Care UK Health & Social Care Newco Limited

Quarterly Financial Report for the three months and six months ended 31 March 2011

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

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SUMMARY

The quarter ended 31 March 2011 represents a further period of progress for Care UK with a good operating performance and continuing pipeline development across the group. The group's overall financial performance for the quarter is in line with management's expectations with continued good performance in Social Care and a considerably improved position in Health Care. All figures and percentages quoted below are quoted for the Care UK Limited group unless stated, for the second quarter or the first six months of the 2011 financial year, where the context indicates, and excluding the effects of IFRIC 12.

- **Group Highlights**
  - Overall group performance in line with management expectations for the period
  - LTM Adjusted EBITDA to net debt at 3.80x
  - Planned exit from children's services completed during the period
  - Creation of Community Services division to enhance service delivery and realise operational efficiency benefits
  - At 31 March 2011, 63.3 per cent. (30 September 2010: 63.2 per cent.) of the Residential Care division's beds were operated under block contracts with public sector customers, a key competitive differentiator
  - New Residential Care home opened as planned in Portsmouth, with a continuing good new business pipeline across the group; two new services commissioned in Health Care after the period end
  - The ISTC Wave I transition programme has resulted in the retention of all three sites that were subject to tender during the period; no further buybacks were planned in this quarter, with the next tranche of proceeds due to be received in June.

This quarterly report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Newco Limited for the period ended 30 September 2010 (the "Annual Report 2010") and should be read in conjunction with that report. The Annual Report 2010 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 the largest independent provider of outsourced health care services to the NHS, as measured by revenue, 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 Limited group and excluding the effects of IFRIC 12.

Overview of Care UK	
Social Care	**Health Care**
• ***Residential Care:*** Care homes (60 homes with approximately 3,500 beds) for older people, particularly those suffering from dementia, plus 130 day care places • ***Community Care:*** Care worker visits to users' own homes to support daily living needs (approximately 119,000 hours of services delivered per week) • ***Specialist Care:*** Services for approximately 540 individuals with learning disabilities, 22 mental health facilities including independent hospitals, mental health homes and specialist facilities for eating disorders and self-harm	• Broad range of health care services, including 11 specialist hospitals, collectively known as ISTCs, 4 specialist diagnostic and treatment centres known as Clinical Assessment and Treatment Services (CATS), 13 general practitioner ("GP") practices, 5 out-of-hours or urgent care services, 14 walk-in centres and health services in 13 prisons • Approximately 800,000 patients p.a. treated or supported by the Health Care division

Key figures, in £ million for the Care UK Limited group	Q2 / 2010	YTD / 2010	Q2 / 2011	YTD / 2011
Revenue	110.6	221.0	109.4	218.4
Adjusted EBITDA [1)]	16.2	29.7	12.9	22.2
Adjusted operating profit [1)]	10.7	18.7	7.3	11.3
Net profit/(loss) for the period	4.0	6.3	(1.8)	(2.8)
Operating cash flow	18.7	22.9	15.8	16.9

[1)] See key definitions below

Financial Leverage	As of and for the 12 month period ended		
Amounts in £ million, for the Newco group	30 September 2010	31 December 2010	31 March 2011
Adjusted EBITDA	62.0	57.7	54.5
Net debt	204.0	200.4	207.3
Adjusted EBITDA / Net debt	3.29x	3.47x	3.80x

Non-IFRS Financial Measures

The financial measures Adjusted operating profit, Adjusted EBITDA, 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, impairments of goodwill and intangible assets and non-recurring items and before giving effect to adjustments for IFRIC 12.

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation.

Net debt is defined as the Care UK Newco group's bonds, bank loans (net of unamortised arrangement fees), overdrafts and finance lease liabilities, less cash and cash equivalents.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

There are two sets of unaudited condensed consolidated financial statements presented in this interim report. The first is for Care UK Health & Social Care Newco Limited and its Subsidiaries (the "Newco group") and the second is for Care UK Limited and its Subsidiaries (the "Care UK Limited group"). In addition, a pro-forma set of financial statements is presented for the Care UK Limited 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 2010. The two sets of 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 2010 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

Contract awards

Since the end of the period Care UK has been awarded the contracts for the continued operation of its three Wave I ISTCs that were subject to tender during the period, in Portsmouth, Havant and Sussex. The contract for Portsmouth has been signed and will take effect at the expiry of the current short-term contract extension period for this centre, from the beginning of July 2011. The contract award for the Havant diagnostics centres is at preferred bidder stage and is expected to be signed shortly. The contract award for the Sussex Orthopaedic Treatment Centre, which is currently also at preferred bidder stage, comprises two elements – a short-term extension of the existing contract, as had been put in place for a number of other centres, to be followed by a longer term contract. The purpose of the short-term contract extension is to allow time to conclude a number of service development initiatives that will take effect under the subsequent, longer term contract.

Service commencement

Since the end of the period reported on, the Health Care division has commenced service delivery under the contracts awarded for the delivery of health care services within eight offender institutions in the north-east of England and for the operation of an Urgent Care Centre in the London Borough of Brent. Both of these new services are operating to plan in their initial stages.

Price uplifts

The majority of the group's pricing is adjusted annually on 1 April, in line with the fiscal year of UK public sector bodies. Care UK's price uplifts depend on a variety of factors, including various indexation measures, relating both to general inflation measures and sector-specific wage indices, NHS Tariff, annually negotiated spot prices and charges to self-paying customers. Although the group is yet to conclude all of its 2011 price changes, across the entire group our current expectation is that prices will, on average, remain unchanged from their previous levels.

Organisational development

Following a review of the group's positioning with regard to the delivery of community based social care services we have merged our former Community Care Services division with the Learning Disabilities business from within the Specialist Care division into a combined Community Services division. We believe that this will provide the group with a stronger and more operationally efficient base for the delivery of an enhanced range of community based services, and that this development more closely aligns our service delivery structure with our customer base.

We will report the group's financial results in the former divisional structure for the quarter ending 30 June 2011, as we have for the current quarter, with the revised structure being reported on for the full year. In the 2011 Annual Report we will adjust the 2010 comparative data for this new structure.

Health Care reforms

The UK Government has recently commenced a review phase in relation to the proposed, extensive reforms to the commissioning of health care services in England. We continue to monitor the proposed changes to the health care system to ensure the alignment of Care UK's strategy with the direction of public sector policy.

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 three elements: (i) the unaudited condensed Consolidated financial statements of Care UK Health & Social Care Newco Limited and its subsidiaries (the "Newco group"); (ii) the unaudited condensed Consolidated financial statements of Care UK Limited and its subsidiaries (the "Care UK Limited group"); and (iii) the unaudited pro-forma condensed Consolidated financial statements for the Care UK Limited group 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 of the Care UK Limited group before giving effect to the provisions of IFRIC 12 in order to provide investors with appropriate comparative information; short separate discussion and analyses are also provided dealing with (i) the results of the Care UK Limited group on a fully compliant IFRS basis, including the effects of IFRIC 12; and (ii) the Newco group and, in particular, the key differences between the Newco group condensed consolidated financial statements and the Care UK Limited group condensed consolidated financial statements. This latter part of the discussion and analysis only provides commentary in relation to the IFRS compliant financial statements after applying 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 2010.

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 2010.

Critical Accounting Policies and Estimates

For full details regarding Care UK's Critical Accounting Policies refer to the Annual Report 2010. 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 uncollectable 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 following table sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance of the Care UK Limited group for the financial periods ended 31 March 2010 and 31 March 2011, both on a fully IFRS compliant basis and also stated before giving effect to the provisions of IFRIC 12.

	Six months ended 31 March			
	Adjusted for IFRIC 12		Excluding IFRIC 12	
	2010	2011	2010	2011
	£m	£m	£m	£m
Revenue	216.6	216.0	221.0	218.4
Cost of sales	(179.0)	(184.3)	(181.7)	(186.2)
Gross profit	**37.6**	**31.7**	**39.3**	**32.2**
Administrative expenses	(25.0)	(23.6)	(25.0)	(23.3)
Operating profit before net financing costs	**12.6**	**8.1**	**14.3**	**8.9**
Adjusted EBITDA	24.2	18.5	29.7	22.2
Depreciation	(6.9)	(7.8)	(11.0)	(10.9)
Adjusted operating profit	17.3	10.7	18.7	11.3
Amortisation of intangible assets	(4.4)	(4.1)	(4.1)	(3.9)
Non-recurring items	(0.3)	1.5	(0.3)	1.5
Operating profit before net financing costs	12.6	8.1	14.3	8.9
Financial income	1.7	1.1	0.2	0.1
Financial expenses	(5.1)	(13.5)	(5.1)	(13.5)
Net financing costs	**(3.4)**	**(12.4)**	**(4.9)**	**(13.4)**
Profit/(loss) before taxation	**9.2**	**(4.3)**	**9.4**	**(4.5)**
Taxation	(3.5)	1.3	(3.1)	1.7
Profit/(loss) for the period	**5.7**	**(3.0)**	**6.3**	**(2.8)**

Care UK Limited group: Three and six months ended 31 March 2011 compared to three and six months ended 31 March 2010 – 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 pro-forma segmental reporting note to the unaudited pro-forma condensed consolidated financial statements of the Care UK Limited group on pages F-24 and F-25 of this interim report.

