24 August 2010

Care UK Ltd

("Care UK" or "the group")

Results for the nine months ended 30 June 2010

Care UK Ltd, the leading health and social care provider, today announced results as of and for the nine months ended 30 June 2010. Care UK Ltd was acquired by Care UK Health & Social Care Plc in April 2010 and subsequently de-listed from the London Stock Exchange. These results are being made available to Noteholders of Care UK Health & Social Care Plc as set out in the indenture relating to the Notes.

2010 Third Quarter | Key financial performance measures

Nine months ended 30 June Amounts in £m unless stated	**2010**	2009	% Change
Revenue (1)	**332.5**	299.5	+ 11
Adjusted EBITDA (2)	**45.3**	42.7	+ 6
Adjusted EBITDA margin	**13.6%**	14.2%	-
Adjusted operating profit (2)	**29.3**	27.7	+ 6
Net debt	**137.7**	170.5	- 19
Net debt to Adjusted EBITDA (LTM)	**2.22x**	2.90x	-

(1) Revenue is stated before the application of IFRIC 12 – see note 2 on page 9.
(2) Reconciliations of net income to adjusted operating profit and adjusted operating profit to adjusted EBITDA are set out in note 9 on page 14.

Highlights

- Year to date growth in revenue of 11% to £332.5 million;
- Adjusted EBITDA and adjusted operating profit both up by 6% to £45.3 million and £29.3 million respectively, with all growth being organic;
- Retained right to continue to operate Barlborough and Wycombe Wave 1 ISTCs and won right to operate Bradford Wave 1 ISTC, formerly operated by a competitor. Services at the Bradford ISTC commenced in July 2010;
- Refinancing completed in July, after reported period end, through the issue of 9¾% Senior Secured Notes due on 1 August 2017 by Care UK Health & Social Care Plc.

Cautionary statement

This quarterly report has been prepared solely to provide additional information to bondholders of the 9¾% Senior Secured Notes ("the Notes"), due on 1 August 2017, issued by Care UK Health & Social Care Plc on 20 July 2010. The quarterly report contains certain forward-looking statements about operational and financial matters. Because they relate to future events and are subject to future circumstances, these forward looking statements are subject to risks, uncertainties and other factors. Accordingly, these forward-looking statements should not be relied upon as they speak only as of the date of the quarterly report or as otherwise indicated. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. The group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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2010 Third Quarter | Presentation of financial information

The results presented here are the unaudited consolidated results of the Care UK Ltd group. Care UK Health & Social Care Newco Ltd ("Newco") acquired Care UK Ltd on 11 May 2010 through its wholly owned subsidiary, Care UK Health & Social Care Plc. Newco is the parent guarantor of the Notes and will in future present the consolidated results for itself and its subsidiaries as set out in the indenture relating to the Notes and as described in the section "Description of the Senior Secured Notes" of the offering memorandum issued to prospective bondholders on 16 July 2010 ("the Offering Memorandum"). The results of the Care UK Ltd group are being reported in this quarterly report in order to provide the greatest degree of consistency and comparability with the historic financial information previously reported. This report provides financial information fully in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and also as adjusted for the effects of IFRIC 12 "Service Concession Arrangements"; the detailed commentary setting out the impact of this new accounting standard on the group's financial statements is set out in the Offering Memorandum.

The commentary on the results of the group's operations set out in this quarterly report discusses the group's financial information before taking account of IFRIC 12.

2010 Third Quarter | Performance overview

In the first nine months of the financial year consolidated revenues increased by 11% to £332.5 million, consolidated adjusted EBITDA increased by 6% to £45.3 million and consolidated adjusted operating profit increased by 6% to £29.3 million. Group adjusted EBITDA margin for the period is 13.6% compared with 14.2% for the prior year comparable period, reflecting the expected impact of the initial transition of the group's Wave 1 ISTCs to their intended post-contract commercial arrangements. During the period reported on the group also received the first £16.3 million of proceeds arising from the buyback of the Wave 1 ISTCs, materially reducing the capital employed within this segment of the group's overall business.

The group has now concluded negotiations with regard to most of its price increases, the majority of which take effect on 1 April annually. The results achieved reflect a mix of contractually specified index-based increases and annually negotiated "spot purchase" rates with the overall result being in line with the group's expectations.

