consequence of the factors outlined above, the EBITDA of £22.8m for Q1 2013 was £0.5m above the comparable period in 2012 of £22.3m, with a 0.7% improvement in the EBITDARM margin. The LTM EBITDA at March 2013 has therefore increased to £97.1m compared to the £96.6m for the year to December 2012.

Capital expenditure

Capital expenditure in Q1 2013 was £14.3m. Of this, £2.1m related to the development of St Margaret's in Edinburgh and York Court (formerly Longhedge care home) in South London and £7.3m related to the acquisition of four care homes previously operated by Mimosa Healthcare. The maintenance capex spend within the care homes and specialised units decreased by c30% compared to Q1 2012, predominantly reflecting the catch up capex deployed across the ex-Southern Cross estate in 2012.

St Margaret's care home opened in February of this year at a total cost of £5.9m, whilst York Court is scheduled to open in the summer.

Commentary on results (continued)

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. The main adjustments are to remove the contribution from the ex-Care Principles specialised units acquired in July 2011 and the ex-Southern Cross care homes and specialised units acquired in Q4 2011 but individual homes closed during the relevant period have also been removed.

Unaudited[2]	2011					2012					2013
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Turnover (£m)	121.3	121.7	122.1	121.5	486.5	121.5	122.6	122.5	131.9	498.5	123.3
EBITDARM (£m)	33.0	35.6	36.4	31.7	136.8	30.4	32.2	33.5	33.5	129.6	31.8
Effective beds – group	17,089	17,102	17,146	17,218	17,139	17,006	17,000	17,000	17,000	17,002	16,917
Occupied beds – group	14,892	14,967	15,081	15,029	14,992	15,005	14,993	15,076	15,070	15,036	14,955
CHD occupancy %	87.8%	88.2%	88.7%	88.0%	88.2%	88.8%	88.7%	89.3%	89.3%	89.0%	88.9%
THG occupancy %	75.1%	72.7%	74.0%	76.0%	74.5%	77.1%	78.2%	76.5%	76.9%	77.2%	78.8%
CHD average weekly fee (£)	569	569	567	563	567	563	569	571	570	568	574
THG average weekly fee (£)	1,741	1,738	1,702	1,760	1,735	1,807	1,841	1,768	1,770	1,796	1,846
Payroll (% of turnover)[1]	59.7%	58.6%	58.1%	60.1%	59.1%	61.1%	60.2%	59.7%	60.4%	60.3%	60.2%
Agency to total payroll (%)[1]	3.8%	4.0%	5.2%	5.7%	4.7%	6.1%	5.0%	4.1%	2.8%	4.5%	3.0%
Expenses (% of turnover)	13.1%	12.1%	12.1%	13.8%	12.8%	14.0%	13.5%	13.0%	14.2%	13.7%	14.1%

Notes:

1 Payroll % excludes central payroll and investment property income from turnover
2 Management account basis

Turnover: like-for-like

Turnover on a like-for-like basis, excluding Investment Property income, increased by £1.8m between Q1 2012 and Q1 2013.

Within the total, CHD occupancy as a percentage of effective beds was flat whilst THG increased by 1.7 percentage points, although there was an absolute combined decrease across the two divisions of 50 residents and patients. However CHD AWF increased by 2.0%, and THG saw an increase of 2.2%, with these increases more than offsetting the occupancy reduction impact on total income.

Payroll: like-for-like

Having spiked at 61.1% of turnover in Q1 2012, the payroll percentage has been reduced to 60.2% of turnover in Q1 2013. As was the case for the total group, agency costs as a percentage of total payroll reduced by over 3 percentage points since Q1 2012 which contributed to the payroll reductions, although regulatory pressures contribute to staffing costs which are above the levels incurred during 2011.

Expenses: like-for-like

Expenses in Q1, at 14.1% of turnover, are consistent with those in Q1 2012.

Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 31 March 2013

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 is for the quarter ended 31 March 2013. No comparatives are provided for the pre-acquisition period.

The analysis above provides the detailed comparison of the Q1 2013 trading results comparable against 2012 period for FSHC (Jersey) Holdings Limited. There are no material differences in the operational activities comprising these two groups of companies.