Revenue

Revenue decreased by 1.1 per cent., or £1.2 million, from £110.6 million for the quarter ended 31 March 2010 to £109.4 million for the quarter ended 31 March 2011. Revenue for the year to date decreased by 1.2 per cent., or £2.6 million, from £221.0 million for the six months ended 31 March 2010 to £218.4 million for the six months ended 31 March 2011. This level of decrease is attributable to the expected and previously indicated reduction in revenue from the group's ISTC Wave I centres together with the reduction from the group's disposal of its former children's services businesses, offset by aggregate increases in revenue from other services. Aggregate revenue in the group's Social Care divisions, excluding the discontinued children's services business, increased by 3.1 per cent., or £1.9 million, from £60.6 million for the quarter ended 31 March 2010 to £62.5 million for the quarter ended 31 March 2011 and increased by 2.6 per cent. or £3.2 million, from £122.0 million for the six months ended 31 March 2010 to £125.2 million for the six months ended 31 March 2011. All but 0.1 per cent. of this growth was organic.

Revenue for the Residential Care division increased by 7.6 per cent., or £2.1 million, from £27.8 million for the quarter ended 31 March 2010 to £29.9 million for the quarter ended 31 March 2011. Revenue for the Residential Care division for the year to date increased by 7.4 per cent., or £4.1 million, from £55.6 million for the six months ended 31 March 2010 to £59.7 million for the six months ended 31 March 2011. These increases in revenue are mainly attributable to the effect of improvements in occupancy and increases in average weekly fee rates with a small contribution from the opening of the new care home in Portsmouth in February 2011.

The total number of beds at the end of the quarter, excluding day care places, was 3,487 compared with 3,395 at the beginning of the quarter and 3,401 at the beginning of the year. The only change in the number of beds available in the quarter was the opening of Harry Sotnick House, the group's new 92-bed care home in Portsmouth, in February 2011. Other movements in the year to date reflect minor changes to available beds at existing homes. At 31 March 2011, a total of 63.3 per cent. of beds were operated under block contracts compared with 63.2 per cent. as at 30 September 2010. Fee rates in the six months ended 31 March 2011 averaged £652 per week compared with £641 in the six months ended 31 March 2010, an increase of 1.7 per cent. This level of increase reflects the increased occupancy in the group's two maturing homes and the fee rate increases achieved in April 2010. Fee rates in the mature portfolio increased from £643 per week in the six months ended 31 March 2010 to £658 per week in the six months ended 31 March 2011, an increase of 2.3 per cent. The level of physical occupancy achieved in the mature portfolio of homes increased from 90.5 per cent. in the six months ended 31 March 2010 to 92.1 per cent. in the six months ended 31 March 2011. Total physical occupancy, including the two maturing homes and the new Portsmouth home, was 90.7 per cent. in the six months ended 31 March 2011 compared with 89.0 per cent. in the six months ended 31 March 2010. Total financial occupancy, which measures beds paid for, in the six months ended 31 March 2011 was 97.1 per cent. compared with 95.0 per cent. in the six months ended 31 March 2010. The high level of this measure of occupancy reflects the block contracted nature of a significant proportion of the beds within the Residential Care division.

Revenue for the Community Care division increased by 1.0 per cent., or £0.2 million, from £19.8 million for the quarter ended 31 March 2010 to £20.0 million for the quarter ended 31 March 2011. Revenue for the Community Care division for the year to date decreased by 0.7 per cent., or £0.3 million, from £40.4 million for the six months ended 31 March 2010 to £40.1 million for the six months ended 31 March 2011. As has previously been reported, the group's focus during 2010 was on performance improvement in the Community Care division, which resulted in the elimination of a number of areas of unprofitable business. We are now beginning to see the benefits from this improved focus flowing through into the financial performance of the division. Average fee rates in the Community Care division for the six months ended 31 March 2011 were £13.25 per hour compared with £13.03 per hour in the six months ended 31 March 2010, an increase of 1.7 per cent. The hours of care delivered averaged approximately 117,000 per week for the six months ended 31 March 2011 compared with approximately 119,000 per week in the six months ended 31 March 2010.

Revenue for the Specialist Care division decreased by 12.7 per cent., or £2.0 million, from £15.8 million for the quarter ended 31 March 2010 to £13.8 million for the quarter ended 31 March 2011. Revenue for the Specialist Care division for the year to date decreased by 9.1 per cent., or £2.9 million from £31.8 million for the six months ended 31 March 2010 to £28.9 million for the six months ended 31 March 2011. This decrease in revenue primarily reflects the effect of the group's exit from its former children's services business as well as the closure of a number of under-performing mental health homes. Excluding the revenue from the children's services business, revenue for the Specialist Care division decreased by 2.3 per cent., or £0.6 million, from £26.0 million for the six months ended 31 March 2010 to £25.4 million for the six months ended 31 March 2011. Occupancy within the mental health portfolio, excluding closed or closing homes, averaged 87.2 per cent. in the six months ended 31 March 2011 compared with 88.6 per cent. in the six months ended 31 March 2010. The number of learning disability service users at 31 March 2011 was 544 compared with 534 at 30 September 2010.

Revenue for the Health Care division decreased by 3.2 per cent., or £1.5 million, from £47.2 million for the quarter ended 31 March 2010 to £45.7 million for the quarter ended 31 March 2011. Revenue for the Health Care division for the year to date decreased by 3.8 per cent., or £3.5 million, from £93.2 million for the six months ended 31 March 2010 to £89.7 million for the six months ended 31 March 2011. This reduction is attributable to the expected change in revenue from the group's Wave I ISTCs as they transition from the former contract structure to the environment of Payment by Results. Revenue within the Health Care division, excluding ISTC Wave I centres, increased by 15.6 per cent. from £39.1 million in the six months ended 31 March 2010 to £45.2 million in the six months ended 31 March 2011.

Cost of Sales

Care UK's cost of sales increased by 2.1 per cent., or £1.9 million, from £89.7 million for the quarter ended 31 March 2010 to £91.6 million for the quarter ended 31 March 2011. Cost of sales for the year to date increased from £181.7 million for the six months ended 31 March 2010 to £186.2 million for the six months ended 31 March 2011. Measured as a percentage of revenue, cost of sales increased from 81.1 per cent. in the quarter ended 31 March 2010 to 83.7 per cent. in the quarter ended 31 March 2011. Cost of sales for the year to date increased as a percentage of revenue from 82.2 per cent. in the six months ended 31 March 2010 to 85.3 per cent. in the six months ended 31 March 2011. These increases in the cost of sales reflect both the effect of the transition of the group's ISTC Wave I centres as well as the change in the mix of services provided by Care UK.

Administrative Expenses

Care UK's administrative expenses increased by 1.6 per cent., or £0.2 million, from £12.6 million for the quarter ended 31 March 2010 to £12.8 million for the quarter ended 31 March 2011. For the year to date, administrative expenses decreased by 6.8 per cent., or £1.7 million, from £25.0 million for the six months ended 31 March 2010 to £23.3 million for the six months ended 31 March 2011. The primary reason for the changes in administrative expenses in these periods is the non-recurring gains and losses realised in the periods reported, mainly resulting from asset disposals. Non-recurring items represented a charge of £0.3 million in the quarter ended 31 March 2011, the same as for the quarter ended 31 March 2010. Non-recurring items for the year to date totalled a gain of £1.5 million in the six months ended 31 March 2011 compared with a loss of £0.3 million in the six months ended 31 March 2010. Administrative expenses also include the amortisation of intangible assets, which amounted to £2.0 million in the quarter ended 31 March 2011 compared with £2.1 million in the quarter ended 31 March 2010. Amortisation amounted to £3.9 million for the six months ended 31 March 2011 compared with £4.1 million for the six months ended 31 March 2010. Excluding these two items, administrative expenses increased by 2.9 per cent., or £0.3 million from £10.2 million in the quarter ended 31 March 2010 to £10.5 million in the quarter ended 31 March 2011. For the year to date, excluding amortisation and non-recurring items, administrative expenses increased by 1.5 per cent., or £0.3 million, from £20.6 million in the quarter ended 31 March 2010 to £20.9 million in the quarter ended 31 March 2011. Administrative expenses, excluding amortisation and non-recurring items, have generally been contained in line with the group's reported revenue.

