Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and nine months ended 30 June 2012

£250,000,000 9.75% Senior Secured Notes due 2017

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SUMMARY

Care UK has delivered another consistent operational and financial performance in the three months ended 30 June 2012, with further new business development initiatives also underway. All figures and percentages quoted below are for the three months ended 30 June 2012 unless stated, and excluding the effects of IFRIC 12.

- **Group Highlights**
  - Good operational and financial performance in the period in line with management's expectations
  - Revenue for the nine months ended 30 June 2012 increased by 10.6 per cent. to £367.7 million with Adjusted EBITDA for the same period increasing by 2.8 per cent. to £36.3 million
  - LTM Adjusted EBITDA at £53.2 million and net debt to LTM Adjusted EBITDA reported at 3.98x
  - At 30 June 2012, 57.5 per cent. (30 September 2011: 63.0 per cent.) of the Residential Care division's beds, before including beds transferred from Southern Cross, were operated under block contracts with public sector customers, a key competitive differentiator
  - Further operational improvements achieved in the former Southern Cross care homes taken over by Care UK
  - Two new build residential care homes, with a total of 140 beds, opened as planned in the period; further single care home, with 64 beds, acquired on a leasehold basis
  - Good progress towards contractual close for the major new contract in the Residential Care division announced in May 2012; three greenfield homes, with a total of 264 beds, under third party construction for opening in spring/summer 2013 with a good pipeline of new developments to follow
  - Two new preferred bidder appointments awarded to the Health Care division
  - Net cash inflow from operating activities of £28.2 million (2011: £17.0 million) in the nine months ended 30 June 2012. As expected, net debt has increased in the quarter due to growth investment in new and acquired services.

This quarterly report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2011 (the "Annual Report 2011") and should be read in conjunction with that report. The Annual Report 2011 is available in pdf format only and can be found on our website, www.careuk.com or can be requested from investorrelations@careuk.com.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is a significant provider of outsourced health care services to the NHS in England and a leading provider of social care services in the United Kingdom. Care UK is the most diversified provider operating across both the health and social care markets in the United Kingdom, which are markets that provide multiple opportunities for growth. Unless stated, all figures and percentages quoted below are for the Care UK Health & Social Care Investments Limited group and excluding the effects of IFRIC 12.

Social Care	Health Care
• ***Residential Care:*** Care homes (around 90 homes with over 5,400 beds) providing care for older people, particularly those suffering from dementia and related conditions, plus 130 day care places • ***Community Services:*** Care worker visits and live-in support for people in their own homes, facilitating daily living needs and promoting independence (around 153,000 care hours per week delivered to approximately 14,000 people) • ***Mental Health:*** Providing care for a range of enduring mental health conditions through a range of facilities including independent hospitals, mental health homes and specialist facilities for eating disorders and self-harm	• Broad range of health care services in over 50 locations including elective surgery centres, specialist Clinical Assessment and Treatment Services ("CATS"), general practitioner ("GP") practices, diagnostic centres, out-of-hours and urgent care services, walk-in centres and offender health services • Over one million patients p.a. treated or supported by the Health Care division

Key figures, in £ million	Q3 / 2011	YTD / 2011	Q3 / 2012	YTD / 2012
Revenue	114.0	332.4	120.2	367.7
Adjusted EBITDA [1)]	13.1	35.3	11.7	36.3
Adjusted operating profit [1)]	7.4	18.3	6.8	20.7
Net loss for the period	(4.5)	(11.3)	(3.6)	(11.4)
Operating cash flow	6.4	17.0	4.7	28.2

[1)] See key definitions below

Financial leverage	As of and for the 12 month period ended			
Amounts in £ million	30 September 2011	31 December 2011	31 March 2012	30 June 2012
Adjusted EBITDA	52.2	54.6	54.6	53.2
Net debt	199.5	187.6	203.7	211.7
Net debt / Adjusted EBITDA	3.82x	3.44x	3.73x	3.98x

Non-IFRS Financial Measures

The financial measures Adjusted operating profit, Adjusted EBITDA, free cash flow, net debt and cash conversion ratio as against Adjusted EBITDA as presented in this interim report, are non-IFRS measures that are supplemental measures of Care UK's performance.

Adjusted operating profit is defined as Operating profit before net financing costs adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items and before giving effect to adjustments arising from the application of IFRIC 12.

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation and before giving effect to adjustments arising from the application of IFRIC 12.

Net debt is defined as bonds, bank loans (net of unamortised arrangement fees), overdrafts and finance lease liabilities, less cash and cash equivalents.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

The unaudited condensed consolidated financial statements presented in this interim report are for Care UK Health & Social Care Investments Limited and its subsidiaries. In addition, a pro-forma set of financial statements is presented for the same group before giving effect to the application of IFRIC 12. For further information on the effect of the application of IFRIC 12 to the Care UK Limited group financial statements see the Annual Report 2011. The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are presented in pounds sterling.

Certain amounts that appear in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them and amounts expressed as percentages may not total 100 per cent. when aggregated.

IFRS differs in certain respects from generally accepted accounting principles in the United States ("US GAAP"). Care UK has not prepared and does not currently intend to prepare its financial statements in, or reconcile them to, US GAAP. Investors should consult their own professional advisers for an understanding of the differences between US GAAP and IFRS.

This interim report includes forward-looking statements, which, although based on assumptions that are considered reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those expressed or implied herein. You are cautioned not to place undue reliance on these forward looking statements. These forward looking statements are made as of the date of this report and are not intended to give any assurance as to future results.

RISK FACTORS

Compared to the Risk Factors set out in Care UK's Annual Report 2011 there have been no material changes in Care UK's overall opportunity and risk position.

In the ordinary course of Care UK's operations, Care UK can be subject to disputes, arbitration and, potentially, litigation relating to various aspects of its business. Care UK regularly analyses information about such claims for potential or probable losses and provides accruals where considered necessary for such matters, including estimated expenses for legal services as appropriate. Otherwise than as already disclosed, Care UK is not aware of any such matters that are expected to have a material impact on the group's financial position.

RECENT DEVELOPMENTS

Learning disabilities acquisition

In July 2012 Care UK acquired Whitwood Care Limited, a residential learning disabilities provider based in Yorkshire. Whitwood Care operates three residential learning disabilities care facilities with a combined total of 48 beds and will add slightly more than 50 per cent. to the overall residential learning disabilities capacity within the group's Community Services division. Care UK paid £11.9 million in cash to acquire Whitwood Care.

Residential care home recommissioned

In August 2012 Care UK re-opened the former Southern Cross residential care home acquired in February 2012 in Copthorne, East Sussex with 85 beds.

Payment of contingent consideration

In August 2012 Care UK has determined and paid the contingent consideration arising in relation to the Rhodes Farm eating disorders business acquired in February 2011. The performance of the business has resulted in the maximum contingent consideration of £5.5 million becoming payable, which has initially been satisfied by the issue of loan notes, redeemable in February 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Care UK's financial condition and results of operations should be read in conjunction with the unaudited condensed Consolidated financial statements and unaudited pro-forma supplementary condensed Consolidated financial statements and the related notes thereto contained in this interim report.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For the reasons explained under "Presentation of Financial Information" Care UK's future results may differ materially from those expected or implied in these forward-looking statements.

The financial information in this interim report comprises two elements: (i) the unaudited condensed Consolidated financial statements of Care UK Health & Social Care Investments Limited and its subsidiaries; and (ii) the unaudited pro-forma condensed Consolidated financial statements before giving effect to the provisions of IFRIC 12. For further information refer to "Presentation of Financial Information". The commentary included within this section of the interim report primarily discusses the financial condition and results of operations before giving effect to the provisions of IFRIC 12. In addition, a short separate discussion and analysis is provided dealing with the group results on a fully compliant IFRS basis, including the effects of IFRIC 12.

Significant Factors Affecting Care UK's Results of Operations

For details regarding the significant factors affecting Care UK's Results of Operations refer to the Annual Report 2011.

Key Line Items in the Consolidated Statement of Comprehensive Performance

For details regarding the key line items in Care UK's Consolidated Statement of Comprehensive Performance refer to the Annual Report 2011.

Critical Accounting Policies and Estimates

For full details regarding Care UK's Critical Accounting Policies refer to the Annual Report 2011. The preparation of Care UK's unaudited financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management bases its estimates and associated assumptions on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Care UK uses estimates in accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes and contingencies. The estimates and underlying assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period that an adjustment is determined to be required.

Results of Operations

The table overleaf sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance for the financial periods ended 30 June 2011 and 30 June 2012, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12.

	Nine months ended 30 June			
	Adjusted for IFRIC 12		Excluding IFRIC 12	
	2011	2012	2011	2012
	£m	£m	£m	£m
Revenue	328.7	365.5	332.4	367.7
Cost of sales	(279.9)	(311.0)	(283.1)	(313.6)
Gross profit	**48.8**	**54.5**	**49.3**	**54.1**
Administrative expenses	(48.9)	(49.0)	(48.2)	(48.6)
Operating profit before financing expenses	**(0.1)**	**5.5**	**1.1**	**5.5**
Adjusted EBITDA	30.1	33.7	35.3	36.3
Depreciation	(12.3)	(12.7)	(17.0)	(15.6)
Adjusted operating profit	17.8	21.0	18.3	20.7
Amortisation of intangible assets	(19.7)	(12.9)	(19.3)	(12.6)
Non-recurring items	1.8	(2.6)	2.1	(2.6)
Operating profit before financing expenses	(0.1)	5.5	1.1	5.5
Financial income	1.6	1.3	0.1	0.4
Financial expenses	(20.8)	(20.4)	(20.8)	(20.4)
Net financing costs	**(19.2)**	**(19.1)**	**(20.7)**	**(20.0)**
Loss before taxation	**(19.3)**	**(13.6)**	**(19.6)**	**(14.5)**
Taxation	7.8	3.0	8.3	3.1
Loss for the period	**(11.5)**	**(10.6)**	**(11.3)**	**(11.4)**

Three and nine months ended 30 June 2012 compared to the three and nine months ended 30 June 2011 – excluding IFRIC 12

The comparisons presented within this section of the Management discussion and analysis use the financial information presented before giving effect to the provisions of IFRIC 12. The segmental information referred to below is set out in full in the segmental reporting note in the unaudited pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements on page F-18 of this interim report.