Balance sheet

As the acquisition of FSHC (Jersey) Holdings took place on 12 July 2012 there is no comparative period. In the analysis below certain categories of the audited Elli Investments Limited balance sheet at December 2012 have been provided 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 on results section.

Interest

The interest charge for the period includes £13.1m interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance includes £8.2m of accrued interest on the balances owed to related party undertakings and £1.8m in respect of the amortisation of debt issue costs.

Tax

The tax charge for the quarter was £0.3m. This represents a reduction of £0.8m from Q1 2012 and reflects the current estimate of the full year charge.

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 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 31 March 2013 and at 31 December 2012 and those of FSHC (Jersey) Holdings Limited at 31 March 2012.

	Elli Investments Limited March 2013	Elli Investments Limited December 2012	FSHC (Jersey) Holdings Limited March 2012
	£000	£000	£000
Trade debtors	**39,004**	42,460	34,719
Other debtors and prepayments	**25,579**	22,503	23,901
	64,583	64,963	58,620

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 31 March 2013 and at 31 December 2012 and those of FSHC (Jersey) Holdings Limited at 31 March 2012.

	Elli Investments Limited March 2013	Elli Investments Limited December 2012	FSHC (Jersey) Holdings Limited March 2012
	£000	£000	£000
Extract			
Trade creditors	**10,853**	14,090	12,290
Corporation tax	**312**	1,714	5,354
Other taxes and social security	**7,159**	7,193	7,254
Other creditors (including debt like items at March 2012)	**39,620**	36,822	107,251
Accruals and deferred income	**27,011**	28,907	19,911
	84,955	88,726	152,060

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.

Long term liabilities

At 31 March 2013 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 related undertakings £244.7m, 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 31 March 2013 the group's cash balance was £29.7m. Net cash generated from operating activities in the period to 31 March 2013 was £19.1m. In the comparative three month period to 31 March 2012, the net cash generated from operating activities was £18.7m.

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

Working capital

The cash outflow from working capital was £2.4m in the quarter, compared to a £1.5m outflow in Q1 2012.

Interest paid

No interest has been paid on the group's high yield bonds during the quarter; the next interest payment is due in June 2013.

Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 31 March 2013

Contents

Profit and loss account (unaudited)

for the quarter ended 31 March 2013

	Note	Quarter ended 31 March 2013 £000
Turnover	*4*	**174,680**
Cost of sales		**(149,074)**
Gross profit		**25,606**
Administrative expenses – ordinary		**(10,240)**
Administrative expenses – exceptional		**(1,318)**
		(11,558)
Operating profit		**14,048**
Ordinary activities		**15,366**
Exceptional activities		**(1,318)**
		14,048
Interest payable and similar charges		**(23,453)**
Interest receivable and other income		**6**
Net interest payable and similar charges		**(23,447)**
Loss on ordinary activities before taxation		**(9,399)**
Tax on loss on ordinary activities	*5*	**(274)**
Retained loss for the financial period	*13*	**(9,673)**

Non-GAAP measure: pre-exceptional Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Analysed as:

Operating profit before exceptional items as analysed above	**15,366**
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,540**
Deduct: amortisation of negative goodwill	**(1,065)**
EBITDA before exceptional items	**22,841**

All amounts relate to continuing operations.

There were no recognised gains or losses in the current period other than those reported above.

Consolidated balance sheet (unaudited)

at 31 March 2013

	Note	31 March 2013 £000
Fixed assets		
Intangible assets	*6*	**(82,182)**
Tangible assets	*7*	**914,546**
Investment properties	*8*	**29,780**
		862,144
Current assets		
Debtors	*9*	**64,583**
Cash at bank and in hand		**29,747**
		94,330
Creditors: amounts falling due within one year	*10*	**(100,284)**
Net current liabilities		**(5,954)**
Total assets less current liabilities		**856,190**
Creditors: amounts falling due after more than one year	*11*	**(732,341)**
Provisions for liabilities and charges	*12*	**(22,207)**
Net assets		**101,642**
Capital and reserves		
Called up share capital		**124,368**
Profit and loss account	*13*	**(22,726)**
Shareholder's funds		**101,642**