Operating Profit before Financing Expenses

Care UK's operating profit before financing expenses decreased by 39.8 per cent., or £3.3 million, from £8.3 million for the quarter ended 31 March 2010 to £5.0 million for the quarter ended 31 March 2011. For the year to date, operating profit before financing expenses decreased by 37.8 per cent., or £5.4 million, from £14.3 million for the six months ended 31 March 2010 to £8.9 million for the six months ended 31 March 2011. This reduction largely reflects the expected reduction in the contribution from the group's ISTC Wave I centres, the short-term effects of increased costs in the ISTC Wave II centres, particularly in the first quarter of the financial year, partly offset by non-recurring asset disposal gains.

Operating profit for Care UK's Residential Care division increased by 6.8 per cent., or £0.3 million, from £4.4 million for the quarter ended 31 March 2010 to £4.7 million for the quarter ended 31 March 2011. For the year to date, operating profit for the Residential Care division increased by 18.7 per cent., or £1.4 million, from £7.5 million for the six months ended 31 March 2010 to £8.9 million for the six months ended 31 March 2011. The increase in the quarter was mainly due to the impact of improved occupancy across the group's homes together with good operating cost control. The year to date position includes the non-recurring asset disposal gain of £0.8m recorded on the disposal of a surplus site in the first quarter.

Operating profit for Care UK's Community Care division increased by 133.3 per cent., or £0.4 million, from £0.3 million for the quarter ended 31 March 2010 to £0.7 million for the quarter ended 31 March 2011. For the year to date, operating profit for the Community Care division increased by 200.0 per cent., or £0.8 million, from £0.4 million for the six months ended 31 March 2010 to £1.2 million for the six months ended 31 March 2011. This continuing improvement has been achieved primarily as a result of the focus applied to improving performance during the 2010 financial year, following the appointment of a new divisional management team. This resulted in the elimination of unprofitable business and a focus on improving branch operating efficiency, which is now feeding through into the divisional financial performance.

Operating profit for Care UK's Specialist Care division decreased by 50.0 per cent., or £0.8 million, from £1.6 million for the quarter ended 31 March 2010 to £0.8 million for the quarter ended 31 March 2011. For the year to date, operating profit for the Specialist Care division decreased by 30.0 per cent., or £0.9 million, from £3.0 million for the six months ended 31 March 2010 to £2.1 million for the six months ended 31 March 2011. This reduction is largely due to the reduced contribution from the group's children's services business and from the closure of a number of under-performing mental health homes. Care UK's foster care business was sold in December 2010 and the children's residential business was sold in February 2011. The contribution from the continuing mental health business was largely unchanged from the previous year. In February 2011 Care UK acquired Nexvale Limited, a specialist eating disorders clinic. This business made only a very small initial contribution to operating profit in the quarter ended 31 March 2011. The learning disabilities business made a slightly lower contribution than in the previous year. As referred to under Recent Developments on page 5 we are currently in the process of merging the learning disabilities business with the Community Care Services division to create a larger Community Services division, which we expect will result in improved organisational efficiency.

Operating profit for the Health Care division decreased by £3.1 million from £3.8 million for the quarter ended 31 March 2010 to £0.7 million for the quarter ended 31 March 2011. For the year to date, operating profit for the Health Care division decreased by £6.4 million from £6.3 million for the six months ended 31 March 2010 to a loss of £0.1 million for the six months ended 31 March 2011. Non-recurring asset disposal gains of £0.1 million and £0.3 million were reported in the quarters ended 31 March 2011 and 31 March 2010 respectively. For the year to date, non-recurring asset disposal gains of £1.1 million and £0.3 million were reported in the six months ending 31 March 2011 and 31 March 2010 respectively. Amortisation of intangible assets decreased from £1.8 million for the quarter ended 31 March 2010 to £1.7 million for the quarter ended 31 March 2011. For the year to date, amortisation of intangible assets decreased from £3.5 million for the six months ended 31 March 2010 to £3.3 million for the six months ended 31 March 2011. Apart from these items, the reported operating profit in the quarter mainly reflects the expected effects of the transition of the group's Wave I ISTCs to their planned post-contract commercial basis. In the quarter ended 31 December 2010 we reported on the further investment in the marketing and liaison functions, and the provision of available treatment slots, that had been made in relation to the group's two ISTC Wave II centres in Southampton and Manchester. We have seen an uplift in patient volumes for both of these centres and, whilst these are yet to reach the levels that we are targeting, the financial performance in these two centres in the quarter ended 31 March 2011 comfortably out-performed that achieved in the quarter ended 31 March 2010. The Eccleshill Wave I ISTC, that Care UK won the right to operate during 2010, achieved a break-even position in the quarter ended 31 March 2011 from a further ramp-up in patient volumes, a good improvement on the financial performance in the quarter ended 31 December 2010. Care UK acquired SMI Limited, a specialist ultrasound provider, in January 2011 and this business has contributed a small initial operating profit in the quarter ended 31 March 2011.

The operating result classified as Other changed from a loss of £1.8 million for the quarter ended 31 March 2010 to a loss of £1.9 million for the quarter ended 31 March 2011 and from a loss of £2.9 million for the six months ended 31 March 2010 to a loss of £3.2 million for the six months ended 31 March 2011. This category primarily comprises the central management costs of the group and the increase for both the quarter and year to date mainly reflects the strengthening of certain of the group's central support functions in anticipation of future growth. In addition, a charge of £0.3 million was incurred in the quarter ended 31 March 2011 relating to the disposal of the group's children's services business and a charge of £0.6 million was incurred in the quarter ended 31 March 2010 in relation to restructuring costs.

Adjusted Operating Profit

Care UK's adjusted operating profit for the quarter ended 31 March 2011 was £7.3 million compared with £10.7 million for the quarter ended 31 March 2010. For the year to date, Adjusted operating profit was £11.3 million for the six months ended 31 March 2011 compared with £18.7 million for the six months ended 31 March 2010. The outcome in Adjusted operating profit in the quarter effectively reflects the factors discussed above, as the movement in the amortisation charge and non-recurring items is virtually nil between the two comparative quarters. For the year to date, in relation to the factors discussed above, the difference in asset disposal gains between the two comparative six month periods is not relevant as this item does not form part of Adjusted operating profit.

The non-cash amortisation charge for the quarter ended 31 March 2011 amounted to £2.0 million, compared to £2.1 million for the quarter ended 31 March 2010, and for the six months ended 31 March 2011 amounted to £3.9 million compared with £4.1 million for the six months ended 31 March 2010. Non-recurring items in the quarter ended 31 March 2011 amounted to a charge of £0.3 million, the same as for the quarter ended 31 March 2010, and for the six months ended 31 March 2011 amounted to a gain of £1.5 million compared with a charge of £0.3 million for the six months ended 31 March 2010. The charge in the quarter ended 31 March 2011 reflects certain additional transaction costs arising in relation to the group's recent property and business disposals.

Adjusted operating profit for the Residential Care division increased by 9.1 per cent., or £0.4 million, from £4.4 million for the quarter ended 31 March 2010 to £4.8 million for the quarter ended 31 March 2011. For the year to date, Adjusted operating profit for Residential Care increased by 9.3 per cent., or £0.7 million, from £7.5 million for the six months ended 31 March 2010 to £8.2 million for the six months ended 31 March 2011. This increase in adjusted operating profit was due to the same factors as drove the growth in operating profit other than the non-recurring asset disposal charge of £0.1 million incurred in the quarter ended 31 March 2011 and the asset disposal gain of £0.7 million reported in the six months ended 31 March 2011.

Adjusted operating profit for the Community Care division increased by 66.7 per cent., or £0.4 million, from £0.6 million for the quarter ended 31 March 2010 to £1.0 million for the quarter ended 31 March 2011. For the year to date, Adjusted operating profit increased by 80.0 per cent., or £0.8 million, from £1.0 million for the six months ended 31 March 2010 to £1.8 million for the six months ended 31 March 2011. This outcome was driven by the same factors as for operating profit. The divisional non-cash amortisation charge remained the same, at £0.3 million for the second quarter and £0.6 million for the year to date in both the 2010 and 2011 financial years. Consequently, this did not affect the comparative adjusted operating profit performance.

Adjusted operating profit for the Specialist Care division decreased by 50.0 per cent., or £0.8 million, from £1.6 million for the quarter ended 31 March 2010 to £0.8 million for the quarter ended 31 March 2011. For the year to date, Adjusted operating profit for the Specialist Care division decreased by 30.0 per cent., or £0.9 million, from £3.0 million for the six months ended 31 March 2010 to £2.1 million for the six months ended 31 March 2011. This outcome was driven by the same factors as for operating profit as no adjustments were applied in arriving at Adjusted operating profit.

