Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 June 2017

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 2017 which are maintained in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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.

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Group financial highlights

- Q2 2017 turnover for Elli Investments Limited is £6.8m, or 4.3%, higher than Q2 2016 after adjusting for the impact of disposals and closures (an average reduction of c3,100 effective beds)
- Q2 2017 EBITDA of £13.5m is £1.7m or 14% higher than Q1 2017
- Group occupancy % in Q2 2017 saw a 1.9 percentage point increase (Four Seasons Health Care: 2.3 percentage point increase; brighterkind: 0.3 percentage point decrease; The Huntercombe Group (THG): 0.1 percentage point increase) compared to Q2 2016, and only a slight (0.2 percentage point) decrease compared to Q1 2017 despite a high winter death rate
- Q2 2017 group average weekly fee was £814, 4.0% higher than Q1 2017 (Four Seasons Health Care: 3.5%; brighterkind 3.3%; THG: 4.4%)
- Continued and significant progress on quality, with approximately 66% of the group's care homes rated as Good or Outstanding, or the approximate equivalent under the different regulators, as at July 2017 – an increase from around 57% as at July 2016
- Q2 2017 payroll as a percentage of turnover in the group's care homes was consistent with the previous quarter and Q2 2016 despite statutory increases in the National Minimum Wage and the National Living Wage. Within THG, payroll as a percentage of turnover increased by 1.3 percentage points on the previous quarter
- Agency as a percentage of payroll of 8.6% in Q2 2017 in the group's care homes represented a 0.2 percentage point increase on the previous quarter, reflecting the impact of the on-going shortage of nurses across the wider healthcare sector. Agency spend also continues to represent a challenge in THG
- £3.3m net cash inflow from operations in Q2 2017
- Closing Q2 2017 cash balance of £26.1m; net debt of £538.9m at June 2017 (excluding amounts owed to related undertakings and debt issue costs)

Note: Q2 and Q3 2016 KPIs, other than EBITDA, include the NHS Funded Nursing Care increase, announced in July 2016 and backdated to 1 April 2016, in the relevant period

Commentary on results

Four Seasons Health Care is pleased to announce its results for the quarter ended 30 June 2017.

The results and KPIs for the group since Q1 2016 are summarised below.

	2016					2017	
	Q1	Q2	Q3	Q4	Year(2)	Q1	Q2
Turnover (£m)(4)							
- FSHC	119.9	124.6	120.8	116.5	481.9	113.2	112.3
- brighterkind	21.8	22.8	22.8	23.2	90.5	23.3	24.0
- THG	29.0	29.5	28.0	27.2	113.7	27.3	28.1
Effective beds							
- FSHC	17,659	17,086	16,041	15,291	16,519	14,690	14,105
- brighterkind	2,298	2,264	2,209	2,209	2,245	2,208	2,208
- THG	1,088	1,088	1,088	1,032	1,074	934	901
Occupancy %							
- FSHC	86.6%	87.7%	89.8%	90.4%	88.6%	90.2%	90.0%
- brighterkind	86.9%	86.0%	87.5%	87.4%	86.9%	85.8%	85.7%
- THG	81.7%	82.3%	79.1%	79.2%	80.6%	81.4%	82.4%
Average weekly fee (£)(4)							
- FSHC	603	640	645	648	634	657	680
- brighterkind	831	891	899	917	885	937	968
- THG	2,390	2,425	2,386	2,395	2,399	2,607	2,721
Payroll % (of turnover)(1)(4)							
- FSHC	66.3%	64.3%	63.0%	65.3%	64.7%	64.8%	64.9%
- brighterkind	59.9%	60.1%	57.4%	57.7%	58.8%	58.2%	57.8%
- THG	71.2%	68.9%	72.9%	74.0%	71.8%	72.9%	74.2%
Agency to total payroll (%)(1)							
- FSHC	6.9%	6.3%	8.2%	8.9%	7.6%	9.0%	9.6%
- brighterkind	3.9%	5.7%	4.0%	6.0%	4.9%	5.3%	3.7%
- THG	14.0%	10.2%	11.1%	11.2%	11.6%	12.3%	14.3%
EBITDARM % (of turnover)(4)							
- FSHC	17.7%	21.3%	23.4%	19.4%	20.5%	19.8%	20.7%
- brighterkind	25.5%	27.0%	29.8%	28.8%	27.8%	28.3%	29.8%
- THG	18.6%	20.1%	16.4%	14.5%	17.4%	16.3%	15.2%
Total EBITDA (£m)	9.2	13.6	19.7	13.0	55.4	11.8	13.5

