Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 31 March 2015

Contents

Presentation of financial data

This report summarises the 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 quarter ended 31 March 2015 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.

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.

Group financial highlights

- Q1 2015 turnover for Elli Investments Limited is £0.4m lower than Q1 2014 after adjusting for the impact of disposals and closures
- Q1 2015 occupancy in the Care Home Division ("CHD") was 85.7%, down from 87.4% in the comparative period
- Year on year Q1 permanent CHD admissions c120 higher in 2015, but more than offset by an increased winter death rate
- The Huntercombe Group ("THG") occupancy, at 78.9% in Q1 2015, is 3.1 percentage points above the 2014 comparative, after adjusting for Q1 2015 closures
- CHD embargoes are 4 lower at March 2015 than December 2014
- £0.1m reduction in total payroll costs in Q1 2015 compared to Q4 2014, after adjusting for disposals and closures
- However, Q1 2015 CHD payroll as a percentage of turnover compared to Q4 2014 increased by 0.5 percentage points due largely to winter death rate related income reduction
- By comparison, the THG payroll percentage improved by 1.8 percentage points over the same period, adjusting for Q1 2015 closures
- Year on year Q1 payroll increase primarily driven by wage inflation and increased use of agency staff, notwithstanding that agency as a percentage of payroll has reduced by 0.8 percentage points since Q4 2014 as operational initiatives begin to impact
- Positive operational improvements offset by the higher level of winter deaths
- Q1 2015 EBITDA of £9.7m is £1.1m below that in Q4 2014, largely driven by the high winter death rate, although £6.2m below the comparative period in 2014
- March 2015 LTM EBITDA of £57.9m, is £6.2m lower than the £64.1m for the year to 31 December 2014
- £9.3m net cash inflow from operating activities during Q1 2015
- Closing Q1 2015 cash balance of £86.7m; net debt of £478.3m at 31 March 2015 (excluding amounts owed to related undertakings and debt issue costs)

Commentary on results

Four Seasons Health Care is pleased to announce its results for the quarter ended 31 March 2015.

The results and KPIs for the group since Q1 2013 are summarised below.

Unaudited	2013					2014					2015
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1
Turnover (£m)	174.7	178.2	179.3	177.5	709.8	177.9	179.2	179.4	176.4	712.9	172.3
CHD Turnover (£m)	145.2	147.1	148.2	147.7	588.1	147.0	148.5	148.4	145.5	589.4	142.6
THG Turnover (£m)	28.5	30.2	30.1	29.8	118.7	29.9	29.8	30.0	29.8	119.5	28.7
CHD EBITDARM (% of turnover)	25.2%	26.2%	26.6%	21.7%	24.9%	21.6%	22.0%	23.6%	18.3%	21.4%	17.8%
THG EBITDARM (% of turnover)	19.1%	21.6%	20.7%	16.1%	19.4%	15.3%	16.7%	19.5%	15.0%	16.7%	15.0%
EBITDAR (£m)	35.2	38.4	38.1	32.3	143.9	28.5	29.9	32.9	22.6	113.9	22.2
EBITDA (£m)	22.8	25.4	25.6	20.1	93.9	15.9	17.5	19.9	10.8	64.1	9.7
Effective beds – group	23,772	23,844	23,788	23,632	23,759	23,447	23,322	23,016	22,607	23,098	22,293
Occupied beds – group	20,676	20,611	20,752	20,478	20,629	20,321	20,274	20,077	19,602	20,069	19,020
CHD occupancy %	87.8%	87.2%	88.0%	87.4%	87.6%	87.4%	87.5%	88.0%	87.5%	87.6%	85.7%
THG occupancy %	74.6%	75.5%	75.3%	75.2%	75.2%	75.8%	75.1%	76.0%	75.2%	75.5%	78.9%
CHD average weekly fee (£)	569	579	579	580	577	587	596	599	602	596	608
THG average weekly fee (£)	1,944	2,076	2,077	2,056	2,038	2,060	2,071	2,097	2,104	2,083	2,137
CHD payroll (% of turnover)[1]	59.9%	59.7%	59.3%	63.2%	60.5%	63.2%	63.3%	62.6%	66.4%	63.8%	66.9%
THG payroll (% of turnover)[1]	68.4%	66.9%	67.5%	71.3%	68.5%	72.3%	71.1%	69.3%	72.3%	71.2%	70.5%
Agency to total payroll (%)[1]	3.3%	3.7%	5.7%	6.7%	4.9%	6.1%	7.2%	8.1%	9.3%	7.7%	8.5%
Expenses (% of turnover)	14.5%	13.6%	13.6%	14.7%	14.1%	14.7%	14.2%	13.3%	14.8%	14.2%	14.7%
Central costs (% of turnover)	4.2%	4.0%	4.1%	4.4%	4.2%	4.8%	4.6%	4.9%	5.3%	4.9%	5.3%