2010 Third Quarter | Results of operations

Social Care

The group's Social Care activities comprise the Residential Care, Community Care and Specialist Care businesses. In aggregate Social Care revenue for the nine months to date has increased by 4.5% against the comparable period in 2009. Adjusted operating profit for the nine months to date was 3.7% lower than the equivalent period in 2009 at £19.5 million. Adjusted operating profit for the third quarter was 13.1% higher than the equivalent period in 2009 with the most significant improvement being in the Community Care division following the actions taken to restore profitability within that division.

The results of the Residential Care business show revenue for the nine months to date being 8.8% higher than the comparable period in 2009. Adjusted operating profit for the nine months to date was 2.7% lower than the comparable period in 2009. The increased revenue reflects, in particular, the increasing contribution from the two new care homes opened in March 2009, Manor Lodge in Chelmsford and Oak House in Slough, which are both 120-bed homes. As expected, these two homes contributed negatively to operating profit during their initial ramp-up periods. Both of these homes have now become profitable. The overall occupancy level for non-contracted beds in mature homes, excluding those homes that are still in their ramp-up periods, was around 91% at the end of the period, approximately 2% higher than the equivalent level twelve months previously.

We are making good progress with construction of the new 92-bed care home in Portsmouth. This home is being funded by Portsmouth City Council, who have also entered into a 25-year contract for 62 beds and the home is expected to open as planned in spring 2011. We are also making good progress with construction of the new-build 74-bed care home in Crowborough, East Sussex. This is a leasehold development and is expected to open towards the end of the 2011 financial year. The pipeline for potential new residential care home sites is encouraging and the group is evaluating a number of potential opportunities.

Revenue growth in Community Care for the nine months to date is 0.5%, the focus within this division having been on increasing profitability rather than seeking growth. Whilst adjusted operating profit for the nine months to date shows a reduction of 17.3% compared with the equivalent period in the previous year, the adjusted operating profit for the third quarter shows an increase of 52.6% over the comparable period in 2009 as a result of the actions taken to improve performance within this division.

Performance in the Specialist Care division, comprising the mental health, learning disabilities and children's services businesses, has been steady with a number of new services being commissioned within learning disabilities and the planned closure programme of a number of mental health homes progressing as intended. Revenue in this division for the nine months to date is 2.5% higher than in the comparable period in the previous year with adjusted operating profit for the nine months to date being 1.0% higher than the equivalent period in 2009. Adjusted operating profit for the third quarter was 9.9% higher than the same quarter in the previous year on revenue 3.1% up on the third quarter of 2009.

Health Care

The Health Care business, comprising the group's Wave 1 and Wave 2 ISTCs and its general healthcare business, has increased revenues by 21.6% and adjusted operating profit by 21.2% in the first nine months of the financial year, compared with the equivalent period in the prior year. Performance has been steady across the range of services operated by the group, with the increased performance coming, as expected, largely from the newer services commissioned during the 2009 financial year.

The group remains focused on maintaining continuity of the Wave 1 ISTCs beyond their initial contracted periods. During the third quarter the group received confirmation that it had been awarded a long-term lease for the Barlborough Wave 1 ISTC site following the tender process undertaken by the local Primary Care Trust as well as receiving conditional accreditation of "Any Willing Provider" status for its Wycombe Wave 1 ISTC site, which enables the continuity of service provision at this site. The group was also awarded preferred bidder status for the Eccles Hill Wave 1 ISTC site in Bradford formerly operated by a competitor; services at this site have commenced during July 2010.

2010 Third Quarter | Liquidity and capital resources

Group net debt at 30 June 2010 was £137.7 million compared with £170.5 million at 30 June 2009. The reduction in net debt achieved during the first nine months of the current financial year was £18.6 million compared with a reduction of £9.7 million achieved during the first nine months of the previous financial year. The reduction in the current year has been achieved mainly as the result of the buyback of the first two of the group's ISTC sites by their respective local Primary Care Trusts, resulting in a cash inflow of £16.3 million, shown in the cash flow statement on page 7 as a "Decrease in IFRIC 12 financial asset". In addition, capital expenditure in the first nine months of the current financial year was £6.7 million compared with £20.4 million during the equivalent period in the previous financial year. During the nine months of the current financial year, the group has incurred expenditure of approximately £3.6 million relating to the recent acquisition of Care UK Ltd by Care UK Health & Social Care Plc. The refinancing of the group was completed in July 2010.

2010 Third Quarter | Other matters

On 16 July 2010, the group executed the lease for the Barlborough Wave 1 ISTC site previously operated by the group. This site was re-purchased by the local Primary Care Trust in April 2010 as part of the group's previous contractual arrangements.

