Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and nine months ended 30 June 2018

£229,997,000 Senior Secured First Lien Floating Rate Notes due 2019
£37,615,000 Second Lien Floating Rate Notes due 2020

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2017 (the "2017 Annual report") and should be read in conjunction with that report. The 2017 Annual report is available in pdf format only and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the third quarter of the year ending 30 September 2018 and exclude the effects of IFRIC 12.

- **Group overview and financial highlights**
  - Overall performance in the three months ended 30 June 2018 is in line with management expectations. Revenue increased by £4.3 million, or 2.6 per cent. to £171.6 million with Adjusted EBITDA up by 15.9 per cent. to £12.4 million. The nine month year to date Adjusted EBITDA growth of £7.2 million to £35.7 million represents an increase of over 25.0 per cent. on 2017.
  - As planned new care home start-up losses within the Residential Care business increased to £1.8 million in the current quarter from £1.3 million in Q3 2017. Pro forma Adjusted EBITDA (before new care home start-up losses) of £14.2 million represents a £2.2 million (18.3 per cent.) increase on prior year.
  - Revenue in our Residential Care business increased £6.2 million to £82.4 million in the quarter. Adjusting for a number of discontinued homes, the underlying increase was £9.3 million, representing year on year growth of 12.7 per cent. Pro forma Adjusted EBITDA increased by 17.6 per cent. to £10.7 million in the current quarter from £9.1 million in Quarter Two. Occupancy rates have improved over recent months (particularly since the end of the reporting quarter) following the higher than normal seasonal fall in occupancy experienced across the sector earlier in the year attributed to increased mortality.
  - Health Care revenue of £89.2 million for the quarter is impacted by the expected ending of three out-of-hours contracts that occurred at the end of the prior quarter. Excluding these contract expiries, Health Care revenue increased year on year by £4.0 million largely as a result of new Prison Health Care contracts that commenced in Quarter Four of 2017, with these new contracts compensating for the expiry of the urgent care contracts.
  - Health Care Adjusted EBITDA of £4.8 million is £1.2 million ahead of the £3.6 million reported last year. Efficiency and cost saving initiatives in Secondary Care continue to prove beneficial giving greater ability to flex responsively to demand. Prison Health Care contracts are also continuing to deliver improved margin through service optimisation as we embed more efficient working practices.
  - Net debt at 30 June 2018 of £282.8 million is in line with management expectations, albeit an increase on prior quarter as a result of the expected working capital reversal. Reported leverage of 6.2x (5.3x on a pro forma basis) is broadly unchanged from the previous quarter with Adjusted EBITDA LTM continuing to grow, now at £45.9 million (£53.0 million on a pro forma basis).
  - We continue to evaluate strategic options for the long term future and continued growth of both our Health Care and Residential Care businesses, as well as options to refinance the bonds. A range of potential scenarios, including property based options, are under consideration.

- **Residential Care Services**
  - Residential Care revenue was £82.4 million in the quarter, an increase of £6.2 million (8.1 per cent.) compared to prior year. Excluding discontinued homes, revenue increased £9.3 million year on year (12.7 per cent.). Around two thirds of this growth has been delivered from continued improved occupancy in the new home portfolio, with the remainder from the mature home portfolio arising from a combination of annual fee rate increases and the growth in the proportion of self-funding residents.
  - Adjusted EBITDA of £8.9 million is £0.4 million higher than prior year; the underlying rise offset by the expected increase in start-up losses year on year from £1.3 million for the quarter in 2017 to £1.8 million in the current quarter as a result of the increased scale of new build developments. Pro forma Adjusted EBITDA of £10.7 million has increased by 9.2 per cent. on prior year and 17.6 per cent. on the prior quarter.
  - Key operational metrics:
    - Average weekly fee (AWF) has risen to £905, a 3.4 per cent. increase on prior quarter as a result of the annual increase that occurs every April. The year on year increase of 6.6 per cent. also reflects the rising proportion of self-funding residents. The proportion of total revenue derived from self-funded residents in Q3 2018 was 46.6 per cent., up from 43.8 per cent. a year ago.
    - Financial occupancy across the entire care home portfolio has been maintained at around 85.5 per cent. for the quarter following the impact in Quarter One of new home openings and the particularly high winter mortality rate in the sector. Likewise, occupancy for our established homes maintained an average of around 90.0 per cent. in the quarter.
    - The labour cost to sales ratio has reduced to 59.1 per cent. following the higher than normal ratio of 60.7 per cent. reported in Quarter Two that resulted from a combination of the sector wide occupancy reduction and the high ratio of staffing to residents in newly opened homes. The use of agency staff continues to trend downwards both in absolute cost terms and as a proportion of revenue.
  - During the quarter a 67 bed care opened in Sutton Coldfield bringing the total number of new homes opened in this financial year to five, an aggregate increase of 360 beds. A further 11 homes are at various stages of construction with openings planned across the next 18 months. Beyond this we have a strong pipeline of new build opportunities and continue to explore opportunities to develop local authority partnership models.
  - In December 2016 the Competition and Markets Authority launched a review of the residential care home market. The CMA's report was published in November 2017 with new market guidance on post death charges published in May 2018. Care UK has applied this new market guidance and awaits publication of the final report which is expected soon. Changes in guidance to date are expected to be financially neutral over time.
  - Care Quality Commission (CQC) inspection ratings remain robust and continue to be the best performance of the five largest operators within the sector with 83 per cent. of homes currently ranked at least "Good" (with three homes rated "Outstanding"). Of our 118 care homes, only one home is now rated "Inadequate" which has an improvement plan in place.

- **Health Care**
    - Health Care revenue of £89.2 million is £2.6 million lower than the prior quarter, almost exclusively due to the three out-of-hours services that ceased at the end of Quarter Two. Aggregate annualised revenue for these services is approximately £13.0 million. This reduction was partially offset by new urgent care contracts in Coventry and Rugby which commenced in the quarter.
    - Revenue from prison healthcare contracts that mobilised at the end of the 2017 financial year have added around £3.0 million of revenue year on year. Whilst consistent with Quarter Two, the Secondary Care Elective Surgery service line reported a year on year reduction in revenue of £1.1 million, largely due to lower orthopaedic procedures as a result of NHS demand management. Referral levels are currently showing signs of improvement.
    - Adjusted EBITDA of £4.8 million for the quarter is £1.2 million ahead of the prior year. As in earlier quarters, our Elective Surgery treatment centres are performing better than prior year as a result of a more efficient cost base. Prison Health Care services Adjusted EBITDA has increased by over 30.0 per cent. on prior year.
    - As mentioned above there are early indications of an increase in referrals at our Elective Surgery units following a sustained period of referral management within the NHS, resulting in exceptionally long waiting lists. Care UK remains of the opinion that current NHS waiting lists are unsustainable and expects a medium term increase in volumes.
    - ‘Patient Choice’ activity, self-pay options for patients, and partnership models with NHS Acute Trusts continue to be areas of strategic focus for Care UK. Following the recent NHS partnership arrangement in our Southampton treatment centre we continue to explore similar arrangements at our other sites with one other significant contract close to completion. The self-pay pilot has also received an encouraging level of interest from patients.