Adjusted operating profit for the Health Care division decreased by £3.0 million, from £5.3 million for the quarter ended 31 March 2010 to £2.3 million for the quarter ended 31 March 2011. For the year to date, Adjusted operating profit for the Health Care division decreased by £7.4 million from £9.5 million for the six months ended 31 March 2010 to £2.1 million for the six months ended 31 March 2011. This decrease was mainly due to the same factors as for operating profit with the exception that Adjusted operating profit does not reflect either the amortisation of intangible assets or non-recurring items. Under the latter heading, asset disposal gains of £0.1 million and £0.3 million were reported as non-recurring items in the quarters ended 31 March 2011 and 31 March 2010 respectively. Similarly, asset disposal gains of £1.1 million and £0.3 million were reported as non-recurring items in the six months ended 31 March 2011 and 31 March 2010 respectively.

The Adjusted operating loss classified as Other increased by 33.3 per cent., or £0.4 million, from a loss of £1.2 million for the quarter ended 31 March 2010 to a loss of £1.6 million for the quarter ended 31 March 2011. For the year to date, the Adjusted operating loss increased by 26.1 per cent., or £0.6 million, from a loss of £2.3 million for the six months ended 31 March 2010 to a loss of £2.9 million for the six months ended 31 March 2011. This outcome was driven by the same factors as for operating profit other than the disposal loss incurred in the quarter ended 31 March 2011 and the restructuring costs incurred in the quarter ended 31 March 2010.

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 not 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 20.4 per cent., or £3.3 million, from £16.2 million for the quarter ended 31 March 2010 to £12.9 million for the quarter ended 31 March 2011. For the year to date, Adjusted EBITDA decreased by 25.3 per cent., or £7.5 million, from £29.7 million for the six months ended 31 March 2010 to £22.2 million for the six months ended 31 March 2011. These expected decreases 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 Health Care division. Measured on a Last Twelve Months basis Adjusted EBITDA decreased by 12.1 per cent., or £7.5 million, from £62.0 million for the twelve months ended 30 September 2010 to £54.5 million for the twelve months ended 31 March 2011. The resulting key measure of gearing, comparing Net debt to Adjusted EBITDA, showed a multiple of 3.80 times for the twelve months ended 31 March 2011 compared with 3.29 times for the twelve months ended 30 September 2010.

Net Financing Costs

Care UK's net financing costs for the quarter ended 31 March 2011 were £6.7 million compared with £2.4 million for the quarter ended 31 March 2010. Net financing costs for the six months ended 31 March 2011 were £13.4 million compared with £4.9 million for the six months ended 31 March 2010. The increase in net financing costs for both the quarter and the year to date reflects the change in the group's financing structure that occurred during the 2010 financial year. Until July 2010 the Care UK Limited group was primarily financed by its former bank facilities, which were rolled over at completion of its acquisition by Care UK Health & Social Care Plc in May 2010. Following the completion of the refinancing, Care UK Limited's debt financing is provided almost entirely by intra-group loans from Care UK Health & Social Care Plc, financed by the Senior Secured Notes. The net financing charges resulting from the intra-group loans amounts to £6.5 million for the quarter ended 31 March 2011 and £13.3 million for the six months ended 31 March 2011. Within the Newco group financial statements these intra-group charges are eliminated.

Taxation

In the quarter ended 31 March 2011 Care UK recorded a taxation charge of £0.1 million compared with a taxation charge of £1.9 million for the quarter ended 31 March 2010. For the year to date, Care UK recorded a taxation credit of £1.7 million for the six months ended 31 March 2011 compared with a charge of £3.1 million for the six months ended 31 March 2010. These changes reflect the underlying decrease in taxable group profit.

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 quarter ended 31 March 2011 of £1.8 million compared with a profit of £4.0 million for the quarter ended 31 March 2010. For the year to date, Care UK reported a loss of £2.8 million for the six months ended 31 March 2011 compared with a profit of £6.3 million for the six months ended 31 March 2010.

Care UK Limited group: Three and six months ended 31 March 2011 compared to three and six months ended 31 March 2010 – 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 2010.

The table below shows the effects of IFRIC 12 on the Care UK Limited group condensed Consolidated statement of comprehensive performance.

	Six months ended 31 March 2011		
	Pre-IFRIC 12 adoption	**IFRIC 12 adjustments**	**Post IFRIC 12 adjustments**
	£m	**£m**	**£m**
Revenue	218.4	(2.4)	216.0
Cost of sales	(186.2)	1.9	(184.3)
Gross profit	**32.2**	**(0.5)**	**31.7**
Administrative expenses	(23.3)	(0.3)	(23.6)
Operating profit/(loss) before net financing costs	**8.9**	**(0.8)**	**8.1**
Adjusted operating profit/(loss)	11.3	(0.6)	10.7
Amortisation of intangible assets	(3.9)	(0.2)	(4.1)
Non-recurring items	1.5	-	1.5
Operating profit/(loss) before net financing costs	8.9	(0.8)	8.1
Financial income	0.1	1.0	1.1
Financial expenses	(13.5)	-	(13.5)
Net financing costs	**(13.4)**	**1.0**	**(12.4)**
(Loss)/profit before taxation	**(4.5)**	**0.2**	**(4.3)**
Taxation	1.7	(0.4)	1.3
Loss for the period	**(2.8)**	**(0.2)**	**(3.0)**

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 half of the 2011 financial year is to increase the loss for the period by £0.2 million.

The table below shows the effects of IFRIC 12 on the Care UK Limited group consolidated Balance sheet.

	As at 31 March 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Property, plant and equipment	199.3	(63.8)	135.5
Intangible assets	71.7	12.0	83.7
Other financial assets	-	24.4	24.4
Total non-current assets	271.0	(27.4)	243.6
Other financial assets	-	30.6	30.6
Total current assets	89.5	30.6	120.1
Trade and other payables	(76.8)	(11.3)	(88.1)
Total current liabilities	(236.4)	(11.3)	(247.7)
Deferred tax liabilities	(12.7)	2.4	(10.3)
Total non-current liabilities	(23.0)	2.4	(20.6)
Net assets	**101.1**	**(5.7)**	**95.4**

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 table below shows the effects of IFRIC 12 on the Care UK Limited group condensed consolidated cash flow statement.

	Six months ended 31 March 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Net cash from operating activities	16.9	(1.2)	15.7
Net cash from investing activities	1.0	1.2	2.2
Net cash from financing activities	(13.0)	-	(13.0)
Net increase in cash and cash equivalents	4.9	-	4.9
Cash and cash equivalents carried forward	31.1	-	31.1

IFRIC 12 has no effect on total cash flow movements in any year. 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.

Care UK Health & Social Care Newco Limited group: three and six months ended 31 March 2011 compared to the results of the Care UK Limited group for the three and six months ended 31 March 2011 – IFRS compliant basis

The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, for the three and six months ended 31 March 2011. In both cases the results discussed include the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12 see the Annual Report 2010.

Profit for the Period

The table below provides a reconciliation of the loss for the period between the two groups.

	Three months ended 31 March 2011	Six months ended 31 March 2011
	£m	£m
Care UK Limited: Loss for the period	**(2.1)**	**(3.0)**
Add: Amortisation charged in the Care UK Limited group	2.0	3.9
Less: Amortisation of other intangible assets within the Newco group	(6.5)	(13.1)
Less: Depreciation effect of fair value adjustments	(0.2)	(0.4)
Add: Goodwill effect of disposal of children's services businesses	2.1	2.1
Add: Intra-group financing costs	6.5	13.3
Less: Financing costs incurred by the Newco group	(6.9)	(13.9)
Add: Taxation credit in relation to above items	1.3	4.2
Care UK Health & Social Care Newco Limited: Loss for the period	**(3.8)**	**(6.9)**

The key reconciling items in the above table can be explained as follows:

- *Amortisation:* the amortisation charged within the Care UK Limited group financial statements relates to intangible assets that are largely de-recognised within the Newco group such that the related amortisation is also required to be de-recognised. Newco has recognised intangible assets relating to the acquisition of Care UK Limited in May 2010 within its own consolidated balance sheet and the charge shown in the above table is the amortisation in relation to those intangible assets.
- *Depreciation effect of fair value adjustments:* the acquisition of Care UK Limited by Care UK Health & Social Care Plc in May 2010 resulted in a number of fair value adjustments being recognised within the financial statements of the Newco group, particularly in relation to the carrying value of tangible fixed assets. The effect of the recognition of these adjusted asset values is to increase the depreciation charge within the Newco group.
- *Goodwill effect of disposal of children's services business:* within the Care UK Limited group the total net asset value of the group's former children's services businesses was written down to its estimated recoverable value as at 30 September 2010; the estimated recoverable value included an element of goodwill, which in the financial statements of the Newco group was fully de-recognised on its acquisition of Care UK Limited. As no goodwill arising on the acquisition of Care UK Limited by Care UK Health & Social Care Plc was attributed to the former children's services business, an accounting gain arises in the financial statements of the Newco group that does not arise in the financial statements of the Care UK Limited group.
- *Intra-group financing costs:* following the issue of the Senior Secured Notes in July 2010 the financing costs of Care UK Limited are largely comprised of interest on intra-group loans provided by its immediate parent company, Care UK Health & Social Care Plc. These costs are netted out within the financial statements of the Newco group.
- *Financing costs incurred by the Newco group:* In connection with the above adjustment, the Newco group financial statements include interest payable on both the Senior Secured Notes and the Revolving Credit Facility.
- *Taxation:* This heading reflects the aggregate taxation effects arising as a consequence of the above adjustments.