Notes:

(1) Payroll % excludes central payroll from total payroll
(2) Full year numbers may include minor rounding differences compared to the four quarter aggregate
(3) "FSHC" Four Seasons Health Care; "THG" The Huntercombe Group
(4) Q2 and Q3 2016 KPIs, other than EBITDA, include the NHS Funded Nursing Care ("FNC") increase, announced in July 2016 and backdated to 1 April 2016, in the relevant period

Commentary on results (continued)

Turnover(1)

Group turnover was approximately £6.8m higher than Q2 2016 after adjusting for the reduction of approximately 3,100 effective beds.

Average Weekly Fee(1)

During Q2 2017 the Average Weekly Fee ("AWF") of £814 across the group was 7.6% higher than the comparative quarter in 2016. Since Q1 2017 FSHC has seen an increase of 3.5%, brighterkind a 3.3% increase and THG a 4.4% increase. The increase included the benefit of the rationalisation of the FSHC estate, removing those homes with unviable fee rates, and the disposal of certain lower acuity units in The Huntercombe Group.

Occupancy

Average occupancy in the group in Q2 2017 was 89.1%, compared to 87.2% in Q2 2016. Within this number, FSHC occupancy increased by 2.3 percentage points whilst brighterkind and THG occupancy remained broadly the same as Q2 2016 at 85.7% and 82.4% respectively.

Payroll(1)

Payroll in the group's care homes as a percentage of turnover was at 63.7% in Q2 2017, consistent with Q2 2016. Within this number FSHC payroll as a percentage of turnover increased by 0.6 percentage points whilst brighterkind saw a 2.3 percentage point improvement over the same quarter in 2016. THG payroll as a percentage of turnover increased by 5.3 percentage points in Q2 2017 compared to the same quarter in the comparative period largely due to the disposal of lower acuity units and the impact of higher agency, in part due to the ongoing additional resource deployed following the resolution of quality issues at one site in 2016.

Total agency costs across the group have increased by 0.6 percentage points compared to the previous quarter predominantly due to the continued shortage of nurses across the NHS and the wider health care sector.

Care and facility expenses(1)

Q2 2017 expenses (care and facility combined), at 13.5% of turnover, have improved by 1.0 percentage points since Q1 2017.

Rent

£11.0m was charged for rent in Q2 2017, a £1.2m reduction from Q2 2016, being a combination of underlying inflationary uplifts, certain rents flexing based on performance, the surrender of certain leases and the non-cash credit resulting from the unwind of the group's onerous lease provision.

Central costs(1)

Central costs, at 6.3% of turnover in Q2 2017, were broadly comparable with Q1 2017.

EBITDA

As a consequence of the factors outlined above, the EBITDA of £13.5m for Q2 2017 was £0.1m lower than the same period in 2016. LTM EBITDA at June 2017 is therefore £58.0m, £0.1m lower than the year to March 2017.

Capital expenditure and disposals

Capital expenditure in Q2 2017 was £7.0m. Eleven homes have been sold during Q2 2017, realising £12.6m cash proceeds.

(1) Q2 and Q3 2016 KPIs other than EBITDA, include the NHS Funded Nursing Care ("FNC") increase, announced in July 2016 and backdated to 1 April 2016, in the relevant period

Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 June 2017

Commentary on the unaudited condensed consolidated financial statements

Summary

Profit and loss account and other comprehensive income

The consolidated profit and loss account and other comprehensive income of Elli Investments Limited is for the quarter ended 30 June 2017. The comparative period is for the quarter ended 30 June 2016.

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 and other comprehensive income (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 £14.3m of accrued interest on the balances owed to related party undertakings, £1.9m in respect of the amortisation of debt issue costs and £0.6m interest on the term loan.

Tax

The tax credit for the quarter was £0.4m, being a £0.3m tax charge, reflecting the current estimate of the full year charge, offset by a £0.7m 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, depreciation or impairment.

