Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and nine months ended 30 June 2015

£230,000,000 Senior Secured First Lien Floating Rate Notes due 2019
£42,615,000 Second Lien Floating Rate Notes due 2020

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2014 (the "Annual report 2014"). This should be read in conjunction with the Annual report 2014 which is available only in pdf format and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the three and nine months ended 30 June 2015 on a continuing operations basis. Therefore, this excludes the results of the businesses that are classified as discontinued in accordance with IFRS 5, unless stated otherwise. All figures and percentages exclude the effects of IFRIC 12.

- **Group highlights and market context**

    - On a continuing basis, Adjusted EBITDA for the third quarter of 2015 increased 37.9 per cent. on prior year from £9.5 million to £13.1 million for the quarter, predominantly driven by good progress in Residential Care, a number of non-recurring benefits in the quarter and the re-organisation programme. Whilst this represents significant improvement compared to prior year, this level of improvement cannot be expected in Quarter Four and the full year results. Revenue was broadly unchanged at £146.1 million with a small increase in the Residential Care division offset by a small reduction in Health Care.

    - Following the successful completion of the sale of Learning Disability, Care at Home and Mental Health businesses; Care UK's strategy is focused on the continued development of residential care services and on its market leading primary and secondary NHS health care services.

    - In Residential Care Services good progress continues to be made with the strategic intent to significantly change the customer mix by moving further towards privately funded residents. Financial pressures on the NHS and local authorities are substantial and fee rates continue to be lower than could reasonably be expected. The sector continues to adjust to the new regulatory environment and labour pressure shortages, both of which remain challenging. Care UK continues to make good progress with a steady increase in Adjusted EBITDA delivered from the opening of new care homes and some non-recurring contract income, whilst maintaining a steady improvement in labour cost ratios.

    - The new National Living Wage ("NLW") will have a significant impact on labour costs for the care sector, with the first increase over National Minimum Wage being 50p per hour (7.4 per cent.) in April 2016. Our current estimate is that the cost base impacted, both directly and indirectly, is up to £100 million per annum. The sector is lobbying for a fair cost of care to be paid by local authorities, reflective of the increase in employment costs, alongside an internal review of pay scales. It is unclear at this stage how subsequent future increases will be phased to achieve the Government's aspiration of a NLW of £9 per hour by 2020, nor is it clear how further funding for social care may be allocated to compensate for this additional cost. A further update will be provided in our 2015 full year results announcement.

    - Within Health Care; the Health in Justice (Offender Health) procurement pipeline is strong and, across the rest of Primary Care many contracts are being extended, some with pricing adjustment, as part of NHS England's review of urgent care and 111 services. A number of existing secondary care contracts are in the process of renewal, with related and material re-pricing consequences. Care UK is developing new service solutions to assist the NHS with front line GP services to the public and, in partnership with prominent NHS Trusts, with proposals to assist other NHS hospitals' improvement plan implementation.

- Despite the continuing and significant financial pressures across NHS and local authority funded social care services, management continue to believe that Care UK is strongly positioned to support both commissioners and NHS providers in responding to rising demand and the imperative to improve performance and efficiency.

- **Group financial highlights**
  - As a result of the strong trading performance, continuing operations Adjusted EBITDA LTM has increased by 9.2 per cent. from £39.2 million at Quarter Two, to £42.8 million this quarter.
  - The sale of all three businesses completed during the quarter and generated a total enterprise value of £130.0 million from £12.9 million LTM EBITDA at March 2015. This resulted in a profit on disposal of £36.6 million after allowing for estimated fees and other associated transition and separation costs. A £15.6 million impairment charge relating to the Care at Home business was recognised in Quarter Two and, therefore, the net profit on disposal in the nine month period was £21.0 million.
  - Net debt at 30 June 2015 was £249.8 million, a reduction of £132.9 million from Quarter Two as a result of the sales proceeds from the three businesses. Leverage on a continuing basis ratio was 5.8x with pro-forma[1] financial leverage at 5.4x, in line with management expectations.
  - In line with a strategy to reduce debt, Care UK has purchased a total of £37.4 million of its Second Lien Notes since the end of March, for a total consideration of £36.0 million (before fees and expenses). Some of the Second Lien Notes were purchased by Care UK Health and Social Care Finance Limited, a company which is outside the restricted credit group and, with the exception of £5.0 million that are held by this company in treasury, have been contributed into the restricted group. The intention is that the Second Lien Notes held in treasury will be cancelled in due course, at which point the bond group net debt will reduce by a further £5.0 million. All other purchased Second Lien Notes have already been cancelled.
  - During the quarter, Care UK launched a par offer for £95.0 million of its First Lien Notes. The offer concluded on 14 August 2015 and was fully subscribed (see post reporting period developments).
  - An organisational change programme to devolve Care UK’s central functions into operating companies and to reduce functional overhead cost generally has now been implemented. The group-wide reorganisation will deliver approximately £6.5 million of ‘in year’ savings and around £10.0 million on an annualised basis. The financial results of the reporting segments have been represented on a like-for-like basis, i.e. the prior period results are presented on the basis of the current devolved structure, but without the benefit of the cost savings.
  - Adjusted EBITDA is stated before £1.2 million of non-recurring charges incurred in the quarter (year to date £9.0 million). The organisational change programme incurred £1.0 million in the quarter, bringing the total implementation costs to £6.0 million. The transition of services from old to new residential care homes under the Suffolk contract incurred £0.2 million of non-recurring costs in the quarter.
  - Quarterly net financing costs of £5.9 million are £3.1 million lower than prior year, reflecting a £1.2 million gain recognised on the repurchase of bonds in the quarter as well as the lower cost of debt arising from the July 2014 refinancing.

[1] adjusting for new care home start-up losses but excluding any pro-forma mature profit.

- **Residential Care Services**

    - Residential Care Services continues to reflect the benefits of growth and performance improvement, with Adjusted EBITDA in the quarter increasing by £2.3 million against prior year to £7.4 million. Part of this increase can be attributed to £1.3 million of one-off contract revenue with underlying year-on-year EBITDA growth still strong at around 20 per cent. This increase is primarily as a result of occupancy progression in new homes, and a year-on-year reduction in labour costs, more than offsetting the expected reduced contribution from the Suffolk homes as old homes transition to new.

    - LTM Pro-forma Adjusted EBITDA at 30 June 2015 of £28.0 million is before taking account of £3.7 million of start-up losses on new Greenfield and Suffolk homes. In addition to elimination of the start-up losses, full occupancy of these homes could increase future EBITDA by up to a further £10.0 million per annum, albeit that there may be a reduction depending on whether the cost increase from the National Living Wage can be mitigated.

    - Labour costs as a percentage of revenue were 57.3 per cent. representing a further decrease from 59.4 per cent. in the prior quarter and 3.7 per cent. lower than prior year. Labour cost management and reducing staff turnover both continue to be a major focus. The availability and cost of nurses in particular are a significant sector-wide challenge. Labour management is expected to be challenging over the summer period with a seasonal increase in agency use.

    - The complex Suffolk contract build programme continued to make progress in the quarter, with one further home opening and two closing adding a net total of nine beds. Eight of the ten new homes are now operational with the remaining two planned to open in the first half of FY16.

    - Occupancy across the portfolio remained stable at 85.6 per cent. in the quarter with the continuation of higher than expected mortality rates early in the quarter holding back occupancy growth in the core estate. Occupancy progression in new care homes is increasing although remains slightly slower than anticipated.

    - Care UK's current CQC care home inspection ratings outcome overall is disappointing relative to the aspiration to be sector leading and is a major focus for management. Emerging sector wide experience of CQC's new inspection methodology indicates that nursing registered homes perform significantly less well than non-nursing registered homes. Given that Care UK has a higher proportion of nursing registered homes than the sector average, this is a particular focus for attention. The four homes previously reported as assessed as 'Inadequate' by CQC are all making progress, but re-grading is subject to CQC re-inspection.

- **Health Care**

    - Compared to prior year, revenue has declined by £6.3 million (7.2 per cent.) in the quarter, driven by the two Health in Justice contracts that ended at the end of Quarter Two and the early termination of a significant but loss making out of hours GP contract (HDOCS).

    - Adjusted EBITDA is 9.2 per cent. ahead of prior year at £7.1 million. The year-on-year improvement is largely as a result of the cost reductions realised from the organisational change programme. Despite contract losses, the primary care service lines have compensated for a year-on-year reduction in secondary care, partly a result of a one-off benefit in the prior year's results.

- The NHS 111 service is performing well from an operational perspective and is starting to show improved financial performance.

