Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and nine months ended 30 June 2016

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

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2015 (the "2015 Annual report") and should be read in conjunction with that report. The 2015 Annual report is available in pdf format only and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the third quarter of the year ending 30 September 2016 and exclude the effects of IFRIC 12.

- **Group overview and financial highlights**
    - Overall results in the three months ended 30 June 2016 reflect a combination of good performance in Residential Care offset by a mixed performance in Health Care.
    - Group revenue from continuing operations in Quarter Three increased £13.5 million from Quarter Two. Revenue from new prison contracts led to increased Health Care revenue of £10.5 million, with Residential Care revenue increasing by £3.0 million from the combination of annual fee increase and continuing growth in occupancy.
    - Adjusted EBITDA has increased on the prior quarter by £2.9 million to £10.1 million, largely driven by the steadily improving financial performance in Residential Care adding £2.1 million in the quarter. Health Care Adjusted EBITDA increased by £0.6 million due to the reversal of seasonality fluctuations and the initial contribution from new prison contract services.
    - When compared to prior year, Adjusted EBITDA has reduced due to the expected impact of the expiry of the Wave 2 contracts within Health Care. Residential Care growth momentum has continued, adding £2.2 million of underlying Adjusted EBITDA (excluding £1.3 million of one-off contract income benefit received in the prior year).
    - Within Residential Care, newly built homes continue to perform well and are generating sustained incremental EBITDA as the homes mature, with the core estate also performing well despite cost pressures. The pipeline for new homes remains strong with up to 17 expected to open over the next 2-3 years.
    - Health Care had a mixed quarter with lower than expected secondary care (elective surgery) volumes partly offset by success in prison healthcare. We are pleased to report a potential new urgent care service win, subject to the resolution of key transition issues and contract. The coming months are important in determining the medium term outlook for both elective surgery volumes and urgent care profitability.
    - It is too early to establish any impact of the EU referendum on Care UK. Consistent with the sector, a proportion of our workforce originate from EU countries and we would hope that a sensible accommodation is reached for similar opportunity in the fullness of time.
    - Net debt at 30 June 2016 of £262.3 million (consistent with prior quarter) and reported leverage of 7.6x (6.9x on a proforma basis) are supported by a continued strong working capital position.
    - Net financing costs of £4.5 million in the quarter are £1.4 million lower than the prior year, principally due to the impact of the bond repurchases made during 2015.

- **Residential Care Services**
  - Revenue has increased in the quarter by £3.0 million on Quarter Two and £6.2 million on prior year, benefitting from the combination of improved occupancy and annual fee increases.
  - Adjusted EBITDA, excluding one-off contract benefits received in Quarter Three of 2015, increased by £2.2 million to £7.7 million for the quarter. The results have benefitted from good financial performance in the core portfolio as well as increasing contribution from maturing new homes.
  - On a proforma basis, underlying Adjusted EBITDA has increased by £2.0 million over prior year with marginally lower start-up losses incurred as a result of fewer new home openings in FY16. Going forward, start-up losses will increase again as new homes open. Potentially, 17 homes are planned to open over the next two to three years, subject to contract and planning process.
  - Key operational metrics are all trending in line with management expectations and delivering sustained financial improvement.
    - Average weekly fee (AWF) has increased 3.4 per cent. compared to Quarter Two, benefitting from annual fee uplifts and a rising proportion of self-funded customer revenue. The proportion of total revenue from self-funded residents averaged 40.0 per cent. in the quarter, significant progress towards our strategic expectation to reach 50.0 per cent.
    - April 2016 annual fee increase negotiations with local authorities are progressing in line with management expectations, albeit below the financial impact of the newly implemented National Living Wage for those residents.
    - Financial occupancy for the overall mature and new portfolio has improved in Quarter Three by 1.0 per cent. to an average of 88.3 per cent. compared to Quarter Two. Financial occupancy in our core, largely local authority funded homes, has been maintained at over 92.0 per cent.
    - Labour cost as a percentage of revenue has reduced from Quarter Two by almost 1.0 per cent. to 58.4 per cent. reflecting the changing mix of revenue.
  - Care UK currently has no homes assessed by the Care Quality Commission as ‘Inadequate’ and has no local authority imposed embargoes on admissions.
  - During the quarter a new 59 bed care home in Kingston Vale, South West London opened bringing the total number of Residential Care homes and beds to 113 and 7,341 respectively.