Revenue

Revenue increased by 5.4 per cent., or £6.2 million, from £114.0 million for the three months ended 30 June 2011 to £120.2 million for the three months ended 30 June 2012. Revenue increased by 10.6 per cent., or £35.3 million, from £332.4 million for the nine months ended 30 June 2011 to £367.7 million for the nine months ended 30 June 2012. A substantial proportion of these increases relate to the addition of the former Southern Cross homes, primarily in the Residential Care division, together with the contribution from the two residential care homes opened in the 2011 financial year and new contracts commissioned in the Health Care division in the 2011 financial year. These increases more than offset the decrease in revenue arising in the Health Care division from the transition of the Wave I ISTCs to their post-contract basis of operation.

Revenue for the Residential Care division increased by 38.8 per cent., or £11.9 million, from £30.7 million for the three months ended 30 June 2011 to £42.6 million for the three months ended 30 June 2012 and by 36.8 per cent., or £33.3 million, from £90.4 million for the nine months ended 30 June 2011 to £123.7 million for the nine months ended 30 June 2012. The revenue reported for the three months ended 30 June 2012 included revenue of £10.0 million from the former Southern Cross homes together with an increase of 6.2 per cent. in the revenue from the previously existing Care UK business. The revenue reported for the nine months ended 30 June 2012 included revenue of £26.3 million from the former Southern Cross homes together with an increase in the core Care UK business of 7.7 per cent. The increases in revenue in the core Care UK business have resulted from the five new or contractually transferred homes that commenced in the 2011 financial year together with improvements in occupancy, increases in average weekly fee rates and small initial contributions from the two new greenfield homes and acquired leasehold home that have commenced during the current financial year.

At the end of the period Care UK operated over 5,400 beds in the Residential Care division reflecting both the addition of over 1,600 beds in the former Southern Cross homes as well as the opening of two new greenfield homes, with an aggregate of 140 beds, in April and May 2012 and the addition of a further single leasehold home, with 64 beds, in May 2012. The former Southern Cross home, with 85 beds, that was purchased by Care UK in February 2012 has been re-commissioned in August 2012. At 30 June 2012, 57.5 per cent. of beds in the previously existing Care UK business were operated under block contracts compared with 63.0 per cent. as at 30 September 2011. The reduction in this measure reflects the expected transition of a number of beds formerly operated under a block contract to a spot purchase basis following the expiry of the contract. The total proportion of beds operated under block contracts, including the beds in the former Southern Cross homes, was 40.4 per cent., which reflects the fact that the former Southern Cross homes do not carry block contracts in the way that the previously existing Care UK business does.

Fee rates in the core Care UK business in the nine months ended 30 June 2012 averaged £669 per week compared with £665 in the nine months ended 30 June 2011, an increase of 0.6 per cent. This level of increase reflects partial impacts from fee rate increases achieved in both April 2011 and April 2012 as well as the mix effect of fee rates applicable to new services commenced in the 2011 financial year. Fee rates in the former Southern Cross homes averaged £574 per week during the nine months ended 30 June 2012, reflecting the different geography and service acuity within these homes. The level of physical occupancy achieved in the core Care UK business, excluding the four new and immature homes opened during 2011 and 2012, was 91.2 per cent. in the nine months ended 30 June 2012 compared with 92.1 per cent. for the nine months ended 30 June 2011. Total physical occupancy, including the new and immature homes, was 88.9 per cent. in the nine months ended 30 June 2012 compared with 90.6 per cent. in the nine months ended 30 June 2011. The reduction in this measure reflects in particular the new services opened in April and May 2012 being at a very early stage in their operational ramp-up. Total financial occupancy in the previous Care UK business, which measures beds paid for and reflects the benefit of the division's block contracts, in the nine months ended 30 June 2012 was 93.9 per cent. compared with 97.2 per cent. for the nine months ended 30 June 2011, the change in this measure also reflecting the impact of the new and immature homes. The average occupancy in the former Southern Cross homes in the nine months ended 30 June 2012 was 80.7 per cent. This lower level of occupancy reflects the position inherited on the homes being transferred to Care UK but has shown steady improvement during the 2012 financial year.

The development pipeline for the Residential Care division remains very visible with the two Care UK freehold developments previously reported, in Essex and Sussex, with a combined total of 140 beds, having opened as planned in April and May 2012. There are currently three developments in construction, with a total of 264 beds, by the Silver Sea group that Care UK will operate on completion under arms-length lease agreements. A fourth site was acquired in June 2012 and a number of other sites are at various stages in the development process. A further single home, in Essex and having 64 beds, was acquired by Care UK on a leasehold basis in May 2012. We are making good progress towards achieving financial close on the contract with Suffolk County Council that was reported as having been awarded to Care UK in the previous quarter's results. We expect to fund the construction of the planned new homes to be operated under this contract by the introduction of a third party funder with Care UK entering into a lease for the homes when completed.

Revenue for the Community Services division increased by 2.9 per cent., or £0.8 million, from £27.7 million for the three months ended 30 June 2011 to £28.5 million for the three months ended 30 June 2012. Revenue for the Community Services division decreased by 0.2 per cent., or £0.2 million, from £83.2 million for the nine months ended 30 June 2011 to £83.0 million for the nine months ended 30 June 2012. The increase in the three months ended 30 June 2012 compared with the three months ended 30 June 2011 reflected the small bolt-on domiciliary care acquisition in Scotland reported in the previous quarter as well as some stabilisation in fee rates in the period. The decrease for the nine months ended 30 June 2012, compared to the equivalent prior year period, reflects both the elimination of certain unprofitable domiciliary care contracts as well as the impact on volumes of Local Authorities seeking to reduce the hours of publicly funded domiciliary care. The learning disabilities services provided within this division have been affected less by this trend because of the more acute need of the service users to whom these services are provided. Average fee rates for domiciliary care for the nine months ended 30 June 2012 were £13.46 per hour compared with £13.17 per hour for the nine months ended 30 June 2011, an increase of 2.2 per cent. This increase reflects the mix effect across the division's branch network rather than price increases although we have achieved small price uplifts on a number of Local Authority domiciliary care contracts at April 2012, with prices overall having shown signs of stabilising during this period. Average fee rates for learning disabilities supported living services for the nine months ended 30 June 2012 were £14.69 per hour compared with £14.17 per hour for the nine months ended 30 June 2011, an increase of 3.7 per cent. In this case the change in average fee rates reflects both negotiated price increases and mix effects across the various services within the division. Total hours of care delivered across both domiciliary care and learning disabilities services averaged approximately 149,000 per week for the nine months ended 30 June 2012 compared with approximately 153,000 per week for the nine months ended 30 June 2011, a decrease of 2.6 per cent, which reflects the impact of the factors discussed above in relation to domiciliary care partially offset by the hours acquired within the Scottish domiciliary care business acquired in February 2012. The Community Services division has also absorbed two former Southern Cross residential learning disabilities homes during the 2012 financial year, with a total of 29 beds. Since 30 June 2012 the Community Services division has also acquired Whitwood Care Limited, a Yorkshire based residential learning disabilities provider, with a total of 48 beds across three sites. As at 30 June 2012 a total of 84 residential learning disabilities beds were operated with average occupancy for the nine months ended 30 June 2012 of 95.5 per cent. and average fee rates of approximately £1,371 per week. In the nine months ended 30 June 2011 a total of 58 residential learning disabilities beds were operated with average occupancy of 84.1 per cent. and average fee rates of £1,408 per week.

Revenue for the Health Care division decreased by 12.5 per cent., or £6.3 million, from £50.6 million for the three months ended 30 June 2011 to £44.3 million for the three months ended 30 June 2012. Revenue for the Health Care division increased by £6.2 million, or 4.4 per cent., from £140.3 million for the nine months ended 30 June 2011 to £146.5 million for the nine months ended 30 June 2012. The decrease in the three months ended 30 June 2012 compared to the three months ended 30 June 2011 is primarily attributable to the Maidstone and Sussex Wave I ISTCs having both transferred to the NHS during the 2012 financial year and the expected reduction in revenue from the NE London Wave I ISTC having moved to post-contract commercial terms as from 1 January 2012. These reductions have been partly offset by the contributions from new services commenced during the 2011 financial year and organic increases in other services. The increase for the nine months ended 30 June 2012 compared with the nine months ended 30 June 2011 is attributable to the new services implemented during the 2011 financial year and organic increases in other services more than outweighing the decrease in revenue arising from the three Wave I ISTCs referred to above. In the three months ended 30 June 2012 Care UK has been awarded preferred bidder status for two new contracts within the Health Care division. First, a small contract to operate two GP practices in Newcastle and, second, an out of hours service across Hampshire. The latter service will be wholly operated by Care UK as a subcontractor to Portsmouth Health Limited, a company one third owned by Care UK. The combined revenue from these two services, when fully operational is expected to be approximately £11 million.