On 24 August 2010, PHG (Maidstone) Ltd, PHG (North East London) Ltd, Care UK Healthcare (Southeast) Ltd and PHG (Hampshire) Ltd, who are all 100% owned subsidiaries of Care UK Ltd, acceded to the guarantee arrangements pertaining to the Notes.

Condensed Consolidated Income Statement (Unaudited) – Third Quarter

	Notes	**Nine months to 30 June 2010 £m**	Restated Nine months to 30 June 2009 £m
Group revenue	3	**326.2**	292.2
Cost of sales		**(268.8)**	(240.7)
Gross profit		**57.4**	51.5
Administrative expenses		**(37.2)**	(34.1)
Operating profit	3, 4	**20.2**	17.4
Financial income		**2.4**	4.5
Financial expense		**(8.5)**	(9.8)
Net financing costs		**(6.1)**	(5.3)
Profit before taxation		**14.1**	12.1
Taxation		**(5.6)**	(4.2)
Profit for the period		**8.5**	7.9
Attributable to:			
Equity holders of the parent		**8.5**	7.9

Condensed Consolidated Statement of Comprehensive Income (Unaudited) – Third Quarter

	Nine months to 30 June 2010 £m	Restated Nine months to 30 June 2009 £m
Cash flow hedge reserve movement (net of deferred taxation)	**(1.1)**	(9.2)
Net expense recorded directly in equity	**(1.1)**	(9.2)
Profit for the period	**8.5**	7.9
Total other comprehensive income for the period	**7.4**	(1.3)
Attributable to:		
Equity holders of the parent	**7.4**	(1.3)

Condensed Consolidated Statement of Changes in Equity (Unaudited) – Third Quarter

	30 June 2010 £m	Restated 30 June 2009 £m	Restated 30 September 2009 £m
Opening equity attributable to equity holders of the parent (as previously stated)	**120.2**	116.8	116.8
Prior year adjustment (see note 2)	**(8.4)**	(8.1)	(8.1)
Opening equity attributable to equity holders of the parent (as restated)	**111.8**	108.7	108.7
Issue of shares (net of issuing costs)	**0.1**	0.4	0.5
Purchase of own shares	**—**	(0.1)	(0.2)
Profit for the period	**8.5**	7.9	13.8
Movement in cash flow hedge reserve (net of deferred taxation)	**(1.1)**	(9.2)	(7.9)
Credit in relation to equity-settled share-based payments (net of deferred taxation)	**0.7**	0.7	0.6
Credit in relation to defined benefit pension scheme (net of deferred taxation)	**—**	—	(0.9)
Dividends (see note 8)	**(2.1)**	(1.9)	(2.8)
Closing equity attributable to equity holders of the parent	**117.9**	106.5	111.8

Condensed Consolidated Balance Sheet (Unaudited)

	Notes	30 June 2010 £m	Restated 30 June 2009 £m	Restated 30 September 2009 £m
Assets				
Property, plant and equipment	5	**139.4**	150.2	141.3
Intangible assets	6	**92.1**	101.1	98.6
Other financial assets		**65.9**	89.1	89.4
Total non-current assets		**297.4**	340.4	329.3
Inventories		**3.4**	2.3	2.5
Trade and other receivables		**68.6**	57.8	50.7
Cash and cash equivalents	7	**27.9**	33.6	45.8
Properties classified as held for sale		**0.7**	0.4	0.4
Total current assets		**100.6**	94.1	99.4
Total assets		**398.0**	434.5	428.7
Liabilities				
Financial liabilities – borrowings	7	**(165.6)**	(24.0)	(26.0)
Financial liabilities – derivative financial instruments		**(11.9)**	(12.2)	(10.4)
Trade and other payables		**(82.5)**	(90.6)	(81.3)
Current tax liabilities		**(6.6)**	(5.4)	(7.1)
Total current liabilities		**(266.6)**	(132.2)	(124.8)
Financial liabilities – borrowings	7	**—**	(180.1)	(176.1)
Other non-current liabilities		**(5.0)**	(5.4)	(6.3)
Deferred tax liabilities		**(8.5)**	(10.3)	(9.7)
Total non-current liabilities		**(13.5)**	(195.8)	(192.1)
Total liabilities		**(280.1)**	(328.0)	(316.9)
Net assets		**117.9**	106.5	111.8

Equity			
Issued share capital	**6.2**	6.2	6.2
Share premium	**55.8**	55.7	55.7
Hedging reserve	**(8.9)**	(9.2)	(7.9)
Retained earnings	**64.8**	53.8	57.8
Total equity attributable to equity holders of the parent	**117.9**	106.5	111.8