- **Post reporting period developments**
    - In July, Care UK opened its first ‘Practice Plus’ primary care service in Brighton in partnership with Boots. The innovative model combines ‘in person’ GP visits with Health Care triage and use of our existing clinical call centres. Further sites are being considered as part of a wider roll out.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK continues to occupy a unique position within the health and social care markets, as the largest independent provider of NHS services and as the largest developer of new residential and nursing care homes. Care UK's portfolio is closely aligned to commissioners' current and anticipated priorities, and focused on patient, service user and customer expectations and choice. Care UK is structured as two mature and largely standalone service line based operating divisions – Health Care and Residential Care Services – each performing at a market leading level within its sector.

<table>
<tr><th>Social Care</th><th>Health Care</th></tr>
<tr><td>
Care UK is one of the largest providers of residential care for older people. At 30 June 2018 we operated 118 care homes with almost 7,800 beds providing both residential and nursing care. Our team of 8,000 people delivers care to over 7,000 people every day.
Our care homes provide an impressive range of care services to older people, ranging from short stay respite care to nursing care, end of life care, plus specialist care and support for people living with Alzheimer's and other forms of dementia.
We are building modern and fit for purpose care homes, with a strategic ambition to reach 50 per cent. of our revenue being generated from self-funding customers. We have opened 31 new homes since 2011 and have a strong pipeline of opportunities ahead.
The quality of our services as rated by CQC in England and CI in Scotland compares favourably with other providers. More of Care UK's homes are rated 'good' or 'outstanding' than those run by the other four largest providers in the UK marketplace.
</td><td>
Care UK currently delivers more than 70 dedicated NHS services throughout health care in the UK. We treat more than a million patients every year and we use the same governance and accountability procedures and standards and measures of success as the NHS
Our services are centred around the key primary and secondary care service streams.
Primary Care
We are the largest Independent Sector provider of health care services in prisons and secure facilities, delivered at 42 different sites.
We provide NHS primary care services including community GP services and walk-in services.
Care UK currently provides over 20 out-of-hours services across England. Some of out-of-hours services we provide are in joint venture partnerships with local GPs.
We hold the contracts for 12 NHS 111 services across a range of geographical areas in England, including the south west and south east of England, London, and parts of the Midlands and east of England.
Secondary Care
Our treatment centres have ranked top in an independent national rating of the best performing hospitals for knee and hip replacement operations, and two of them are rated as 'outstanding' by the Care Quality Commission (CQC).
Our treatment centres have exceptional clinical outcomes and no cases of hospital acquired MRSA blood stream infections.
</td></tr>
</table>

Unless stated all figures and percentages included below exclude the effects of applying IFRIC 12.

Key figures Amounts in £ million	Q3 2017	Q3 2018
Revenue	167.3	171.6
Adjusted EBITDA	10.7	12.4
Pro forma Adjusted EBITDA	12.0	14.2
Adjusted operating profit	4.4	5.8
Net loss for the period	(3.9)	(0.5)
Operating cash flow (before capital expenditure)	2.3	(3.1)

Segmental reporting	**Revenue**		**Adjusted EBITDA**	
Amounts in £ million	Q3 2017	Q3 2018	Q3 2017	Q3 2018
Residential Care Services	76.2	82.4	8.5	8.9
Health Care	91.1	89.2	3.6	4.8
Other	-	-	(1.4)	(1.3)
Total	**167.3**	**171.6**	**10.7**	**12.4**

Financial leverage	As of and for the 12 month period ended			
	30 September 2017	31 December 2017	31 March 2018	30 June 2018
Adjusted EBITDA (£m)	38.7	42.6	44.2	45.9
Pro forma Adjusted EBITDA (£m)[1]	43.6	48.4	50.8	53.0
Net debt (£m)[2]	257.4	264.3	268.4	282.8
Net debt / Pro forma Adjusted EBITDA	5.90x	5.46x	5.28x	5.34x
Net debt / Adjusted EBITDA	6.65x	6.20x	6.07x	6.16x

[1] Pro forma Adjusted EBITDA, excluding new home start-up losses (£7.1 million LTM 30 June 2018) in the Residential Care Services division.

[2] Excludes £5.0 million of Second Lien Notes held in treasury by Care UK's parent undertaking.

FINANCIAL SUMMARY

Results of Operations

The tables below sets out the key line items from the unaudited condensed consolidated statement of comprehensive performance for the three and nine months ended 30 June 2018 and 30 June 2017 excluding the effect of applying IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the 2017 Annual report. For the unaudited condensed consolidated statement of comprehensive performance including the effects of IFRIC 12 see the financial statements on pages F-3 to F-15 that accompany this financial summary.

For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, and for full details regarding Care UK's Accounting Policies, refer to the 2017 Annual report.