Revenue within the Other segment decreased by 4.0 per cent., or £0.2 million, from £5.0 million for the three months ended 30 June 2011 to £4.8 million for the three months ended 30 June 2012. Revenue for the Other segment decreased by £4.0 million, or 21.6 per cent., from £18.5 million for the nine months ended 30 June 2011 to £14.5 million for the nine months ended 30 June 2012. The three and nine months ended 30 June 2011 included revenue from the group's former children's services businesses of £nil and £3.5 million respectively. The children's services business was disposed of in February 2011. In the nine months ended 30 June 2012 the Other segment includes only the group's Mental Health business. Consequently, revenue for the Mental Health business decreased by £0.2 million from £5.0 million for the three months ended 30 June 2011 to £4.8 million for the three months ended 30 June 2012, and from £15.0 million for the nine months ended 30 June 2011 to £14.5 million for the nine months ended 30 June 2012. These changes reflect the closure of a number of homes during the 2011 and 2012 financial years, offset by the increased revenue arising from the eating disorders business, Rhodes Farm, acquired in February 2011 as well as growth in the existing core business. The first of the group's new complex care rehabilitation services, in Hull, opened in June 2012. Financial occupancy for mature services in the Mental Health business, excluding closed and closing homes, averaged 90.4 per cent. for the nine months ended 30 June

2012 compared with 92.3 per cent. for the nine months ended 30 June 2011. Average fee rates in the nine months ended 30 June 2012, at approximately £1,850 per week, were around 5.0 per cent. higher than average fee rates in the nine months ended 30 June 2011.

Cost of Sales

Care UK's cost of sales increased by 6.0 per cent., or £5.8 million, from £96.5 million for the three months ended 30 June 2011 to £102.3 million for the three months ended 30 June 2012. Cost of sales increased by 10.8 per cent., or £30.5 million, from £283.1 million for the nine months ended 30 June 2011 to £313.6 million for the nine months ended 30 June 2012. Measured as a percentage of revenue, cost of sales increased from 84.6 per cent. for the three months ended 30 June 2011 to 85.1 per cent. for the three months ended 30 June 2012 and increased from 85.2 per cent. for the nine months ended 30 June 2011 to 85.3 per cent. for the nine months ended 30 June 2012. The increase in the total charge for cost of sales reflects the group's revenue increase, particularly the addition of the former Southern Cross homes within the Residential Care division and the net growth in the Health Care division. The increase in the ratio of cost of sales to revenue for the three months ended 30 June 2012 compared to the three months ended 30 June 2011 reflects mix changes in the group's overall business and particularly that the former Southern Cross homes are operated on a leasehold basis, which is different to the majority of Care UK's other residential care homes. The increase in the ratio of cost of sales to revenue for the nine months ended 30 June 2012 compared to the nine months ended 30 June 2011 is negligible, with the factors above netting one another out.

Administrative Expenses

Care UK's administrative expenses decreased by 12.0 per cent., or £2.1 million, from £17.5 million for the three months ended 30 June 2011 to £15.4 million for the three months ended 30 June 2012. Administrative expenses increased by 0.8 per cent., or £0.4 million, from £48.2 million for the nine months ended 30 June 2011 to £48.6 million for the nine months ended 30 June 2012. The decrease in administrative expenses in the three months ended 30 June 2012 compared to the three months ended 30 June 2011 reflects a reduction of £1.9 million in the charge for amortisation of intangible assets as well as a reduction of £1.2 million in the charge for non-recurring items; excluding these items the charge for administrative expenses increased from £10.1 million for the three months ended 30 June 2011 to £11.1 million for the three months ended 30 June 2012. This increase reflects both the growth in scale in the group's activities as well as investment in certain of the group's businesses, particularly the Residential Care division, to support future growth. The increase in administrative expenses in the nine months ended 30 June 2012 compared to the nine months ended 30 June 2011 reflects a reduction of £6.7 million in the charge for amortisation of intangible assets and an increase in the charge for non-recurring items of £4.7 million; excluding these items the charge for administrative expenses increased from £31.0 million for the nine months ended 30 June 2011 to £33.4 million for the nine months ended 30 June 2012. This increase reflects the same factors as for the three months ended 30 June 2012. The reductions in the charge for amortisation of intangible assets in the three and nine months ended 30 June 2012 reflect the amortisation profile applied to the intangible assets at the time of the acquisition of Care UK Limited in May 2010 and particularly the expiry of the group's former Wave I ISTC contracts. The charge for non-recurring items in both the three and nine months ended 30 June 2012 almost all relates to the transfer of the former Southern Cross homes. The charge for non-recurring items in the three months ended 30 June 2011 mostly related to the contract change costs of a Health Care contract commenced during that period whilst the gain related to non-recurring items in the nine months ended 30 June 2011 reflected gains on a number of asset disposals offset by the contract change costs referred to above.

As a percentage of revenue, excluding non-recurring items and amortisation, administrative expenses decreased from 9.3 per cent. of revenue for the nine months ended 30 June 2011 to 9.1 per cent. of revenue for the nine months ended 30 June 2012. The reduction in the ratio of administrative expenses to revenue reflects the greater cost efficiency of the increased size of Care UK's business.

Operating Profit before Financing Expenses

Care UK's operating profit before financing expenses increased by £2.5 million from £nil for the three months ended 30 June 2011 to £2.5 million for the three months ended 30 June 2012. Operating profit before financing expenses increased by 400.0 per cent., or £4.4 million, from £1.1

million for the nine months ended 30 June 2011 to £5.5 million for the nine months ended 30 June 2012. These improvements reflect the contribution from the former Southern Cross homes, other improvements in the Residential Care division and an improved contribution from the Health Care division partly offset by a reduction in the contribution from the Community Services division.

Operating profit for the Residential Care division increased by 8.6 per cent., or £0.3 million, from £3.5 million for the three months ended 30 June 2011 to £3.8 million for the three months ended 30 June 2012. Operating profit for the Residential Care division increased by 11.6 per cent., or £1.0 million, from £8.6 million for the nine months ended 30 June 2011 to £9.6 million for the nine months ended 30 June 2012. The increase in the three months ended 30 June 2012 reflects the contribution from the former Southern Cross homes together with an increased contribution from the previously existing Care UK business resulting from the five homes opened or contractually transferred during the 2011 financial year partly offset by increased divisional support costs that are intended to support both current and future growth. The increase in the nine months ended 30 June 2012 reflects a lower contribution from the former Southern Cross homes as non-recurring integration charges of £1.7 million have been incurred, mostly in the three months ended 31 December 2011. Otherwise, the increase in operating profit in the nine months ended 30 June 2012 reflects the same improvements in the core Care UK business as for the three months ended 30 June 2012.

Operating profit for the Community Services division decreased from £0.2 million for the three months ended 30 June 2011 to a loss of £0.3 million for the three months ended 30 June 2012. Operating profit for the Community Services division decreased from a loss of £0.2 million for the nine months ended 30 June 2011 to a loss of £0.4 million for the nine months ended 30 June 2012. The decrease in operating profit for the three months ended 30 June 2012 compared to the three months ended 30 June 2011 reflects the impact of the factors discussed above under Revenue partly offset by a small contribution from the Scottish domiciliary care business acquired at the end of February 2012. In the nine months ended 30 June 2012 there was a reduction of £0.6 million in the amortisation charges attributable to this division and a decrease of £0.8 million in the trading contribution of the division, again for the same reasons as drove the reduction in revenue. The two former Southern Cross residential learning disabilities homes transferred into this division made a small positive contribution for both the three and nine months ended 30 June 2012.

Operating profit for the Health Care division improved by £2.4 million from a loss of £2.5 million for the three months ended 30 June 2011 to a loss of £0.1 million for the three months ended 30 June 2012. Operating profit for the Health Care division improved by £6.6 million from a loss of £6.0 million for the nine months ended 30 June 2011 to a profit of £0.6 million for the nine months ended 30 June 2012. The improvement in the three months ended 30 June 2012 compared with the three months ended 30 June 2011 is mostly attributable to a reduction of £2.0 million in the charge for amortisation of intangible assets and a reduction in the charge for non-recurring items of £1.5m, partly offset by a reduction in the contribution from the Wave I ISTCs that have either transferred to the NHS or moved to post-contract commercial terms in the 2012 financial year. The improvement in the nine months ended 30 June 2012 compared with the nine months ended 30 June 2011 is mostly attributable to a reduction of £5.9 million in the charge for amortisation of intangible assets and a reduction of £0.3 million in the charge for non-recurring items. The reduction in the charge for amortisation of intangible assets in both periods arises due to the amortisation profile adopted on the acquisition of Care UK Limited in 2010, mostly reflecting the contract profile of the group's Wave I ISTCs. The charge for non-recurring items of £1.5 million in the three months ended 30 June 2011 mostly related to contract change costs on a new offender health service commenced in that period whilst the charge of £0.4 million for the nine months ended 30 June 2011 included this item but was largely offset by property disposal gains on certain of the division's Wave I ISTCs where the property ownership transferred to the NHS. The charge for non-recurring items in the three months ended 30 June 2012 was £nil and for the nine months ended 30 June 2012 was £0.1 million, related to exit costs from a former Wave I ISTC.