Commentary on the unaudited condensed consolidated financial statements (continued)

Balance sheet (continued)

Debtors

The following table presents an extract of debtors at 30 June 2017 and 30 June 2016.

	June 2017	June 2016
	£000	£000
Extract		
Trade debtors	**30,337**	33,487
Prepayments, other debtors and accrued income	**19,382**	21,944
	49,719	55,431

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 30 June 2017 and 30 June 2016.

	June 2017	June 2016
	£000	£000
Extract		
Term loan	**40,000**	-
Trade creditors	**21,844**	21,122
Accruals and deferred income	**31,591**	34,062
Taxation and social security	**7,664**	8,001
Other creditors	**39,566**	31,901
	140,665	95,086

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. In addition there is a provision of approximately £12.5m to reflect guaranteed increases in operating leases, other than those linked to RPI, on a straight line basis over the life of the lease.

Liabilities

At 30 June 2017 the group's financing arrangements comprised the following:

- Senior Secured Notes: £350m, at a fixed rate of 8.75%, due to be repaid in 2019
- Senior Notes: £175m, at a fixed rate of 12.25%, due to be repaid in 2020
- Term loan: £40m, at an interest rate of LIBOR + 6%, due to be repaid in December 2017
- Amounts owed to related and parent undertakings: £442.3m, being amounts owed to entities within the wider FSHC Group Holdings Limited group of companies

Commentary on the unaudited condensed consolidated financial statements (continued)

Cash flow statement (page 13)

Cash flow and liquidity

At 30 June 2017 the group's cash balance was £26.1m. Net cash outflow from operating activities, including interest payments, in the quarter to 30 June 2017 was £24.3m. In the quarter to 30 June 2016, the net cash outflow from operating activities, including interest payments, was £21.7m.

Working capital

The cash outflow from working capital was £3.1m in the quarter, compared to a £1.2m outflow in Q2 2016.

Interest paid

£27.5m of interest was paid in the quarter to 30 June 2017, which includes £26.2m in respect of the six month charge on the £525m high yield bonds and £1.3m interest payable on the £40m term loan.

Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 30 June 2017

Contents

Consolidated profit and loss account and other comprehensive income (unaudited)

for the quarter ended 30 June 2017

	Note	**Quarter ended June 2017 £000**	Quarter ended June 2016 £000
Turnover	*4*	**164,495**	174,354
Cost of sales		**(148,003)**	(157,429)
Gross profit		**16,492**	16,925
Administrative expenses – ordinary		**(11,100)**	(13,190)
Administrative expenses – exceptional		**(5,209)**	(5,757)
Other operating income – exceptional	*5*	**-**	5,231
		(16,309)	(13,716)
Operating profit		**183**	3,209
Ordinary activities		**5,392**	3,735
Exceptional activities		**(5,209)**	(526)
		183	3,209
Interest payable and similar charges		**(30,131)**	(28,258)
Interest receivable and other income		**9**	32
Net interest payable and similar charges		**(30,122)**	(28,226)
Loss on ordinary activities before taxation		**(29,939)**	(25,017)
Tax on loss on ordinary activities	*6*	**386**	193
Retained loss for the financial period		**(29,553)**	(24,824)
Other comprehensive income		**-**	-
Total comprehensive income for the financial year		**(29,553)**	(24,824)

Non-GAAP measure: pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA)		
Analysed as:		
Operating profit before exceptional items as analysed above	**5,392**	3,735
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,654**	10,397
Deduct: amortisation of negative goodwill	**(549)**	(549)
EBITDA before exceptional items	**13,497**	13,583

All amounts relate to continuing operations.

Consolidated balance sheet (unaudited)

at 30 June 2017

	Note	June 2017 £000	June 2016 £000
Fixed assets			
Negative goodwill	*7*	**(33,015)**	(35,212)
Tangible assets	*8*	**518,046**	535,932
		485,031	500,720
Current assets			
Debtors	*9*	**53,437**	58,661
Cash at bank and in hand		**26,076**	37,829
		79,513	96,490
Creditors: amounts falling due within one year	*10*	**(143,411)**	(97,805)
Net current liabilities		**(63,898)**	(1,315)
Total assets less current liabilities		**421,133**	499,405
Creditors: amounts falling due after more than one year	*11*	**(959,836)**	(934,623)
Provisions for liabilities and charges			
Deferred tax liability	*12*	**(5,102)**	(5,056)
Other provisions	*13*	**(38,453)**	(52,935)
		(43,555)	(57,991)
Net liabilities		**(582,258)**	(493,209)
Capital and reserves			
Called up share capital	*14*	**174,368**	174,368
Profit and loss account		**(756,626)**	(667,577)
Shareholder's deficit		**(582,258)**	(493,209)

