Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 September 2013

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 three monthly accounting periods to September 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.

Group financial highlights

- Elli Investments Limited acquired FSHC (Jersey) Holdings Limited on 12 July 2012
- Q3 2013 turnover for Elli Investments Limited is £4.5m (2.6%) higher than Q3 2012
- Q3 2013 occupancy in the Care Home Division ("CHD") was 88.0%, up slightly from 87.9% in the prior year
- The Huntercombe Group ("THG") occupancy, at 75.3% in Q3 2013, is 6.6 percentage points above the 2012 comparative
- In Q3 2013 payroll as a percentage of turnover in CHD has remained consistent with the comparative period and in THG it has improved from 71.1% to 67.5% driven by continued strong occupancy in CAMHS in Q3 bucking the trend of the previous year
- Q3 2013 EBITDA of £25.6m is up by £0.3m compared to the comparative period in 2012
- September 2013 LTM EBITDA of £99.3m, is £0.3m higher than the £99.0m for the year to 30 June 2013[1]
- £31.9m net cash inflow from operating activities during Q3 2013
- Closing Q3 2013 cash balance of £30.2m; net debt of £494.8m at 30 September 2013 (excluding amounts owed to related undertakings and debt issue costs)

[1] LTM to 30 June 2013 and 30 September 2013 comprise 53 weeks

Commentary on results

Four Season Health Care is pleased to announce its results for the quarter ended 30 September 2013.

This is the fifth 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. Comparative figures are shown in the UK GAAP condensed consolidated financial statements for the 74 day period from the date of acquisition, 12 July 2012, to the quarter end. In addition, 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 2012 are summarised below.

Unaudited	2012					2013		
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
Turnover (£m)	174.1	175.3	174.8	187.5	711.7	174.7	178.2	179.3
CHD Turnover (£m)	143.5	144.7	146.4	157.2	591.9	145.2	147.1	148.2
THG Turnover (£m)	29.6	29.6	27.4	29.3	115.9	28.5	30.2	30.1
CHD EBITDARM (% of turnover)	23.8%	24.9%	27.0%	25.2%	25.2%	25.2%	26.2%	26.6%
THG EBITDARM (% of turnover)	19.2%	20.5%	17.0%	16.7%	18.4%	19.1%	21.6%	20.7%
EBITDAR (£m)	33.8	35.2	37.7	38.3	144.9	35.2	38.4	38.1
EBITDA (£m)	22.3	23.5	25.3	25.5	96.6	22.8	25.4	25.6
Effective beds – group	24,050	23,978	24,151	24,109	24,072	23,772	23,844	23,788
Occupied beds – group	20,803	20,782	20,927	20,892	20,851	20,676	20,611	20,752
CHD occupancy %	87.7%	87.9%	87.9%	87.9%	87.8%	87.8%	87.2%	88.0%
THG occupancy %	70.4%	69.8%	68.7%	68.7%	69.4%	74.6%	75.5%	75.3%
CHD average weekly fee (£)	559	565	566	565	564	569	579	579
THG average weekly fee (£)	1,947	1,937	1,905	1,893	1,920	1,944	2,076	2,077
CHD payroll (% of turnover)[1]	60.7%	60.6%	59.2%	59.9%	60.1%	59.9%	59.7%	59.3%
THG payroll (% of turnover)[1]	68.6%	67.5%	71.1%	70.8%	69.5%	68.4%	66.9%	67.5%
Agency to total payroll (%)[1]	6.5%	5.4%	4.1%	3.1%	4.7%	3.3%	3.7%	5.7%
Expenses (% of turnover)	14.9%	14.1%	13.5%	14.5%	14.3%	14.5%	13.6%	13.6%
Central costs (% of turnover)	3.9%	4.5%	4.3%	3.8%	4.1%	4.2%	4.0%	4.1%

Notes:

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

Turnover

Q3 2013 turnover for Elli Investments Limited was £4.5m (2.6%) higher than Q3 2012 due to improvements in average weekly fee (AWF) in both CHD and THG and also occupancy in THG.

Average Weekly Fee

During Q3 2013 the AWF in CHD increased by 2.3% to £579 from £566 in Q3 2012. This was driven by local authority increases of 2.5% and 3.0% in Scotland and Northern Ireland respectively in April 2013, together with private fee rate increases of up to 4% and, on average, a 1.0% – 1.5% increase in English local authority fees.