- NHS England has announced a postponement of all 111/Out of Hours (OOH) procurements whilst it carries out a review to better integrate urgent care and 111 services. Care UK believes that a more integrated 111/OOH model would favour its breadth of experience across urgent care and its capability to provide larger scale, more resilient and more efficient services.

- As previously reported, Care UK has a number of 'Wave II ISTC' contracts to be renewed during the next six months. These contracts were entered into circa seven years ago and due to the contracted price inflation mechanism are now priced above the prevailing NHS tariff. Pricing at renewal is likely to be at NHS tariff, resulting in an expected reduction in profitability of circa £14 million on a full year basis. Good progress has been made with the renewal programme:

    - The Southampton contract has been retained and commences in October 2015 at NHS tariff pricing.

    - Having secured control of the hospital sites, services under the Avon, Gloucester and Wiltshire (AGW) contract are expected to continue under the patient choice policy rather than be subject to further contract tender processes. During the quarter, the Health Care division purchased and then conducted an immediate sale and leaseback transaction relating to the Emerson's Green NHS Treatment Centre. The facility is operated by Care UK providing elective surgery procedures and diagnostics under the Wave II AGW contract that is due to expire in November 2015. Securing the facility enables Care UK to continue to provide services to NHS patients that either choose to directly book their procedures at the centre or are referred to the service. As part of the same transaction, the property located at Devizes in Wiltshire operated under the same contract has also been retained. Care UK decided not to extend the small contract at Cirencester.

    - A complex re-procurement process is underway for the Greater Manchester CATS contract, due to expire in February 2016. Care UK anticipates that the existing contract is likely to become fragmented into a number of smaller contracts, but is confident that a significant presence will be retained providing a number of current services.

- Recent years have seen reductions in the NHS tariff despite continuing labour cost pressures as a result of sector-wide shortages of doctors and nurses. This is contributing to NHS hospitals incurring financial loss, necessitating central financial support. The consequence of this tariff deflation on independent providers to the NHS has put pressure on operating margins and driven a necessity to increase volume and improve efficiency. Care UK has initiated a further efficiency programme, based on optimising operating theatre usage across all its secondary care facilities. Whilst this is expected to significantly reduce operating costs, further reduction in the NHS tariff will inevitably impact margin.

- **Post reporting period developments**

  - Following the three business disposals previously reported, a portion of the proceeds were used to repurchase £95.0 million of First Lien Notes at par. The offer was fully subscribed and completed on 14 August.

  - Care UK has raised concerns with Monitor and the local CCG regarding the procurement process for the operation of the existing NHS North East London Treatment Centre, a service that has been run successfully by Care UK since 2005. Specific concerns included the appropriateness of price competition for NHS tariff services, the loss of patient choice and the weighting and evaluation of clinical quality in the procurement process. Following its initial review of Care UK's complaint, Monitor has decided that there are sufficient concerns of importance to merit a full investigation. This has now commenced and is expected to take up to six months to conclude. Despite the modest financial return at the centre, Care UK is committed to continuing to operate the service to the highest possible standards and continuing to support the local NHS in addressing its performance challenges during the period of Monitor's investigation.

  - The NHS has commenced the process to set the tariff for 2016/17, with the initial consultation indicating significant potential reduction in the tariff for orthopaedic procedures with corresponding increases for other procedure types. Such an adjustment would disproportionately impact independent sector providers, including Care UK. In previous years, similar consultations of such change to the structure of the NHS tariff have resulted in change not proceeding. Updates will be provided in future bond reports.

  - In July, an 80 bed greenfield home was opened in Cringleford, near Norwich, providing a range of services including specialist dementia and palliative end of life care. This opening brings the total greenfield homes in operation since commencement of the programme in 2011 to 19.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is one of the UK's leading independent providers of health and social care. The Care UK health and social care portfolio is refocused on the continued development of residential care services and on its market leading provision of primary and secondary NHS health services. Through the completion of our programme of new residential and nursing homes its strategy is strongly focused on meeting the rising aspirations of self-funding families and the funding challenges facing local authority commissioners.

During the period ended 30 June 2015 the service lines of Care at Home and Learning Disability, that together make up the Community Services division, (a previously reported segment) and the Mental Health service line that formed part of the Health Care segment, were sold. These are presented separately as discontinued operations in the condensed consolidated financial statements on pages F-3 to F-18 in accordance with the requirements of IFRS 5. The financial information presented in this financial summary comprises the continued and discontinued operations in order to reflect the aggregated financial performance of the Care UK group in the respective reporting periods. In addition, financial information is also presented on a continuing operations only basis. All figures and percentages that are included below exclude the effect of applying IFRIC 12 unless stated otherwise.

Residential Care	Health Care
We manage 112 care homes with over 7,100 beds providing both residential and nursing care for older people, particularly those suffering from dementia and related conditions We run 12 day care centres, including one that is open 24/7	We provide a broad range of health care services centered around the key Primary and Secondary care service streams: • We provide over 50 NHS primary care services including GP and walk-in services • We deliver 19 NHS out of hours services, providing health advice and support for over 10 million people • We operate 10 hospitals that specialise in elective, planned surgery with exceptional clinical outcomes and no cases of hospital acquired MRSA • Our 13 NHS 111 services handle on average 185,000 calls a month covering a population of over 8 million people • We are the largest provider of health for offenders with services delivered at 12 different sites • In the past year, our treatment centres and clinical assessment services delivered over 70,000 procedures for NHS patients

Key figures	**Continuing and discontinued operations**		**Continuing operations**	
Amounts in £ million	Q3 / 2014	Q3 / 2015	Q3 / 2014	Q3 / 2015
Revenue	183.1	166.2	146.6	146.1
Adjusted EBITDA [1]	13.0	14.7	9.5	13.1
Adjusted operating profit [1]	4.8	7.2	2.1	5.6
Net profit/(loss) for the period	(9.4)	33.3	(10.2)	(2.7)
Operating cash flow (before capital expenditure)	3.7	1.3	n/a	n/a

Segmental Reporting	**Revenue**		**Adjusted EBITDA**	
Amounts in £ million	Q3 / 2014	Q3 / 2015	Q3 / 2014	Q3 / 2015
Residential Care Services	56.3	62.8	5.1	7.4
Health Care	87.3	81.0	6.5	7.1
Other	3.0	2.3	(2.1)	(1.4)
Continuing operations	**146.6**	**146.1**	**9.5**	**13.1**

Financial leverage	**Continuing and discontinued operations[3]**				**Continuing operations**
As of and for the 12 month period ended	30 September 2014	31 December 2014	31 March 2015	30 June 2015	30 June 2015
Adjusted EBITDA (£m)	52.8	52.5	52.1	53.8	42.8
Pro-forma Adjusted EBITDA (£m)[2]	56.4	56.2	56.0	57.5	46.5
Net debt (£m)	378.9	393.9	382.7	249.8	249.8
Net debt / Pro-forma Adjusted EBITDA	6.72x	7.01x	6.83x	4.34x	5.37x
Net debt / Adjusted EBITDA	7.18x	7.50x	7.35x	4.64x	5.84x

[1] See Non-IFRS Financial Measures.

[2] Pro-forma Adjusted EBITDA, excluding new home start-up losses (£3.7 million LTM 30 June 2015) in the Residential Care Services division.

[3] Consists of the aggregated results of continuing operations for last twelve months and discontinued operations up to the date of disposal.

FINANCIAL SUMMARY

Results of Operations

The tables below sets out the key line items from the unaudited condensed consolidated statement of comprehensive performance for the three and nine months ended 30 June 2015 and 30 June 2014 excluding the effect of applying IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the Annual report 2014. For the unaudited condensed consolidated statement of comprehensive performance on a fully IFRS compliant basis, including the effects of IFRIC 12, see the financial statements on pages F-3 to F-18 that accompany this financial summary.

For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, refer to Annual report 2014. For full details regarding Care UK's Accounting Policies refer to the Annual report 2014.