The operating result of the Other segment improved from a loss of £1.2 million for the three months ended 30 June 2011 to a loss of £0.9 million for the three months ended 30 June 2012. The operating result for the Other segment changed from a loss of £1.3 million for the nine months ended 30 June 2011 to a loss of £4.3 million for the nine months ended 30 June 2012. This category comprises the Mental Health business and the central management costs of the group as well as, for the nine months ended 30 June 2011 only, the group's former children's services business that was disposed of in February 2011. The former children's services business contributed a result of £nil in the three months ended 30 June 2011 and a loss of £0.3 million in the nine months ended 30 June 2011. Non-recurring items were £nil in both the three months ended 30 June 2011 and the three months ended 30 June 2012. Non-recurring items were a charge of £0.8 million for the nine months ended 30 June 2012 compared with a gain of £1.8 million for the nine months ended 30 June 2011. The charge in the nine months ended 30 June 2012 resulted entirely from the transfer in to Care UK of the former Southern Cross care homes whilst the gain for the nine months ended 30 June 2011 reflected a profit on the disposal of the group's former children's services business. Group central management costs reduced by £0.1 million for the three months ended 30 June 2012 and increased by £0.7 million for the nine months ended 30 June 2012 compared with the prior year periods. Approximately half of the increase for the nine months arose from increased depreciation charges resulting from a number of new systems investments. The operating profit of the Mental Health business increased by £0.2 million in the three months ended 30 June 2012 and remained the same for the nine months ended 30 June 2012 compared with the prior year periods. The improvement in the Mental Health business in the three months ended 30 June 2012 mostly resulted from an increased by the Rhodes Farm acute eating disorders business acquired in February 2011 partly offset by a reduced contribution from the homes closed in the 2011 and 2012 financial years.

Adjusted Operating Profit

Adjusted operating profit decreased by 8.1 per cent., or £0.6 million, from £7.4 million for the three months ended 30 June 2011 to £6.8 million for the three months ended 30 June 2012. Adjusted operating profit increased by 13.1 per cent., or £2.4 million, from £18.3 million for the nine months ended 30 June 2011 to £20.7 million for the nine months ended 30 June 2012. These increases in adjusted operating profit reflect the factors discussed above, other than the movement in amortisation charges and non-recurring items.

Adjusted operating profit for the Residential Care division increased by 14.3 per cent., or £0.7 million, from £4.9 million for the three months ended 30 June 2011 to £5.6 million for the three months ended 30 June 2012. Adjusted operating profit for the Residential Care division increased by 25.4 per cent., or £3.2 million, from £12.6 million for the nine months ended 30 June 2011 to £15.8 million for the nine months ended 30 June 2012. These increases in adjusted operating profit were due to the same factors as drove the growth in operating profit other than the changes in the charge for amortisation of intangible assets and in non-recurring items.

Adjusted operating profit for the Community Services division decreased by 33.3 per cent., or £0.5 million, from £1.5 million for the three months ended 30 June 2011 to £1.0 million for the three months ended 30 June 2012. Adjusted operating profit for the Community Services division decreased by 18.6 per cent., or £0.8 million, from £4.3 million for the nine months ended 30 June 2011 to £3.5 million for the nine months ended 30 June 2012. This outcome was driven by the same factors as for operating profit other than the reductions in the charge for amortisation of intangible assets of £nil and £0.6 million for the three and nine months ended 30 June 2012 compared with the respective periods in the previous financial year.

Adjusted operating profit for the Health Care division decreased by 50.0 per cent., or £1.1 million, from £2.2 million for the three months ended 30 June 2011 to £1.1 million for the three months ended 30 June 2012. Adjusted operating profit for the Health Care division increased by 8.9 per cent., or £0.4 million, from £4.5 million for the nine months ended 30 June 2011 to £4.9 million for the nine months ended 30 June 2012. These changes were mainly due to the same factors as for operating profit with the exception that Adjusted operating profit does not reflect amortisation charges or non-recurring items.

The Adjusted operating profit for the Other segment improved from a loss of £1.2 million for the three months ended 30 June 2011 to a loss of £0.9 million for the three months ended 30 June 2012. The Adjusted operating profit for the Other segment changed from a loss of £3.1 million for the nine months ended 30 June 2011 to a loss of £3.5 million for the nine months ended 30 June 2012. The result for the three months ended 30 June 2012 compared to the respective period in the previous financial year was driven by the same factors as for Operating profit. The result for the nine months ended 30 June 2012 compared to the nine months ended 30 June 2011 was also driven by the same factors as for Operating profit with the exception of the change in non-recurring items.

Adjusted EBITDA

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation and before giving effect to IFRIC 12. Care UK presents Adjusted EBITDA because it believes, when considered in conjunction with related IFRS financial measures, Adjusted EBITDA provides investors with important additional information to evaluate operating performance. Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered an alternative to, or more meaningful than, net income as a measure of operating performance. Adjusted EBITDA is very similar, but not exactly equivalent, to how Care UK calculates "Consolidated EBITDA" for the purposes of the covenants under the Senior Secured Notes.

Care UK's Adjusted EBITDA decreased by 10.7 per cent., or £1.4 million, from £13.1 million for the three months ended 30 June 2011 to £11.7 million for the three months ended 30 June 2012. Adjusted EBITDA increased by 2.8 per cent., or £1.0 million, from £35.3 million for the nine months ended 30 June 2011 to £36.3 million for the nine months ended 30 June 2012. The outturns in Adjusted EBITDA were driven by the factors discussed above in relation to Operating profit and Adjusted operating profit, particularly the effects discussed in relation to the former Southern Cross homes in the Residential Care division and the improvement in the first quarter of the 2012 financial year reported in the Health Care division. Measured on a Last Twelve Months basis, Adjusted EBITDA increased from £52.2 million as at 30 September 2011 to £53.2 million as at 30 June 2012.

Net Financing Costs

Net financing costs for the three months ended 30 June 2012 were £6.6 million compared with £6.9 million for the three months ended 30 June 2011. Net financing costs for the nine months ended 30 June 2012 were £20.0 million compared with £20.7 million for the nine months ended 30 June 2011. Net financing costs comprise the interest payable on the Senior Secured Notes and performance bond commissions and commitment fees payable on the Super Senior Revolving Credit Facility. During the nine months ended 30 June 2012 there has been no cash utilisation of the Super Senior Revolving Credit Facility.

Taxation

The taxation credit for the three months ended 30 June 2012 was £0.5 million compared with a taxation credit of £2.4 million for the three months ended 30 June 2011. The taxation credit for the nine months ended 30 June 2012 was £3.1 million compared with a taxation credit of £8.3 million for the nine months ended 30 June 2011. The principal differences in the taxation credits reflect the change in taxable group profit and certain non-recurring effects recorded in the 2011 financial year resulting from the de-listing of Care UK Limited from the London Stock Exchange and the winding up of previous share incentive schemes as well as the taxation effects arising on the expiry of certain of the group's former Wave I ISTCs.

The underlying tax rate on Care UK's profit before taxation is higher than the statutory tax rate, mainly as a result of the proportion of Care UK's capital expenditure that is non-qualifying for tax purposes.

Profit for the Period

As a result of the factors discussed above, Care UK reported a loss for the three months ended 30 June 2012 of £3.6 million compared with a loss of £4.5 million for the three months ended 30 June 2011 and a loss of £11.4 million for the nine months ended 30 June 2012 compared with a loss of £11.3 million for the nine months ended 30 June 2011.

Three and nine months ended 30 June 2012 – IFRS compliant basis

The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, including the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12, see the Annual Report 2011.

The following table shows the effects of IFRIC 12 on the Investments group condensed Consolidated statement of comprehensive performance.

	Nine months ended 30 June 2012		
	Pre-IFRIC 12 adoption	**IFRIC 12 adjustments**	**Post IFRIC 12 adjustments**
	£m	**£m**	**£m**
Revenue	367.7	(2.2)	365.5
Cost of sales	(313.6)	2.6	(311.0)
Gross profit	**54.1**	**0.4**	**54.5**
Administrative expenses	(48.6)	(0.4)	(49.0)
Operating profit before financing expenses	**5.5**	**-**	5.5
Adjusted EBITDA	36.3	(2.6)	33.7
Depreciation	(15.6)	2.9	(12.7)
Adjusted operating profit	20.7	0.3	21.0
Amortisation of intangible assets	(12.6)	(0.3)	(12.9)
Non-recurring items	(2.6)	-	(2.6)
Operating profit before financing expenses	5.5	-	5.5
Financial income	0.4	0.9	1.3
Financial expenses	(20.4)	-	(20.4)
Net financing costs	**(20.0)**	**0.9**	**(19.1)**
(Loss)/profit before taxation	**(14.5)**	**0.9**	**(13.6)**
Taxation	3.1	(0.1)	3.0
(Loss)/profit for the period	**(11.4)**	**0.8**	**(10.6)**

The application of IFRIC 12 does not change the overall profit or loss recorded on a contract accounted for in accordance with its provisions. However, both the disposition of income and operating costs change within the Consolidated statement of comprehensive performance and the timing of recognition of both revenue and profit also changes. The net effect of these changes in the first six months of the 2012 financial year is to decrease the loss for the period by £0.8 million.

The table overleaf shows the effects of IFRIC 12 on the consolidated Balance sheet.