Net Debt and Liquidity

The following table shows the comparative net debt position for the Newco group and the Care UK Limited group as at 31 March 2011.

	As at 31 March 2011	
	Newco group	Care UK Limited group
	£m	£m
Senior Secured Notes	250.0	-
Intra-group indebtedness	-	158.2
Finance lease obligations	0.1	0.1
Deferred financing costs	(11.3)	-
Cash and cash equivalents	(31.5)	(31.1)
Total net debt	**207.3**	**127.2**

Liquidity and Capital Resources

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

Care UK expects, as set out in the Annual Report 2010, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations together with the receipt of proceeds in respect of the buyback by the NHS of Care UK's ISTC Wave I sites plus, if required, drawings under Care UK's Revolving Credit Facility. In December 2010 Care UK received £10.5 million of proceeds from the NHS in relation to the ISTC Wave I buyback programme, with a further total of approximately £27.5 million to be received at various dates between June and December 2011.

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

	For the three months ended 31 March		For the six months ended 31 March	
	2010	2011	2010	2011
Net cash from operating activities	18.7	15.8	22.9	16.9
Net cash from investing activities	6.1	(9.1)	2.1	1.0
Net cash from financing activities	(11.6)	(13.0)	(15.2)	(13.0)
Net increase/(decrease) in cash & cash equivalents	13.2	(6.3)	9.8	4.9
Cash & cash equivalents carried forward	55.6	31.1	55.6	31.1

Three and six months ended 31 March 2011 compared to three and six months ended 31 March 2010

The net decrease in cash and cash equivalents in the quarter ended 31 March 2011 was £6.3 million compared with the net increase of £13.2 million in the quarter ended 31 March 2010. The net increase in cash and cash equivalents in the six months ended 31 March 2011 was £4.9 million compared with a net increase of £9.8 million in the six months ended 31 March 2010. The total net debt of the Newco group has increased by £3.3 million in the six months ended 31 March 2011.

The net cash inflow from operating activities for the quarter ended 31 March 2011 was £15.8 million compared with a net cash inflow of £18.7 million in the quarter ended 31 March 2010. The net cash inflow from operating activities for the six months ended 31 March 2011 was £16.9 million compared with a net cash inflow of £22.9 million for the six months ended 31 March 2010. As a percentage of Adjusted EBITDA, the net cash inflow from operating activities was 122.5 per cent. for the quarter ended 31 March 2011 compared with 115.4 per cent. for the quarter ended 31 March 2010. For the year to date, the net cash inflow from operating activities as a percentage of Adjusted EBITDA was 76.1 per cent. for the six months ended 31 March 2011 compared with 77.1 per cent. for the six months ended 31 March 2010.. As expected, and consistent with the previous financial year, the second quarter has shown a stronger operational cash inflow as a consequence of both an increase in Adjusted EBITDA and an improvement in working capital during the quarter.

The net cash flow from investing activities for the quarter ended 31 March 2011 was an outflow of £9.1 million for the quarter ended 31 March 2011 compared with an inflow of £6.1 million for the quarter ended 31 March 2010. For the year to date the net cash inflow from investing activities was £1.0 million for the six months ended 31 March 2011 compared with £2.1 million for the six months ended 31 March 2010. In the quarter ended 31 March 2011, capital expenditure of £6.1m (2010: £2.6m) and acquisition payments of £4.8m (2010: £nil) were incurred, offset by disposal costs of £0.3m (2010: proceeds of £8.7m). During the quarter the group acquired SMI Limited within the Health Care division and Nexvale Limited within the Mental Health business, resulting in the acquisition payments of £4.8m. Care UK also successfully completed its exit from its former children's services business in February 2011. There were no ISTC disposal proceeds received in the quarter ended 31 March 2011. The disposal proceeds in the quarter ended 31 March 2010 primarily related to the buyback of the group's former Wave I ISTC in Plymouth.

The net cash outflow from financing activities amounted to £13.0 million in the quarter ended 31 March 2011 compared with £11.6 million in the quarter ended 31 March 2010. For the year to date the net cash outflow from financing activities was £13.0 million compared with £15.2 million for the six months ended 31 March 2010. The cash outflows in the 2011 financial year mainly represent interest paid to bondholders in February 2011. In the 2010 financial year the composition of these flows was substantively different as they relate to the group's previous ownership and financing structure.

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 31 March 2011, the Care UK group held net cash and cash equivalents of £31.1 million, compared to £55.6 million as at 31 March 2010, with the Newco group holding further cash and cash equivalents of £0.4 million at this date.

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: 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. For the year ended 30 September 2010, a 1 per cent. increase in salary costs would have decreased profit before tax by £2.4 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 LIMITED

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

Care UK Health & Social Care Newco Limited

Group condensed financial information (unaudited)

Three months and six months ended 31 March 2011

CARE UK HEALTH & SOCIAL CARE NEWCO GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and six months ended 31 March 2011

	Notes	Three months to 31 March 2011	Six months to 31 March 2011
		£m	£m
Revenue	3	108.2	216.0
Cost of sales		(91.2)	(184.7)
Gross profit		17.0	31.3
Administrative expenses		(15.5)	(30.9)
Operating profit before financing expenses	3	1.5	0.4
Adjusted operating profit		6.5	10.3
Amortisation of intangible assets		(6.8)	(13.5)
Non-recurring items		1.8	3.6
Operating profit before financing expenses		1.5	0.4
Financial income	4	0.5	1.1
Financial expenses	4	(6.9)	(13.9)
Net financing costs		(6.4)	(12.8)
Loss before taxation	5	(4.9)	(12.4)
Taxation		1.1	5.5
Loss for the period		(3.8)	(6.9)
Total comprehensive loss for the period		(3.8)	(6.9)
Loss attributable to			
Equity holders of the parent		(3.8)	(6.9)
Total comprehensive loss attributable to			
Equity holders of the parent		(3.8)	(6.9)

CARE UK HEALTH & SOCIAL CARE NEWCO GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2011

	Notes	31 March 2011	30 September 2010
		£m	£m
Assets			
Property, plant and equipment	6	**217.4**	216.8
Intangible assets	7	**194.4**	197.9
Other financial assets	8	**24.4**	43.8
Total non-current assets		**436.2**	458.5
Inventories		**2.6**	2.6
Trade and other receivables		**52.6**	55.6
Other financial assets	8	**30.6**	22.2
Cash and cash equivalents	9	**31.5**	34.0
Properties classified as held for sale		**3.1**	4.5
Total current assets		**120.4**	118.9
Total assets		**556.6**	577.4
Liabilities			
Financial liabilities — borrowings	9	**(0.1)**	(0.1)
Trade and other payables		**(83.4)**	(96.3)
Current tax liabilities		**(2.0)**	(2.0)
Total current liabilities		**(85.5)**	(98.4)
Financial liabilities — borrowings	9	**(238.7)**	(237.9)
Other non-current liabilities		**(10.3)**	(8.2)
Deferred tax liabilities		**(37.9)**	(41.8)
Total non-current liabilities		**(286.9)**	(287.9)
Total liabilities		**(372.4)**	(386.3)
Net assets		**184.2**	191.1
Equity			
Issued share capital		**210.7**	210.7
Retained earnings		**(26.5)**	(19.6)
Total equity attributable to equity holders of the parent		**184.2**	191.1

CARE UK HEALTH & SOCIAL CARE NEWCO GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
As at 31 March 2011

	Attributable to equity holders of the parent		
Group	**Share capital**	**Retained earnings**	**Total**
	£m	**£m**	**£m**
At 30 September 2010	210.7	(19.6)	191.1
Total comprehensive loss for the period			
Loss for the period	—	(6.9)	(6.9)
Other comprehensive income			
Movement in relation to defined benefit pension scheme (net of deferred taxation)	—	—	—
Total other comprehensive income	—	—	—
Total comprehensive loss for the period	—	(6.9)	(6.9)
Transactions with owners, recorded directly in equity			
Issue of shares	—	—	—
Total contributions by and distributions to owners	—	—	—
At 31 March 2011	**210.7**	**(26.5)**	**184.2**

CARE UK HEALTH & SOCIAL CARE NEWCO GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and six months ended 31 March 2011