	Three months ended 30 June		Nine months ended 30 June	
	2014	2015	2014	2015
Continuing and discontinued operations	£m	£m	£m	£m
Revenue	183.1	166.2	545.6	540.9
Cost of sales	(161.3)	(145.7)	(481.1)	(482.2)
Gross profit	**21.8**	**20.5**	**64.5**	**58.7**
Administrative expenses	(26.1)	(19.8)	(73.3)	(67.4)
Operating profit/(loss) before financing expenses	**(4.3)**	**0.7**	**(8.8)**	**(8.7)**
Net gain on the measurement to fair value less costs to sell and on the disposal of discontinued operations	-	36.6	-	21.0
Profit/(loss) before financing expenses	**(4.3)**	**37.3**	**(8.8)**	**12.3**
Adjusted EBITDA	13.0	14.7	38.3	39.3
Depreciation of tangible assets	(8.2)	(7.5)	(23.4)	(23.4)
Adjusted operating profit	4.8	7.2	14.9	15.9
Amortisation of intangible assets	(5.0)	(3.2)	(15.7)	(12.9)
Gain on disposal of businesses constituting discontinued operations	-	36.6	-	36.6
Impairment of intangible assets	-	-	-	(15.6)
Loss on disposal of tangible assets	-	(2.1)	-	(2.1)
Non-recurring items	(3.5)	(1.2)	(6.4)	(9.0)
IAS 17 lease expense	(0.6)	0.1	(1.5)	(0.5)
Less: Share of joint venture EBITDA	-	(0.1)	(0.1)	(0.1)
Operating profit/(loss) before financing expenses	(4.3)	37.3	(8.8)	12.3
Financial income	0.5	1.8	1.4	2.7
Financial expense	(9.4)	(7.7)	(28.9)	(22.6)
Net financing expense[1]	**(8.9)**	**(5.9)**	**(27.5)**	**(19.9)**
Share of results of joint venture	(0.1)	-	(0.2)	(0.2)
Loss before taxation	**(13.3)**	**31.4**	**(36.5)**	**(7.8)**
Taxation	3.9	1.9	7.7	3.2
Profit/(loss) for the period	**(9.4)**	**33.3**	**(28.8)**	**(4.6)**

	Three months ended 30 June		Nine months ended 30 June	
	2014	**2015**	**2014**	**2015**
Continuing operations	**£m**	**£m**	**£m**	**£m**
Revenue	146.6	146.1	436.3	451.0
Cost of sales	(129.9)	(128.5)	(387.3)	(403.0)
Gross profit	**16.7**	**17.6**	**49.0**	**48.0**
Administrative expenses	(21.7)	(18.4)	(60.4)	(60.5)
Operating loss before financing expenses	**(5.0)**	**(0.8)**	**(11.4)**	**(12.5)**
Adjusted EBITDA	9.5	13.1	27.9	31.7
Depreciation of tangible assets	(7.4)	(7.5)	(21.1)	(22.1)
Adjusted operating profit	2.1	5.6	6.8	9.6
Amortisation of intangible assets	(3.7)	(3.2)	(11.6)	(10.5)
Non-recurring items	(2.8)	(1.2)	(5.1)	(9.0)
Loss on disposal of tangible fixed assets	-	(2.1)	-	(2.1)
IAS 17 lease expense	(0.6)	0.1	(1.5)	(0.5)
Operating loss before financing expenses	(5.0)	(0.8)	(11.4)	(12.5)
Financial income	0.4	1.7	1.2	2.5
Financial expense	(9.4)	(7.6)	(28.9)	(22.5)
Net financing expense[1]	**(9.0)**	**(5.9)**	**(27.7)**	**(20.0)**
Loss before taxation	**(14.0)**	**(6.7)**	**(39.1)**	**(32.5)**
Taxation	3.8	4.0	7.2	6.4
Loss for the period	**(10.2)**	**(2.7)**	**(31.9)**	**(26.1)**

[1] Net financing expense of discontinued operations relates to amounts incurred directly by the disposal groups. The financing of the group is managed on a centralised basis and as such no allocation of finance income or expense has been made to the disposal groups.

Net Debt and Liquidity

The following table shows the comparative net debt position as at 30 June 2014 and 30 June 2015.

	As at 30 June	
	2014	**2015**
	£m	**£m**
Senior Secured Notes[1]	325.0	367.6
Revolving Credit Facility and bank loans	55.0	-
Finance lease obligations	1.8	0.1
Cash and cash equivalents	(32.8)	(111.2)
Deferred financing costs	(8.0)	(6.7)
Total net debt	**341.0**	**249.8**

[1] Excluding premium on issue of nil (2014: £3.3 million).

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

Second Lien Notes Repurchases
During the period ended 30 June 2015, in line with the group's strategy to reduce debt, Care UK has purchased through multiple transactions a total of £32.4 million of 2014 Second Lien Notes for a total consideration of £31.1 million. Some of the Second Lien Notes were purchased by Care UK Health and Social Care Finance Limited, a company which is outside the restricted credit group, and were subsequently contributed into the restricted group. In addition, Care UK Health and Social Care Finance Limited purchased £5.0 million 2014 Second Lien Notes in July 2015 which are being held in treasury with the intention that they will be cancelled in due course. All other purchased Second Lien Notes have already been cancelled.

First Lien Notes Repurchases
In July 2015, Care UK Health & Social Care Plc commenced an asset sale offer (the "Offer") to repurchase for cash up to £95.0 million aggregate principal amount of its outstanding £325.0 million 2014 Senior Secured Notes. Under the terms of the Offer, Care UK Health & Social Care Plc will pay a purchase price of an amount equal to 100 per cent. of the principal amount of the First Lien Notes tendered, plus accrued and unpaid interest thereon, up to but not including the settlement date of the Offer. The Offer was fully subscribed and completed on 14 August 2015. Care UK Health & Social Care Plc has repurchased the First Lien Notes using a portion of the proceeds from the sale by Care UK Health & Social Care Investments Limited of its domiciliary care, mental health and learning disability service lines to various purchasers (the "Business Sale").

The cash balance as at 30 June 2015 of £111.2 million reflects the unutilised sale proceeds from the divestments outlined above. Due to this surplus cash balance no cash utilisations were made on the group's RCF facility at the reporting date. Care UK has historically financed its capital investment and working capital requirements through a combination of cash flows from its operating activities, short and long-term bank borrowings and the issuance of Senior Secured Notes. Following the purchase of its First Lien Notes Care UK expects that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations together with drawings under Care UK's Revolving Credit Facility.

The following table sets out a summary of cash flows and change in net debt for the periods indicated, from both continuing and discontinued operations. Net cash flows from discontinued operations are disclosed in note 8 to the unaudited condensed consolidated financial statements.

Continuing and Discontinued Operations	**Three months ended 30 June**		**Nine months ended 30 June**	
	2014	**2015**	**2014**	**2015**
	£m	**£m**	**£m**	**£m**
Adjusted operating profit	4.8	7.2	14.9	15.9
Depreciation and other non-cash movements	7.5	7.5	21.7	22.9
Change in working capital, non-recurring items and cash disposal adjustments[1]	(8.6)	(13.4)	(2.5)	(15.9)
Cash flow from operations	**3.7**	**1.3**	**34.1**	**22.9**
Business disposals enterprise value	-	130.0	-	130.0
Cash flows resulting from financing activities and taxation	(1.1)	(6.7)	(19.1)	(19.6)
Capital expenditure, net of disposal proceeds	(4.2)	(7.0)	(18.6)	(18.8)
Loans (to)/from related party undertakings & joint ventures	(0.3)	(0.1)	(1.8)	-
Movement in net debt arising from cash flows	**(1.9)**	**117.5**	**(5.4)**	**114.5**
Second Lien Notes purchased via parent	-	16.2	-	16.2
Other non-cash movements in net debt	(0.9)	(0.8)	(2.3)	(1.6)
Total movement in net debt	**(2.8)**	**132.9**	**(7.7)**	**129.1**
Net debt at 30 June	(341.0)	(249.8)	(341.0)	(249.8)
Cash conversion ratio (Cash flow from operations/Adjusted EBITDA)	28.5%	8.8%	89.0%	58.3%

[1] Cash disposal adjustments relate to working capital and other cash based adjustments applied to the gross enterprise value in a locked box mechanism

The net cash inflow from operating activities for the nine months ended 30 June 2015 of £22.9 million compared to the inflow of £34.1 million for the nine months ended 30 June 2014 reflects the gradual unwind of a strong prior year working capital position. Overall, working capital is in line with management expectations.

The business disposals generated a net cash inflow of £130.0 million excluding the cash true-up adjustments common with a locked box mechanism and before transaction and service transition costs (mainly paid in Quarter Four) that are expected to be around £8.0 million. The cash proceeds were used during Quarter Four to repurchase First Lien Notes as outlined above, the remainder is expected to be used to fund capital expenditure of the business for the next 18 months.

Cash outflows from financing expenses and taxation were £6.7 million in the three months ended 30 June 2015, higher than the prior year reflecting the move to quarterly interest payments on the 2014 Notes following the refinance in July 2014.