Notes:

1 Payroll % excludes central payroll from total payroll and investment property income from turnover
2 Full year numbers may include minor rounding differences compared to the four quarter aggregate
3 Q4 2014 and Q1 2015 exclude 40 beds in Buchanan Nursery

Turnover

After adjusting for disposals and home closures Q1 2015 turnover for Elli Investments Limited was £0.4m lower than Q1 2014. Within, CHD turnover for Elli Investments Limited was approximately £4.4m (3.0%) lower than Q1 2014 due to a reduction of approximately 900 effective beds following the closure or sale of 27 care homes in 2014 coupled with a higher than average death rate nationally in Q1 2015 compared to Q1 2014.

Average Weekly Fee

During Q1 2015 the Average Weekly Fee ("AWF") in CHD increased by 3.6% to £608 from £587 in Q1 2014. This was driven by local authority increases of 1.2% and 2.5% in Scotland and Northern Ireland respectively in April 2014, together with private fee rate increases of up to 5% and, on average, a 1.0%–2.0% increase in English local authority fees.

THG AWF saw an increase of 3.7% between Q1 2014 and Q1 2015 driven by service repositioning resulting in mix changes towards higher fee rate service provision and by the closure of underperforming units.

Commentary on results (continued)

Turnover (continued)

Occupancy

Average occupancy in the group in Q1 2015 was 85.3%, compared to 86.7% in Q1 2014. Within this number CHD occupancy decreased by 1.7 percentage points whilst THG increased by 3.1 percentage points. This reflected a decrease in occupancy of over 1,300. A significant part of the reduction was the result of the disposal or closure of 27 care homes (equating to c650 residents) and the high winter death rate in Q1 2015 that has been experienced across the healthcare sector.

Income from the group's investment properties was £1.0m in Q1 2015 which is consistent with Q1 2014 with rental income increasing in line with the lease agreements.

Payroll

CHD payroll, as a percentage of turnover, at 66.9% was 3.7 percentage points higher in the current quarter than in the comparative period. However, at 70.5% % of turnover, the THG payroll percentage in Q1 2015, after adjusting for Q1 2015 closures, was 1.8 percentage points below the Q1 2014 figure.

Agency costs as a percentage of payroll at 8.5% have increased by 2.4 percentage points compared to the comparative period in the prior year. This increase was driven by a combination of additional staffing requirements from regulators and the continued shortage of qualified nurses across both the group and the wider healthcare sector.

Since December 2014 the number of embargoes in the Care Home Division has decreased from 21 to 17 at the end of March 2015.

Care expenses

Q1 2015 expenses (care and facility combined) at 14.7% of turnover is comparable with Q1 2014, due to continuing inflationary pressures offset by the impact of the group's on-going procurement efficiency project.

Rent

£12.5m was charged for rent in Q1 2015, a 0.8% decrease compared to Q1 2014 of £12.6m predominantly due to a decrease in rentals payable under flexing agreements.

Central costs

Central costs, at 5.3% of turnover in Q1 2015, are 0.5 percentage points above the comparable period in 2014. The increase predominantly reflects the additional cost of moving to a segmented operational structure and the additional resource deployed to drive service quality through the estate.