Consolidated statement of changes in equity (unaudited)

	Note	Called up share capital £000	Profit and loss account £000	**Total £000**
Balance at 1 April 2016		174,368	(642,753)	**(468,385)**
Total comprehensive income for the period				
Loss for the period		-	(24,824)	**(24,824)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the period		-	(24,824)	**(24,824)**
Balance at 30 June 2016	*14*	174,368	(667,577)	**(493,209)**
Balance at 1 April 2017		174,368	(727,073)	**(552,705)**
Total comprehensive income for the period				
Loss for the period		-	(29,553)	**(29,553)**
Other comprehensive income		-	-	**-**
Total comprehensive income for the period		-	(29,553)	**(29,553)**
Balance at 30 June 2017	*14*	174,368	(756,626)	**(582,258)**

Consolidated cash flow statement (unaudited)

for the quarter ended 30 June 2017

	Quarter ended June 2017 £000	Quarter ended June 2016 £000
Cash flows from operating activities		
Loss for the period	**(29,553)**	(24,824)
Adjustments for:		
Depreciation and amortisation	**8,105**	9,848
Net interest payable and similar charges	**30,122**	28,226
Loss/(gain) on sale of tangible fixed assets	**419**	(5,231)
Taxation	**(386)**	(193)
	8,707	7,826
Decrease in cash arising from movement in working capital	**(3,084)**	(1,158)
Decrease in provisions	**(2,366)**	(915)
	3,257	5,753
Interest paid	**(27,529)**	(27,493)
Tax paid	**-**	-
Net cash from operating activities	**(24,272)**	(21,740)
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	**12,577**	17,895
Acquisition of tangible fixed assets	**(7,009)**	(10,239)
Net cash from investing activities	**5,568**	7,656
Net cash from financing activities	**-**	-
Decrease in cash and cash equivalents	**(18,704)**	(14,084)
Cash and cash equivalents at 1 April	**44,780**	51,913
Cash and cash equivalents at 30 June	**26,076**	37,829

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 2017.

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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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 2016 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 2016 annual report and accounts of Elli Investments Limited.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment properties. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings – 45 years
- Equipment and fixtures – 3 to 5 years
- Motor vehicles – 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

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

3 Accounting policies (continued)

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Exceptional items

Items that are material in size and non-recurring in nature are presented as exceptional items in the profit and loss account. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, changes to business processes, gains or losses on the disposal or impairment of assets and other significant non-recurring gains or losses.

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 30 June 2017				
	Four Seasons Health Care	**brighterkind**	**The Huntercombe Group**	**Unallocated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Turnover	**112,334**	**24,035**	**28,126**	**-**	**164,495**
EBITDARM before exceptional items	**23,308**	**7,168**	**4,274**	**-**	**34,750**
Rent				**(10,966)**	**(10,966)**
Central costs				**(10,287)**	**(10,287)**
EBITDA					**13,497**

	Quarter ended 30 June 2016				
	Four Seasons Health Care	brighterkind	The Huntercombe Group	Unallocated	Total
	£000	£000	£000	£000	£000
Turnover	122,458	22,353	29,543	-	174,354
EBITDARM before exceptional items	24,304	5,748	5,913	-	35,965
Rent				(12,210)	(12,210)
Central costs				(10,172)	(10,172)
EBITDA					13,583

The above disclosure of financial information correlates with the information presented to the board.

No analysis of individual business assets and liabilities is presented to the board on a monthly basis and therefore no measure of business assets and liabilities is disclosed above. The total group assets and liabilities are as presented in the consolidated balance sheet.

In July 2016 a c£44 weekly increase to the level of NHS Funded Nursing Care ("FNC") was announced. The increase was effective from 1 April 2016. Due to the timing of this announcement the additional fee income was not reflected in the Q2 2016 results above. The estimated impact on Q2 2016 was approximately £2m EBITDARM.