Total capital expenditure amounted to £7.0 million for the three months ended 30 June 2015, including the net cash movement in respect of the AGW sale and leaseback transaction referred to above. Net of this transaction, capital expenditure for the quarter was £3.8 million, £3.4 million below the prior year. Maintenance capital expenditure amounted to £2.9 million in the quarter, compared with £3.7 million in the prior quarter and £3.2 million for the three months ended 30 June 2014. Expansionary capital expenditure amounted to £4.1 million which is largely due to the net cash movement on the AGW transaction compared with £2.2 million in the prior quarter and £4.0 million for the three months ended 30 June 2014.

RISK FACTORS

In the ordinary course of Care UK's operations, Care UK can be subject to disputes, arbitration and, potentially - litigation relating to various aspects of its business. Care UK regularly analyses information about such claims for potential or probable losses and provides accruals where considered necessary for such matters, including estimated expenses for legal services as appropriate. 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.

See Annual report 2014 for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three month and nine month periods ended 30 June 2015

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month and nine month periods ended 30 June 2015

	Notes	**Three months to 30 June 2015**	Three months to 30 June 2014[1]	**Nine months to 30 June 2015**	Nine months to 30 June 2014[1]
		£m	£m	**£m**	£m
Revenue	4	**145.5**	146.1	**449.4**	434.6
Cost of sales		**(128.1)**	(129.7)	**(401.7)**	(386.8)
Gross profit		**17.4**	16.4	**47.7**	47.8
Administrative expenses		**(18.5)**	(21.8)	**(60.9)**	(60.8)
Operating loss before financing expenses	4, 7	**(1.1)**	(5.4)	**(13.2)**	(13.0)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**12.4**	8.8	**29.7**	25.3
Depreciation of tangible assets		**(6.9)**	(6.9)	**(20.4)**	(19.7)
Adjusted operating profit		**5.5**	1.9	**9.3**	5.6
Amortisation of intangible assets		**(3.4)**	(3.9)	**(10.9)**	(12.0)
Non-recurring items	5	**(1.2)**	(2.8)	**(9.0)**	(5.1)
Loss on disposal of tangible assets		**(2.1)**	-	**(2.1)**	-
IAS 17 lease expense		**0.1**	(0.6)	**(0.5)**	(1.5)
Operating loss before financing expense		**(1.1)**	**(5.4)**	**(13.2)**	**(13.0)**
Financial income	6	**1.9**	0.6	**3.2**	1.9
Financial expense	6	**(7.6)**	(9.4)	**(22.5)**	(28.8)
Net financing expense		**(5.7)**	(8.8)	**(19.3)**	(26.9)
Loss before taxation		**(6.8)**	(14.2)	**(32.5)**	(39.9)
Taxation		**4.0**	3.8	**6.4**	7.2
Loss for the period from continuing operations		**(2.8)**	(10.4)	**(26.1)**	(32.7)
Profit for the period from discontinued operations	8	**36.0**	0.8	**21.5**	3.1
Profit/(loss) for the period attributable to equity holders of the parent		**33.2**	(9.6)	**(4.6)**	(29.6)
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent		**33.2**	(9.6)	**(4.6)**	(29.6)

[1] Represented to show the results of certain disposal groups in discontinued operations (see note 8).

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2015

	Notes	30 June 2015	30 June 2014	30 September 2014
		£m	£m	£m
Assets				
Property, plant and equipment	9	**212.5**	274.9	277.6
Intangible assets	10	**166.2**	216.2	211.0
Other financial assets	11	**20.7**	21.4	21.7
Amounts due from related party undertakings		**19.2**	17.8	18.0
Equity-accounted investments		**-**	5.5	5.5
Other receivables		**8.7**	-	8.9
Deferred tax assets		**1.4**	-	-
Total non-current assets		**428.7**	535.8	542.7
Inventories		**4.0**	4.1	4.1
Trade and other receivables		**68.4**	99.6	86.9
Other financial assets	11	**0.7**	1.0	1.1
Cash and cash equivalents		**111.2**	32.8	20.9
		184.3	137.5	113.0
Assets held for sale		**0.6**	-	0.4
Total current assets		**184.9**	137.5	113.4
Total assets		**613.6**	673.3	656.1
Liabilities				
Financial liabilities	12	**(0.1)**	(1.5)	(1.3)
Trade and other payables		**(156.5)**	(177.9)	(166.2)
Current tax liabilities		**(0.2)**	-	-
Total current liabilities		**(156.8)**	(179.4)	(167.5)
Financial liabilities	12	**(360.9)**	(375.6)	(398.5)
Other non-current liabilities		**(14.1)**	(4.1)	(14.6)
Deferred tax liabilities		**-**	(9.4)	(4.8)
Total non-current liabilities		**(375.0)**	(389.1)	(417.9)
Total liabilities		**(531.8)**	(568.5)	(585.4)
Net assets		**81.8**	104.8	70.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Capital contribution reserve		**15.7**	-	-
Retained earnings		**(144.6)**	(105.9)	(140.0)
Total equity attributable to equity holders of the parent		**81.8**	104.8	70.7

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine month period ended 30 June 2015

	Attributable to equity holders of the parent			
Group	**Issued share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity**
	£m	**£m**	**£m**	**£m**
At 30 September 2014	210.7	-	(140.0)	70.7
Total comprehensive loss for the period	-	-	(4.6)	(4.6)
Receipt of capital contribution	-	15.7	-	15.7
At 30 June 2015	**210.7**	**15.7**	**(144.6)**	**81.8**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month and nine month periods ended 30 June 2015

	Three months to 30 June 2015	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
Cash flows from operating activities	**£m**	£m	**£m**	£m
Loss for the period from continuing operations before taxation	**(6.8)**	(14.2)	**(32.5)**	(39.9)
Profit for the period from discontinued operations before taxation including net gain on disposal	**38.1**	0.7	**24.7**	2.6
Net gain on measurement to fair value and disposal of discontinued operation	**(36.6)**	-	**(21.0)**	-
Share of results of joint venture	**-**	0.1	**0.2**	0.2
Financial income	**(2.0)**	(0.7)	**(3.4)**	(2.2)
Financial expense	**7.7**	9.4	**22.6**	28.9
Depreciation of tangible assets	**6.9**	7.7	**21.7**	22.0
Amortisation of intangible assets	**3.4**	5.2	**13.3**	16.1
Loss/(Profit) on disposal of fixed assets	**2.1**	(0.2)	**2.1**	(0.2)
Decrease in IFRIC 12 financial asset	**0.5**	0.6	**1.6**	1.7
(Increase)/decrease in inventory	**-**	(0.1)	**0.1**	(0.7)
Decrease/(increase) in trade and other receivables	**(12.8)**	(14.3)	**(5.7)**	(11.3)
Increase/(decrease) in trade and other payables	**(1.6)**	9.3	**(3.5)**	16.0
Net cash flows from operating activities	**(1.1)**	3.5	**20.2**	33.2
Cash flows from investing activities				
Disposal of businesses, net of cash disposed	**132.3**	-	**132.3**	-
Payments to acquire property, plant and equipment	**(27.9)**	(7.0)	**(39.4)**	(20.8)
Proceeds from the sale of property, plant and equipment	**21.0**	3.0	**21.0**	3.1
Loans to related party undertakings	**(0.1)**	-	**-**	(1.5)
Investments in and loans to joint venture	**-**	(0.3)	**-**	(0.3)
Interest received	-	0.3	**0.2**	0.5
Net cash flows used in investing activities	**125.3**	(4.0)	**114.1**	(19.0)
Cash flows from financing activities				
Proceeds from borrowings	**20.0**	80.8	**154.0**	202.4
Repayment of borrowings	**(40.0)**	(89.3)	**(161.0)**	(196.9)
Repayment of Loan Notes	**(15.8)**	-	**(15.8)**	-
Interest paid	**(6.7)**	(1.4)	**(19.8)**	(19.6)
Payment of capital element of finance lease payments	**(0.7)**	(0.4)	**(1.4)**	(1.9)
Net cash flows from financing activities	**(43.2)**	(10.3)	**(44.0)**	(16.0)
Net (decrease)/increase in cash and cash equivalents	**81.0**	(10.8)	**90.3**	(1.8)
Cash and cash equivalents at the beginning of the period	**30.2**	43.6	**20.9**	34.6
Cash and cash equivalents at the end of the period	**111.2**	32.8	**111.2**	32.8

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three and nine months ended 30 June 2015 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three and nine month periods ended 30 June 2015, 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 2014, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG LLP gave an unqualified opinion, 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 2014 set out within this report have been extracted from the 2014 Annual report and accounts of the group published on 16 December 2014. Where applicable these comparative figures have been represented to reflect the classification of disposal groups as available for sale as outlined in accounting policies below.