- **Health Care**
  - Revenue in Health Care increased on prior year by £5.0 million, being the net impact of a number of movements within individual service lines. The new prison contracts that mobilised in April generated £14.3 million of revenue (approximately £60.0 million annualised revenue across all new prison healthcare contracts). Offsetting this new business was the expected impact of the re-pricing of Wave 2 contracts (including the Manchester CATS service) of approximately £9.0 million, including an element of lower referral rates and an adverse case mix in certain services.
  - Adjusted EBITDA of £3.3 million is £0.6 million higher than Quarter Two with the reversal of seasonality fluctuations in urgent care/111 and initial contribution for the new prison contracts mostly offset by a reduction in contribution from the Manchester CATS service.

- When compared to prior year, Adjusted EBITDA has reduced by £3.8 million to £3.3 million in the quarter, mainly due to the previously reported changes in the Wave 2 contracts.
- Within urgent care we are pleased to have been awarded preferred bidder status on a large West Midlands contract that reflects the strategic importance of integrated service propositions within the 'out of hours'/111 market. We continue to work with the commissioners to review specific service design issues and the resolution of some complex transition issues.
- Whilst we are pleased that this potential contract would offset the previously reported contract losses, the market continues to be challenging in terms of integrated service design, contract economics and unpredictable procurement outcomes. We continue to evaluate the optimal strategic shape of this service line as a critical platform for important new product development that could help transform primary care service delivery.
- The newly mobilised prison healthcare contracts are, in aggregate, performing in line with management expectations. There are only two remaining contract renewals expected over the next 24 months within this service line, with further growth opportunity.
- Activity levels across our treatment centres and the Manchester CATS service continue to be lower than expected reflecting continuing financial pressures on NHS organisations. We remain confident in mid-term prospects for activity levels to improve in most services, but the near term outlook is more difficult to predict.
- We have been successful in retaining our existing Shepton Mallet Treatment Centre contract in partnership with the local NHS Community Trust, an innovative and strategically important joint venture to provide more integrated services and care. The contract is for an 8 year term, and with the exception of North East London (see below), completes the contract renewal cycle for all of our treatment centres.
- We have agreed to operate the NHS North East London Treatment Centre for a further period following Monitor's investigation into the procurement process. We continue to work closely with the local commissioners and NHS Trust to stabilise the centre following the period of uncertainty and to rebuild the service, which is essential to re-establish its important role in the local health community and its financial performance.

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 focused on the continued development of its Residential Care Services' new home development programme, and on its market leading provision of primary and secondary NHS health services. Care UK operates a balanced and diverse range of special clinical and social care services that are broader than any other provider. Care UK's portfolio is closely aligned with the growth in self-funded residents in Residential Care as well as providing high quality, innovative, and efficient clinical services on behalf of the NHS that are aligned to commissioners' priorities as well as patient expectations and choice.

Social Care	Health Care
We manage 113 care homes with over 7,300 beds providing both residential and nursing care for older people, particularly those suffering from dementia and related conditions We operate a total of 30 day care centres and activity clubs	We provide a broad range of healthcare services centred around the key Primary and Secondary care service streams: • We provide 47 NHS primary care services including GP and walk-in services • We deliver 12 NHS Out-of-Hours services, providing health advice and support for over 10 million people • We operate 9 hospitals with exceptional clinical outcomes that specialise in elective, planned surgery • Our 14 NHS 111 services handle on average 190,000 calls a month covering a population of over 8.9 million people • We are the largest provider of healthcare services in prisons, delivered at 32 different sites • In the past year, our treatment centres and clinical assessment services delivered over 80,000 procedures for NHS patients

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

Key figures Amounts in £ million	**Continuing operations** Q3 2015[1]	 Q3 2016
Revenue	143.8	155.0
Adjusted EBITDA	12.4	10.1
Proforma Adjusted EBITDA	13.5	11.0
Adjusted operating profit	4.9	4.8
Net loss for the period	(2.5)	(2.0)
Operating cash flow (before capital expenditure)	0.9	13.0

Segmental reporting	**Revenue**		**Adjusted EBITDA**	
Amounts in £ million	Q3 2015	Q3 2016	Q3 2015[1]	Q3 2016
Residential Care Services	62.8	69.0	6.8	7.7
Health Care	81.0	86.0	7.1	3.3
Other	-	-	(1.5)	(0.9)
Continuing operations	143.8	155.0	12.4	10.1

Financial leverage	**Continuing operations**			
As of and for the 12 month period ended	30 September 2015	31 December 2015	31 March 2016	30 June 2016
Adjusted EBITDA (£m)	40.8	39.5	36.8	34.4
Proforma Adjusted EBITDA (£m)[2]	45.8	44.3	40.7	38.1
Net debt (£m)[3]	253.0	264.4	264.7	262.3
Net debt / Proforma Adjusted EBITDA	5.52x	5.97x	6.50x	6.88x
Net debt / Adjusted EBITDA	6.20x	6.69x	7.19x	7.63x

[1] Quarterly financial information has been re-presented to take account of a change in accounting estimate with respect to expensing residential care home commissioning costs.