Consolidated cash flow statement (unaudited)

for the quarter ended 31 March 2013

	Quarter ended 31 March 2013 £000
Operating profit	**14,048**
Depreciation, amortisation and impairment	**7,523**
Decrease in debtors	**380**
Decrease in creditors and provisions	**(2,770)**
Net cash inflow from operating activities	**19,181**
Returns on investments and servicing of finance	**(154)**
Capital expenditure and financial investment	**(6,986)**
Taxation	**(1,671)**
Acquisitions and disposals	**(7,300)**
Net cash inflow before financing	**3,070**
Debt issue costs	**-**
Financing	**-**
Increase in cash in the period	**3,070**
Cash brought forward	**26,677**
Cash carried forward	**29,747**

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

for the quarter ended 31 March 2013

	Quarter ended 31 March 2013 £000
Increase in cash in the period	**3,070**
Movement in net debt in the period	**3,070**
Non cash movement	**(10,018)**
Net debt at start of period	**(695,646)**
Net debt at end of period	**(702,594)**

Reconciliation of movements in equity shareholder's funds (unaudited)

for the quarter ended 31 March 2013

	Quarter ended 31 March 2013
	£000
Loss for the financial period	**(9,673)**
Net movement in shareholder's funds	**(9,673)**
Opening shareholder's funds	**111,315**
Closing shareholder's funds	**101,642**

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 2013. 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 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, Elli Investments Limited for the year ended 31 December 2012 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 2012 annual report and accounts of Elli Investments 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 31 March 2013	
	Turnover £000	**Result £000**
Property leases	**927**	**625**
Operation of care homes and specialised services	**173,753**	**13,423**
Group turnover/operating profit after exceptional activities	**174,680**	**14,048**
Net interest payable and similar charges		**(23,447)**
Loss before taxation		**(9,399)**

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 31 March 2013 £000
Analysis of tax charge in the period:	
UK corporation tax	
Current tax on loss for the period	**260**
Foreign tax	
Current tax on income for the period	**9**
Total current tax	**269**
Deferred tax	
Origination of timing differences (see note 12)	**5**
Tax on loss on ordinary activities	**274**

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

	Negative goodwill £000
Cost	
At beginning of period	**(85,261)**
Acquisitions	**-**
At end of period	**(85,261)**
Amortisation	
At beginning of period	**2,014**
Charge for the period	**1,065**
At end of period	**3,079**
Net book value	
At 31 March 2013	**(82,182)**

Negative goodwill is being amortised over 20 years.

7 Tangible fixed assets

	31 March 2013 £000
Net book value	
At beginning of period	**908,848**
Additions	**6,986**
Acquisitions	**7,300**
Depreciation	**(8,588)**
At end of period	**914,546**

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

8 Investment properties

	31 March 2013 £000
At beginning and end of period	**29,780**

9 Debtors

	31 March 2013 £000
Trade debtors	**39,004**
Prepayments, other debtors and accrued income	**25,579**
	64,583

10 Creditors: amounts falling due within one year

	31 March 2013 £000
Trade creditors	**10,853**
Corporation tax	**312**
Other taxation and social security	**7,159**
Other creditors	**39,620**
Amounts due to related parties	**71**
Accruals and deferred income	**27,011**
Accrued interest	**15,258**
	100,284

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

11 Creditors: amounts falling due after more than one year

	31 March 2013 £000
High yield bonds	**525,000**
Debt issue costs	**(37,385)**
High yield bonds net of debt issue costs	**487,615**
Amounts owed to group undertakings	**244,726**
	732,341

12 Provisions for liabilities and charges

	Deferred taxation £000	Dilapidations provisions £000	Provision for onerous contracts £000	Total £000
At beginning of period	4,921	165	17,281	**22,367**
Charged/(released) to the profit and loss account	5	-	(292)	**(287)**
Utilised	-	(109)	-	**(109)**
Unwinding of discount	-	-	236	**236**
At end of period	4,926	56	17,225	**22,207**

The elements of deferred taxation are as follows:	
Difference between accumulated depreciation, amortisation and capital allowances	**4,926**

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.

13 Reserves

	Profit and loss account £000	Total £000
At beginning of period	(13,053)	**(13,053)**
Retained loss for the financial period	(9,673)	**(9,673)**
At end of period	(22,726)	**(22,726)**