Pro forma pre-IFRIC 12 non-statutory consolidated statement of comprehensive performance (unaudited)	**Three months ended 30 June**		**Nine months ended 30 June**	
	2017	**2018**	**2017**	**2018**
	£m	**£m**	**£m**	**£m**
Revenue	167.3	171.6	490.1	512.1
Cost of sales	(150.0)	(153.1)	(439.5)	(457.6)
Gross profit	**17.3**	**18.5**	**50.6**	**54.5**
Administrative expenses	(15.8)	(14.5)	(50.4)	(45.7)
Operating profit before financing expenses	**1.5**	**4.0**	**0.2**	**8.8**
Adjusted EBITDA	**10.7**	**12.4**	**28.5**	**35.7**
Depreciation of tangible assets	(6.3)	(6.6)	(18.0)	(20.7)
Adjusted operating profit	4.4	5.8	10.5	15.0
Amortisation of intangible assets	(2.1)	(1.3)	(6.4)	(4.7)
Profit on disposal of tangible fixed assets	-	-	-	1.3
Non-recurring items	(0.7)	0.1	(3.5)	(0.7)
IAS 17 lease expense	(0.1)	(0.6)	(0.4)	(2.1)
Operating profit before financing expenses	**1.5**	**4.0**	**0.2**	**8.8**
Financial income	0.7	0.8	2.1	2.3
Financial expense	(4.5)	(4.9)	(13.8)	(14.3)
Net financing expense	**(3.8)**	**(4.1)**	**(11.7)**	**(12.0)**
Loss before taxation	**(2.3)**	**(0.1)**	**(11.5)**	**(3.2)**
Taxation	(1.6)	(0.4)	(0.1)	(0.7)
Loss for the period	**(3.9)**	**(0.5)**	**(11.6)**	**(3.9)**

Net Debt and Liquidity

The following table shows the comparative net debt position as at 30 June 2018 and 30 June 2017.

	As at 30 June	
	2017	**2018**
	£m	**£m**
Senior Secured Notes	267.6	267.6
Revolving Credit Facility and bank loans	11.0	29.0
Cash and cash equivalents	(10.3)	(12.5)
Deferred financing costs	(2.6)	(1.3)
Total net debt	**265.7**	**282.8**

Net debt has been broadly consistent since the significant repurchases of the 2014 Notes made in 2015 (outlined below) and as at 30 June 2018 was £282.8 million, £17.1 million higher than the prior year and £14.4 million higher than the end of the prior quarter. The movement in the quarter reflects the unwind of a strong working capital position from proceeding quarters. Net liquidity (RCF availability plus cash) as at 30 June 2018 was £48.5 million.

Care UK has historically financed its capital investment and working capital requirements through a combination of cash flows from its operating activities, short and long-term bank borrowings and the issuance of Senior Secured Notes. Following the purchase of the 2014 Notes outlined below, Care UK expects that its key sources of liquidity for the foreseeable future will continue to be cash flows generated from operations together with drawings under Care UK's Revolving Credit Facility.

Significant historical debt transactions

In July 2014 the group carried out a refinancing (the "Refinancing") in order to put in place a long term stable capital structure to underpin the group's future growth plans whilst significantly reducing the group's cost of debt. The Refinancing comprised the issue of the 2014 Notes divided into two tranches, a First Lien tranche of £325.0 million (the "2014 Senior Secured Notes"), which mature on 15 July 2019, and a Second Lien tranche of £75.0 million (the "2014 Second Lien Notes"), which mature on 15 January 2020.

As a result of a series of repurchase transactions that took place during the year ended 30 September 2015 total Senior Secured Notes and Second Lien Notes remaining in issue at 30 June 2018 are £230.0 million and £37.6 million respectively (excluding £5.0 million 2014 Second Lien Notes held in treasury by Care UK Health and Social Care Finance Limited, a company which is outside the restricted credit group).

The following table sets out a summary of cash flows and change in net debt for the periods indicated.

	Three months ended 30 June		Nine months ended 30 June	
	2017	2018	2017	2018
	£m	£m	£m	£m
Adjusted operating profit	4.4	5.8	10.5	15.0
Depreciation and other non-cash movements	6.2	6.2	17.6	18.8
Change in working capital and non-recurring items	(8.3)	(15.1)	0.5	(18.6)
Cash flow from operations	**2.3**	**(3.1)**	**28.6**	**15.2**
Business disposals enterprise value	-	-	0.2	-
Cash flows resulting from financing activities and taxation	(4.1)	(4.3)	(12.8)	(12.6)
Capital expenditure, net of disposal proceeds	(5.6)	(6.7)	(22.0)	(21.3)
Loans from/(to) related party undertakings & joint ventures	5.0	-	2.5	(3.3)
Pension deficit contribution	-	-	-	(2.5)
Movement in net debt arising from cash flows	**(2.4)**	**(14.1)**	**(3.5)**	**(24.5)**
Other non-cash movements in net debt	(0.3)	(0.3)	(0.9)	(0.9)
Total movement in net debt	**(2.7)**	**(14.4)**	**(4.4)**	**(25.4)**
Net debt at 30 June	(265.7)	(282.8)	(265.7)	(282.8)

The net cash flow from operating activities for the three months ended 30 June 2018 was an outflow of £3.1 million compared with an inflow of £2.3 million for the three months ended 30 June 2017. Quarter Three historically experiences an unwinding of working capital and the movement in the quarter is in line with management expectations.

Cash flows resulting from financing expenses and taxation were a net outflow of £4.3 million in the three months ended 30 June 2018, broadly unchanged from the comparative period in the prior year and prior period. This reflects the largely unchanged GBP LIBOR interest rate that is applied to the Group’s Loan Notes and RCF facility.

Capital expenditure net of disposal proceeds amounted to £6.7 million for the three months ended 30 June 2018 compared with £5.6 million for the three months ended 30 June 2017. The capital spend in the first half of 2018 is disproportionately higher due to the timing of a certain projects as outlined below.

Maintenance capital expenditure amounted to £5.0 million for the three months ended 30 June 2018, marginally higher than the prior year of £4.2 million, and returns to a more normal level following the £7.1 million in Quarter two where on top of our normal maintenance cycle, our Secondary Care business invested in replacing endoscopy equipment across a number of elective surgery sites.

Expansionary capital expenditure amounted to £1.7 million for the three months ended 30 June 2018 compared with £1.3 million for the three months ended 30 June 2017. Expansionary capital investment has been weighted towards the first half of 2018 including the acquisition of two care home freeholds (previously leased) for £3.1 million as part of a portfolio renegotiation transaction.

Care UK made no related party loans in the current quarter. In 2017 £5.0 million of loan repayments were received from the Silver Sea property development group - see “Certain Relationships and Related Party Transactions” in the 2017 Annual report for further details.

RISK FACTORS

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. Other than matters 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.