	As at 30 June 2012		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Property, plant and equipment	272.9	(33.1)	239.8
Intangible assets	162.4	9.8	172.2
Other financial assets	-	23.2	23.2
Total non-current assets	439.1	(0.1)	439.0
Other financial assets	-	0.8	0.8
Total current assets	104.3	0.8	105.1
Trade and other payables	(97.4)	(9.6)	(107.0)
Total current liabilities	(102.8)	(9.6)	(112.4)
Deferred tax liabilities	(29.7)	2.2	(27.5)
Total non-current liabilities	(275.8)	2.2	(273.6)
Net assets	**164.8**	**(6.7)**	**158.1**

The principal effect of IFRIC 12 on the group's consolidated Balance sheets is to de-recognise amounts formerly accounted for as Property, plant and equipment and to recognise amounts as either Intangible assets or Other financial assets. The net impact on the consolidated Balance sheet reflects the aggregate timing differences regarding the recognition of profits or losses on IFRIC 12 related contracts.

The following table shows the effects of IFRIC 12 on the condensed consolidated Cash flow statement.

	Nine months ended 30 June 2012		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Net cash from operating activities	28.2	(0.5)	27.7
Net cash from investing activities	(25.6)	0.5	(25.1)
Net cash from financing activities	(13.5)	-	(13.5)
Net decrease in cash and cash equivalents	(10.9)	-	(10.9)
Cash and cash equivalents carried forward	29.3	-	29.3

IFRIC 12 has no effect on total cash flow movements. It does have an effect on the disposition of cash flow movements within the group's consolidated Cash flow statement, as set out in the above table.

Net Debt and Liquidity

The following table shows the comparative net debt position as at 30 June 2011 and 30 June 2012.

	As at 30 June	
	2011	**2012**
	(£ in millions)	
Senior Secured Notes	250.0	250.0
Finance lease obligations	0.1	0.1
Deferred financing costs	(10.8)	(9.1)
Cash and cash equivalents	(43.3)	(29.3)
Total net debt	**196.0**	**211.7**

Liquidity and Capital Resources

The comparisons presented within this section of the Management discussion and analysis use the financial information for the Investments group presented before giving effect to the provisions of IFRIC 12.

Care UK expects, as set out in the Annual Report 2011, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations plus, if required, drawings under Care UK's Revolving Credit Facility.

The following table sets forth selected information concerning Care UK's consolidated cash flow during the periods indicated.

	For the nine months ended 30 June	
	2011	**2012**
Net cash from operating activities	17.0	28.2
Net cash from investing activities	6.6	(25.6)
Net cash from financing activities	(14.3)	(13.5)
Net increase/(decrease) in cash and cash equivalents	9.3	(10.9)
Cash and cash equivalents carried forward	43.3	29.3

Three and nine months ended 30 June 2012 compared to three and nine months ended 30 June 2011

The net decrease in cash and cash equivalents in the three months ended 30 June 2012 was £7.6 million compared with a net increase of £11.8 million in the three months ended 30 June 2011. The net decrease in cash and cash equivalents in the nine months ended 30 June 2012 was £10.9 million compared with a net increase of £9.3 million in the nine months ended 30 June 2011. Total reported group net debt increased by £8.0 million in the three months ended 30 June 2012 from £203.7 million as at 31 March 2012 to £211.7 million as at 30 June 2012. Total reported net debt increased by £12.2 million in the nine months ended 30 June 2012 from £199.5 million as at 30 September 2011 to £211.7 million as at 30 June 2012.

The net cash flow from operating activities for the three months ended 30 June 2012 was an inflow of £4.7 million compared with an inflow of £6.4 million for the three months ended 30 June 2011. The net cash flow from operating activities in the nine months ended 30 June 2012 was an inflow of £28.2 million compared with an inflow of £17.0 million for the nine months ended 30 June 2011. The inflow in the nine months ended 30 June 2011 was impacted by the settlement of transaction charges amounting to £7.1 million that related to the acquisition of Care UK Limited in May 2010. As reported for the three months ended 31 December 2011, the absorption of the former Southern Cross residential care homes into Care UK has required a working capital investment in these new services.

The net cash flow from investing activities for the three months ended 30 June 2012 was an outflow of £11.8 million compared with an inflow of £5.6 million for the three months ended 30 June 2011. The net cash flow from investing activities for the nine months ended 30 June 2012 was an outflow of £25.6 million compared with an inflow of £6.6 million for the nine months ended 30 June 2011. Capital expenditure in the three months ended 30 June 2012 amounted to £10.1 million compared with £5.7 million in the three months ended 30 June 2011 and for the nine months ended 30 June 2012 amounted to £34.9 million compared with £15.9 million for the nine months ended 30 June 2011. Expansionary capital expenditure amounted to £7.6 million in the three months ended 30 June 2012 and £28.9 million in the nine months ended 30 June 2012. Maintenance capital expenditure amounted to £2.5 million in the three months ended 30 June 2012 and £6.0 million in the nine months ended 30 June 2012. The principal items of expansionary capital expenditure incurred in the three months ended 30 June 2012 included £1.3 million related to the two freehold residential care developments previously reported, that have both now opened, £1.4 million in relation to the transferred former Southern Cross care homes and £2.0 million on two new mental health services, the first of which opened in June 2012. The balance related to a number of other, smaller projects. An inflow from disposals of £0.1 million was received in the three months ended 30 June 2012 compared with an inflow of £11.7 million in the three months ended 30 June 2011. An inflow from disposals of £15.5 million was received in the nine months ended 30 June 2012 compared with an inflow of £23.0 million in the nine months ended 30 June 2011. Almost all of the proceeds on disposal relate to the buyback arrangements in relation to various of the group's current or former Wave I ISTCs. The buyback programme related to this part of the group's activities concluded in December 2011. Funding of £1.8 million was provided in the three months ended 30 June 2012, and £3.6 million in the nine months ended 30 June 2012, to the independent development company reported in the Annual Report 2011, Silver Sea, in relation to the development of new residential care homes that Care UK will ultimately lease. No similar funding was provided in either the three or nine months ended 30 June 2011. An acquisition outflow of £2.7 million was incurred in the nine months ended 30 June 2012 relating to the acquisition of Housecall in Scotland. In the three months ended 30 June 2011 an acquisition outflow of £0.5 million was incurred in relation to contingent consideration payable on a prior period acquisition and in the nine months ended 30 June 2011 acquisition outflows of £4.8 million were incurred in relation to two small bolt-on business within the Mental Health and Health Care divisions as well as the contingent consideration referred to above.

The net cash flow from financing activities for the three months ended 30 June 2012 was an outflow of £0.5 million compared with an outflow of £0.2 million for the three months ended 30 June 2011. The net cash flow from financing activities for the nine months ended 30 June 2012 was an outflow of £13.5 million compared with an outflow of £14.3 million for the nine months ended 30 June 2011. The half-yearly payments of interest to Noteholders are made on 1 February and 1 August. The three month periods ended 30 June 2011 and 30 June 2012 therefore contain no interest payments to Noteholders. Apart from interest payments to Noteholders the only cash flows associated with financing activities relate to commitment fees and performance bond commissions payable in relation to the group's Super Senior Revolving Credit Facility, net of deposit interest earned on the group's cash balances.

Cash and Cash Equivalents

Care UK's cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, net of related bank overdrafts. As at 30 June 2012, Care UK had net cash and cash equivalents of £29.3 million, compared to £43.3 million as at 30 June 2011 and £36.9 million as at 31 March 2012.

Qualitative and Quantitative Disclosures about Market Risk

Care UK's activities and debt financing expose it to a variety of financial risks, the most significant of which are market risk (cash flow interest rate risk and price risk), credit risk and liquidity risk (changes in the debt market). Care UK's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Care UK's financial performance. Care UK may use derivative financial instruments to hedge certain risk exposures although no such instruments are currently employed.

Cash Flow Interest Rate Risk

The majority of Care UK's borrowings currently carry a fixed interest rate as limited use has been required of the group's Revolving Credit Facility. In addition, Care UK currently carries an amount of short-term cash deposits. Therefore Care UK's current income and cash flows are only affected to a limited degree by changes in market interest rates. Short-term deposits are placed with financial institutions in accordance with Care UK's treasury policy. Interest rates obtained on deposits are variable and linked to LIBOR.

In managing interest rate risks, Care UK aims to reduce the impact of short-term fluctuations in Care UK's earnings. Over the longer term, however, changes in interest rates would have an impact on consolidated earnings.

Care UK would expect to make increased use of the Revolving Credit Facility in the future. Any such borrowings would potentially increase Care UK's exposure to cash flow interest rate risk as they would be issued at a floating rate linked to LIBOR. Care UK has historically used a range of derivative financial instruments, including interest rate swaps and collars, to hedge its exposure to floating rates and would expect to do so in future where considered appropriate, dependent on the expected duration of such underlying borrowings.

Price Risk

Care UK is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. Contracts with Local Authorities, Primary Care Trusts and other NHS Trusts are also subject to annual price review. A 1 per cent. increase in salary costs for the year ended 30 September 2011 would have decreased profit before tax by £2.5 million.

In common with the majority of government-funded providers, most of Care UK's price changes take effect annually on 1 April. Around 30 per cent. of Care UK's revenue is linked to general inflation indices.

Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Credit exposures in relation to customers is limited given that the majority of Care UK's revenue is attributable to publicly funded entities such as Local Authorities, Primary Care Trusts and other NHS Trusts. Care UK has no significant concentrations of credit risk. For banks and financial institutions, only parties with a minimum rating of A are accepted.

Liquidity Risk

A policy of prudent liquidity risk management is applied. Care UK's operational cash flow is largely stable and predictable given the contractual and recurring nature of the core business activity. Care UK prepares annual and shorter term cash flow forecasts reflecting known commitments and anticipated projects. Borrowing facilities are arranged as necessary to finance projected requirements, including capital expenditure. Adequate headroom in available facilities is maintained.