5 Other operating income

	Quarter ended June 2017	Quarter ended June 2016
	£000	£000
Net profit on sale of tangible fixed assets	**-**	5,231

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

6 Taxation

	Quarter ended June 2017	Quarter ended June 2016
	£000	£000
Total tax expense recognised in the profit and loss account and other comprehensive income and equity		
UK corporation tax		
Current tax on loss for the period	**(683)**	(487)
UK income tax		
Current tax on loss for the period	**277**	281
Foreign tax		
Current tax on income for the period	**10**	7
Total current tax	**(396)**	(199)
Deferred tax (see note 12)		
Origination and reversal of timing differences	**10**	6
Total deferred tax	**10**	6
Total tax	**(386)**	(193)

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 £277,000. This has been offset by a £683,000 credit for the utilisation of group relief.

7 Negative goodwill

	Negative goodwill
	£000
Net book value	
At beginning of period	**(33,564)**
Amortisation	**549**
At 30 June 2017	**(33,015)**
At 30 June 2016	(35,212)

Negative goodwill is being amortised over 20 years.

Notes *(continued)*

(forming part of the financial statements)

8 Tangible fixed assets

	Total
	£000
Net book value	
At beginning of period	**532,711**
Additions	**7,009**
Disposals	**(12,996)**
Depreciation	**(8,678)**
At 30 June 2017	**518,046**
At 30 June 2016	535,932

9 Debtors

	June 2017	June 2016
	£000	£000
Trade debtors	**30,337**	33,487
Prepayments, other debtors and accrued income	**19,382**	21,944
Amounts owed by related undertakings	**3,718**	3,230
	53,437	58,661

£1.7m shown as corporation tax receivable in Q2 2016 has been reclassified in the comparative figures above – within the total, £2.5m relating to the utilisation of group relief has been reclassified to amounts owed by related undertakings and the £840,000 credit balance is now shown as a corporation tax creditor to be consistent with 2017 and reflect the substance of these balances.

Notes *(continued)*

(forming part of the financial statements)

10 Creditors: amounts falling due within one year

	June 2017	June 2016
	£000	£000
Term loan	**40,000**	-
Trade creditors	**21,844**	21,122
Amounts due to related undertakings	**10**	10
Amounts due to parent undertakings	**199**	-
Accruals and deferred income	**31,591**	34,062
Taxation and social security	**7,664**	8,001
Other creditors	**39,566**	31,901
Corporation tax	**860**	840
Accrued interest and finance costs	**1,677**	1,869
	143,411	97,805

The £840,000 of corporation tax creditor at June 2016, previously included in the overall corporation tax debtor, has been reclassified above to corporation tax to be consistent with 2017 and reflect the substance of this balance.

11 Creditors: amounts falling due after more than one year

	June 2017	June 2016
	£000	£000
High yield bonds	**525,000**	525,000
Term loan credit facility	**-**	40,000
Debt issue costs	**(7,466)**	(14,987)
External debt net of debt issue costs	**517,534**	550,013
Amounts owed to related undertakings	**440,294**	382,864
Amounts owed to parent undertakings	**2,008**	1,746
	959,836	934,623

12 Deferred tax liabilities

	June 2017	June 2016
	£000	£000
Deferred tax liabilities are attributable to the following:		
Accelerated capital allowances	**5,102**	5,056

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

13 Other provisions

	Provision for operating leases £000	Provision for onerous contracts £000	Total £000
Balance at beginning of period	**12,488**	**28,110**	**40,598**
Provisions made during the period	167	-	167
Provisions used during the period	(109)	(2,424)	(2,533)
Unwinding of discounted amounts	-	221	221
Balance at end of period	**12,546**	**25,907**	**38,453**

£14.4m of the provision for onerous contracts will unwind over the period of the relevant contracts, with the balance expected to unwind in the 12 month period following the balance sheet date.

The provision for operating leases will unwind over the life of the particular leases.

14 Share capital and other comprehensive income

	June 2017		June 2016	
	No.	**£000**	No.	£000
Ordinary shares of £1 each - allotted, called up and fully paid	**174,367,500**	**174,368**	174,367,500	174,368

Other comprehensive income

The group has no recognised gains or losses in the current or prior period other than those reported in the consolidated profit and loss account.