# Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 June 2014

# 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 30 June 2014 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

- Q2 2014 turnover for Elli Investments Limited is £1.1m (0.6%) higher than Q2 2013 despite 15 fewer care homes in the group
- Q2 2014 occupancy in the Care Home Division ("CHD") is 87.5%, up from 87.2% in the prior year
- The Huntercombe Group ("THG") occupancy, at 75.1% in Q2 2014, is 0.4 percentage points below the 2013 comparative
- In Q2 2014 payroll as a percentage of turnover in both CHD and THG has increased since the comparative period in 2013, driven by additional staffing requirements from regulators and an increase in the number of embargoes compared to Q2 2013
- Q2 2014 EBITDA of £17.5m is down by £7.9m compared to the comparative period in 2013
- June 2014 LTM EBITDA of £79.1m, is £7.9m lower than the £87.0m for the year to 31 March 2014
- £13.8m net cash inflow from operating activities during Q2 2014
- Closing Q2 2014 cash balance of £17.6m; net debt of £522.4m at 30 June 2014 (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 30 June 2014.

The results and KPIs for the group since Q3 2012 are summarised below.

| Unaudited | 2012 | | 2013 | | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4[2] | Q1 | Q2 | Q3 | Q4 | Full year | Q1 | Q2 |
| Turnover (£m) | 174.8 | 187.5 | 174.7 | 178.2 | 179.3 | 177.5 | 709.8 | 177.9 | 179.2 |
| CHD Turnover (£m) | 146.4 | 157.2 | 145.2 | 147.1 | 148.2 | 146.8 | 587.2 | 147.0 | 148.5 |
| THG Turnover (£m) | 27.4 | 29.3 | 28.5 | 30.2 | 30.1 | 29.8 | 118.7 | 29.9 | 29.8 |
| CHD EBITDARM (% of turnover) | 27.0% | 25.2% | 25.2% | 26.2% | 26.6% | 21.7% | 24.9% | 21.6% | 21.6% |
| THG EBITDARM (% of turnover) | 17.0% | 16.7% | 19.1% | 21.6% | 20.7% | 16.1% | 19.4% | 15.3% | 15.3% |
| EBITDAR (£m) | 37.7 | 38.3 | 35.2 | 38.4 | 38.1 | 32.3 | 143.9 | 28.5 | 29.9 |
| EBITDA (£m) | 25.3 | 25.5 | 22.8 | 25.4 | 25.6 | 20.1 | 93.9 | 15.9 | 17.5 |
| Effective beds – group | 24,151 | 24,109 | 23,772 | 23,844 | 23,788 | 23,632 | 23,759 | 23,447 | 23,322 |
| Occupied beds – group | 20,927 | 20,892 | 20,676 | 20,611 | 20,752 | 20,478 | 20,629 | 20,321 | 20,274 |
| CHD occupancy % | 87.9% | 87.9% | 87.8% | 87.2% | 88.0% | 87.4% | 87.6% | 87.4% | 87.5% |
| THG occupancy % | 68.7% | 68.7% | 74.6% | 75.5% | 75.3% | 75.2% | 75.2% | 75.8% | 75.1% |
| CHD average weekly fee (£) | 566 | 565 | 569 | 579 | 579 | 580 | 577 | 587 | 596 |
| THG average weekly fee (£) | 1,905 | 1,893 | 1,944 | 2,076 | 2,077 | 2,056 | 2,038 | 2,060 | 2,071 |
| CHD payroll (% of turnover)[1] | 59.2% | 59.9% | 59.9% | 59.7% | 59.3% | 63.2% | 60.5% | 63.2% | 63.3% |
| THG payroll (% of turnover)[1] | 71.1% | 70.8% | 68.4% | 66.9% | 67.5% | 71.3% | 68.5% | 72.3% | 71.1% |
| Agency to total payroll (%)[1] | 4.1% | 3.1% | 3.3% | 3.7% | 5.7% | 6.7% | 4.9% | 6.1% | 7.2% |
| Expenses (% of turnover) | 13.5% | 14.5% | 14.5% | 13.6% | 13.6% | 14.7% | 14.1% | 14.7% | 14.2% |
| Central costs (% of turnover) | 4.3% | 3.8% | 4.2% | 4.0% | 4.1% | 4.4% | 4.2% | 4.8% | 4.6% |

Notes:

1 Payroll % excludes central payroll and investment property income from turnover
2 14 week period

### Turnover

Q2 2014 turnover for Elli Investments Limited was £1.1m (0.6%) higher than Q2 2013 due to an improvement in CHD average weekly fee (AWF) offset by fewer residents and patients.

*Average Weekly Fee*

During Q2 2014 the AWF in CHD increased by 2.9% to £596 from £579 in Q2 2013. 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 4% and, on average, a 1.0% – 2.0% increase in English local authority fees.