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CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED – GROUP PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED FINANCIAL INFORMATION (UNAUDITED)

Care UK Health & Social Care Investments Limited

Group condensed financial information (unaudited)

Three and nine month periods ended 30 June 2012

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month periods ended 30 June 2012

	Notes	Three months to 30 June 2012	Three months to 30 June 2011	Nine months to 30 June 2012	Nine months to 30 June 2011
		£m	£m	£m	£m
Revenue	3	**119.6**	112.7	**365.5**	328.7
Cost of sales		**(101.8)**	(95.2)	**(311.0)**	(279.9)
Gross profit		**17.8**	17.5	**54.5**	48.8
Administrative expenses		**(15.5)**	(18.0)	**(49.0)**	(48.9)
Operating profit/(loss) before financing expenses	3, 5	**2.3**	(0.5)	**5.5**	(0.1)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**10.9**	11.6	**33.7**	30.1
Depreciation of tangible assets		**(4.3)**	(4.1)	**(12.7)**	(12.3)
Adjusted operating profit		**6.6**	7.5	**21.0**	17.8
Amortisation of intangible assets		**(4.0)**	(6.2)	**(12.9)**	(19.7)
Non-recurring items		**(0.3)**	(1.8)	**(2.6)**	1.8
Operating profit/(loss) before financing expenses		**2.3**	(0.5)	**5.5**	(0.1)
Financial income	4	**0.4**	0.5	**1.3**	1.6
Financial expenses	4	**(6.7)**	(6.9)	**(20.4)**	(20.8)
Net financing costs		**(6.3)**	(6.4)	**(19.1)**	(19.2)
Loss before taxation		**(4.0)**	(6.9)	**(13.6)**	(19.3)
Taxation		**0.5**	2.3	**3.0**	7.8
Loss for the period		**(3.5)**	(4.6)	**(10.6)**	(11.5)
Total comprehensive loss for the period		**(3.5)**	(4.6)	**(10.6)**	(11.5)
Loss attributable to					
Equity holders of the parent		**(3.5)**	(4.6)	**(10.5)**	(11.5)
Minority interest		**—**	—	**(0.1)**	—
		(3.5)	(4.6)	**(10.6)**	(11.5)
Total comprehensive loss attributable to					
Equity holders of the parent		**(3.5)**	(4.6)	**(10.5)**	(11.5)
Minority interest		**—**	—	**(0.1)**	—
		(3.5)	(4.6)	**(10.6)**	(11.5)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2012

	Notes	30 June 2012	30 June 2011	30 September 2011
		£m	£m	£m
Assets				
Property, plant and equipment	6	**239.8**	217.9	218.1
Intangible assets	7	**172.2**	188.2	182.8
Other financial assets	8	**23.2**	24.1	24.2
Amounts due from related party undertakings		**3.7**	—	3.6
Other investments		**0.1**	—	0.1
Total non-current assets		**439.0**	430.2	428.8
Inventories		**2.1**	2.6	2.9
Trade and other receivables		**70.2**	56.6	49.8
Other financial assets	8	**0.8**	19.4	19.6
Cash and cash equivalents	9	**29.3**	43.3	40.2
Properties classified as held for sale		**2.7**	3.1	3.2
Total current assets		**105.1**	125.0	115.7
Total assets		**544.1**	555.2	544.5
Liabilities				
Financial liabilities — borrowings	9	**(0.1)**	(0.1)	(0.1)
Trade and other payables		**(107.0)**	(88.7)	(95.1)
Current tax liabilities		**(5.3)**	(2.0)	(3.6)
Total current liabilities		**(112.4)**	(90.8)	(98.8)
Financial liabilities — borrowings	9	**(240.9)**	(239.2)	(239.6)
Other non-current liabilities		**(5.2)**	(10.2)	(5.5)
Deferred tax liabilities		**(27.5)**	(35.4)	(31.9)
Total non-current liabilities		**(273.6)**	(284.8)	(277.0)
Total liabilities		**(386.0)**	(375.6)	(375.8)
Net assets		**158.1**	179.6	168.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Retained earnings		**(52.6)**	(31.1)	(42.1)
Total equity attributable to equity holders of the parent		**158.1**	179.6	168.6
Minority interest		—	—	0.1
Total equity		**158.1**	179.6	168.7

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
As at 30 June 2012

	Attributable to equity holders of the parent				
	Share capital	**Retained earnings**	**Total parent equity**	**Minority interest**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**
At 30 September 2011	210.7	(42.1)	168.6	0.1	168.7
Loss for the period and Total comprehensive loss for the period	—	(10.5)	(10.5)	(0.1)	(10.6)
At 30 June 2012	**210.7**	**(52.6)**	**158.1**	**—**	**158.1**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month periods ended 30 June 2012

	Notes	Three months to 30 June 2012	Three months to 30 June 2011	Nine months to 30 June 2012	Nine months to 30 June 2011
		£m	£m	£m	£m
Cash flows from operating activities					
Loss for the period		**(3.5)**	(4.6)	**(10.6)**	(11.5)
Depreciation		**4.3**	4.1	**12.7**	12.3
Amortisation of intangible assets		**4.0**	6.2	**12.9**	19.7
(Profit)/loss on disposal of fixed assets		**(0.3)**	0.3	**0.1**	(1.5)
Decrease in IFRIC 12 financial asset		**0.6**	1.3	**2.2**	3.7
Decrease in inventory		**0.9**	0.1	**1.3**	—
Increase in receivables		**(8.5)**	(3.8)	**(15.5)**	(1.7)
Increase/(decrease) in payables		**1.1**	(1.4)	**8.4**	(18.3)
Financial income		**(0.4)**	(0.5)	**(1.3)**	(1.6)
Financial expense		**6.7**	6.9	**20.4**	20.8
Tax credit		**(0.5)**	(2.3)	**(3.0)**	(7.8)
Cash flows from operations		**4.4**	6.3	**27.6**	14.1
Income taxes (paid)/received		**—**	(0.2)	**0.1**	1.4
Net cash from operating activities		**4.4**	6.1	**27.7**	15.5
Cash flows from investing activities					
Decrease in IFRIC 12 financial asset		**—**	11.7	**15.3**	22.3
Payments to acquire property, plant and equipment		**(9.9)**	(5.5)	**(34.5)**	(14.5)
Loans to related party undertakings		**(1.8)**	—	**(3.6)**	—
Interest received		**—**	—	**0.1**	—
Net proceeds from sales of property, plant and equipment		**0.2**	—	**0.3**	0.7
Proceeds from sales of subsidiary undertakings and businesses		**—**	—	**—**	4.7
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)		**—**	(0.5)	**(2.7)**	(5.3)
Net cash from investing activities		**(11.5)**	5.7	**(25.1)**	7.9
Cash flows from financing activities					
Interest paid		**(0.4)**	—	**(13.4)**	(14.0)
Capital element of finance lease payments		**(0.1)**	—	**(0.1)**	(0.1)
Net cash from financing activities		**(0.5)**	—	**(13.5)**	(14.1)
Net (decrease)/increase in cash and cash equivalents		**(7.6)**	11.8	**(10.9)**	9.3
Cash and cash equivalents brought forward		**36.9**	31.5	**40.2**	34.0
Cash and cash equivalents carried forward	9	**29.3**	43.3	**29.3**	43.3

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the company for the three months and nine months ended 30 June 2012 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months and nine months ended 30 June 2012, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the group for the year ended 30 September 2011, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), on which KPMG Audit Plc gave an unqualified opinion, have been delivered to the Registrar of Companies. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2011 set out within this report have been extracted from the 2011 annual report and accounts published on 13 December 2011.

2. ACCOUNTING POLICIES

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The board believes that the 'adjusted' EBITDA and 'adjusted' operating profit measures reported herein provide additional useful information on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. However, neither adjusted EBITDA nor adjusted operating profit are recognised profit measures under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

The same accounting policies and methods of computation are followed in these condensed financial statements as were applied in the group's 2011 annual report.

a) Accounting policies specific to interim financial statements

Taxation: The income tax expense to be recognised in each interim period is based on the best estimate of the weighted average annual income tax rate expected for the full year applied to the income before taxation of the interim period. The expected tax rate takes into account changes in tax rates that are enacted, or substantively enacted, that are expected to take effect later in the year. The income tax expense for the interim period comprises both current tax and deferred tax.

Defined benefit plans: As permitted by adopted IAS 34, an interim actuarial valuation has not been obtained as at the balance sheet date. For interim reporting purposes, reliable measurement has been obtained by extrapolation from the latest actuarial valuations.

3. SEGMENT REPORTING

Segment information is presented in respect of the group's business segments. Care UK Health & Social Care Investments group operates solely within the United Kingdom; hence no geographical segment disclosures are presented. Segment information is provided both in accordance with IFRS and, for key income statement line items only, on an adjusted basis excluding both non-recurring items and the accounting effects of applying IFRIC 12. The directors consider that the adjusted operating profit and adjusted EBITDA measures presented here provide additional useful information.

Inter-segment pricing is determined on an arm's length basis.

Business segments

The group comprises the following segments:

- Residential Care operates care homes for older people;
- Community Services supports people in their own homes, including older people and others with specialist needs;
- Health Care provides a range of primary and secondary care services; and
- Other includes the central functions and smaller trading operations.