	Notes	Three months to 31 March 2011	Six months to 31 March 2011
		£m	£m
Cash flows from operating activities			
Loss for the period		(3.8)	(6.9)
Depreciation		4.3	8.2
Amortisation of intangible assets		6.8	13.5
Profit on disposal of fixed assets		—	(1.8)
Decrease in IFRIC 12 financial asset		1.3	2.4
Increase in inventory		—	(0.1)
Decrease in receivables		—	2.1
Decrease in payables		(0.4)	(16.9)
Financial income		(0.5)	(1.1)
Financial expense		6.9	13.9
Tax credit		(1.1)	(5.5)
Cash inflow from operations		13.5	7.8
Income taxes received		2.5	1.6
Net cash from operating activities		16.0	9.4
Cash flows from investing activities			
Decrease in IFRIC 12 financial asset		—	10.6
Payments to acquire property, plant and equipment		(5.4)	(9.0)
Net (expenses)/proceeds from sales of property, plant and equipment		(0.3)	0.7
Proceeds from sales of subsidiary undertakings and businesses		2.1	4.7
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)		(4.8)	(4.8)
Net cash from investing activities		(8.4)	2.2
Cash flows from financing activities			
Interest paid		(14.0)	(14.0)
Payment of capital element of finance lease payments		(0.1)	(0.1)
Net cash from financing activities		(14.1)	(14.1)
Net decrease in cash and cash equivalents		(6.5)	(2.5)
Cash and cash equivalents brought forward		38.0	34.0
Cash and cash equivalents carried forward	9	31.5	31.5

CARE UK HEALTH & SOCIAL CARE NEWCO GROUP
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Newco Limited (the "company") is a company domiciled in the United Kingdom. The condensed consolidated quarterly financial statements of the company for the three months and six months ended 31 March 2011 comprise the company and its subsidiaries (together referred to as the "group").

This quarterly report, for the three months and six months ended 31 March 2011, 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 2010, 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 2010 set out within this report have been extracted from the 2010 annual report and accounts published on 26 January 2011.

Care UK Health & Social Care Newco Limited was established on 16 February 2010 as a private limited company.

2. ACCOUNTING POLICIES

The preparation of these quarterly 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 2010 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 end of second quarter balance sheet date. For quarterly 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 Newco 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 main segments:

- Residential Care operates care homes for older people.
- Community Care provides support for people in their own homes, including older people and others with specialist needs.
- Specialist Care includes the provision of care for individuals with learning disabilities or enduring mental health conditions.
- Health Care provides a range of primary and secondary care services.

	Social Care					
Three months to 31 March 2011	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	29.3	20.0	13.8	45.1	—	**108.2**
Adjusted EBITDA	5.7	1.1	1.1	4.1	(1.2)	**10.8**
Depreciation	(1.4)	(0.1)	(0.3)	(2.1)	(0.4)	**(4.3)**
Adjusted operating profit/(loss)	4.3	1.0	0.8	2.0	(1.6)	**6.5**
Amortisation of intangible assets	(1.7)	(1.2)	(0.5)	(3.4)	—	**(6.8)**
Non-recurring items:						
— (loss)/profit on disposal of assets	(0.1)	—	—	0.1	—	**—**
— profit on disposal of subsidiary undertakings	—	—	—	—	1.8	**1.8**
Operating profit/(loss)	2.5	(0.2)	0.3	(1.3)	0.2	**1.5**
Net financing costs						**(6.4)**
Taxation						**1.1**
Loss for the period						**(3.8)**

Six months to 31 March 2011	Social Care Residential Care	Social Care Community Care	Social Care Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	58.4	40.1	28.9	88.6	—	**216.0**
Adjusted EBITDA	10.1	2.0	2.6	6.1	(2.3)	**18.5**
Depreciation	(2.8)	(0.2)	(0.6)	(4.0)	(0.6)	**(8.2)**
Adjusted operating profit/(loss)	7.3	1.8	2.0	2.1	(2.9)	**10.3**
Amortisation of intangible assets	(3.4)	(2.3)	(0.9)	(6.9)	—	**(13.5)**
Non-recurring items:						
— profit on disposal of assets	0.7	—	—	1.1	—	**1.8**
— profit on disposal of subsidiary undertakings	—	—	—	—	1.8	**1.8**
Operating profit/(loss)	4.6	(0.5)	1.1	(3.7)	(1.1)	**0.4**
Net financing costs						**(12.8)**
Taxation						**5.5**
Loss for the period						**(6.9)**

4. NET FINANCING COSTS

	Three months to 31 March 2011	Six months to 31 March 2011
	£m	£m
Financial income:		
Interest receivable	**—**	**0.1**
IFRIC-12 interest receivable	**0.5**	**1.0**
Financial income	**0.5**	**1.1**
Financial expenses — interest payable on bank overdrafts and loans	**(6.9)**	**(13.9)**
Net financing costs	**(6.4)**	**(12.8)**

5. LOSS BEFORE TAXATION

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

	Three months to 31 March 2011	Six months to 31 March 2011
	£m	£m
Depreciation	**4.3**	**8.2**
Amortisation of intangible assets	**6.8**	**13.5**
IFRIC 12 infrastructure costs expensed in the period	**0.1**	**1.2**

6. PROPERTY, PLANT AND EQUIPMENT

	31 March 2011	30 September 2010
	£m	**£m**
Opening book value	**216.8**	—
Acquired	**2.2**	221.9
Additions	**9.6**	4.9
Disposal and transfers to current assets	**(3.0)**	(3.8)
Depreciation	**(8.2)**	(6.2)
Closing book value	**217.4**	216.8

7. INTANGIBLE ASSETS

	31 March 2011	30 September 2010
	£m	**£m**
Opening book value	**197.9**	—
Acquired	**10.0**	209.2
Amortisation	**(13.5)**	(11.3)
Closing book value	**194.4**	197.9

8. OTHER FINANCIAL ASSETS

	31 March 2011	30 September 2010
	£m	**£m**
IFRIC-12 financial asset: brought forward	**66.0**	—
Acquired in the period	**—**	68.1
Released in the period	**(11.0)**	(2.1)
IFRIC-12 financial asset: carried forward	**55.0**	66.0
Disclosed as:		
Non-current assets: IFRIC-12 financial asset	**24.4**	43.8
Current assets: IFRIC-12 financial asset	**30.6**	22.2
	55.0	66.0

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 at bank and in hand	Overdrafts	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Net debt
	£m	£m	£m	£m	£m	£m
At 1 October 2009	—	—	—	—	—	—
Cash flow	34.0	—	34.0	—	—	34.0
Debt issued in period (net of arrangement fees)	—	—	—	—	(237.6)	(237.6)
Other non-cash changes	—	—	—	(0.1)	(0.3)	(0.4)
At 30 September 2010	34.0	—	34.0	(0.1)	(237.9)	(204.0)
Cash flow	(2.5)	—	(2.5)	—	—	(2.5)
Other non-cash changes	—	—	—	—	(0.8)	(0.8)
At 31 March 2011	**31.5**	**—**	**31.5**	**(0.1)**	**(238.7)**	**(207.3)**

As at 31 March 2011 there was accrued interest of £4.5m (30 September 2010 £5.0m) included in 'Trade and other payables' disclosed within current liabilities in the balance sheet.

(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 with the first payment having been made on 1 February 2011.

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 Newco 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 £19.1m as at 31 March 2011 (30 September 2010: £22.0m) in relation to performance bonds.

The Super Senior Revolving Facility Agreement requires Care UK Health and Social Care Newco 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 Limited

Group condensed financial information (unaudited)

Three months and six months ended 31 March 2011

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and six months ended 31 March 2011

	Three months to 31 March 2011	Three months to 31 March 2010	Six months to 31 March 2011	Six months to 31 March 2010
	£m	£m	£m	£m
Revenue	**108.2**	108.2	**216.0**	216.6
Cost of sales	**(91.0)**	(88.2)	**(184.3)**	(179.0)
Gross profit	**17.2**	20.0	**31.7**	37.6
Administrative expenses	**(12.9)**	(12.5)	**(23.6)**	(25.0)
Operating profit before financing expenses	**4.3**	7.5	**8.1**	12.6
Adjusted operating profit	**6.7**	10.1	**10.7**	17.3
Amortisation of intangible assets	**(2.1)**	(2.3)	**(4.1)**	(4.4)
Non-recurring items	**(0.3)**	(0.3)	**1.5**	(0.3)
Operating profit before financing expenses	**4.3**	7.5	**8.1**	12.6
Financial income	**0.5**	0.9	**1.1**	1.7
Financial expenses	**(6.7)**	(2.5)	**(13.5)**	(5.1)
Net financing costs	**(6.2)**	(1.6)	**(12.4)**	(3.4)
(Loss)/profit before taxation	**(1.9)**	5.9	**(4.3)**	9.2
Taxation	**(0.2)**	(2.4)	**1.3**	(3.5)
(Loss)/profit for the period	**(2.1)**	3.5	**(3.0)**	5.7
Total comprehensive (loss)/income for the period	**(2.1)**	3.5	**(3.0)**	5.7
(Loss)/profit attributable to				
Equity holders of the parent	**(2.1)**	3.5	**(3.0)**	5.7
Total comprehensive (loss)/income attributable to				
Equity holders of the parent	**(2.1)**	3.5	**(3.0)**	5.7