2. ACCOUNTING POLICIES

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

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

Accounting policies

The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2014 Annual report.

Discontinued operations and non-current assets held for sale: Discontinued operations are reported when a component ("disposal group") of an entity, comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity, is classified as held for sale or has been disposed of, if the component either (1) represents a separate major service line and (2) is part of a single co-ordinated plan to dispose of a separate major service line or (3) is a subsidiary acquired exclusively with a view for resale.

Upon classification as discontinued, the disposal group is reported separately in a note to the condensed consolidated financial statements. The income statement of the discontinued operations is reported separately from continuing operations in the condensed consolidated statement of comprehensive performance; prior periods are presented on a comparable basis. The disclosures in the Notes to the condensed consolidated financial statements outside of the discontinued operations note that refer to the condensed consolidated statement of performance and the consolidated statement of cash flow generally relate to continuing operations unless otherwise stated. Disposal groups and non-current assets held for sale are presented separately in the current sections of the balance sheet. Cash and cash equivalents held within a disposal group are excluded from non-current assets held for sale where it is usual, customary or likely that a disposal will be made on a cash free/debt free basis.

Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying value of assets (or all of the assets and liabilities in the disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell, unless these items presented in the disposal group are not part of the measurement scope as defined in IFRS 5, Non-current Assets held for Sale and Discontinued Operations.

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 deferred tax only.

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

Joint ventures**:** Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's share of the profits less losses of joint ventures in the consolidated statement of comprehensive performance and its interest in their net assets in the consolidated balance sheet in accordance with the equity method of accounting.

Leased assets: Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is classified as a finance lease. The asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Future instalments under such leases, net of finance charges, are included within creditors. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are accounted for as operating leases. Payments made under operating leases are recognised in the statement of comprehensive performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive performance as an integral part of the total lease expense. The alternative performance measure 'adjusted operating profit' defined in non-IFRS measures below applies a cash rent basis to accounting for operating lease incentives.

The group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified.

3. NON-IFRS FINANCIAL MEASURES

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

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

Non-recurring items: In the normal course of business 'non-recurring' costs are often incurred due to the varied operations and services of the group. Due to the inherent nature of non-recurring items it is not possible to define its application to any particular type of transaction or profit or loss. Care UK therefore applies judgment in the disclosure of non-recurring items that is designed to enable users to understand the performance achieved in a period and assist them in forming a basis for their assessment of future results and cash flows. Non-recurring items may arise from a variety of sources and due to the complexity of the Care UK business are likely to occur in one form or another in most periods.

IAS 17 lease expense: Care UK enters into various lease arrangements with third parties within the normal course of business which can be subject to various types of incentive. Lease incentives on operating units typically take the form of rent free periods as they reflect the economic contribution profile of the unit during the early stages of occupancy, however under the terms of the lease cash rent does not become payable until the expiry of the rent free period. Other lease incentives may take the form of a cash premium received at inception or renewal of the lease with annual cash rent payable from commencement of the lease. Under IAS 17 'Leases', lease incentives are allocated on a straight line basis over the life of the lease. The non-IFRS financial measure adjusted operating profit is presented on a cash rent basis as it excludes the effect of applying the straight line method to lease incentives in order to reflect the underlying commercial arrangement and provide underlying operational performance and cash generation of the business. Adjusted EBITDA is defined as adjusted operating profit plus depreciation.

4. SEGMENT REPORTING

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

During the period the Care at Home and Learning Disability service lines, that combined make up the Community Services division, a previously reported segment, and the Mental Health service line that formed part of the Health Care segment, were disposed of and are presented in aggregate as discontinued operations within the segmental information below. All prior period comparative information has been represented to reflect the classification of the service lines as discontinued operations.

In October 2014 the group commenced an organisational change programme to devolve central support functions into operating divisions. These functions were previously reported in the "Other" segment as a component part of the group's central functions. The prior period comparative segmental information reported below has been represented to reflect the change in structure.

Continuing Business Segments

As a result of the classification of certain disposal groups as discontinued operations outlined above the group's continuing operating segments are as follows:

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

Three months to 30 June 2015	Continuing Operations Residential Care Services	 Health Care	 Other	 Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	62.2	81.0	2.3	**145.5**	20.1	**165.6**
Adjusted EBITDA	6.7	7.1	(1.4)	**12.4**	1.6	**14.0**
Depreciation of tangible assets	(3.5)	(2.9)	(0.5)	**(6.9)**	-	**(6.9)**
Adjusted operating profit/(loss)	3.2	4.2	(1.9)	**5.5**	1.6	**7.1**
Amortisation of intangible assets	(1.3)	(2.1)	-	**(3.4)**	-	**(3.4)**
Gain on the disposal of businesses constituting the discontinued operations	-	-	-	**-**	36.6	**36.6**
Loss on disposal tangible assets	-	(2.1)	-	**(2.1)**	-	**(2.1)**
Non-recurring items	(0.2)	-	(1.0)	**(1.2)**	-	**(1.2)**
IAS 17 lease expense	0.1	-	-	**0.1**	-	**0.1**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	1.8	-	(2.9)	**(1.1)**	38.1	**37.0**
Net financing expense						**(5.7)**
Taxation						**1.9**
Profit for the period						**33.2**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.2)	(3.8)	(0.1)	**(10.1)**	(0.3)	**(10.4)**

Three months to 30 June 2014	Continuing Operations Residential Care Services	 Health Care	 Other	 Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	55.8	87.3	3.0	**146.1**	36.5	**182.6**
Adjusted EBITDA	4.4	6.5	(2.1)	**8.8**	3.5	**12.3**
Depreciation of tangible assets	(2.6)	(3.9)	(0.4)	**(6.9)**	(0.8)	**(7.7)**
Adjusted operating profit/(loss)	1.8	2.6	(2.5)	**1.9**	2.7	**4.6**
Amortisation of intangible assets	(1.8)	(2.1)	-	**(3.9)**	(1.3)	**(5.2)**
Non-recurring items	(1.4)	(1.0)	(0.4)	**(2.8)**	(0.7)	**(3.5)**
IAS 17 lease expense	(0.5)	-	(0.1)	**(0.6)**	-	**(0.6)**
Operating (loss)/profit before financing expense and taxation	(1.9)	(0.5)	(3.0)	**(5.4)**	0.7	**(4.7)**
Net financing expense						**(8.7)**
Share of results of joint venture						**(0.1)**
Taxation						**3.9**
Loss for the period						**(9.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(3.9)	(3.3)	(0.2)	**(7.4)**	(0.5)	**(7.9)**

Nine months to 30 June 2015	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	181.3	261.2	6.9	**449.4**	89.9	**539.3**
Adjusted EBITDA	15.3	18.4	(4.0)	**29.7**	7.6	**37.3**
Depreciation of tangible assets	(9.9)	(8.9)	(1.6)	**(20.4)**	(1.3)	**(21.7)**
Adjusted operating profit/(loss)	5.4	9.5	(5.6)	**9.3**	6.3	**15.6**
Amortisation of intangible assets	(4.1)	(6.8)	-	**(10.9)**	(2.4)	**(13.3)**
Gain on the disposal of the businesses constituting the discontinued operations	-	-	-	**-**	36.6	**36.6**
Impairment of intangible assets	-	-	-	**-**	(15.6)	**(15.6)**
Loss on disposal of tangible assets	-	(2.1)	-	**(2.1)**	-	**(2.1)**
Non-recurring items	(3.0)	-	(6.0)	**(9.0)**	-	**(9.0)**
IAS 17 lease expense	(0.5)	-	-	**(0.5)**	-	**(0.5)**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	(2.2)	0.6	(11.6)	**(13.2)**	24.8	**11.6**
Net financing expense						**(19.2)**
Share of results of joint venture						**(0.2)**
Taxation						**3.2**
Loss for the period						**(4.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(17.1)	(11.0)	(0.5)	**(28.6)**	(1.2)	**(29.8)**

Nine months to 30 June 2014	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	163.6	261.6	9.4	**434.6**	109.3	**543.9**
Adjusted EBITDA	12.0	17.4	(4.1)	**25.3**	10.4	**35.7**
Depreciation of tangible assets	(7.6)	(10.8)	(1.3)	**(19.7)**	(2.3)	**(22.0)**
Adjusted operating profit/(loss)	4.4	6.6	(5.4)	**5.6**	8.1	**13.7**
Amortisation of intangible assets	(5.4)	(6.6)	-	**(12.0)**	(4.1)	**(16.1)**
Non-recurring items	(2.9)	(1.0)	(1.2)	**(5.1)**	(1.3)	**(6.4)**
IAS 17 lease expense	(1.0)	-	(0.5)	**(1.5)**	-	**(1.5)**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	(4.9)	(1.0)	(7.1)	**(13.0)**	2.6	**(10.4)**
Net financing expense						**(26.7)**
Share of results of joint venture						**(0.2)**
Taxation						**7.7**
Loss for the period						**(29.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(11.2)	(10.7)	(0.2)	**(22.1)**	(1.4)	**(23.5)**

5. NON-RECURRING ITEMS

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

The following table details non-recurring items that have been incurred in the reporting periods presented including the amounts relating to continuing and discontinued operations.