See the 2017 Annual report for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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

Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three and nine month period ended 30 June 2018

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month period ended 30 June 2018

	Notes	**Three months to 30 June 2018**	Three months to 30 June 2017	**Nine months to 30 June 2018**	Nine months to 30 June 2017
		£m	£m	**£m**	£m
Revenue		**171.2**	166.9	**510.7**	488.7
Cost of sales		**(152.8)**	(149.8)	**(457.2)**	(438.5)
Gross profit		**18.4**	17.1	**53.5**	50.2
Administrative expenses		**(14.8)**	(16.0)	**(46.1)**	(50.8)
Operating profit/(loss) before financing expense		**3.6**	1.1	**7.4**	(0.6)

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**11.5**	9.8	**32.6**	26.2
Depreciation of tangible assets		**(5.9)**	(5.7)	**(18.6)**	(16.2)
Adjusted operating profit		**5.6**	4.1	**14.0**	10.0
Amortisation of intangible assets		**(1.5)**	(2.2)	**(5.1)**	(6.7)
Profit on disposal of tangible fixed assets		**-**	-	**1.3**	-
Non-recurring items	5	**0.1**	(0.7)	**(0.7)**	(3.5)
IAS 17 lease expense		**(0.6)**	(0.1)	**(2.1)**	(0.4)
Operating profit/(loss) before financing expense		**3.6**	1.1	**7.4**	(0.6)

Financial income	6	**1.0**	0.9	**2.9**	2.7
Financial expense	6	**(4.9)**	(4.5)	**(14.3)**	(13.8)
Net financing expense		**(3.9)**	(3.6)	**(11.4)**	(11.1)
Loss before taxation	7	**(0.3)**	(2.5)	**(4.0)**	(11.7)
Taxation		**(0.4)**	(1.6)	**(0.6)**	(0.1)
Total comprehensive loss for the period attributable to equity holders of the parent		**(0.7)**	(4.1)	**(4.6)**	(11.8)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2018

	Notes	30 June 2018	30 June 2017	30 September 2017
		£m	£m	£m
Assets				
Property, plant and equipment	8	**195.0**	190.9	190.9
Intangible assets	9	**133.1**	141.0	138.2
Other financial assets	10	**17.0**	19.8	17.5
Amounts due from parent undertakings		**1.5**	-	-
Amounts due from related party undertakings		**31.9**	27.2	27.7
Other receivables		**7.7**	8.0	8.0
Deferred tax assets		**7.6**	7.5	7.7
Total non-current assets		**393.8**	394.4	390.0
Other financial assets	10	**1.0**	0.8	1.3
Inventories		**2.0**	4.1	2.0
Trade and other receivables		**55.7**	64.0	57.6
Cash and cash equivalents		**12.5**	10.3	12.0
Assets held for sale		**1.3**	2.9	4.4
Total current assets		**72.5**	82.1	77.3
Total assets		**466.3**	476.5	467.3
Liabilities				
Trade and other payables		**(143.0)**	(151.9)	(154.4)
Financial liabilities	11	**(29.0)**	-	-
Current tax liabilities		**(2.0)**	(1.5)	(1.5)
Provisions for liabilities and charges		**(1.2)**	(1.0)	(1.0)
Total current liabilities		**(175.2)**	(154.4)	(156.9)
Financial liabilities	11	**(266.3)**	(276.0)	(269.4)
Other non-current liabilities		**(12.1)**	(18.8)	(15.1)
Amounts due to related party undertakings		**(6.2)**	(5.8)	(5.9)
Provisions for liabilities and charges		**(17.2)**	(25.6)	(26.1)
Total non-current liabilities		**(301.8)**	(326.2)	(316.5)
Total liabilities		**(477.0)**	(480.6)	(473.4)
Net (liabilities)/assets		**(10.7)**	(4.1)	(6.1)
Equity				
Issued share capital		**210.7**	210.7	210.7
Capital contribution reserve		**15.7**	15.7	15.7
Retained earnings		**(237.1)**	(230.5)	(232.5)
Total equity attributable to equity holders of the parent		**(10.7)**	(4.1)	(6.1)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine month period ended 30 June 2018

	Attributable to equity holders of the parent			
Group	**Issued share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity**
	£m	**£m**	**£m**	**£m**
At 30 September 2017	210.7	15.7	(232.5)	(6.1)
Total comprehensive loss for the period	-	-	(4.6)	(4.6)
At 30 June 2018	**210.7**	**15.7**	**(237.1)**	**(10.7)**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month period ended 30 June 2018

	Three months to 30 June 2018	Three months to 30 June 2017	**Nine months to 30 June 2018**	Nine months to 30 June 2017
	£m	£m	**£m**	£m
Cash flows from operating activities				
Loss for the period before taxation	**(0.3)**	(2.5)	**(4.0)**	(11.7)
Financial income	**(1.0)**	(0.9)	**(2.9)**	(2.7)
Financial expense	**4.9**	4.5	**14.3**	13.8
Depreciation of tangible assets	**5.9**	5.7	**18.6**	16.2
Amortisation of intangible assets	**1.5**	2.2	**5.1**	6.7
Profit on disposal of tangible fixed assets	**-**	-	**(1.3)**	-
Decrease in IFRIC 12 financial asset	**0.4**	0.5	**1.3**	1.4
Decrease/(increase) in inventory	**0.2**	-	**0.2**	(0.4)
(Increase)/decrease in trade and other receivables	**(6.7)**	(13.9)	**(4.4)**	(13.7)
(Decrease)/increase in trade and other payables	**(8.5)**	6.2	**(13.4)**	18.1
Net cash flows from operating activities	**(3.6)**	1.8	**13.5**	27.7
Pension deficit contribution	**-**	-	**(2.5)**	-
Income taxes paid	**-**	-	**-**	(0.1)
Net cash flows before investing and financing activities	**(3.6)**	1.8	**11.0**	27.6
Cash flows from investing activities				
Disposal of businesses, net of cash disposed	**-**	-	**-**	0.2
Payments to acquire property, plant and equipment	**(6.2)**	(5.1)	**(24.0)**	(21.6)
Net proceeds from the sale of property, plant and equipment	**-**	-	**4.4**	0.5
Loans from/(to) related party undertakings	**-**	5.0	**(3.3)**	2.5
Interest received	**0.1**	0.1	**0.1**	0.1
Net cash flows from investing activities	**(6.1)**	-	**(22.8)**	(18.3)
Cash flows from financing activities				
Proceeds from new loans	**53.0**	39.0	**152.0**	118.0
Repayment of amounts borrowed	**(46.0)**	(40.0)	**(127.0)**	(117.0)
Interest paid	**(4.4)**	(4.2)	**(12.7)**	(12.8)
Net cash flows from financing activities	**2.6**	(5.2)	**12.3**	(11.8)
Net (decrease)/increase in cash and cash equivalents	**(7.1)**	(3.4)	**0.5**	(2.5)
Cash and cash equivalents at the beginning of the period	**19.6**	13.7	**12.0**	12.8
Cash and cash equivalents at the end of the period	**12.5**	10.3	**12.5**	10.3

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three and nine months ended 30 June 2018 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three and nine months ended 30 June 2018, 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 2017, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG LLP gave an unqualified opinion, are available on the website www.careukgroup.com. 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 2017 set out within this report have been extracted from the 2017 Annual report and accounts published on 5 December 2017.