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2011

	31 March 2011	31 March 2010	30 September 2010
	£m	£m	£m
Assets			
Property, plant and equipment	**135.5**	139.7	134.6
Intangible assets	**83.7**	94.2	79.9
Other financial assets	**24.4**	55.0	43.8
Total non-current assets	**243.6**	288.9	258.3
Inventories	**2.6**	2.9	2.6
Trade and other receivables	**52.7**	53.3	55.6
Other financial assets	**30.6**	21.5	22.2
Cash and cash equivalents	**31.1**	55.6	26.2
Properties classified as held for sale	**3.1**	0.7	4.5
Total current assets	**120.1**	134.0	111.1
Total assets	**363.7**	422.9	369.4
Liabilities			
Financial liabilities — borrowings	**(155.5)**	(22.4)	(155.4)
Financial liabilities — derivative financial instruments	**—**	(11.9)	—
Trade and other payables	**(88.1)**	(82.1)	(94.4)
Current tax liabilities	**(4.1)**	(7.2)	(3.1)
Total current liabilities	**(247.7)**	(123.6)	(252.9)
Financial liabilities — borrowings	**—**	(171.6)	—
Other non-current liabilities	**(10.3)**	(5.0)	(7.2)
Deferred tax liabilities	**(10.3)**	(7.8)	(10.9)
Total non-current liabilities	**(20.6)**	(184.4)	(18.1)
Total liabilities	**(268.3)**	(308.0)	(271.0)
Net assets	**95.4**	114.9	98.4
Equity			
Issued share capital	**6.2**	6.2	6.2
Share premium	**56.6**	55.8	56.6
Hedging reserve	**—**	(8.9)	—
Retained earnings	**32.6**	61.8	35.6
Total equity attributable to equity holders of the parent	**95.4**	114.9	98.4

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and six months ended 31 March 2011

	Three months to 31 March 2011	Three months to 31 March 2010	Six months to 31 March 2011	Six months to 31 March 2010
	£m	£m	£m	£m
Cash flows from operating activities				
(Loss)/profit for the period	**(2.1)**	3.5	**(3.0)**	5.7
Depreciation	**4.1**	3.4	**7.8**	6.9
Amortisation of intangible assets	**2.1**	2.3	**4.1**	4.4
Profit on disposal of fixed assets	**—**	—	**(1.8)**	—
Decrease in IFRIC 12 financial asset	**1.3**	2.2	**2.4**	4.3
Increase in inventory	**—**	(0.3)	**(0.1)**	(0.4)
Decrease/(increase) in receivables	**—**	2.9	**2.1**	(2.7)
(Decrease)/increase in payables	**0.8**	2.2	**(8.5)**	1.2
Equity-settled share-based payments	**—**	0.2	**—**	0.4
Financial income	**(0.5)**	(0.9)	**(1.1)**	(1.7)
Financial expense	**6.7**	2.5	**13.5**	5.1
Tax expense/(credit)	**0.2**	2.4	**(1.3)**	3.5
Cash inflow from operations	**12.6**	20.4	**14.1**	26.7
Income taxes received/(paid)	**2.5**	(2.1)	**1.6**	(4.9)
Net cash from operating activities	**15.1**	18.3	**15.7**	21.8
Cash flows from investing activities				
Decrease in IFRIC 12 financial asset	**—**	8.6	**10.6**	8.6
Payments to acquire property, plant and equipment	**(5.4)**	(2.2)	**(9.0)**	(5.6)
Net (expenses)/proceeds from sales of property, plant and equipment	**(0.3)**	0.1	**0.7**	0.1
Interest received	**—**	—	**—**	0.1
Proceeds from sales of subsidiary undertakings and businesses	**2.1**	—	**4.7**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(4.8)**	—	**(4.8)**	—
Net cash from investing activities	**(8.4)**	6.5	**2.2**	3.2
Cash flows from financing activities				
Proceeds from issue of share capital	**—**	—	**—**	0.1
Proceeds from new secured loans	**—**	4.0	**—**	4.0
Repayments of amounts borrowed	**—**	(10.0)	**—**	(12.1)
Interest paid	**(12.9)**	(3.4)	**(12.9)**	(4.9)
Payment of capital element of finance lease payments	**(0.1)**	(0.1)	**(0.1)**	(0.2)
Dividends paid	**—**	(2.1)	**—**	(2.1)
Net cash from financing activities	**(13.0)**	(11.6)	**(13.0)**	(15.2)
Net (decrease)/increase in cash and cash equivalents	**(6.3)**	13.2	**4.9**	9.8
Cash and cash equivalents brought forward	**37.4**	42.4	**26.2**	45.8
Cash and cash equivalents carried forward	**31.1**	55.6	**31.1**	55.6

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED)

	Social Care					
Three months to 31 March 2011	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	29.3	20.0	13.8	45.1	—	**108.2**
Adjusted EBITDA	5.7	1.1	1.1	4.1	(1.2)	**10.8**
Depreciation	(1.1)	(0.1)	(0.3)	(2.2)	(0.4)	**(4.1)**
Adjusted operating profit/(loss)	4.6	1.0	0.8	1.9	(1.6)	**6.7**
Amortisation of intangible assets	(0.1)	(0.3)	—	(1.7)	—	**(2.1)**
Non-recurring items:						
— (loss)/profit on disposal of assets	(0.1)	—	—	0.1	—	**—**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	4.4	0.7	0.8	0.3	(1.9)	**4.3**
Net financing costs						**(6.2)**
Taxation						**(0.2)**
Loss for the period						**(2.1)**

	Social Care					
Three months to 31 March 2010	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	27.1	19.8	15.8	45.5	—	**108.2**
Adjusted EBITDA	5.3	0.7	1.9	6.5	(0.9)	**13.5**
Depreciation	(1.1)	—	(0.3)	(1.7)	(0.3)	**(3.4)**
Adjusted operating profit/(loss)	4.2	0.7	1.6	4.8	(1.2)	**10.1**
Amortisation of intangible assets	(0.2)	(0.3)	—	(1.8)	—	**(2.3)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	4.0	0.4	1.6	3.3	(1.8)	**7.5**
Net financing costs						**(1.6)**
Taxation						**(2.4)**
Profit for the period						**3.5**

Six months to 31 March 2011	Social Care Residential Care	Social Care Community Care	Social Care Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	**£m**
Group revenue	58.4	40.1	28.9	88.6	—	**216.0**
Adjusted EBITDA	10.1	2.0	2.6	6.1	(2.3)	**18.5**
Depreciation	(2.3)	(0.2)	(0.5)	(4.2)	(0.6)	**(7.8)**
Adjusted operating profit/(loss)	7.8	1.8	2.1	1.9	(2.9)	**10.7**
Amortisation of intangible assets	(0.2)	(0.6)	—	(3.3)	—	**(4.1)**
Non-recurring items:						
— profit on disposal of assets	0.7	—	—	1.1	—	**1.8**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	8.3	1.2	2.1	(0.3)	(3.2)	**8.1**
Net financing costs						**(12.4)**
Taxation						**1.3**
Loss for the period						**(3.0)**

Six months to 31 March 2010	Social Care Residential Care	Social Care Community Care	Social Care Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	**£m**
Group revenue	54.2	40.4	31.8	90.2	—	**216.6**
Adjusted EBITDA	9.1	1.2	3.6	12.1	(1.8)	**24.2**
Depreciation	(2.0)	(0.1)	(0.6)	(3.7)	(0.5)	**(6.9)**
Adjusted operating profit/(loss)	7.1	1.1	3.0	8.4	(2.3)	**17.3**
Amortisation of intangible assets	(0.3)	(0.6)	—	(3.5)	—	**(4.4)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	6.8	0.5	3.0	5.2	(2.9)	**12.6**
Net financing costs						**(3.4)**
Taxation						**(3.5)**
Profit for the period						**5.7**

Care UK Limited

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

Three months and six months ended 31 March 2011

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, rounded to the nearest thousand 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 three months and six months ended 31 March 2011:

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 LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and six months ended 31 March 2011