THG AWF saw an increase of 9.0% between Q3 2012 and Q3 2013. Whilst the inclusion of Specialling income within the calculation of AWF, following changes in the structure of funding, is a significant factor impacting the increase in AWF, occupancy in the division's mental health hospitals, with higher than average fee rates, also contributed to the increase with an additional 28 patients compared to the prior period.

Commentary on results (continued)

Occupancy

Average occupancy in the group in Q3 2013 was 87.2%, compared to 86.6% in Q3 2012. Within this number CHD occupancy increased by 0.1 percentage points, and THG increased by 6.6 percentage points. The actual movement in occupancy was a decrease of 175. This was primarily the result of the closure/disposal of 7 homes (equating to c180 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, St Margaret's which opened in February 2013 and the acquisition of four homes from Mimosa in Q1 2013.

Income from the group's investment properties was £1.0m in Q3 2013 which is consistent with Q3 2012 with rental income increasing in line with the lease agreements.

Payroll

CHD payroll, as a percentage of turnover, at 59.3% was 0.1 percentage points higher in the current quarter than in the comparative period but still significantly below the 60.7% peak in Q1 2012. At 67.5% of turnover, the THG payroll percentage in Q3 2013 was 3.6 percentage points below the Q3 2012 figure.

Agency costs as a percentage of payroll at 5.7% have increased compared to both the comparative period in the prior year and the previous quarter. This increase was driven by a combination of additional staffing requirements from regulators, an increase in the number of embargoes across the group and the operational disruption caused by the initial segmentation phases of the group's stratgey. The increase in the number of embargoes has reversed the decreasing trend that we had seen since the summer of 2012 ending Q3 at 16.

Care expenses

Q3 2013 expenses (care and facility combined) at 13.6% of turnover is 0.1 percentage points above the comparable period in 2012, 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 Q3 2013, a 0.8% increase compared to Q3 2012 of £12.4m. Whilst this increase includes approximately £0.4m of inflation, it is offset by a reduction in external rent payable following the purchase of the freehold of five Northern Ireland leasehold properties on 1 July 2013.

Central costs

Central costs, at 4.1% of turnover in Q3 2013, are 0.2 percentage points below the comparable period in 2012 and similar to the average for full-year 2012 and each quarter in 2013.

EBITDA

As a consequence of the factors outlined above, the EBITDA of £25.6m for Q3 2013 was £0.3m above the comparable period in 2012 of £25.3m, with a 0.2% improvement in the EBITDARM margin. The LTM EBITDA at September 2013 has therefore increased to £99.3m compared to the £99.0m for the year to June 2013.

Capital expenditure

Capital expenditure in Q3 2013 was £6.3m. In addition £8.6m was spent to acquire the freehold of five Northern Ireland care homes that we had previously leased.

Four Seasons Health Care

(Elli Investments Limited)

Financial results:

Quarter ended 30 September 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 30 September 2013. The comparative period is for the 74 day period ended 30 September 2012.

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 £13.2m interest on the £350m 8.75% senior secured notes and the £175m 12.25% senior notes. The balance primarily relates to £8.4m 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 £0.2m. This represents a reduction of £0.7m from Q3 2012 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, impairments and depreciation.

Following a valuation exercise on those assets which are being, or are currently expected to be, sold, an impairment charge of c£14m has been included in the current quarter in respect of these properties.

Commentary on the unaudited condensed consolidated financial statements (continued)

Debtors

The following table presents the debtors at 30 September 2013 and 30 September 2012.

	30 September 2013	30 September 2012
	£000	£000
Trade debtors	41,222	30,962
Amounts due from related undertakings	50	-
Other debtors and prepayments	26,092	16,066
	67,364	47,028

The increase in trade debtors at September 2013 compared to the prior year is primarily a function of the following:

- The timing of the group's billing cycle in relation to the quarter end which is six days later in 2013 compared to the prior year
- Continued fee payment delays at the NHS's shared business service

Creditors: amounts falling due within one year

The following table presents an extract of creditors falling due within one year at 30 September 2013 and 30 September 2012.