2. ACCOUNTING POLICIES

The preparation of these condensed consolidated interim 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. 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.

Accounting policies specific to interim financial statements

The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2017 Annual report.

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.

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 full actuarial valuations.

Provisions for liabilities and other charges: The group has provided for onerous lease contracts in respect of residential care homes to the extent that the unavoidable costs of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the care home. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Care UK updates these forecast assumptions on an annual basis together with other variable assumptions typically applied in a discounted cash flow method. Care UK does not recalculate the provision at each interim reporting date or account for any unwinding. The carrying amount of provisions as at 30 June 2018 was £6.3m.

3. NON-IFRS FINANCIAL MEASURES

The Board believes that the “adjusted” profit measures reported provide additional information for the shareholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. Adjusted operating profit is not a recognised profit measure under adopted IFRS and may not be directly comparable with “adjusted” profit measures used by other companies.

Adjusted operating profit, which includes Care UK’s proportionate ownership share of Adjusted EBITDA from joint ventures, is defined as Operating profit before net financing expenses adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items and excluding the impact of applying IAS 17 in respect of lease incentives.

Adjusted EBITDA is defined as adjusted operating profit plus depreciation. For further detail on the definition of these performance measures and the items that have been excluded see the 2017 Annual report – Presentation of Financial Information on page 39.

4. SEGMENT REPORTING

Segmental information is presented in respect of the group's business segments. The primary business segments are based on the group's management and internal reporting structure. The Care UK group operates solely within the UK hence no geographical segment disclosures are presented. Inter-segment pricing, where applicable, is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise net financing expense, and taxation.

Business Segments

The group's operating segments are as follows:

- Residential Care Services: operates care homes for older people;
- Health Care: provides a range of primary and secondary care services; and
- Other: comprises the group's central support functions.

Three months to 30 June 2018	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	82.0	89.2	-	**171.2**
Adjusted EBITDA	8.0	4.8	(1.3)	**11.5**
Depreciation of tangible assets	(3.6)	(2.3)	-	**(5.9)**
Adjusted operating profit/(loss)	4.4	2.5	(1.3)	**5.6**
Amortisation of intangible assets	(1.1)	(0.4)	-	**(1.5)**
Non-recurring items	(0.2)	0.3	-	**0.1**
IAS 17 lease expense	(0.6)	-	-	**(0.6)**
Profit/(loss) before financing expense and taxation	2.5	2.4	(1.3)	**3.6**
Net financing expense				**(3.9)**
Taxation				**(0.4)**
Loss for the period				**(0.7)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(8.6)	(2.4)	(0.1)	(11.1)

Three months to 30 June 2017	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	75.8	91.1	-	**166.9**
Adjusted EBITDA	7.6	3.6	(1.4)	**9.8**
Depreciation of tangible assets	(2.9)	(2.4)	(0.4)	**(5.7)**
Adjusted operating profit/(loss)	4.7	1.2	(1.8)	**4.1**
Amortisation of intangible assets	(1.0)	(0.7)	(0.5)	**(2.2)**
Non-recurring items	-	(0.7)	-	**(0.7)**
IAS 17 lease expense	(0.1)	-	-	**(0.1)**
Profit/(loss) before financing expense and taxation	3.6	(0.2)	(2.3)	**1.1**
Net financing expense				**(3.6)**
Taxation				**(1.6)**
Loss for the period				**(4.1)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(7.8)	(3.0)	(0.1)	(10.9)

Nine months to 30 June 2018	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	239.4	271.3	-	**510.7**
Adjusted EBITDA	21.2	15.3	(3.9)	**32.6**
Depreciation of tangible assets..................	(10.2)	(6.8)	(1.6)	**(18.6)**
Adjusted operating profit/(loss)	11.0	8.5	(5.5)	**14.0**
Amortisation of intangible assets	(3.1)	(2.0)	-	**(5.1)**
Profit on disposal of fixed assets	1.3	-	-	**1.3**
Non-recurring items	(0.7)	-	-	**(0.7)**
IAS 17 lease expense	(2.1)	-	-	**(2.1)**
Profit/(loss) before financing expense and taxation	6.4	6.5	(5.5)	**7.4**
Net financing expense				**(11.4)**
Taxation				**(0.6)**
Loss for the period				**(4.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)..	(25.0)	(8.1)	(0.2)	(33.2)

Nine months to 30 June 2017	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	220.8	267.9	-	**488.7**
Adjusted EBITDA	21.3	8.9	(4.0)	**26.2**
Depreciation of tangible assets..................	(8.2)	(6.9)	(1.1)	**(16.2)**
Adjusted operating profit/(loss)	13.1	2.0	(5.1)	**10.0**
Amortisation of intangible assets	(3.1)	(2.1)	(1.5)	**(6.7)**
Non-recurring items	-	(3.5)	-	**(3.5)**
IAS 17 lease expense	(0.4)	-	-	**(0.4)**
Profit/(loss) before financing expense and taxation	9.6	(3.6)	(6.6)	**(0.6)**
Net financing expense				**(11.1)**
Taxation				**(0.1)**
Loss for the period				**(11.8)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)..	(22.6)	(8.4)	(0.3)	(31.3)

5. NON-RECURRING ITEMS

The group separately identifies and discloses certain items, referred to as non-recurring items, by virtue of size, nature or occurrence. This is consistent with the way that financial performance is measured by management (see note 3 Non-IFRS financial measures) and assists in providing a meaningful analysis of operating results by excluding items that may not be indicative of the operating results of the group's business. The following table details non-recurring items that have been incurred in the reporting periods presented.