THG AWF saw a decrease of 0.2% between Q2 2013 and Q2 2014 but an increase of 0.5% compared to Q1 2014.

## Commentary on results (continued)

### Turnover (continued)

*Occupancy*

Average occupancy in the group in Q2 2014 was 86.9%, compared to 86.4% in Q2 2013. Within this number CHD occupancy increased by 0.3 percentage points, and THG decreased by 0.4 percentage points. The actual movement in CHD occupancy was a decrease of c360. This was primarily the result of the closure/disposal of 15 homes (equating to c420 residents), offset by additional occupancy from St Margaret's and York Court which opened in H1 2013 (c80 residents).

Income from the group's investment properties was £1.0m in Q2 2014 which is consistent with Q2 2013 with rental income increasing in line with the lease agreements.

### Payroll

CHD payroll, as a percentage of turnover, at 63.3% was 3.6 percentage points higher in the current quarter than in the comparative period. At 71.1% of turnover, the THG payroll percentage in Q2 2014 was 4.2 percentage points above the Q2 2013 figure.

Agency costs as a percentage of payroll at 7.2% have increased by 3.5 percentage points compared to the comparative period in the prior year. This was driven by a combination of the increased regulatory scrutiny and the shortage of qualified staff across the care home and wider healthcare sector increasingly requiring the use of agency staff.

### Care expenses

Q2 2014 expenses (care and facility combined) at 14.2% of turnover are 0.6 percentage points above the comparable period in 2013, due to continuing inflationary pressures offset by the impact of the group's on-going procurement efficiency project.

### Rent

£12.4m was charged for rent in Q2 2014, a 4.6% decrease compared to Q2 2013 of £13.0m. The decrease is primarily related to the purchase of five freehold properties in Northern Ireland in Q3 2013 that the group previously leased, in addition to variable rental payments on certain of the ex-Southern Cross units which have flexed downwards as profits have decreased.

### Central costs

Central costs, at 4.6% of turnover in Q2 2014, are 0.6 percentage points above the comparable period in 2013 reflecting the additional resources deployed to assist the operational teams together with the incremental senior management and support costs under the segmented operating structure.

### EBITDA

As a consequence of the factors outlined above, the EBITDA of £17.5m for Q2 2014 was £7.9m below the comparable period in 2013 of £25.4m, with a 4.9 percentage point decrease in the EBITDARM margin. The LTM EBITDA at June 2014 has therefore decreased to £79.1m compared to the £87.0m for the year to March 2014.

### Capital expenditure

Capital expenditure in Q2 2014 was £10.9m, offset by sales proceeds of £2.1m.

# Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 June 2014

## 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 30 June 2014. The comparative period is for the quarter ended 30 June 2013.

*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 £13.1m interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance primarily relates to £9.4m 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 is consistent with Q2 2013 and reflects the current estimate of the full year charge.

**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, depreciation or impairment.

# Commentary on the unaudited condensed consolidated financial statements (continued)

*Debtors*

The following table presents an extract of debtors at 30 June 2014 and 30 June 2013.

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£000** | £000 |
| *Extract* | | |
| Trade debtors | 43,051 | 46,017 |
| Prepayments, other debtors and accrued income | 19,610 | 27,625 |
| | 62,661 | 73,642 |

The reduction of c£3.0m compared to June 2013 was largely due to improved cash collection following the resolution of fee payment delays at a large service user in 2013.

Prepayments are lower primarily due to the timing of rent payments.

*Creditors: amounts falling due within one year*

The following table presents an extract of creditors falling due within one year at 30 June 2014 and 30 June 2013.

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£000** | £000 |
| *Extract* | | |
| Trade creditors | 16,473 | 12,589 |
| Corporation tax | 275 | 474 |
| Other taxation and social security | 8,092 | 6,354 |
| Other creditors | 40,456 | 44,125 |
| Accruals and deferred income | 26,689 | 25,846 |
| | 91,985 | 89,388 |

*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 30 June 2014 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: £290.8m, 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 30 June 2014 the group's cash balance was £17.6m. Net cash generated from operating activities in the quarter to 30 June 2014 was £13.8m. In the quarter to 30 June 2013, the net cash generated from operating activities was £19.1m.

At the quarter end £15m of the group's £40m revolving credit facility was drawn down. The full balance was repaid by August.

*Working capital*

The cash outflow from working capital was £1.2m in the quarter, compared to a £5.3m outflow in Q2 2013.

*Interest paid*

£26.4m of interest was paid in June 2014, of which £26.1m was the six month charge on the £525m high yield bonds.

# Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 30 June 2014

# Contents

# Profit and loss account (unaudited)

*for the quarter ended 30 June 2014*

| | Note | **Quarter ended June 2014 £000** | Quarter ended June 2013 £000 |
|---|---|---|---|
| **Turnover** | *4* | **179,354** | 178,249 |
| Cost of sales | | **(159,187)** | (150,514) |
| **Gross profit** | | **20,167** | 27,735 |
| Administrative expenses - ordinary | | **(11,367)** | (9,953) |
| Administrative expenses - exceptional | | **(1,452)** | (911) |
| | | **(12,819)** | (10,864) |
| **Operating profit** | | **7,348** | 16,871 |
| Ordinary activities | | **8,800** | 17,782 |
| Exceptional activities | | **(1,452)** | (911) |
| | | **7,348** | 16,871 |
| Interest payable and similar charges | | **(24,697)** | (23,372) |
| Interest receivable and other income | | **10** | 4 |
| Net interest payable and similar charges | | **(24,687)** | (23,368) |
| **Loss on ordinary activities before taxation** | | **(17,339)** | (6,497) |
| Tax on loss on ordinary activities | *5* | **(274)** | (276) |
| **Retained loss for the financial period** | *13* | **(17,613)** | (6,773) |

| Non-GAAP measure: pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) | | |
|---|---|---|
| *Analysed as:* | | |
| Operating profit before exceptional items as analysed above | **8,800** | 17,782 |
| Add back: depreciation of tangible fixed assets and amortisation of capital grants | **9,251** | 8,732 |
| Deduct: amortisation of negative goodwill | **(549)** | (1,065) |
| **EBITDA before exceptional items** | **17,502** | 25,449 |

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 30 June 2014*

| | Note | 30 June 2014 £000 | 30 June 2013 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | *6* | **(39,606)** | (81,117) |
| Tangible assets | *7* | **880,007** | 913,336 |
| Investment properties | *8* | **29,780** | 29,780 |
| | | **870,181** | 861,999 |
| **Current assets** | | | |
| Debtors | *9* | **63,022** | 73,670 |
| Cash at bank and in hand | | **17,572** | 28,674 |
| | | **80,594** | 102,344 |
| **Creditors: amounts falling due within one year** | *10* | **(109,070)** | (105,257) |
| **Net current liabilities** | | **(28,476)** | (2,913) |
| **Total assets less current liabilities** | | **841,705** | 859,086 |
| **Creditors: amounts falling due after more than one year** | *11* | **(787,574)** | (742,266) |
| **Provisions for liabilities and charges** | *12* | **(23,797)** | (21,951) |
| **Net assets** | | **30,334** | 94,869 |
| **Capital and reserves** | | | |
| Called up share capital | | **124,368** | 124,368 |
| Profit and loss account | *13* | **(94,034)** | (29,499) |
| **Shareholder's funds** | | **30,334** | 94,869 |

## Cash flow statement (unaudited)
*for the quarter ended 30 June 2014*

| | **Quarter ended June 2014** | Quarter ended June 2013 |
|---|---|---|
| | **£000** | £000 |
| Operating profit | **7,348** | 16,871 |
| Depreciation and amortisation | **8,702** | 7,715 |
| Decrease/(increase) in debtors | **1,962** | (9,088) |
| (Decrease)/increase in creditors and provisions | **(3,153)** | 3,776 |
| Profit on disposal of fixed assets | **(1,021)** | (164) |
| **Net cash inflow from operating activities** | **13,838** | 19,110 |
| Returns on investments and servicing of finance | **(26,424)** | (26,305) |
| Capital expenditure and financial investment | **(8,873)** | (8,181) |
| Taxation | **-** | (110) |
| Acquisitions and disposals | **-** | 775 |
| Net cash outflow before financing | **(21,459)** | (14,711) |
| Financing | **15,000** | 13,638 |
| **Decrease in cash in the period** | **(6,459)** | (1,073) |
| **Cash brought forward** | **24,031** | 29,747 |
| **Cash carried forward** | **17,572** | 28,674 |

## Reconciliation of net cash flow to movement in net debt (unaudited)
*for the quarter ended 30 June 2014*

| | **Quarter ended June 2014** | Quarter ended June 2013 |
|---|---|---|
| | **£000** | £000 |
| Decrease in cash in the period | **(6,459)** | (1,073) |
| Revolving credit facility drawn down | **(15,000)** | (13,638) |
| **Movement in net debt in the period** | **(21,459)** | (14,711) |
| Non cash movement | **(11,128)** | (9,926) |
| Net debt at start of period | **(752,415)** | (702,594) |
| **Net debt at end of period** | **(785,002)** | (727,231) |

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

*for the quarter ended 30 June 2014*

| | **Quarter ended June 2014** | Quarter ended June 2013 |
|---|---|---|
| | **£000** | £000 |
| Loss for the financial period | **(17,613)** | (6,773) |
| **Net movement in shareholder's funds** | **(17,613)** | (6,773) |
| **Opening shareholder's funds** | **47,947** | 101,642 |
| **Closing shareholder's funds** | **30,334** | 94,869 |

# Notes

*(forming part of the financial statements)*

## 1 General information

Elli Investments Limited (the "company") is a company registered in Guernsey. The condensed interim financial statements of the company are for quarter ended 30 June 2014.