EBITDA

As a consequence of the factors outlined above, the EBITDA of £9.7m for Q1 2015 was £6.2m below the comparable period in 2014 of £15.9m, with a 3.2% decrease in the EBITDARM margin. The LTM EBITDA at March 2015 has therefore decreased to £57.9m compared to the £64.1m for the year to December 2014.

Capital expenditure

Capital expenditure in Q1 2015 was £8.3m. Two homes have been sold during Q1 2015, realising cash proceeds of approximately of £0.8m.

Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 31 March 2015

Commentary on the unaudited condensed consolidated financial statements

Summary

Profit and loss account

The consolidated profit and loss account of Elli Investments Limited is for the quarter ended 31 March 2015. The comparative period is for the quarter ended 31 March 2014.

Balance sheet

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

Profit and loss account (page 10)

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

Interest

The interest charge for the period includes £13.0m interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance primarily relates to £10.9m of accrued interest on the balances owed to related party undertakings and £1.9m in respect of the amortisation of debt issue costs.

Tax

The tax credit for the quarter was £0.1m, being a £0.3m tax charge, reflecting the current estimate of the full year charge, offset by a £0.4m credit for the utilisation of group relief.

Balance sheet (page 11)

Goodwill

The negative goodwill balance is a function of the 12 July 2012 acquisition structure, the fair value of the acquired net assets and the acquisition costs.

Fixed assets

Land and buildings are included in the Elli Investments Limited consolidated balance sheet at their fair value on acquisition plus any subsequent movements for additions, disposals, impairments and depreciation.

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Debtors

The following table presents the debtors at 31 March 2015 and 31 March 2014.

	31 March 2015	31 March 2014
	£000	£000
Trade debtors	**30,402**	41,314
Prepayments, other debtors and accrued income	**25,506**	23,670
Corporation tax	**747**	-
	56,655	64,984

The reduction in trade debtors was largely due to improved cash collection.

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 31 March 2015 and 31 March 2014.

	31 March 2015	31 March 2014
	£000	£000
Extract		
Trade creditors	**6,156**	14,197
Corporation tax	**-**	17
Other taxation and social security	**8,242**	7,892
Other creditors	**44,939**	42,397
Accruals and deferred income	**39,740**	30,062
	99,077	94,565

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 2015 the group's long term liabilities comprised the following:

- Senior Secured Notes: £350m, 8.75% interest rate
- Senior Notes: £175m, 12.25% interest rate
- Term loan: £40m, LIBOR + 6% interest rate
- Amounts owed to related undertakings: £323.7m, 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 12)

Cash flow and liquidity

At 31 March 2015 the group's cash balance was £86.7m. Net cash generated from operating activities in the quarter to 31 March 2015 was £9.3m. In the quarter to 31 March 2014, the net cash generated from operating activities was £14.7m.

In December 2014, the group amended its revolving credit facility. The resulting £40m term loan is due for repayment in December 2017 and bears interest at LIBOR + 6%.

Working capital

The cash inflow from working capital was £2.4m in the quarter, compared to a £1.0m inflow in Q1 2014.

Interest paid

No interest has been paid on the £525m high yield bonds during the quarter as interest is payable in June and December.

Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 31 March 2015

Contents

Consolidated profit and loss account (unaudited)

for the quarter ended 31 March 2015

	Note	**Quarter ended March 2015 £000**	Quarter ended March 2014 £000
Turnover	*4*	**172,324**	177,877
Cost of sales		**(159,834)**	(158,771)
Gross profit		**12,490**	19,106
Administrative expenses - ordinary		**(11,346)**	(11,394)
Administrative expenses - exceptional		**(2,585)**	(1,300)
		(13,931)	(12,694)
Operating (loss)/profit		**(1,441)**	6,412
Ordinary activities		**1,144**	7,712
Exceptional activities		**(2,585)**	(1,300)
		(1,441)	6,412
Interest payable and similar charges		**(26,520)**	(24,720)
Interest receivable and other income		**11**	28
Net interest payable and similar charges		**(26,509)**	(24,692)
Loss on ordinary activities before taxation		**(27,950)**	(18,280)
Tax on loss on ordinary activities	*5*	**142**	(294)
Retained loss for the financial period	*13*	**(27,808)**	(18,574)