	Note	Three months to 30 June 2018	Three months to 30 June 2017	Nine months to 30 June 2018	Nine months to 30 June 2017
		£m	£m	£m	£m
Non-recurring items:					
— Contract exit and transition	*(a)*	**0.4**	-	**0.4**	(0.8)
— Property related costs	*(b)*	**(0.2)**	-	**(0.5)**	-
— Acquisition costs	*(c)*	**-**	-	**(0.2)**	-
— Procurement programme	*(d)*	**(0.1)**	(0.7)	**(0.4)**	(1.4)
— Restructuring	*(e)*	**-**	-	**-**	(1.3)
		0.1	(0.7)	**(0.7)**	(3.5)

Non-recurring items in the three months to 30 June 2018 amounted to a credit of £0.1m in aggregate (three months to 30 June 2017: charge £0.7m). The key elements of the financial impact for both periods are set out below. Segmental analyses of non-recurring items are shown in note 4.

(a) Contract exit and transition

During the quarter ended 30 June 2018 a £0.4m credit was recognised in respect of a surplus onerous contract provision that was no longer required (nine months to June 2017 £0.2m credit).

The former Greater Manchester CATS service that was operated under a Wave 2 contract up until February 2016 was sold to a third party provider on 3 January 2017. Due to a combination of a reduction in tariff following the end of the Wave 2 terms, and an underlying reduction in patient volumes, the service became loss making. A non-recurring charge of £1.0m was incurred in the nine months ended 30 June 2017 comprising transaction costs and contract losses from 1 October 2016 to completion.

(b) Property related costs

A residential care home operated by Care UK under a long-term operating lease closed in January 2018 after suffering from building defects. Care UK is conducting ongoing investigations to determine the best course of action in respect of rectification or rebuild. During the nine months ended 30 June 2018 closure costs of £0.5m have been incurred in respect of staff redundancy and legal costs (three months to 30 June 2018 £0.2m).

(c) Acquisition costs

During the nine months ended 30 June 2018 Care UK incurred costs of £0.2m in relation to the acquisition of a company containing the leasehold interest of a 69 bed self-pay focused care home located in Knebworth. In accordance with IFRS 3, such costs cannot be included in the cost of business combination and therefore cannot be capitalised.

(d) Procurement programme

During the 2017 financial year Care UK's Health Care division commenced a comprehensive review of its procurement practices with a view to driving operational and clinical efficiency without compromising the quality of patient care. The programme is being supported by an external specialist and is delivering significant commercial benefit to the business. Implementation costs of £0.4m were incurred in the nine months to 30 June 2018 (nine months to 30 June 2017 £1.4m).

(e) Restructuring

During the final quarter of the 2016 financial year Care UK's Health Care business commenced an overhead reduction programme in order to address substantial market challenges within Urgent Care and other healthcare service lines. A redundancy programme was initiated and incurred a non-recurring charge of £1.3m in the nine months ended 30 June 2017 in respect of the expected related costs.

6. NET FINANCING EXPENSE

	Three months to 30 June 2018	Three months to 30 June 2017	Nine months to 30 June 2018	Nine months to 30 June 2017
	£m	£m	£m	£m
Financial income:				
Interest receivable	**0.8**	0.7	**2.3**	2.1
IFRIC-12 interest receivable	**0.2**	0.2	**0.6**	0.6
Financial income	**1.0**	0.9	**2.9**	2.7
Financial expense:				
Interest payable on borrowings	**(4.6)**	(4.2)	**(13.1)**	(12.6)
Amortisation of deferred financing costs	**(0.3)**	(0.3)	**(1.0)**	(1.0)
Interest payable on loans with parent undertaking	**-**	-	**-**	-
Other interest expense	**-**	-	**(0.2)**	(0.2)
Financial expense	**(4.9)**	(4.5)	**(14.3)**	(13.8)
Net financing expense	**(3.9)**	(3.6)	**(11.4)**	(11.1)

7. LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation:

	Three months to 30 June 2018	Three months to 30 June 2017	Nine months to 30 June 2018	Nine months to 30 June 2017
	£m	£m	£m	£m
Depreciation of tangible assets	**5.9**	5.7	**18.6**	16.2
Amortisation of intangible assets	**1.5**	2.2	**5.1**	6.7
Profit on disposal of tangible fixed assets	**-**	-	**1.3**	-
Operating lease charges: Land & buildings (including IAS 17 lease expense)	**11.7**	11.0	**35.3**	31.7
IFRIC 12 infrastructure costs expensed in the period	**0.5**	0.5	**1.7**	0.9

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018	30 June 2017	30 September 2017
	£m	£m	£m
Opening net book value	**190.9**	190.0	190.0
Additions	**22.9**	17.9	25.3
Acquisitions	**0.1**	-	-
Disposal and transfers to current assets	**(0.3)**	(0.8)	(2.1)
Depreciation charge for the period	**(18.6)**	(16.2)	(22.3)
Closing net book value	**195.0**	190.9	190.9

9. INTANGIBLE ASSETS

	30 June 2018	30 June 2017	30 September 2017
	£m	**£m**	**£m**
Opening net book value	**138.2**	147.7	147.7
Amortisation charge for the period	**(5.1)**	(6.7)	(9.5)
Closing net book value	**133.1**	141.0	138.2

10. OTHER FINANCIAL ASSETS

	30 June 2018	30 June 2017	30 September 2017
	£m	**£m**	**£m**
Non-current			
IFRIC-12 financial asset	**17.0**	18.6	17.5
Financial asset at fair value through profit and loss	**-**	0.6	-
Loans due from former subsidiary undertaking	**-**	0.6	-
Total non-current other financial assets	**17.0**	19.8	17.5
Current			
IFRIC-12 financial asset	**1.0**	0.6	1.3
Financial asset at fair value through profit and loss	**-**	0.2	-
Total current other financial assets	**1.0**	0.8	1.3
Total other financial assets	**18.0**	20.6	18.8

IFRIC-12 financial asset	30 June 2018	30 June 2017	30 September 2017
	£m	**£m**	**£m**
IFRIC-12 financial asset: brought forward	**18.8**	20.0	20.0
Released in the period	**(0.8)**	(0.8)	(1.2)
IFRIC-12 financial asset: carried forward	**18.0**	19.2	18.8

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.

11. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total Financial Liabilities
	£m	£m	£m
At 1 October 2016	-	(274.1)	(274.1)
Cash flow	-	6.0	6.0
Other non-cash changes	-	(1.3)	(1.3)
At 30 September 2017	-	(269.4)	(269.4)
Transfer	(4.0)	4.0	-
Net Cash outflow/(inflow)	(25.0)	-	(25.0)
Other non-cash changes	-	(0.9)	(0.9)
At 30 June 2018	**(29.0)**	**(266.3)**	**(295.3)**

As at 30 June 2018 accrued interest of £3.4m (30 June 2017: £3.0m; 30 September 2017: £3.3m) is included in 'Trade and Other payables', disclosed within current liabilities in the balance sheet, and excluded from this note.