Three months to 30 June 2012	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	42.0	28.5	44.3	4.8	**119.6**
Adjusted EBITDA	6.8	1.4	3.0	(0.3)	**10.9**
Depreciation	(1.4)	(0.4)	(1.9)	(0.6)	**(4.3)**
Adjusted operating profit/(loss)	5.4	1.0	1.1	(0.9)	**6.6**
Amortisation of intangible assets	(1.5)	(1.3)	(1.2)	—	**(4.0)**
Non-recurring items	(0.3)	—	—	—	**(0.3)**
Operating profit/(loss)	3.6	(0.3)	(0.1)	(0.9)	**2.3**
Net financing costs					**(6.3)**
Taxation					**0.5**
Loss for the period					**(3.5)**

Three months to 30 June 2011	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	30.0	27.7	50.0	5.0	**112.7**
Adjusted EBITDA	6.0	1.6	4.6	(0.6)	**11.6**
Depreciation	(1.4)	(0.1)	(2.0)	(0.6)	**(4.1)**
Adjusted operating profit/(loss)	4.6	1.5	2.6	(1.2)	**7.5**
Amortisation of intangible assets	(1.7)	(1.3)	(3.2)	—	**(6.2)**
Non-recurring items	—	—	(1.8)	—	**(1.8)**
Operating profit/(loss)	2.9	0.2	(2.4)	(1.2)	**(0.5)**
Net financing costs					**(6.4)**
Taxation					**2.3**
Loss for the period					**(4.6)**

Nine months to 30 June 2012	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	121.8	83.0	146.2	14.5	**365.5**
Adjusted EBITDA	19.5	4.5	11.0	(1.3)	**33.7**
Depreciation	(4.3)	(1.0)	(5.2)	(2.2)	**(12.7)**
Adjusted operating profit/(loss)	15.2	3.5	5.8	(3.5)	**21.0**
Amortisation of intangible assets	(4.8)	(3.9)	(4.2)	—	**(12.9)**
Non-recurring items	(1.7)	—	(0.1)	(0.8)	**(2.6)**
Operating profit/(loss)	8.7	(0.4)	1.5	(4.3)	**5.5**
Net financing costs					**(19.1)**
Taxation					**3.0**
Loss for the period					**(10.6)**

Nine months to 30 June 2011	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	88.4	83.2	138.6	18.5	**328.7**
Adjusted EBITDA	16.1	4.8	10.7	(1.5)	**30.1**
Depreciation	(4.2)	(0.5)	(6.0)	(1.6)	**(12.3)**
Adjusted operating profit/(loss)	11.9	4.3	4.7	(3.1)	**17.8**
Amortisation of intangible assets	(5.1)	(4.5)	(10.1)	—	**(19.7)**
Non-recurring items	0.7	—	(0.7)	1.8	**1.8**
Operating profit/(loss)	7.5	(0.2)	(6.1)	(1.3)	**(0.1)**
Net financing costs					**(19.2)**
Taxation					**7.8**
Loss for the period					**(11.5)**

4. NET FINANCING COSTS

	Three months to 30 June 2012	**Three months to 30 June 2011**	**Nine months to 30 June 2012**	**Nine months to 30 June 2011**
	£m	**£m**	**£m**	**£m**
Financial income:				
Interest receivable	**0.1**	—	**0.4**	0.1
IFRIC-12 interest receivable	**0.3**	0.5	**0.9**	1.5
Financial income	**0.4**	0.5	**1.3**	1.6
Financial expenses — interest payable on bank overdrafts and loans	**(6.7)**	(6.9)	**(20.4)**	(20.8)
Net financing costs	**(6.3)**	(6.4)	**(19.1)**	(19.2)

5. OPERATING PROFIT

The following items have been included in arriving at operating profit before financing expenses and taxation:

	Three months to 30 June 2012	Three months to 30 June 2011	Nine months to 30 June 2012	Nine months to 30 June 2011
	£m	**£m**	**£m**	**£m**
Depreciation	**4.3**	4.1	**12.7**	12.3
Amortisation of intangible assets	**4.0**	6.2	**12.9**	19.7
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.2	**0.3**	1.4

6. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012	30 June 2011	30 September 2011
	£m	**£m**	**£m**
Opening book value	**218.1**	216.8	216.8
Acquired	**0.7**	2.2	2.3
Additions	**34.6**	14.3	22.3
Disposal and transfers to current assets	**(0.9)**	(3.1)	(2.9)
Depreciation	**(12.7)**	(12.3)	(17.2)
Impairment	**—**	—	(3.2)
Closing book value	**239.8**	217.9	218.1

7. INTANGIBLE ASSETS

	30 June 2012	30 June 2011	30 September 2011
	£m	**£m**	**£m**
Opening book value	**182.8**	197.9	197.9
Acquired	**2.3**	10.0	10.1
Adjustment	**—**	—	(0.1)
Amortisation	**(12.9)**	(19.7)	(25.1)
Closing book value	**172.2**	188.2	182.8

8. OTHER FINANCIAL ASSETS

	30 June 2012	30 June 2011	30 September 2011
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**43.8**	66.0	66.0
Released in the period	**(19.8)**	(22.5)	(22.2)
IFRIC-12 financial asset: carried forward	**24.0**	43.5	43.8
Disclosed as:			
Non-current assets: IFRIC-12 financial asset	**23.2**	24.1	24.2
Current assets: IFRIC-12 financial asset	**0.8**	19.4	19.6
	24.0	43.5	43.8

These financial assets are recognised upon adoption of IFRIC 12 "Service Concession Arrangements" (this interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services). For all arrangements falling within the scope of the interpretation, the infrastructure assets are not recognised as property, plant and equipment of the operator, Care UK. Rather, depending on the terms of the arrangement, the operator recognises a financial asset where the operator has an unconditional right to receive a specified amount of cash or other financial assets over the life of the arrangement.

9. NET DEBT

(a) Current liabilities

	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Net debt
	£m	£m	£m	£m
At 1 October 2010	34.0	(0.1)	(237.9)	(204.0)
Cash flow	6.2	—	—	6.2
Other non-cash changes	—	—	(1.7)	(1.7)
At 30 September 2011	40.2	(0.1)	(239.6)	(199.5)
Cash flow	(10.9)	—	—	(10.9)
Other non-cash changes	—	—	(1.3)	(1.3)
At 30 June 2012	**29.3**	**(0.1)**	**(240.9)**	**(211.7)**

As at 30 June 2012 there was accrued interest of £10.1 million (30 June 2011: £10.1 million; 30 September 2011: £4.1 million) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

(b) Terms and conditions

i) Senior Secured Notes

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 9¾% Senior Secured Notes. Interest is payable semi-annually in arrears on 1 February and 1 August.

The Senior Secured Notes will mature on 1 August 2017. Prior to 1 August 2014, the Senior Secured Notes may be redeemed in whole or in part at any time by paying a "make-whole" premium. The Senior Secured Notes may be redeemed in whole or in part at any time on or after 1 August 2014 at the redemption prices set forth in the Offering Memorandum. In addition, prior to 1 August 2013, the Issuer may redeem at its option up to 35% of the aggregate principal amount of the Senior Secured Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. The Issuer may redeem all of the Senior Secured Notes, at any time, at a price equal to their principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in applicable tax law. If the Issuer sells certain of its assets in some circumstances or experiences a specific kind of change in control, it may be required to offer to repurchase the Senior Secured Notes at a redemption price equal to 100% or 101%, respectively, of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption.

The Senior Secured Notes are guaranteed on a senior secured basis by each of Care UK Health & Social Care Investments Limited, Care UK Limited, and certain of the Issuer's other operating subsidiaries.

ii) Super Senior Revolving Credit Facility

The group has an £80 million Super Senior Revolving Credit Facility, a revolving facility loan. The facility expires on 13 July 2016. The margin payable on the outstanding loan is in the range of 2.5% to 4.0% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and redrawable at the end of each interest period. The final repayment date is 13 July 2016.

The facility remains undrawn with the exception of £14.7 million as at 30 June 2012 (30 June 2011: £17.0 million; 30 September 2011: £17.0 million) in relation to performance bonds and £0.5 million in relation to other ancillary facilities.

The Super Senior Revolving Facility Agreement requires Care UK Health and Social Care Investments Limited, as the parent guarantor, to ensure compliance with financial covenants relating to:

- Super senior gross leverage (calculated as the ratio of total super senior gross debt at each quarter end to EBITDA for the 12 months ending on that quarter end); and
- Interest cover (calculated as the ratio of EBITDA to total net finance charges, measured at each quarter end for the 12 months ending on the relevant quarter end).

In each case, such terms are defined in the specific facility agreements.

Care UK Health & Social Care Investments Limited

Group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited)

Three month and nine month periods ended 30 June 2012

BASIS OF PREPARATION

This group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements.

The accounts are presented in pounds sterling and have been prepared under the historic cost convention.

The group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) has been prepared by the directors pursuant to the requirements detailed on page 156 of the offering memorandum and on the basis of the recognition and measurement principles contained in applicable IFRSs as adopted by the EU, with the exception of accounting interpretation IFRIC 12 Service Concession Arrangements as detailed below, and in accordance with the group accounting policies which have been applied consistently in dealing with items which are considered material in relation to the group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited).

Definition

The term 'proforma' in this group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) has been defined on page 156 of the offering memorandum as 'prepared in accordance with GAAP before giving effect to the accounting standard IFRIC 12 as amended or supplemented from time to time'.