Non-GAAP measure: pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA)		
Analysed as:		
Operating profit before exceptional items as analysed above	**1,144**	7,712
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**9,105**	8,714
Deduct: amortisation of negative goodwill	**(549)**	(549)
EBITDA before exceptional items	**9,700**	15,877

All amounts relate to continuing operations.

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

Consolidated balance sheet (unaudited)

at 31 March 2015

		March 2015	March 2014
	Note	**£000**	£000
Fixed assets			
Intangible assets	*6*	**(37,958)**	(40,155)
Tangible assets	*7*	**789,367**	879,432
Investment properties	*8*	**29,780**	29,780
		781,189	869,057
Current assets			
Debtors	*9*	**56,655**	64,984
Cash at bank and in hand		**86,717**	24,031
		143,372	89,015
Creditors: amounts falling due within one year	*10*	**(114,698)**	(109,748)
Net current assets/(liabilities)		**28,674**	(20,733)
Total assets less current liabilities		**809,863**	848,324
Creditors: amounts falling due after more than one year	*11*	**(864,330)**	(776,445)
Provisions for liabilities and charges	*12*	**(28,166)**	(23,932)
Net (liabilities)/assets		**(82,633)**	47,947
Capital and reserves			
Called up share capital		**174,368**	124,368
Profit and loss account	*13*	**(257,001)**	(76,421)
Shareholder's (deficit)/funds		**(82,633)**	47,947

Consolidated cash flow statement (unaudited)

for the quarter ended 31 March 2015

	Quarter ended March 2015	Quarter ended March 2014
	£000	£000
Operating (loss)/profit	**(1,441)**	6,412
Depreciation and amortisation	**8,556**	8,165
Increase in debtors	**(1,183)**	(2,521)
Increase in creditors and provisions	**3,560**	3,531
Profit on disposal of fixed assets	**(162)**	(897)
Net cash inflow from operating activities	**9,330**	14,690
Returns on investments and servicing of finance	**11**	(196)
Capital expenditure and financial investment	**(7,534)**	(5,631)
Taxation	**(459)**	515
Net cash inflow before financing	**1,348**	9,378
Financing	**-**	(15,000)
Increase/(decrease) in cash in the period	**1,348**	(5,622)
Cash brought forward	**85,369**	29,653
Cash carried forward	**86,717**	24,031

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

for the quarter ended 31 March 2015

	Quarter ended March 2015	Quarter ended March 2014
	£000	£000
Increase/(decrease) in cash in the period	**1,348**	(5,622)
Repayment of revolving credit facility	**-**	15,000
Movement in net debt in the period	**1,348**	9,378
Non cash movement	**(12,785)**	(11,238)
Net debt at start of period	**(766,176)**	(750,555)
Net debt at end of period	**(777,613)**	(752,415)

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

for the quarter ended 31 March 2015

	Quarter ended March 2015	Quarter ended March 2014
	£000	£000
Loss for the financial period	**(27,808)**	(18,574)
Net movement in shareholder's (deficit)/funds	**(27,808)**	(18,574)
Opening shareholder's (deficit)/funds	**(54,825)**	66,521
Closing shareholder's (deficit)/funds	**(82,633)**	47,947

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 2015.

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), in line with the Accounting Framework adopted in previous periods. They do not include all of the information required for full annual statements and should be read in conjunction with the consolidated financial statements of Elli Investments Limited for the year ended 31 December 2014 which were prepared in accordance with UK Generally Accepted Accounting Practice.