Condensed Consolidated Cash Flow Statement (Unaudited) – Third Quarter

	Note	Nine months to 30 June 2010 £m	Restated Nine months to 30 June 2009 £m
Cash inflow from operating activities		**26.1**	44.9
Income taxes paid		**(7.0)**	(5.1)
Net cash from operating activities		**19.1**	39.8
Cash flows from investing activities			
Decrease in IFRIC 12 financial asset		**16.3**	—
Net payments to acquire property, plant and equipment		**(6.7)**	(19.8)
Interest received		**0.1**	0.4
Net cash from investing activities		**9.7**	(19.4)
Cash flows from financing activities			
Net movements in share capital		**0.1**	0.3
Proceeds from new secured loans		**—**	10.0
Repayments of amounts borrowed and capital element of finance lease payments		**(37.6)**	(9.4)
Interest paid		**(7.1)**	(8.7)
Dividends paid		**(2.1)**	(1.9)
Net cash from financing activities		**(46.7)**	(9.7)
Net (decrease)/increase in cash and cash equivalents		**(17.9)**	10.7
Cash and cash equivalents brought forward		**45.8**	22.9
Cash and cash equivalents carried forward	7	**27.9**	33.6

1. REPORTING ENTITY

Care UK Limited (the "company") is a company domiciled in the United Kingdom. The condensed consolidated quarterly financial statements of the company for the nine months ended 30 June 2010 comprise the company and its subsidiaries (together referred to as the "group").

This quarterly report, for the nine months ended 30 June 2010, 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 2009, 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 2009 set out within this report have been extracted from the 2009 annual report and accounts published on 10 December 2009, adjusted for the impact of IFRIC 12 "Service Concession Arrangements". Details of the impact of IFRIC 12 are set out in note 2 below.

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.

Except as described below, the same accounting policies and methods of computation are followed in these condensed financial statements as were applied in the group's 2009 annual report:

a) Changes in accounting policy

IFRS 8 "Operating Segments" – the requirements of this standard have been adopted in these quarterly statements. The standard requires the identification of those segments which are regularly reviewed by the Chief Operating Decision Maker ("CODM") and the disclosure of the measure of profit and revenue used by the CODM. The segments reviewed by the CODM are Residential Care, Community Care, Specialist Care and Health Care and the measure of profit is adjusted operating profit, defined as operating profit before impairment and amortisation of intangible assets and non-recurring items. The adoption of IFRS 8 has had no impact on the information disclosed in this quarterly statement.

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.

2. ACCOUNTING POLICIES CONTINUED

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 although there is no change in the overall project cash flows arising or the timing of their receipt or payment. The adoption of this interpretation has had the following impact:

Consolidated income statement	Nine months to 30 June 2010			Nine months to 30 June 2009		
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post-IFRIC 12 adjustments £m	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post-IFRIC 12 adjustments £m
Group revenue	332.5	(6.3)	326.2	299.5	(7.3)	292.2
Cost of sales	(273.0)	4.2	(268.8)	(244.0)	3.3	(240.7)
Gross profit	59.5	(2.1)	57.4	55.5	(4.0)	51.5
Administrative expenses	(37.2)	—	(37.2)	(34.1)	—	(34.1)
Operating profit	22.3	(2.1)	20.2	21.4	(4.0)	17.4
Financial income	0.2	2.2	2.4	1.6	2.9	4.5
Financial expense	(8.5)	—	(8.5)	(9.8)	—	(9.8)
Net financing costs	(8.3)	2.2	(6.1)	(8.2)	2.9	(5.3)
Profit before taxation	14.0	0.1	14.1	13.2	(1.1)	12.1
Taxation	(4.6)	(1.0)	(5.6)	(4.5)	0.3	(4.2)
Profit for the period	9.4	(0.9)	8.5	8.7	(0.8)	7.9

Consolidated balance sheet (extracts only)	30 June 2010			30 June 2009		
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post-IFRIC 12 adjustments £m	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post-IFRIC 12 adjustments £m
Property, plant & equipment	217.3	(77.9)	139.4	255.2	(105.0)	150.2
Intangible assets	79.0	13.1	92.1	87.5	13.6	101.1
Other financial assets	—	65.9	65.9	—	89.1	89.1
Total non-current assets	296.3	1.1	297.4	342.7	(2.3)	340.4
Trade and other payables	(72.5)	(10.0)	(82.5)	(79.6)	(11.0)	(90.6)
Total current liabilities	(256.6)	(10.0)	(266.6)	(121.2)	(11.0)	(132.2)
Deferred tax liabilities	(11.6)	3.1	(8.5)	(14.7)	4.4	(10.3)
Total non-current liabilities	(16.6)	3.1	(13.5)	(200.2)	4.4	(195.8)
Net assets	123.7	(5.8)	117.9	115.4	(8.9)	106.5