Accounting policies

The preparation of the group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Except as described below, the same accounting policies and methods of computation are followed in this group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) as were applied in the group's condensed financial information for the nine months ended 30 June 2012:

IFRIC 12 "Service Concession Arrangements" – this interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. For all arrangements falling within the scope of the interpretation, the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:

- a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
- an intangible asset – where the operator's future cash flows are not specified (e.g. where they will vary according to the usage of the infrastructure asset); or
- both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

As a consequence of this treatment Care UK now recognises investment income in respect of the financial asset on an effective interest basis and amortisation of any intangible asset arising. In addition, the timing of profit recognition changes over the life of the contract with no change in the overall project cash flows arising therein. This group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) has been prepared to present financial information on a pre-IFRIC 12 basis.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month periods ended 30 June 2012

	Three months to 30 June 2012	Three months to 30 June 2011	Nine months to 30 June 2012	Nine months to 30 June 2011
	£m	£m	£m	£m
Revenue	**120.2**	114.0	**367.7**	332.4
Cost of sales	**(102.3)**	(96.5)	**(313.6)**	(283.1)
Gross profit	**17.9**	17.5	**54.1**	49.3
Administrative expenses	**(15.4)**	(17.5)	**(48.6)**	(48.2)
Operating profit before financing expenses	**2.5**	—	**5.5**	1.1
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**11.7**	13.1	**36.3**	35.3
Depreciation of tangible assets	**(4.9)**	(5.7)	**(15.6)**	(17.0)
Adjusted operating profit	**6.8**	7.4	**20.7**	18.3
Amortisation of intangible assets	**(4.0)**	(5.9)	**(12.6)**	(19.3)
Non-recurring items	**(0.3)**	(1.5)	**(2.6)**	2.1
Operating profit before financing expenses	**2.5**	—	**5.5**	1.1
Financial income	**0.1**	—	**0.4**	0.1
Financial expenses	**(6.7)**	(6.9)	**(20.4)**	(20.8)
Net financing costs	**(6.6)**	(6.9)	**(20.0)**	(20.7)
Loss before taxation	**(4.1)**	(6.9)	**(14.5)**	(19.6)
Taxation	**0.5**	2.4	**3.1**	8.3
Loss for the period	**(3.6)**	(4.5)	**(11.4)**	(11.3)
Total comprehensive loss for the period	**(3.6)**	(4.5)	**(11.4)**	(11.3)
Loss attributable to				
Equity holders of the parent	**(3.6)**	(4.5)	**(11.3)**	(11.3)
Minority interest	**—**	—	**(0.1)**	—
	(3.6)	(4.5)	**(11.4)**	(11.3)
Total comprehensive loss attributable to				
Equity holders of the parent	**(3.6)**	(4.5)	**(11.3)**	(11.3)
Minority interest	**—**	—	**(0.1)**	—
Equity holders of the parent	**(3.6)**	(4.5)	**(11.4)**	(11.3)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2012

	30 June 2012	30 June 2011	30 September 2011
	£m	£m	£m
Assets			
Property, plant and equipment	**272.9**	269.9	269.1
Intangible assets	**162.4**	176.4	172.8
Amounts due from related party undertakings	**3.7**	—	3.6
Other investments	**0.1**	—	0.1
Total non-current assets	**439.1**	446.3	445.6
Inventories	**2.1**	2.6	2.9
Trade and other receivables	**70.2**	56.6	49.8
Cash and cash equivalents	**29.3**	43.3	40.2
Properties classified as held for sale	**2.7**	3.1	3.2
Total current assets	**104.3**	105.6	96.1
Total assets	**543.4**	551.9	541.7
Liabilities			
Financial liabilities — borrowings	**(0.1)**	(0.1)	(0.1)
Trade and other payables	**(97.4)**	(77.2)	(82.5)
Current tax liabilities	**(5.3)**	(2.0)	(3.6)
Total current liabilities	**(102.8)**	(79.3)	(86.2)
Financial liabilities — borrowings	**(240.9)**	(239.2)	(239.6)
Other non-current liabilities	**(5.2)**	(10.2)	(5.5)
Deferred tax liabilities	**(29.7)**	(37.8)	(34.1)
Total non-current liabilities	**(275.8)**	(287.2)	(279.2)
Total liabilities	**(378.6)**	(366.5)	(365.4)
Net assets	**164.8**	185.4	176.3
Equity			
Issued share capital	**210.7**	210.7	210.7
Retained earnings	**(45.9)**	(25.3)	(34.5)
Total equity attributable to equity holders of the parent	**164.8**	185.4	176.2
Minority interest	**—**	—	0.1
Total equity	**164.8**	185.4	176.3

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month periods ended 30 June 2012

	Three months to 30 June 2012	**Three months to 30 June 2011**	**Nine months to 30 June 2012**	**Nine months to 30 June 2011**
	£m	**£m**	**£m**	**£m**
Cash flows from operating activities				
Loss for the period	**(3.6)**	(4.5)	**(11.4)**	(11.3)
Depreciation	**4.9**	5.7	**15.6**	17.0
Amortisation of intangible assets	**4.0**	5.9	**12.6**	19.3
Loss/(profit) on disposal of fixed assets	**0.1**	—	**0.1**	(1.8)
Decrease in inventory	**0.9**	0.1	**1.3**	—
Increase in receivables	**(8.9)**	(3.8)	**(15.5)**	(1.7)
Increase/(decrease) in payables	**1.2**	(1.3)	**8.5**	(18.3)
Financial income	**(0.1)**	—	**(0.4)**	(0.1)
Financial expense	**6.7**	6.9	**20.4**	20.8
Tax credit	**(0.5)**	(2.4)	**(3.1)**	(8.3)
Cash flows from operations	**4.7**	6.6	**28.1**	15.6
Income taxes (paid)/received	**—**	(0.2)	**0.1**	1.4
Net cash from operating activities	**4.7**	6.4	**28.2**	17.0
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(10.1)**	(5.7)	**(34.9)**	(15.9)
Net proceeds from sales of property, plant and equipment	**0.1**	11.7	**15.5**	23.0
Loans to related party undertakings	**(1.8)**	—	**(3.6)**	—
Interest received	**—**	0.1	**0.1**	0.1
Proceeds from sales of subsidiary undertakings and businesses	**—**	—	**—**	4.7
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**—**	(0.5)	**(2.7)**	(5.3)
Net cash from investing activities	**(11.8)**	5.6	**(25.6)**	6.6
Cash flows from financing activities				
Interest paid	**(0.4)**	(0.2)	**(13.4)**	(14.2)
Capital element of finance lease payments	**(0.1)**	—	**(0.1)**	(0.1)
Net cash from financing activities	**(0.5)**	(0.2)	**(13.5)**	(14.3)
Net (decrease)/increase in cash and cash equivalents	**(7.6)**	11.8	**(10.9)**	9.3
Cash and cash equivalents brought forward	**36.9**	31.5	**40.2**	34.0
Cash and cash equivalents carried forward	**29.3**	43.3	**29.3**	43.3

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED)

Three months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	42.6	28.5	44.3	4.8	**120.2**
Adjusted EBITDA	7.6	1.4	3.0	(0.3)	**11.7**
Depreciation	(2.0)	(0.4)	(1.9)	(0.6)	**(4.9)**
Adjusted operating profit/(loss)	5.6	1.0	1.1	(0.9)	**6.8**
Amortisation of intangible assets	(1.5)	(1.3)	(1.2)	—	**(4.0)**
Non-recurring items	(0.3)	—	—	—	**(0.3)**
Operating profit/(loss)	3.8	(0.3)	(0.1)	(0.9)	**2.5**
Net financing costs					**(6.6)**
Taxation					**0.5**
Loss for the period					**(3.6)**

Three months to 30 June 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	30.7	27.7	50.6	5.0	**114.0**
Adjusted EBITDA	6.8	1.6	5.3	(0.6)	**13.1**
Depreciation	(1.9)	(0.1)	(3.1)	(0.6)	**(5.7)**
Adjusted operating profit/(loss)	4.9	1.5	2.2	(1.2)	**7.4**
Amortisation of intangible assets	(1.4)	(1.3)	(3.2)	—	**(5.9)**
Non-recurring items	—	—	(1.5)	—	**(1.5)**
Operating profit/(loss)	3.5	0.2	(2.5)	(1.2)	**—**
Net financing costs					**(6.9)**
Taxation					**2.4**
Loss for the period					**(4.5)**

Nine months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	123.7	83.0	146.5	14.5	**367.7**
Adjusted EBITDA	21.8	4.5	11.3	(1.3)	**36.3**
Depreciation	(6.0)	(1.0)	(6.4)	(2.2)	**(15.6)**
Adjusted operating profit/(loss)	15.8	3.5	4.9	(3.5)	**20.7**
Amortisation of intangible assets	(4.5)	(3.9)	(4.2)	—	**(12.6)**
Non-recurring items	(1.7)	—	(0.1)	(0.8)	**(2.6)**
Operating profit/(loss)	9.6	(0.4)	0.6	(4.3)	**5.5**
Net financing costs					**(20.0)**
Taxation					**3.1**
Loss for the period					**(11.4)**

Nine months to 30 June 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	90.4	83.2	140.3	18.5	**332.4**
Adjusted EBITDA	18.5	4.8	13.5	(1.5)	**35.3**
Depreciation	(5.9)	(0.5)	(9.0)	(1.6)	**(17.0)**
Adjusted operating profit/(loss)	12.6	4.3	4.5	(3.1)	**18.3**
Amortisation of intangible assets	(4.7)	(4.5)	(10.1)	—	**(19.3)**
Non-recurring items	0.7	—	(0.4)	1.8	**2.1**
Operating profit/(loss)	8.6	(0.2)	(6.0)	(1.3)	**1.1**
Net financing costs					**(20.7)**
Taxation					**8.3**
Loss for the period					**(11.3)**