	30 September 2013	30 September 2012
	£000	£000
Extract		
Trade creditors	12,182	9,022
Corporation tax	-	5,782
Other taxes and social security	6,329	5,665
Other creditors	49,170	39,564
Accruals and deferred income	22,679	20,062
	90,360	80,095

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 September 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 £261.2m, 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 September 2013 the group's cash balance was £30.2m. Net cash generated from operating activities in the period to 30 September 2013 was £31.9m. In the comparative three month period to 30 September 2012, the net cash generated from operating activities was £28.7m.

At the quarter end the group had available to it the full £40m revolving credit facility.

Working capital

The cash inflow from working capital was £8.1m in the quarter, compared to an £8.4m inflow in Q3 2012.

Interest paid

No interest has been paid on the £525m high yield bonds during the quarter as interest is payable in June and December. £0.3m of interest was paid on the revolving credit facility.

Elli Investments Limited

Condensed consolidated financial statements - unaudited

Quarter ended 30 September 2013

Contents

Profit and loss account (unaudited)
for the quarter ended 30 September 2013

	Note	**Quarter ended September 2013 £000**	Period ended September 2012 £000
Turnover	4	**179,337**	141,861
Cost of sales		**(149,327)**	(115,461)
Gross profit		**30,010**	26,400
Administrative expenses - ordinary		**(12,008)**	(11,317)
Administrative expenses - exceptional		**(16,698)**	(410)
		(28,706)	(11,727)
Operating profit		**1,304**	14,673
Ordinary activities		**18,002**	15,083
Exceptional activities		**(16,698)**	(410)
		1,304	14,673
Interest payable and similar charges		**(23,726)**	(21,104)
Interest receivable and other income		**2**	14
Net interest payable and similar charges		**(23,724)**	(21,090)
Loss on ordinary activities before taxation		**(22,420)**	(6,417)
Tax on loss on ordinary activities	5	**(248)**	(944)
Retained loss for the financial period	13	**(22,668)**	(7,361)

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

Analysed as:

Operating profit before exceptional items as analysed above	**18,002**	15,083
Add back: depreciation of tangible fixed assets and amortisation of capital grants	**8,675**	6,364
Deduct: amortisation of negative goodwill	**(1,068)**	(769)
EBITDA before exceptional items	**25,609**	20,678

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 September 2013

	Note	30 September 2013 £000	30 September 2012 £000
Fixed assets			
Intangible assets	*6*	**(80,049)**	(74,840)
Tangible assets	*7*	**904,696**	901,044
Investment properties	*8*	**29,780**	29,780
		854,427	855,984
Current assets			
Debtors	*9*	**67,364**	47,028
Cash at bank and in hand		**30,202**	44,222
		97,566	91,250
Creditors: amounts falling due within one year	*10*	**(105,589)**	(92,649)
Net current liabilities		**(8,023)**	(1,399)
Total assets less current liabilities		**846,404**	854,585
Creditors: amounts falling due after more than one year	*11*	**(752,375)**	(714,867)
Provisions for liabilities and charges	*12*	**(21,828)**	(22,711)
Net assets		**72,201**	117,007
Capital and reserves			
Called up share capital		**124,368**	124,368
Profit and loss account	*13*	**(52,167)**	(7,361)
Shareholder's funds		**72,201**	117,007

Cash flow statement (unaudited)

for the quarter ended 30 September 2013

	Quarter ended September 2013 £000	Period ended September 2012 £000
Operating profit	**1,304**	14,673
Depreciation, amortisation and impairment	**22,146**	5,595
Decrease in debtors	**6,991**	11,317
Increase/(decrease) in creditors and provisions	**1,080**	(2,917)
Loss on disposal of fixed assets	**396**	-
Net cash inflow from operating activities	**31,917**	28,668
Returns on investments and servicing of finance	**(381)**	(95)
Capital expenditure and financial investment	**(6,332)**	(6,532)
Taxation	**(1,400)**	(1,735)
Acquisitions and disposals	**(8,638)**	38,932
Net cash inflow before financing	**15,166**	59,238
Debt issue costs	**-**	(38,971)
Financing	**(13,638)**	23,955
Increase in cash in the period	**1,528**	44,222
Cash brought forward	**28,674**	-
Cash carried forward	**30,202**	44,222