Terms and conditions

i) Senior Secured Notes

On 17 July 2014 the Issuer issued £400.0m of floating rate Senior Secured Notes ("the 2014 Notes"). The 2014 Notes are divided into two tranches, a First Lien tranche of £325.0m (the "2014 Senior Secured Notes"), which mature on 15 July 2019, and a Second Lien tranche of £75.0m (the "2014 Second Lien Notes"), which mature on 15 January 2020. Interest on the 2014 Senior Secured Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 5.0%. Interest on the 2014 Second Lien Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 7.5%. For both liens interest is payable quarterly in arrears on each of 15 October, 15 January, 15 April and 15 July.

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum.

During 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased in aggregate £16.2m of 2014 Second Lien Notes and subsequently transferred these to the Issuer for cancellation. In addition, the Issuer purchased and cancelled £16.2m of 2014 Second Lien Notes during the year. As a result of these transactions the total of Second Lien Notes remaining in issue at 30 June 2018 was £42.6m.

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. As at 30 June 2018 these Notes are still held by Care UK Health & Social Care Finance Limited and are presented as 'amounts due to parent undertakings' in the consolidated statement of financial position.

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. As a result of this transaction the total of Senior Secured Notes remaining in issue at 30 June 2018 was £230.0m.

The 2014 Senior Secured Notes are guaranteed on a senior basis and the 2014 Second Lien Notes are guaranteed on a senior subordinated basis by Care UK Health & Social Care Investments Limited and certain subsidiary guarantors.

ii) Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the “original RCF”) was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF").

As at 30 June 2018 £29.0m (30 June 2017: £11.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn.

The margin payable on any loan utilisation under the amended RCF is in the range of 2.25% to 3.25% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 17 May 2019.

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the group for the 12 months ending on that quarter end). “Consolidated EBITDA” for the purposes of the covenants under the Amended and Restated Senior Revolving Facility Agreement allows for certain adjustments and therefore is not exactly equivalent to the definition of Adjusted EBITDA as outlined in the Accounting Policies - Non-GAAP Performance Measures in the 2017 Annual report.

Care UK Health & Social Care Investments Limited

Group pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited)

Three and nine month period ended 30 June 2018

BASIS OF PREPARATION

These interim pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) do 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 interim financial statements.

The pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) have been prepared by the directors pursuant to the requirements detailed on page 204 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 pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited).

The accounts are presented in pounds sterling, rounded to the nearest hundred thousand and have been prepared under the historic cost convention.

Definition

The term 'pro forma' in this group pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) has been defined on page 205 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 pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (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 pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) as were applied to all periods presented in the financial statements and throughout the group.

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 the operator 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 pro forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) has been prepared to present financial information on a pre-IFRIC 12 basis.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PRO FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month period ended 30 June 2018

	Three months to 30 June 2018	**Three months to 30 June 2017**	**Nine months to 30 June 2018**	**Nine months to 30 June 2017**
	£m	**£m**	**£m**	**£m**
Revenue	**171.6**	167.3	**512.1**	490.1
Cost of sales	**(153.1)**	(150.0)	**(457.6)**	(439.5)
Gross profit	**18.5**	17.3	**54.5**	50.6
Administrative expenses	**(14.5)**	(15.8)	**(45.7)**	(50.4)
Operating profit before financing expense	**4.0**	1.5	**8.8**	0.2

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**12.4**	10.7	**35.7**	28.5
Depreciation of tangible assets	**(6.6)**	(6.3)	**(20.7)**	(18.0)
Adjusted operating profit	**5.8**	4.4	**15.0**	10.5
Amortisation of intangible assets	**(1.3)**	(2.1)	**(4.7)**	(6.4)
Profit on disposal of tangible fixed assets	**-**	-	**1.3**	-
Non-recurring items	**0.1**	(0.7)	**(0.7)**	(3.5)
IAS 17 lease expense	**(0.6)**	(0.1)	**(2.1)**	(0.4)
Operating profit before financing expense	**4.0**	1.5	**8.8**	0.2

Financial income	**0.8**	0.7	**2.3**	2.1
Financial expense	**(4.9)**	(4.5)	**(14.3)**	(13.8)
Net financing expense	**(4.1)**	(3.8)	**(12.0)**	(11.7)
Loss before taxation	**(0.1)**	(2.3)	**(3.2)**	(11.5)
Taxation	**(0.4)**	(1.6)	**(0.7)**	(0.1)
Total comprehensive loss for the period attributable to equity holders of the parent	**(0.5)**	(3.9)	**(3.9)**	(11.6)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PRO FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2018

	30 June 2018	30 June 2017	30 September 2017
	£m	£m	£m
Assets			
Property, plant and equipment	**222.8**	219.1	219.1
Intangible assets	**126.4**	133.7	131.1
Other financial assets	**-**	1.3	-
Amounts due from parent undertakings	**1.5**	-	-
Amounts due from related party undertakings	**31.9**	27.2	27.7
Other receivables	**7.7**	8.0	8.0
Deferred tax assets	**5.1**	5.2	5.3
Total non-current assets	**395.4**	394.5	391.2
Other financial assets	**-**	0.2	-
Inventories	**2.0**	4.1	2.0
Trade and other receivables	**55.7**	64.0	57.6
Cash and cash equivalents	**12.5**	10.3	12.0
Assets held for sale	**1.3**	2.9	4.4
Total current assets	**71.5**	81.5	76.0
Total assets	**466.9**	476.0	467.2
Liabilities			
Trade and other payables	**(132.8)**	(141.6)	(144.2)
Financial liabilities	**(29.0)**	-	-
Current tax liabilities	**(2.0)**	(1.5)	(1.5)
Provisions for liabilities and charges	**(1.2)**	(1.0)	(1.0)
Total current liabilities	**(165.0)**	(144.1)	(146.7)
Financial liabilities	**(266.3)**	(276.0)	(269.4)
Other non-current liabilities	**(12.1)**	(18.8)	(15.1)
Amounts due to related party undertakings	**(6.2)**	(5.8)	(5.9)
Provisions for liabilities and charges	**(17.2)**	(25.6)	(26.1)
Total non-current liabilities	**(301.8)**	(326.2)	(316.5)
Total liabilities	**(466.8)**	(470.3)	(463.2)
Net assets	**0.1**	5.7	4.0
Equity			
Issued share capital	**210.7**	210.7	210.7
Capital contribution reserve	**15.7**	15.7	15.7
Retained earnings	**(226.3)**	(220.7)	(222.4)
Total equity attributable to equity holders of the parent	**0.1**	5.7	4.0