Continuing and discontinued operations	**Three months to 30 June 2015**	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
	£m	£m	**£m**	£m
Non-recurring items:				
— Contract transfer and integration costs	**(0.2)**	(2.3)	**(1.4)**	(3.8)
— Restructuring	**(1.0)**	(0.6)	**(6.0)**	(1.5)
— Property related costs	**-**	-	**(1.6)**	(0.4)
— Closure costs	**-**	(0.6)	**-**	(0.7)
	(1.2)	(3.5)	**(9.0)**	(6.4)
Continuing operations	**(1.2)**	(2.8)	**(9.0)**	(5.1)
Discontinued operations	**-**	(0.7)	**-**	(1.3)
	(1.2)	(3.5)	**(9.0)**	(6.4)

Non-recurring items in the nine months to 30 June 2015 amounted to a charge of £9.0m in aggregate (nine months to 30 June 2014: charge £6.4m). The key elements of the charges for both years are set out below.

(a) Contract transfer and integration costs

During the 2013 financial year Care UK Residential Care Services division transferred 16 existing care homes from Suffolk County Council as the initial stage of a long term contract and the Community Services division commenced the operation of a significant learning disabilities supported living contract in Doncaster. Non-recurring employee transition and service optimisation costs were incurred in the three and nine months to 30 June 2015 of £0.2m and £1.4m respectively in relation to the Suffolk County Council contract, and £2.3m and £3.8m respectively in the three and nine months to 31 March 2014 respectively on both contracts in aggregate.

(b) Restructuring

In October 2014 an organisational change programme commenced across the Care UK Group to both reflect the operating divisions becoming increasingly self-sufficient and to implement a cost reduction programme. In the three and nine months to 30 June 2015 aggregate implementation costs of £1.0m and £6.0m respectively were incurred in delivering these organisational changes. Non-recurring charges of £0.6m and £1.5m incurred in the three and nine months to 30 June 2014 respectively relate to a restructuring programme that was initiated in final quarter of the 2013 financial year aimed at reducing operating costs through various business efficiency initiatives.

(c) Property related costs

A residential care home operated by Care UK under a long-term operating lease closed in March 2014 after suffering from subsidence. Care UK has agreed, subject to planning approval, a long-term solution with the owners of the property to build a new care home on the existing site. In the nine months ended 30 June 2015 a non-recurring charge of £1.6m was recognised in respect of the onerous lease on the property. In the three and nine months ended 30 June 2014 losses of £0.4m were incurred in respect of the same property.

(d) Closure costs

During the three and nine months ended 30 June 2014 an operational unit within the Health Care division closed following the decision by the NHS to close an adjacent accident and emergency department. As a result of the closure Care UK incurred unit closure and contract exit costs of £0.7m.

6. NET FINANCING EXPENSE

Continuing operations	**Three months to 30 June 2015**	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
	£m	£m	**£m**	£m
Financial income:				
Interest receivable	**0.4**	0.3	**1.2**	1.1
IFRIC-12 interest receivable	**0.3**	0.3	**0.8**	0.8
Net gain on repurchase of 2014 Second Lien Notes	**1.2**	-	**1.2**	-
Financial income	**1.9**	0.6	**3.2**	1.9
Financial expenses:				
- Interest payable on bank overdrafts and loans	**(7.4)**	(9.4)	**(21.9)**	(29.1)
- Interest payable on loans with parent undertaking	**(0.2)**	-	**(0.2)**	-
- Interest capitalised to assets in the course of construction at an annual rate of 7.5% (2014: 7.5%)	**-**	-	**0.1**	0.3
- Fair value movement on interest rate cap	**-**	-	**(0.5)**	-
Financial expense	**(7.6)**	(9.4)	**(22.5)**	(28.8)
Net financing expense	**(5.7)**	(8.8)	**(19.3)**	(26.9)

7. OPERATING LOSS BEFORE TAXATION

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

Continuing operations	**Three months to 30 June 2015**	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
	£m	**£m**	**£m**	**£m**
Depreciation of tangible assets	**6.9**	6.9	**20.4**	19.7
Amortisation of intangible assets	**3.4**	3.9	**10.9**	12.0
Loss on disposal of tangible fixed assets	**2.1**	-	**2.1**	-
Operating lease charges: Land & buildings (including IAS 17 lease expense)	**10.0**	8.0	**29.1**	23.6
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.3	**0.4**	1.0

8. DISCONTINUED OPERATIONS

In May 2015 the Care at Home and Learning Disability service lines that together made up the Community Services business segment, and in June 2015 the Mental Health service line that was formerly part of the Health Care business segment, were sold. All of these businesses were previously presented as held for sale.

The results of discontinued operations including the loss recognised on the measurement of the disposal groups to fair value less cost to sell, and the gain on disposal of the businesses which have been included in the consolidated statement of comprehensive performance for the three and nine month periods ended 30 June were as follows:

	Three months to 30 June 2015	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
	£m	£m	**£m**	£m
Revenue	**20.1**	36.5	**89.9**	109.3
Cost of sales	**(17.2)**	(31.4)	**(79.2)**	(93.8)
Gross profit/(loss)	**2.9**	5.1	**10.7**	15.5
Administrative expenses	**(1.4)**	(4.4)	**(6.9)**	(12.9)
Operating loss before financing expenses	**1.5**	0.7	**3.8**	2.6
Net financing expense	**-**	0.1	**0.1**	0.2
Share of results of joint venture	**-**	(0.1)	**(0.2)**	(0.2)
Loss before taxation	**1.5**	0.7	**3.7**	2.6
Taxation on ordinary activities	**(0.1)**	0.1	**(1.2)**	0.5
	1.4	0.8	**2.5**	3.1
Net gain on the measurement to fair value less costs to sell and on the disposal of discontinued operations	**36.6**	-	**21.0**	-
Attributable tax expense	**(2.0)**	-	**(2.0)**	-
Profit/loss for the period from discontinued operations	**36.0**	0.8	**21.5**	3.1

In order to determine the results for the discontinued operations, revenues and costs have been allocated to the disposal groups only to the extent that the group will no longer be entitled to revenues or incur expenses if the disposal groups are disposed of. The effect of discontinued operations on segmental results is disclosed in note 4.

Net cash flows from discontinued operations are as follows for the three and nine month periods ended 30 June:

	Three months to 30 June 2015	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
	£m	£m	**£m**	£m
Net cash flows from operating activities	**(2.7)**	1.9	**2.6**	9.1
Net cash flows used in investing activities	**(0.1)**	(0.5)	**(0.5)**	(1.5)
Net cash flow from discontinued operations	**(2.8)**	1.4	**2.1**	7.6

Net cash flow from financing activity comprises items incurred directly by the disposal groups. The financing of the group is managed on a centralised basis and as such no allocation of finance income or expense has been made to the disposal groups.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015	30 June 2014	30 September 2014
	£m	£m	£m
Opening net book value	**277.6**	276.2	276.2
Additions	**33.1**	24.4	35.6
Disposals and transfers to current assets	**(76.5)**	(3.7)	(4.1)
Depreciation charge for the period	**(21.7)**	(22.0)	(30.1)
Closing net book value	**212.5**	274.9	277.6

10. INTANGIBLE ASSETS

	30 June 2015	30 June 2014	30 September 2014
	£m	£m	£m
Opening net book value	**211.0**	232.1	232.1
Adjustment	**0.1**	0.2	0.2
Impairment	**(15.6)**	-	-
Disposals	**(16.0)**	-	-
Amortisation charge for the period	**(13.3)**	(16.1)	(21.3)
Closing net book value	**166.2**	216.2	211.0

11. OTHER FINANCIAL ASSETS

Non-current	**30 June 2015**	30 June 2014	30 September 2014
	£m	£m	£m
IFRIC-12 financial asset	**20.6**	21.4	21.1
Fair value of interest rate cap	**0.1**	-	0.6
	20.7	21.4	21.7
Current			
IFRIC-12 financial asset	**0.7**	1.0	1.1
	21.4	22.4	22.8

IFRIC-12 financial asset	**30 June 2015**	30 June 2014	30 September 2014
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**22.2**	23.2	23.2
Released in the period	**(0.9)**	(0.8)	(1.0)
IFRIC-12 financial asset: carried forward	**21.3**	22.4	22.2

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.

12. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total Financial Liabilities
	£m	£m	£m
At 1 October 2013	(1.9)	(370.0)	(371.9)
Cash flow	2.3	(32.5)	(30.2)
Other non-cash changes	(1.7)	4.0	2.3
At 30 September 2014	(1.3)	(398.5)	(399.8)
Cash flow	1.4	22.8	24.2
Other non-cash changes	(0.2)	14.8	14.6
At 30 June 2015	**(0.1)**	**(360.9)**	**(361.0)**

As at 30 June 2015 there was accrued interest of £4.5m (30 June 2014: £16.2m; 30 September 2014: £5.2m) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

Terms and conditions

i) Senior Secured Notes

Up until 17 July 2014 Care UK Health & Social Care Plc ("the Issuer") had £325.0m of 9¾% Senior Secured Notes in issue (the "2010 Notes").

On 17 July 2014 the Issuer issued £400.0m of floating rate Senior Secured Notes ("the 2014 Notes"). The proceeds of the issue were used to redeem all of the outstanding 2010 Notes, the associated accrued interest and the related redemption premium. The remaining proceeds were used to repay outstanding amounts under the Revolving Credit Facility and pay transaction fees and expenses in connection with the issue of the 2014 Notes.

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

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum. Prior to 15 July 2015, the Issuer may redeem all or part of the 2014 Notes by paying a 'make whole' premium as set out in the Offering Memorandum.

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

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m (see note 13 - events after the reporting period).

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

ii) Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the "original RCF") was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF"). On 17 July 2014 the original RCF utilisations were repaid in full from the proceeds of the issue of the 2014 Notes together with utilisations drawn on the amended RCF.

As at 30 June 2015, none (30 June 2014: £52.0m, 30 September 2014: £4.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £9.4m (30 June 2014: £10.1m, 30 September 2014: £10.1m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division and £nil (30 June 2014: £0.5m, 30 September 2014: £nil) in relation to other ancillary utilisations.

The margin payable on any loan utilisation under the amended RCF is in the range of 2.25% to 3.25% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 11 May 2019.

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the Group for the 12 months ending on that quarter end). "Consolidated EBITDA" for the purposes of the covenants under the Amended and Restated Senior Revolving Facility Agreement allows for certain adjustments and therefore is not exactly equivalent to the definition of Adjusted EBITDA as outlined in the Accounting Policies - Non-GAAP Performance Measures in the 2014 Annual report.

13. DISPOSAL OF BUSINESSES

As referred to in note 8, during May and June 2015 the group disposed of several businesses previously presented as held for sale. The aggregate net assets of the disposal group at the respective date of disposal were as follows:

	Assets and liabilities at disposal
	£m
Property, plant and equipment	55.5
Intangible assets	16.0
Equity-accounted investments	5.3
Inventories	0.1
Trade and other receivables	24.4
Cash and cash equivalents	7.8
Trade and other payables	(10.5)
Deferred tax liabilities	(2.8)
Net assets on disposal	95.8
Impairment on measurement to fair value less costs to sell on classification of discontinued operations	15.6
Net gain on disposal	21.0
Transaction and transition costs	7.7
Gross gain on disposal	44.3
Total consideration	**140.1**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	140.1
Less: cash and cash equivalents disposed of	(7.8)
	132.3

The impact of the disposals on the group's results in the current and prior periods is disclosed in note 8.

13. EVENTS AFTER THE REPORTING DATE

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of Care UK Health & Social Care Investment Limited purchased on an arm's length basis £5.0m of 2014 Second Lien Notes with the intention of transferring the Notes to the Issuer for cancellation and thus reducing the financial liabilities of the group.

In July 2015 Care UK Health & Social Care Plc ("the Issuer") made an offer to purchase on the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August.

Care UK Health & Social Care Investments Limited

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

Three and nine month periods ended 30 June 2015

BASIS OF PREPARATION

This interim 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 interim financial statements.

The group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) has been prepared by the directors pursuant to the requirements detailed on page 204 of the offering memorandum and on the basis of the recognition and measurement principles contained in applicable IFRSs as adopted by the EU, with the exception of accounting interpretation IFRIC 12 Service Concession Arrangements as detailed below, and in accordance with the group accounting policies which have been applied consistently in dealing with items which are considered material in relation to the group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited).

Definition

The term ‘proforma’ in this group proforma pre-IFRIC 12 non-statutory condensed consolidated financial information (unaudited) has been defined on page 205 of the offering memorandum as ‘prepared in accordance with GAAP before giving effect to the accounting standard IFRIC 12 as amended or supplemented from time to time’.

Accounting policies

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

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

Except as described below, the same accounting policies and methods of computation are followed in this group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) as were applied in the group’s condensed consolidated financial statements for the nine months ended 30 June 2015:

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

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

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

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month and nine month periods ended 30 June 2015

	Three months to 30 June 2015	Three months to 30 June 2014[1]	**Nine months to 30 June 2015**	**Nine months to 30 June 2014[1]**
	£m	£m	**£m**	**£m**
Revenue	**146.1**	146.6	**451.0**	436.3
Cost of sales	**(128.5)**	(129.9)	**(403.0)**	(387.3)
Gross profit	**17.6**	16.7	**48.0**	49.0
Administrative expenses	**(18.4)**	(21.7)	**(60.5)**	(60.4)
Operating loss before financing expenses	**(0.8)**	(5.0)	**(12.5)**	(11.4)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**13.1**	9.5	**31.7**	27.9
Depreciation of tangible assets	**(7.5)**	(7.4)	**(22.1)**	(21.1)
Adjusted operating profit	**5.6**	2.1	**9.6**	6.8
Amortisation of intangible assets	**(3.2)**	(3.7)	**(10.5)**	(11.6)
Non-recurring items	**(1.2)**	(2.8)	**(9.0)**	(5.1)
Loss on disposal of tangible fixed assets	**(2.1)**	-	**(2.1)**	-
IAS 17 lease expense	**0.1**	(0.6)	**(0.5)**	(1.5)
Operating loss before financing expense	**(0.8)**	(5.0)	**(12.5)**	(11.4)
Financial income	**1.7**	0.4	**2.5**	1.2
Financial expenses	**(7.6)**	(9.4)	**(22.5)**	(28.9)
Net financing expense	**(5.9)**	(9.0)	**(20.0)**	(27.7)
Loss before taxation	**(6.7)**	(14.0)	**(32.5)**	(39.1)
Taxation	**4.0**	3.8	**6.4**	7.2
Loss for the period from continuing operations	**(2.7)**	(10.2)	**(26.1)**	(31.9)
Profit/(Loss) for the period from discontinued operations	**36.0**	0.8	**21.5**	3.1
Profit/(loss) for the period attributable to equity holders of the parent	**33.3**	(9.4)	**(4.6)**	(28.8)
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent	**33.3**	(9.4)	**(4.6)**	(28.8)

[1] Represented to show the results of certain disposal groups in discontinued operations.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2015

	30 June 2015	30 June 2014	30 September 2014
	£m	£m	£m
Assets			
Property, plant and equipment	**242.2**	305.2	308.8
Intangible assets	**158.0**	207.5	202.3
Other financial assets	**0.1**	-	0.6
Amounts due from related party undertakings	**19.2**	17.8	18.0
Equity-accounted investments	**-**	5.5	5.5
Other receivables	**8.7**	-	8.9
Total non-current assets	**428.2**	536.0	544.1
Inventories	**4.0**	4.1	4.1
Trade and other receivables	**68.4**	99.6	86.9
Cash and cash equivalents	**111.2**	32.8	20.9
	183.6	136.5	111.9
Assets held for sale	**0.6**	-	0.4
Total current assets	**184.2**	136.5	112.3
Total assets	**612.4**	672.5	656.4
Liabilities			
Financial liabilities — borrowings	**(0.1)**	(1.5)	(1.3)
Trade and other payables	**(146.0)**	(167.6)	(155.8)
Current tax liabilities	**(0.2)**	-	-
Total current liabilities	**(146.3)**	(169.1)	(157.1)
Financial liabilities — borrowings	**(360.9)**	(375.6)	(398.5)
Other non-current liabilities	**(14.1)**	(4.1)	(14.6)
Deferred tax liabilities	**(1.0)**	(11.6)	(7.2)
Total non-current liabilities	**(376.0)**	(391.3)	(420.3)
Total liabilities	**(522.3)**	(560.4)	(577.4)
Net assets	**90.1**	112.1	79.0
Equity			
Issued share capital	**210.7**	210.7	210.7
Capital contribution reserve	**15.7**	-	-
Retained earnings	**(136.3)**	(98.6)	(131.7)
Total equity attributable to equity holders of the parent	**90.1**	112.1	79.0