The group is required to adopt a new Accounting Framework in the preparation of the financial statements for the year ending 31 December 2015 and are in the process of assessing the frameworks available to the group and their impact on the financial statements.

3 Accounting policies

The condensed consolidated financial statements have been prepared on the basis of the accounting policies set out in the 2014 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.

Leases

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

Notes *(continued)*

(forming part of the financial statements)

3 Accounting policies (continued)

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 March 2015		Quarter ended March 2014	
	Turnover £000	**Result £000**	Turnover £000	Result £000
Property leases	**988**	**868**	967	845
Operation of care homes and specialised services	**171,336**	**(2,309)**	176,910	5,567
Group turnover/operating (loss)/profit after exceptional activities	**172,324**	**(1,441)**	177,877	6,412
Net interest payable and similar charges		**(26,509)**		(24,692)
Loss before taxation		**(27,950)**		(18,280)

All activities arose in the United Kingdom, Isle of Man and Jersey.

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

5 Taxation

	Quarter ended March 2015	Quarter ended March 2014
	£000	£000
Analysis of tax charge in the period:		
UK corporation tax		
Current tax on loss for the period	**-**	-
UK income tax		
Current tax on loss for the period	**(164)**	270
Foreign tax		
Current tax on income for the period	**10**	10
Total current tax	**(154)**	280
Deferred tax		
Origination of timing differences	**12**	14
Tax on loss on ordinary activities	**(142)**	294

The group structure results in certain profits being taxable under UK income tax rather than UK corporation tax. This increases the group's tax liability in the quarter by £254,000. This has been offset by a £408,000 credit for the utilisation of group relief.

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

6 Intangible fixed assets

	Goodwill £000
Net book value	
At beginning of period	**(38,507)**
Amortisation	**549**
At 31 March 2015	**(37,958)**
At 31 March 2014	**(40,155)**

Negative goodwill is being amortised over 20 years.

7 Tangible fixed assets

	Total £000
Net book value	
At beginning of period	**790,850**
Additions	**8,294**
Disposals	**(598)**
Depreciation	**(9,179)**
At 31 March 2015*	**789,367**
At 31 March 2014	**879,432**

*During Q4 2014 an impairment of £80.8m was recorded against tangible fixed assets

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

8 Investment properties

	March 2015	March 2014
	£000	£000
Valuation	**29,780**	29,780

9 Debtors

	March 2015	March 2014
	£000	£000
Trade debtors	**30,402**	41,314
Prepayments, other debtors and accrued income	**25,506**	23,670
Corporation tax	**747**	-
	56,655	64,984

10 Creditors: amounts falling due within one year

	March 2015	March 2014
	£000	£000
Trade creditors	**6,156**	14,197
Corporation tax	**-**	17
Other taxation and social security	**8,242**	7,892
Other creditors	**44,939**	42,397
Amounts due to related undertakings	**70**	71
Accruals and deferred income	**39,740**	30,062
Accrued interest	**15,551**	15,112
	114,698	109,748

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

11 Creditors: amounts falling due after more than one year

	March 2015	March 2014
	£000	£000
High yield bonds	**525,000**	525,000
Term loan	**40,000**	-
Debt issue costs	**(24,322)**	(29,990)
High yield bonds and term loan net of debt issue costs	**540,678**	495,010
Amounts owed to related undertakings	**323,652**	281,435
	864,330	776,445

12 Provisions for liabilities and charges

	Deferred taxation	**Provision for onerous contracts**	**Total**
	£000	**£000**	**£000**
At beginning of period	4,937	23,288	**28,225**
Charged/(released) to the profit and loss account	12	(300)	**(288)**
Unwinding of discount	-	229	**229**
At end of period	4,949	23,217	**28,166**

The elements of deferred taxation are as follows:	
Difference between accumulated depreciation, amortisation and capital allowances	**4,937**

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	**Total**
	£000	**£000**
At beginning of period	(229,193)	**(229,193)**
Retained loss for the financial period	(27,808)	**(27,808)**
At end of period	(257,001)	**(257,001)**