2. ACCOUNTING POLICIES CONTINUED

a) Changes in accounting policy continued

Consolidated balance sheet (extracts only)

	30 September 2009		
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post-IFRIC 12 adjustments £m
Property, plant and equipment	244.0	(102.7)	141.3
Intangible assets	85.1	13.5	98.6
Other financial assets	—	89.4	89.4
Total non-current assets	329.1	0.2	329.3
Trade and other payables	(68.6)	(12.7)	(81.3)
Total current liabilities	(112.1)	(12.7)	(124.8)
Deferred tax liabilities	(13.9)	4.2	(9.7)
Total non-current liabilities	(196.3)	4.2	(192.1)
Net assets	120.2	(8.4)	111.8

IAS 1 (revised 2007) "Presentation of Financial Statements" – this standard requires that the group presents a statement of comprehensive income and a statement of changes in equity as primary statements. This standard impacts disclosure only and has no impact on the reported results or financial position of the group.

IAS 23 (revised 2007) "Borrowing Costs" – this standard requires borrowing costs which are attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. This is consistent with the group's existing accounting policy and therefore the adoption of this standard has not had an impact on the group's interim statements.

b) 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 but excludes the effect of the refinancing of the group that occurred after 30 June 2010.

Defined benefit plans: As permitted by adopted IAS 34, an interim actuarial valuation has not been obtained as at the end of third 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 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 and children's residential and foster care.
- Health Care provides a range of primary and secondary care services.

Nine months to 30 June 2010	Residential Care £m	Community Care £m	Specialist Care £m	Health Care £m	Head Office/ Eliminations £m	**Consolidated £m**
Group revenue	82.5	60.5	48.2	135.0	—	**326.2**
Adjusted operating profit/(loss)	11.9	2.2	4.8	11.9	(3.2)	**27.6**
Amortisation of intangible assets	(0.4)	(0.9)	—	(5.2)	—	**(6.5)**
Non-recurring items	—	—	—	0.3	(1.2)	**(0.9)**
Operating profit/(loss)	11.5	1.3	4.8	7.0	(4.4)	**20.2**
Net financing costs						**(6.1)**
Taxation						**(5.6)**
Profit for the period						**8.5**

Nine months to 30 June 2009 (restated)	Residential Care £m	Community Care £m	Specialist Care £m	Health Care £m	Head Office/ Eliminations £m	Consolidated £m
Group revenue	75.5	60.3	47.0	109.4	—	292.2
Adjusted operating profit/(loss)	11.7	2.6	4.8	8.6	(3.6)	24.1
Amortisation of intangible assets	(0.4)	(0.9)	—	(4.5)	—	(5.8)
Non-recurring item	—	(0.9)	—	—	—	(0.9)
Operating profit/(loss)	11.3	0.8	4.8	4.1	(3.6)	17.4
Net financing costs						(5.3)
Taxation						(4.2)
Profit for the period						7.9

3. SEGMENT REPORTING CONTINUED

Non-recurring items

	Nine months to 30 June 2010 £m	Nine months to 30 June 2009 £m
Restructuring costs	**(1.2)**	—
Property rectification gain	**0.3**	—
Contract loss	**—**	(0.9)
	(0.9)	(0.9)

The property rectification gain reflects the partial recovery of costs incurred in 2009 relating to remediation work at one of the group's ISTC sites. The restructuring costs relate to redundancy and recruitment costs associated with an internal reorganisation. The prior year contract loss relates to the operation and subsequent termination of the domiciliary care contract with Hertfordshire County Council.

Adjusted segmental information

The following adjusted segmental information is stated before the application of IFRIC 12 and excluding all non-recurring items. Note 9 sets out the reconciliation of this information to the financial information reported in the consolidated income statement.