[2] Proforma Adjusted EBITDA, excluding new home start-up losses (£3.7 million LTM 30 June 2016) in the Residential Care Services division.

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

FINANCIAL SUMMARY

Results of Operations

The tables below sets out the key line items from the unaudited condensed consolidated statement of comprehensive performance for the three and nine months ended 30 June 2016 and 30 June 2015 excluding the effect of applying IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the 2015 Annual report. For the unaudited condensed consolidated statement of comprehensive performance including the effects of IFRIC 12 see the financial statements on pages F-3 to F-16 that accompany this financial summary.

For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, and for full details regarding Care UK's Accounting Policies, refer to the 2015 Annual report.

	Three months ended 30 June		Nine months ended 30 June	
	2015	**2016**	**2015**	**2016**
Continuing operations	**£m**	**£m**	**£m**	**£m**
Revenue	143.8	155.0	444.1	438.0
Cost of sales	(126.8)	(137.3)	(398.1)	(392.5)
Gross profit	**17.0**	**17.7**	**46.0**	**45.5**
Administrative expenses	(18.5)	(15.1)	(60.2)	(51.9)
Operating profit/(loss) before financing expenses	**(1.5)**	**2.6**	**(14.2)**	**(6.4)**
Adjusted EBITDA	**12.4**	**10.1**	**30.0**	**23.5**
Depreciation of tangible assets	(7.5)	(5.3)	(22.1)	(17.1)
Adjusted operating profit	4.9	4.8	7.9	6.4
Amortisation of intangible assets	(3.2)	(2.1)	(10.5)	(7.4)
Profit/(loss) on disposal of tangible fixed assets	(2.1)	0.1	(2.1)	(0.4)
Non-recurring items	(1.2)	-	(9.0)	(4.1)
IAS 17 lease expense	0.1	(0.2)	(0.5)	(0.9)
Operating profit/(loss) before financing expenses	**(1.5)**	**2.6**	**(14.2)**	**(6.4)**
Financial income	1.7	0.6	2.5	1.6
Financial expense	(7.6)	(5.1)	(22.5)	(15.2)
Net financing expense[1]	**(5.9)**	**(4.5)**	**(20.0)**	**(13.6)**
Loss before taxation	**(7.4)**	**(1.9)**	**(34.2)**	**(20.0)**
Taxation	4.9	(0.1)	6.4	1.6
Loss for the period	**(2.5)**	**(2.0)**	**(27.8)**	**(18.4)**

	Three months ended 30 June		Nine months ended 30 June	
	2015	**2016**	**2015**	**2016**
Continuing and discontinued operations	**£m**	**£m**	**£m**	**£m**
Revenue	166.2	155.0	540.9	441.0
Cost of sales	(146.0)	(137.3)	(482.8)	(394.9)
Gross profit	**20.2**	**17.7**	**58.1**	**46.1**
Administrative expenses	(20.1)	(15.1)	(68.1)	(52.4)
Operating profit/(loss) before financing expenses	**0.1**	**2.6**	**(10.0)**	**(6.3)**
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	**36.7**	**2.6**	**11.0**	**(6.3)**
Adjusted EBITDA	**14.1**	**10.1**	**38.0**	**23.6**
Depreciation of tangible assets	(7.5)	(5.3)	(23.4)	(17.1)
Adjusted operating profit	6.6	4.8	14.6	6.5
Amortisation of intangible assets	(3.2)	(2.1)	(12.9)	(7.4)
Gain on the disposal of the businesses constituting the discontinued operations	36.6	-	36.6	-
Impairment of intangible assets	-	-	(15.6)	-
Profit/(loss) on disposal of tangible assets	(2.1)	0.1	(2.1)	(0.4)
Non-recurring items	(1.2)	-	(9.0)	(4.1)
IAS 17 lease expense	0.1	(0.2)	(0.5)	(0.9)
Less: Share of joint venture EBITDA	(0.1)	-	(0.1)	-
Profit/(loss) before financing expenses	**36.7**	**2.6**	**11.0**	**(6.3)**
Financial income	1.8	0.6	2.7	1.6
Financial expense	(7.7)	(5.1)	(22.6)	(15.2)
Net financing expense[1]	**(5.9)**	**(4.5)**	**(19.9)**	**(13.6)**
Share of results of joint venture	-	-	(0.2)	-
Profit/(loss) before taxation	**30.8**	**(1.9)**	**(9.1)**	**(19.9)**
Taxation	1.7	(0.1)	3.2	1.6
Profit/(loss) for the period	**32.5**	**(2.0)**	**(5.9)**	**(18.3)**

[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 2016 and 30 June 2015.