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 of Elli Investments Limited for the year ended 31 December 2013 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 2013 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)*

*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 June 2014 | | Quarter ended June 2013 | |
|---|---|---|---|---|
| | **Turnover £000** | **Result £000** | Turnover £000 | Result £000 |
| Property leases | **967** | **845** | 927 | 625 |
| Operation of care homes and specialised services | **178,387** | **6,503** | 177,322 | 16,246 |
| Group turnover/operating profit after exceptional activities | **179,354** | **7,348** | 178,249 | 16,871 |
| Net interest payable and similar charges | | **(24,687)** | | (23,368) |
| Loss before taxation | | **(17,339)** | | (6,497) |

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 June 2014 | Quarter ended June 2013 |
|---|---|---|
| | **£000** | £000 |
| **Analysis of tax charge in the period:** | | |
| *UK income tax* | | |
| Current tax on loss for the period | **249** | 261 |
| *Foreign tax* | | |
| Current tax on income for the period | **10** | 10 |
| Total current tax | **259** | 271 |
| *Deferred tax* | | |
| Origination of timing differences | **15** | 5 |
| Tax on loss on ordinary activities | **274** | 276 |

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 £249,000.

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

## 6 Intangible fixed assets

| | Goodwill £000 |
|---|---|
| ***Net book value*** | |
| At beginning of period | **(40,155)** |
| Amortisation | **549** |
| **At 30 June 2014** | **(39,606)** |
| **At 30 June 2013*** | **(81,117)** |

*During Q4 2013 a fair value adjustment of £41.3m was recorded against negative goodwill

Negative goodwill is being amortised over 20 years.

## 7 Tangible fixed assets

| | Total £000 |
|---|---|
| ***Net book value*** | |
| At beginning of period | **879,432** |
| Additions | **10,856** |
| Disposals | **(962)** |
| Depreciation | **(9,319)** |
| **At 30 June 2014** | **880,007** |
| **At 30 June 2013** | **913,336** |

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

## 8 Investment properties

| | **June 2014** | June 2013 |
|---|---|---|
| | **£000** | £000 |
| Valuation | **29,780** | 29,780 |

## 9 Debtors

| | **June 2014** | June 2013 |
|---|---|---|
| | **£000** | £000 |
| Trade debtors | **43,051** | 46,017 |
| Prepayments, other debtors and accrued income | **19,610** | 27,625 |
| Amounts due from related parties | **361** | 28 |
| | **63,022** | 73,670 |

## 10 Creditors: amounts falling due within one year

| | **June 2014** | June 2013 |
|---|---|---|
| | **£000** | £000 |
| Revolving credit facility | **15,000** | 13,638 |
| Trade creditors | **16,473** | 12,589 |
| Corporation tax | **275** | 474 |
| Other taxation and social security | **8,092** | 6,354 |
| Other creditors | **40,456** | 44,125 |
| Amounts due to related undertakings | **10** | 10 |
| Accruals and deferred income | **26,689** | 25,846 |
| Accrued interest | **2,075** | 2,221 |
| | **109,070** | 105,257 |

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

## 11 Creditors: amounts falling due after more than one year

| | **June 2014** | June 2013 |
|---|---|---|
| | **£000** | £000 |
| High yield bonds | **525,000** | 525,000 |
| Debt issue costs | **(28,246)** | (35,620) |
| High yield bonds net of debt issue costs | **496,754** | 489,380 |
| Amounts owed to related undertakings | **290,820** | 252,886 |
| | **787,574** | 742,266 |

## 12 Provisions for liabilities and charges

| | **Deferred taxation** | **Provision for onerous contracts** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| At beginning of period | 4,899 | 19,033 | **23,932** |
| Charged/(released) to the profit and loss account | 15 | (382) | **(367)** |
| Unwinding of discount | - | 232 | **232** |
| At end of period | 4,914 | 18,883 | **23,797** |

| | |
|---|---|
| ***The elements of deferred taxation are as follows:*** | |
| Difference between accumulated depreciation, amortisation and capital allowances | **4,914** |

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 | (76,421) | **(76,421)** |
| Retained loss for the financial period | (17,613) | **(17,613)** |
| **At end of period** | (94,034) | **(94,034)** |