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PRO FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month period ended 30 June 2018

	Three months to 30 June 2018	Three months to 30 June 2017	Nine months to 30 June 2018	Nine months to 30 June 2017
	£m	£m	£m	£m
Cash flows from operating activities				
Loss for the period before taxation	**(0.1)**	(2.3)	**(3.2)**	(11.5)
Financial income	**(0.8)**	(0.7)	**(2.3)**	(2.1)
Financial expense	**4.9**	4.5	**14.3**	13.8
Depreciation of tangible assets	**6.6**	6.3	**20.7**	18.0
Amortisation of intangible assets	**1.3**	2.1	**4.7**	6.4
(Profit)/loss on disposal of tangible fixed assets	**0.1**	-	**(1.1)**	-
(Decrease)/(increase) in inventory	**0.2**	-	**0.2**	(0.4)
(Increase)/decrease in trade and other receivables	**(6.7)**	(13.9)	**(4.4)**	(13.7)
Increase in trade and other payables	**(8.6)**	6.3	**(13.7)**	18.1
Cash flow from operations	**(3.1)**	2.3	**15.2**	28.6
Pension deficit contribution	**-**	-	**(2.5)**	-
Income taxes paid	**-**	-	**-**	(0.1)
Net cash flows before investing and financing activities	**(3.1)**	2.3	**12.7**	28.5
Cash flows from investing activities				
Disposal of businesses, net of cash disposed	**-**	-	**-**	0.2
Payments to acquire property, plant and equipment	**(6.7)**	(5.6)	**(25.7)**	(22.5)
Net proceeds from sales of property, plant and equipment	**-**	-	**4.4**	0.5
Loans from/(to) related party undertakings	**-**	5.0	**(3.3)**	2.5
Interest received	**0.1**	0.1	**0.1**	0.1
Net cash flows used investing activities	**(6.6)**	(0.5)	**(24.5)**	(19.2)
Cash flows from financing activities				
Proceeds from new loans	**53.0**	39.0	**152.0**	118.0
Repayment of amounts borrowed	**(46.0)**	(40.0)	**(127.0)**	(117.0)
Interest paid	**(4.4)**	(4.2)	**(12.7)**	(12.8)
Payment of capital element of finance lease payments	**-**	-	**-**	-
Net cash flows from financing activities	**2.6**	(5.2)	**12.3**	(11.8)
Net (decrease)/increase in cash and cash equivalents	**(7.1)**	(3.4)	**0.5**	(2.5)
Cash and cash equivalents at the beginning of the period	**19.6**	13.7	**12.0**	12.8
Cash and cash equivalents at the end of the period	**12.5**	10.3	**12.5**	10.3

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

Three months to 30 June 2018	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	82.4	89.2	-	**171.6**
Adjusted EBITDA	8.9	4.8	(1.3)	**12.4**
Depreciation of tangible assets..................	(4.3)	(2.3)	-	**(6.6)**
Adjusted operating profit/(loss)	4.6	2.5	(1.3)	**5.8**
Amortisation of intangible assets	(0.9)	(0.4)	-	**(1.3)**
Non-recurring items...................................	(0.2)	0.3	-	**0.1**
IAS 17 lease expense	(0.6)	-	-	**(0.6)**
Profit/(loss) before financing expense and taxation	2.9	2.4	(1.3)	**4.0**
Net financing expense................................				**(4.1)**
Taxation...				**(0.4)**
Loss for the period				**(0.5)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)...	(8.6)	(2.4)	(0.1)	(11.1)

Three months to 30 June 2017	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	76.2	91.1	-	**167.3**
Adjusted EBITDA	8.5	3.6	(1.4)	**10.7**
Depreciation of tangible assets..................	(3.5)	(2.4)	(0.4)	**(6.3)**
Adjusted operating profit/(loss)	5.0	1.2	(1.8)	**4.4**
Amortisation of intangible assets	(0.9)	(0.7)	(0.5)	**(2.1)**
Non-recurring items...................................	-	(0.7)	-	**(0.7)**
IAS 17 lease expense	(0.1)	-	-	**(0.1)**
Profit/(loss) before financing expense and taxation	4.0	(0.2)	(2.3)	**1.5**
Net financing expense................................				**(3.8)**
Taxation...				**(1.6)**
Loss for the period				**(3.9)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)...	(7.8)	(3.0)	(0.1)	(10.9)

Nine months to 30 June 2018	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	240.8	271.3	-	**512.1**
Adjusted EBITDA	24.3	15.3	(3.9)	**35.7**
Depreciation of tangible assets..................	(12.3)	(6.8)	(1.6)	**(20.7)**
Adjusted operating profit/(loss)	12.0	8.5	(5.5)	**15.0**
Amortisation of intangible assets	(2.7)	(2.0)	-	**(4.7)**
Profit on disposal of tangible fixed assets..	1.3	-	-	**1.3**
Non-recurring items...................................	(0.7)	-	-	**(0.7)**
IAS 17 lease expense	(2.1)	-	-	**(2.1)**
Profit/(loss) before financing expense and taxation	7.8	6.5	(5.5)	**8.8**
Net financing expense................................				**(12.0)**
Taxation...				**(0.7)**
Loss for the period				**(3.9)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)...	(25.0)	(8.1)	(0.2)	(33.2)

Nine months to 30 June 2017	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	222.2	267.9	-	**490.1**
Adjusted EBITDA	23.6	8.9	(4.0)	**28.5**
Depreciation of tangible assets..................	(10.0)	(6.9)	(1.1)	**(18.0)**
Adjusted operating profit/(loss)	13.6	2.0	(5.1)	**10.5**
Amortisation of intangible assets	(2.8)	(2.1)	(1.5)	**(6.4)**
Non-recurring items...................................	-	(3.5)	-	**(3.5)**
IAS 17 lease expense	(0.4)	-	-	**(0.4)**
Profit/(loss) before financing expense and taxation	10.4	(3.6)	(6.6)	**0.2**
Net financing expense................................				**(11.7)**
Taxation...				**(0.1)**
Loss for the period				**(11.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)...	(22.6)	(8.4)	(0.3)	(31.3)