	Three months to 31 March 2011	Three months to 31 March 2010	Six months to 31 March 2011	Six months to 31 March 2010
	£m	£m	£m	£m
Revenue	**109.4**	110.6	**218.4**	221.0
Cost of sales	**(91.6)**	(89.7)	**(186.2)**	(181.7)
Gross profit	**17.8**	20.9	**32.2**	39.3
Administrative expenses	**(12.8)**	(12.6)	**(23.3)**	(25.0)
Operating profit before financing expenses	**5.0**	8.3	**8.9**	14.3
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**12.9**	16.2	**22.2**	29.7
Depreciation of tangible assets	**(5.6)**	(5.5)	**(10.9)**	(11.0)
Adjusted operating profit	**7.3**	10.7	**11.3**	18.7
Amortisation of intangible assets	**(2.0)**	(2.1)	**(3.9)**	(4.1)
Non-recurring items	**(0.3)**	(0.3)	**1.5**	(0.3)
Operating profit before financing expenses	**5.0**	8.3	**8.9**	14.3
Financial income	**—**	0.1	**0.1**	0.2
Financial expenses	**(6.7)**	(2.5)	**(13.5)**	(5.1)
Net financing costs	**(6.7)**	(2.4)	**(13.4)**	(4.9)
(Loss)/profit before taxation	**(1.7)**	5.9	**(4.5)**	9.4
Taxation	**(0.1)**	(1.9)	**1.7**	(3.1)
(Loss)/profit for the period	**(1.8)**	4.0	**(2.8)**	6.3
Total comprehensive (loss)/income for the period	**(1.8)**	4.0	**(2.8)**	6.3
(Loss)/profit attributable to				
Equity holders of the parent	**(1.8)**	4.0	**(2.8)**	6.3
Total comprehensive (loss)/income attributable to				
Equity holders of the parent	**(1.8)**	4.0	**(2.8)**	6.3

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2011

	31 March 2011	31 March 2010	30 September 2010
	£m	£m	£m
Assets			
Property, plant and equipment	**199.3**	230.9	209.9
Intangible assets	**71.7**	81.0	67.7
Total non-current assets	**271.0**	311.9	277.6
Inventories	**2.6**	2.9	2.6
Trade and other receivables	**52.7**	53.3	55.6
Cash and cash equivalents	**31.1**	55.6	26.2
Properties classified as held for sale	**3.1**	0.7	4.5
Total current assets	**89.5**	112.5	88.9
Total assets	**360.5**	424.4	366.5
Liabilities			
Financial liabilities — borrowings	**(155.5)**	(22.4)	(155.4)
Financial liabilities — derivative financial instruments	**—**	(11.9)	—
Trade and other payables	**(76.8)**	(70.8)	(82.2)
Current tax liabilities	**(4.1)**	(7.2)	(3.1)
Total current liabilities	**(236.4)**	(112.3)	(240.7)
Financial liabilities — borrowings	**—**	(171.6)	—
Other non-current liabilities	**(10.3)**	(5.0)	(8.2)
Deferred tax liabilities	**(12.7)**	(11.6)	(13.7)
Total non-current liabilities	**(23.0)**	(188.2)	(21.9)
Total liabilities	**(259.4)**	(300.5)	(262.6)
Net assets	**101.1**	123.9	103.9
Equity			
Issued share capital	**6.2**	6.2	6.2
Share premium	**56.6**	55.8	56.6
Hedging reserve	**—**	(8.9)	—
Retained earnings	**38.3**	70.8	41.1
Total equity attributable to equity holders of the parent	**101.1**	123.9	103.9

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and six months ended 31 March 2011

	Three months to 31 March 2011	Three months to 31 March 2010	Six months to 31 March 2011	Six months to 31 March 2010
	£m	£m	£m	£m
Cash flows from operating activities				
(Loss)/profit for the period	**(1.8)**	4.0	**(2.8)**	6.3
Depreciation	**5.6**	5.5	**10.9**	11.0
Amortisation of intangible assets	**2.0**	2.1	**3.9**	4.1
Profit on disposal of fixed assets	**—**	—	**(1.8)**	—
Increase in inventory	**—**	(0.3)	**(0.1)**	(0.4)
Decrease/(increase) in receivables	**—**	2.9	**2.1**	(2.7)
(Decrease)/increase in payables	**0.7**	2.1	**(8.6)**	1.1
Equity-settled share-based payments	**—**	0.2	**—**	0.4
Financial income	**—**	(0.1)	**(0.1)**	(0.2)
Financial expense	**6.7**	2.5	**13.5**	5.1
Tax expense/(credit)	**0.1**	1.9	**(1.7)**	3.1
Cash inflow from operations	**13.3**	20.8	**15.3**	27.8
Income taxes paid	**2.5**	(2.1)	**1.6**	(4.9)
Net cash from operating activities	**15.8**	18.7	**16.9**	22.9
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(6.1)**	(2.6)	**(10.2)**	(6.7)
Net (expenses)/proceeds from sales of property, plant and equipment	**(0.3)**	8.7	**11.3**	8.7
Interest received	**—**	—	**—**	0.1
Proceeds from sales of subsidiary undertakings and businesses	**2.1**	—	**4.7**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(4.8)**	—	**(4.8)**	—
Net cash from investing activities	**(9.1)**	6.1	**1.0**	2.1
Cash flows from financing activities				
Proceeds from issue of share capital	**—**	—	**—**	0.1
Proceeds from new secured loans	**—**	4.0	**—**	4.0
Repayments of amounts borrowed	**—**	(10.0)	**—**	(12.1)
Interest paid	**(12.9)**	(3.4)	**(12.9)**	(4.9)
Payment of capital element of finance lease payments	**(0.1)**	(0.1)	**(0.1)**	(0.2)
Dividends paid	**—**	(2.1)	**—**	(2.1)
Net cash from financing activities	**(13.0)**	(11.6)	**(13.0)**	(15.2)
Net (decrease)/increase in cash and cash equivalents	**(6.3)**	13.2	**4.9**	9.8
Cash and cash equivalents brought forward	**37.4**	42.4	**26.2**	45.8
Cash and cash equivalents carried forward	**31.1**	55.6	**31.1**	55.6

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED)

	Social Care					
Three months to 31 March 2011	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	29.9	20.0	13.8	45.7	—	**109.4**
Adjusted EBITDA	6.5	1.1	1.1	5.4	(1.2)	**12.9**
Depreciation	(1.7)	(0.1)	(0.3)	(3.1)	(0.4)	**(5.6)**
Adjusted operating profit/(loss)	4.8	1.0	0.8	2.3	(1.6)	**7.3**
Amortisation of intangible assets	—	(0.3)	—	(1.7)	—	**(2.0)**
Non-recurring items:						
— (loss)/profit on disposal of assets	(0.1)	—	—	0.1	—	**—**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	4.7	0.7	0.8	0.7	(1.9)	**5.0**
Net financing costs						**(6.7)**
Taxation						**(0.1)**
Loss for the period						**(1.8)**

	Social Care					
Three months to 31 March 2010	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	27.8	19.8	15.8	47.2	—	**110.6**
Adjusted EBITDA	6.0	0.7	1.9	8.5	(0.9)	**16.2**
Depreciation	(1.6)	(0.1)	(0.3)	(3.2)	(0.3)	**(5.5)**
Adjusted operating profit/(loss)	4.4	0.6	1.6	5.3	(1.2)	**10.7**
Amortisation of intangible assets	—	(0.3)	—	(1.8)	—	**(2.1)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	4.4	0.3	1.6	3.8	(1.8)	**8.3**
Net financing costs						**(2.4)**
Taxation						**(1.9)**
Profit for the period						**4.0**

Six months to 31 March 2011	Social Care					
	Residential Care	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	59.7	40.1	28.9	89.7	—	**218.4**
Adjusted EBITDA	11.7	2.0	2.6	8.2	(2.3)	**22.2**
Depreciation	(3.5)	(0.2)	(0.5)	(6.1)	(0.6)	**(10.9)**
Adjusted operating profit/(loss)	8.2	1.8	2.1	2.1	(2.9)	**11.3**
Amortisation of intangible assets	—	(0.6)	—	(3.3)	—	**(3.9)**
Non-recurring items:						
— profit on disposal of assets	0.7	—	—	1.1	—	**1.8**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	8.9	1.2	2.1	(0.1)	(3.2)	**8.9**
Net financing costs						**(13.4)**
Taxation						**1.7**
Loss for the period						**(2.8)**

Six months to 31 March 2010	Social Care					
	Residential Care	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	55.6	40.4	31.8	93.2	—	**221.0**
Adjusted EBITDA	10.6	1.2	3.6	16.1	(1.8)	**29.7**
Depreciation	(3.1)	(0.2)	(0.6)	(6.6)	(0.5)	**(11.0)**
Adjusted operating profit/(loss)	7.5	1.0	3.0	9.5	(2.3)	**18.7**
Amortisation of intangible assets		(0.6)	—	(3.5)	—	**(4.1)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	7.5	0.4	3.0	6.3	(2.9)	**14.3**
Net financing costs						**(4.9)**
Taxation						**(3.1)**
Profit for the period						**6.3**