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

for the quarter ended 30 September 2013

	Quarter ended September 2013 £000	Period ended September 2012 £000
Increase/(decrease) in cash in the period	**1,528**	(21,278)
Cash acquired with subsidiaries	**-**	65,500
Bank loans acquired with subsidiaries	**-**	(846,023)
Repayment of revolving credit facility/bank loans	**13,638**	846,023
High yield bonds	**-**	(525,000)
Loans from group undertakings	**-**	(227,852)
Debt issue costs	**-**	38,971
Movement in net debt in the period	**15,166**	(669,659)
Non cash movement	**(10,108)**	(986)
Net debt at start of period	**(727,231)**	-
Net debt at end of period	**(722,173)**	(670,645)

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

for the quarter ended 30 September 2013

	Quarter ended September 2013	Period ended September 2012
	£000	£000
New share capital issued	**-**	124,368
Loss for the financial period	**(22,668)**	(7,361)
Net movement in shareholder's funds	**(22,668)**	117,007
Opening shareholder's funds	**94,869**	-
Closing shareholder's funds	**72,201**	117,007

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 September 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"). The comparative period is for the 74 days from the date of acquisition, 12 July 2012, to 30 September 2012.

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 period 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.

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 September 2013		Period ended September 2012	
	Turnover £000	**Result £000**	Turnover £000	Result £000
Property leases	**927**	**625**	649	534
Operation of care homes and specialised services	**178,410**	**679**	141,212	14,139
Group turnover/operating profit after exceptional activities	**179,337**	**1,304**	141,861	14,673
Net interest payable and similar charges		**(23,724)**		(21,090)
Loss before taxation		**(22,420)**		(6,417)

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 September 2013 £000	Period ended September 2012 £000
Analysis of tax charge in the period:		
UK corporation tax		
Current tax on loss for the period	**231**	917
Foreign tax		
Current tax on income for the period	**10**	17
Total current tax	**241**	934
Deferred tax		
Origination of timing differences	**7**	10
Tax on loss on ordinary activities	**248**	944

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

	Goodwill £000
Cost	
At beginning and end of period	**(85,261)**
Amortisation	
At beginning of period	**4,144**
Charge for the period	**1,068**
At end of period	**5,212**
Net book value	
At 30 September 2013	**(80,049)**
At 30 September 2012	**(74,840)**

Negative goodwill is being amortised over 20 years.

7 Tangible fixed assets

	September 2013 £000
Net book value	
At beginning of period	**913,336**
Additions	**6,967**
Acquisitions	**8,638**
Disposals	**(1,031)**
Depreciation	**(8,707)**
Impairment	**(14,507)**
At 30 September 2013	**904,696**
At 30 September 2012	**901,044**

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

8 Investment properties

	September 2013 £000	September 2012 £000
Valuation	**29,780**	29,780

9 Debtors

	September 2013 £000	September 2012 £000
Trade debtors	**41,222**	30,962
Amounts due from related undertakings	**50**	-
Prepayments, other debtors and accrued income	**26,092**	16,066
	67,364	47,028

10 Creditors: amounts falling due within one year

	September 2013 £000	September 2012 £000
Trade creditors	**12,182**	9,022
Corporation tax	**-**	5,782
Other taxation and social security	**6,329**	5,665
Other creditors	**49,170**	39,564
Amounts due to related undertakings	**70**	-
Accruals and deferred income	**22,679**	20,062
Accrued interest	**15,159**	12,554
	105,589	92,649

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

11 Creditors: amounts falling due after more than one year

	September 2013 £000	September 2012 £000
High yield bonds	**525,000**	525,000
Debt issue costs	**(33,854)**	(37,985)
High yield bonds net of debt issue costs	**491,146**	487,015
Amounts owed to group undertakings	**261,229**	227,852
	752,375	714,867

12 Provisions for liabilities and charges

	Deferred taxation £000	**Provision for onerous contracts £000**	**Total £000**
At beginning of period	4,931	17,020	**21,951**
Charged/(released) to the profit and loss account	7	(366)	**(359)**
Unwinding of discount	-	236	**236**
At end of period	4,938	16,890	**21,828**

The elements of deferred taxation are as follows:	
Difference between accumulated depreciation, amortisation and capital allowances	**4,938**

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	(29,499)	**(29,499)**
Retained loss for the financial period	(22,668)	**(22,668)**
At end of period	(52,167)	**(52,167)**