Nine months to 30 June 2010	Residential Care £m	Community Care £m	Specialist Care £m	Health Care £m	Head Office/ Eliminations £m	**Consolidated £m**
Group revenue	84.6	60.5	48.2	139.2	—	**332.5**
Adjusted EBITDA	17.2	2.5	5.7	22.9	(3.0)	**45.3**
Adjusted operating profit/(loss)	12.5	2.2	4.8	13.4	(3.6)	**29.3**

Nine months to 30 June 2009	Residential Care £m	Community Care £m	Specialist Care £m	Health Care £m	Head Office/ Eliminations £m	Consolidated £m
Group revenue	77.8	60.3	47.0	114.4	—	**299.5**
Adjusted EBITDA	17.2	2.9	5.6	19.7	(2.7)	**42.7**
Adjusted operating profit/(loss)	12.9	2.6	4.8	11.0	(3.6)	**27.7**

4. OPERATING PROFIT

	Nine months to 30 June 2010 £m	Restated Nine months to 30 June 2009 £m
Operating profit is stated after charging:		
Depreciation	**10.5**	9.1
Amortisation of intangible assets	**6.5**	5.8
IFRIC 12 infrastructure costs expensed in the period	**1.1**	2.1

5. PROPERTY, PLANT AND EQUIPMENT

	30 June 2010 £m	Restated 30 June 2009 £m	Restated 30 September 2009 £m
Opening net book value (as previously stated)	**244.0**	247.8	247.8
Prior year adjustment	**(102.7)**	(108.7)	(108.7)
Opening book value (as restated)	**141.3**	139.1	139.1
Additions	**9.5**	21.6	24.8
Disposals and transfers to current assets	**(0.9)**	(1.4)	(10.3)
Depreciation	**(10.5)**	(9.1)	(12.3)
Closing net book value	**139.4**	150.2	141.3

6. INTANGIBLE ASSETS

	30 June 2010 £m	Restated 30 June 2009 £m	Restated 30 September 2009 £m
Opening net book value (as previously stated)	**85.1**	92.9	92.9
Prior year adjustment	**13.5**	14.0	14.0
Opening net book value (as restated)	**98.6**	106.9	106.9
Amortisation and impairment charges	**(6.5)**	(5.8)	(8.3)
Closing net book value	**92.1**	101.1	98.6

7. NET DEBT

	Cash at bank and in hand £m	Overdrafts £m	Cash and cash equivalents £m	Borrowings due within one year £m	Borrowings due after one year £m	Net debt £m
At 1 October 2008	22.9	—	22.9	(8.6)	(194.5)	(180.2)
Cash flow	10.7	—	10.7	9.4	(10.0)	10.1
Other non-cash changes	—	—	—	(24.8)	24.4	(0.4)
At 30 June 2009	33.6	—	33.6	(24.0)	(180.1)	(170.5)
Cash flow	12.2	—	12.2	2.3	—	14.5
Other non-cash changes	—	—	—	(4.3)	4.0	(0.3)
At 30 September 2009	45.8	—	45.8	(26.0)	(176.1)	(156.3)
Cash flow	(17.9)	—	(17.9)	23.1	14.5	19.7
Other non-cash changes	—	—	—	(162.7)	161.6	(1.1)
At 30 June 2010	**27.9**	**—**	**27.9**	**(165.6)**	**—**	**(137.7)**

The other non-cash changes in the period mainly reflect the reclassification of certain borrowings that now fall within the category of due within one year. As at 30 June 2010 all borrowings were classified as falling due within one year in view of the refinancing of the group that was completed during July 2010.

8. DIVIDENDS

	Nine months to 30 June 2010 £m	Nine months to 30 June 2009 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 30 September 2009 (2008) of 3.40p (3.10p) per share	**2.1**	1.9

9. SUPPLEMENTAL FINANCIAL INFORMATION

Reconciliation of pre-IFRIC 12 adjusted net income to adjusted operating profit and adjusted EBITDA

	Nine months to 30 June 2010 £m	Nine months to 30 June 2009 £m
Pre-IFRIC 12 adjusted net income for the period	**9.4**	8.7
Add pre-IFRIC 12 adjusted (see note 2):		
- taxation	**4.6**	4.5
- net financing costs	**8.3**	8.2
Pre-IFRIC 12 operating profit for the period	**22.3**	21.4
Add:		
- non-recurring items (see note 3)	**0.9**	0.9
- pre-IFRIC 12 adjusted amortisation of intangible items	**6.1**	5.4
Adjusted operating profit	**29.3**	27.7
Add: pre-IFRIC 12 adjusted depreciation	**16.0**	15.0
Adjusted EBITDA	**45.3**	42.7

10. POST BALANCE SHEET EVENT

In July 2010, the group successfully completed its refinancing. The refinancing was undertaken as a result of the acquisition of the group during the period under review.