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month and nine month periods ended 30 June 2015

	Three months to 30 June 2015	Three months to 30 June 2014	**Nine months to 30 June 2015**	Nine months to 30 June 2014
Cash flows from operating activities	**£m**	£m	**£m**	£m
Loss for the period from continuing operations before taxation	**(6.7)**	(14.0)	**(32.5)**	(39.1)
Profit for the period from discontinued operations before taxation including net gain on disposal	**38.1**	0.7	**24.7**	2.6
Net gain on measurement to fair value and disposal of discontinued operation	**(36.6)**	-	**(21.0)**	-
Share of results of joint venture	**-**	0.1	**0.2**	0.2
Financial income	**(1.8)**	(0.5)	**(2.7)**	(1.4)
Financial expense	**7.7**	9.4	**22.6**	28.9
Depreciation of tangible assets	**7.5**	8.2	**23.4**	23.4
Amortisation of intangible assets	**3.2**	5.0	**12.9**	15.7
Loss/(Profit) on disposal of fixed assets	**2.1**	(0.2)	**2.1**	(0.2)
Increase in inventory	**-**	(0.1)	**0.1**	(0.7)
Decrease/(increase) in trade and other receivables	**(12.6)**	(14.3)	**(5.7)**	(11.3)
Increase/(decrease) in trade and other payables	**(1.9)**	9.4	**(3.5)**	16.0
Net cash flows from operating activities	**(1.0)**	3.7	**20.6**	34.1
Cash flows from investing activities				
Disposal of businesses, net of cash disposed	**132.3**	-	**132.3**	-
Payments to acquire property, plant and equipment	**(28.0)**	(7.2)	**(39.8)**	(21.7)
Proceeds from the sale of property, plant and equipment	**21.0**	3.0	**21.0**	3.1
Loans to related party undertakings	**(0.1)**	-	**-**	(1.5)
Investment in and loans to joint venture	**-**	(0.3)	**-**	(0.3)
Interest received	**-**	0.3	**0.2**	0.5
Net cash flows used in investing activities	**125.2**	(4.2)	**113.7**	(19.9)
Cash flows from financing activities				
Proceeds from borrowings	**20.0**	80.8	**154.0**	202.4
Repayment of borrowings	**(40.0)**	(89.3)	**(161.0)**	(196.9)
Repayment of Loan Notes	**(15.8)**	-	**(15.8)**	-
Interest paid	**(6.7)**	(1.4)	**(19.8)**	(19.6)
Payments of capital element of finance lease payments	**(0.7)**	(0.4)	**(1.4)**	(1.9)
Net cash flows from financing activities	**(43.2)**	(10.3)	**(44.0)**	(16.0)
Net (decrease)/increase in cash and cash equivalents	**81.0**	(10.8)	**90.3**	(1.8)
Cash and cash equivalents at the beginning of the period	**30.2**	43.6	**20.9**	34.6
Cash and cash equivalents at the end of the period	**111.2**	32.8	**111.2**	32.8

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

	Continuing Operations					
Three months to 30 June 2015	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	62.8	81.0	2.3	**146.1**	20.1	**166.2**
Adjusted EBITDA	7.4	7.1	(1.4)	**13.1**	1.6	**14.7**
Depreciation of tangible assets	(4.1)	(2.9)	(0.5)	**(7.5)**	-	**(7.5)**
Adjusted operating profit/(loss)	3.3	4.2	(1.9)	**5.6**	1.6	**7.2**
Amortisation of intangible assets	(1.1)	(2.1)	-	**(3.2)**	-	**(3.2)**
Gain on the disposal of businesses constituting the discontinued operations	-	-	-	**-**	36.6	**36.6**
Impairment of intangible assets	-	-	-	**-**	-	**-**
Loss on disposal tangible assets	-	(2.1)	-	**(2.1)**	-	**(2.1)**
Non-recurring items	(0.2)	-	(1.0)	**(1.2)**	-	**(1.2)**
IAS 17 lease expense	0.1	-	-	**0.1**	-	**0.1**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	2.1	-	(2.9)	**(0.8)**	38.1	**37.3**
Net financing expense						**(5.9)**
Taxation						**1.9**
Profit for the period						**33.3**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.2)	(3.8)	(0.1)	**(10.1)**	(0.3)	**(10.4)**

	Continuing Operations					
Three months to 30 June 2014	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	56.3	87.3	3.0	**146.6**	36.5	**183.1**
Adjusted EBITDA	5.1	6.5	(2.1)	**9.5**	3.5	**13.0**
Depreciation of tangible assets	(3.1)	(3.9)	(0.4)	**(7.4)**	(0.8)	**(8.2)**
Adjusted operating profit/(loss)	2.0	2.6	(2.5)	**2.1**	2.7	**4.8**
Amortisation of intangible assets	(1.6)	(2.1)	-	**(3.7)**	(1.3)	**(5.0)**
Non-recurring items	(1.4)	(1.0)	(0.4)	**(2.8)**	(0.7)	**(3.5)**
IAS 17 lease expense	(0.5)	-	(0.1)	**(0.6)**	-	**(0.6)**
Operating (loss)/profit before financing expense and taxation	(1.5)	(0.5)	(3.0)	**(5.0)**	0.7	**(4.3)**
Net financing expense						**(8.9)**
Share of results of joint venture						**(0.1)**
Taxation						**3.9**
Loss for the period						**(9.4)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(3.9)	(3.3)	(0.2)	**(7.4)**	(0.5)	**(7.9)**

Nine months to 30 June 2015	Continuing Operations Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	182.9	261.2	6.9	**451.0**	89.9	**540.9**
Adjusted EBITDA	17.3	18.4	(4.0)	**31.7**	7.6	**39.3**
Depreciation of tangible assets	(11.6)	(8.9)	(1.6)	**(22.1)**	(1.3)	**(23.4)**
Adjusted operating profit/(loss)	5.7	9.5	(5.6)	**9.6**	6.3	**15.9**
Amortisation of intangible assets	(3.7)	(6.8)	-	**(10.5)**	(2.4)	**(12.9)**
Gain on the disposal of the businesses constituting the discontinued operations	-	-	-	**-**	36.6	**36.6**
Impairment of intangible assets	-	-	-	**-**	(15.6)	**(15.6)**
Loss on disposal of tangible assets	-	(2.1)	-	**(2.1)**	-	**(2.1)**
Non-recurring items	(3.0)	-	(6.0)	**(9.0)**	-	**(9.0)**
IAS 17 lease expense	(0.5)	-	-	**(0.5)**	-	**(0.5)**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	(1.5)	0.6	(11.6)	**(12.5)**	24.8	**12.3**
Net financing expense						**(19.9)**
Share of results of joint venture						**(0.2)**
Taxation						**3.2**
Loss for the period						**(4.6)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(17.1)	(11.0)	(0.5)	**(28.6)**	(1.2)	**(29.8)**

Nine months to 30 June 2014	Continuing Operations Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	165.3	261.6	9.4	**436.3**	109.3	**545.6**
Adjusted EBITDA	14.6	17.4	(4.1)	**27.9**	10.4	**38.3**
Depreciation of tangible assets	(9.1)	(10.7)	(1.3)	**(21.1)**	(2.3)	**(23.4)**
Adjusted operating profit/(loss)	5.5	6.7	(5.4)	**6.8**	8.1	**14.9**
Amortisation of intangible assets	(5.0)	(6.6)	-	**(11.6)**	(4.1)	**(15.7)**
Non-recurring items	(2.9)	(1.0)	(1.2)	**(5.1)**	(1.3)	**(6.4)**
IAS 17 lease expense	(1.0)	-	(0.5)	**(1.5)**	-	**(1.5)**
Less: Share of joint venture EBITDA	-	-	-	**-**	(0.1)	**(0.1)**
Operating (loss)/profit before financing expense and taxation	(3.4)	(0.9)	(7.1)	**(11.4)**	2.6	**(8.8)**
Net financing expense						**(27.5)**
Share of results of joint venture						**(0.2)**
Taxation						**7.7**
Loss for the period						**(28.8)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(11.2)	(10.7)	(0.2)	**(22.1)**	(1.4)	**(23.5)**