	As at 30 June	
	2015	**2016**
	£m	**£m**
Senior Secured Notes	367.6	267.6
Revolving Credit Facility and bank loans	-	23.0
Finance lease obligations	0.1	-
Cash and cash equivalents	(111.2)	(24.4)
Deferred financing costs	(6.7)	(3.9)
Total net debt	**249.8**	**262.3**

Net debt increased by £12.5 million compared to the prior year. The full impact of utilisation of business disposal proceeds and all Loan Note repurchases as outlined below had not taken effect as at 30 June 2015. Compared to Quarter Two net debt decreased by £2.4 million and remains ahead of expectations due to a combination of stronger working capital and timing of capital expenditure.

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 quarter ended 30 June 2015, Care UK 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 remain in treasury with the intention that they will be cancelled in due course.

First Lien Notes Repurchases
In August 2015 Care UK Health & Social Care Plc repurchased £95.0 million of First Lien 2014 Senior Secured Notes. The Notes were purchased using a portion of the proceeds from the sale of the group’s domiciliary, mental health and learning disability services.

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 outlined above, 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.

	Three months ended 30 June		Nine months ended 30 June	
	2015	**2016**	**2015**	**2016**
	£m	**£m**	**£m**	**£m**
Adjusted operating profit	6.6	4.8	14.6	6.5
Depreciation and other non-cash movements	7.5	4.7	22.8	16.0
Change in working capital, non-recurring items and cash disposal adjustments[1]	(13.2)	3.5	(15.9)	3.6
Cash flow from operations	**0.9**	**13.0**	**21.5**	**26.1**
Business disposals enterprise value	130.0	-	130.0	0.1
Cash flows resulting from financing activities and taxation	(6.7)	(4.5)	(19.6)	(14.0)
Capital expenditure, net of disposal proceeds	(6.5)	(5.9)	(17.4)	(16.4)
Loans to related party undertakings & joint ventures	(0.1)	-	-	(4.2)
Movement in net debt arising from cash flows	**117.6**	**2.6**	**114.5**	**(8.4)**
Second Lien Notes purchased via parent	16.2	-	16.2	-
Other non-cash movements in net debt	(0.8)	(0.2)	(1.6)	(0.9)
Total movement in net debt	**133.0**	**2.4**	**129.1**	**(9.3)**
Net debt at 30 June	(249.8)	(262.3)	(249.8)	(262.3)

[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 flow from operating activities for the three months ended 30 June 2016 was an inflow of £13.0 million compared with an inflow of £0.9 million for the three months ended 30 June 2015. Quarter Three of 2015 reflected an unwind of a strong working capital position from the preceding quarter. The lower net debt position as at 30 June 2015 also reflects the capital injection of £16.2 million via the repurchase of Loan Notes enabled through the sale of freehold interests of Silver Sea, a related party of the group. Further investment in the Silver Sea property development group totals £4.2 million in the current financial year - see “Certain Relationships and Related Party Transactions” in the 2015 Annual report for further details.

Cash flows resulting from financing activities and taxation were a net outflow of £4.5 million in the three months ended 30 June 2016, unchanged from Quarter Two. This compares with an outflow of £6.7 million for the three months ended 30 June 2015. This decrease reflects the reduction in interest payments as a result of the Loan Note repurchases outlined above.

Capital expenditure, before disposal proceeds of £0.8 million that relates to surplus property disposals, amounted to £17.2 million for the nine months ended 30 June 2016 compared with £17.4 million for the nine months ended 30 June 2015. Maintenance capital expenditure amounted to £10.4 million for the nine months ended 30 June 2016 and is in line with the prior year of £10.0 million. Expansionary capital expenditure amounted to £6.8 million for the nine months ended 30 June 2016, compared to £7.6 million for the nine months ended 30 June 2015. Major items of expansionary capital expenditure in the current year includes a theatre extension in a Health Care treatment centre and capital investment in respect of the new prison healthcare contracts that commenced on 1 April 2016. In addition, the Residential Care Services division continues to invest in new homes and upgrading existing homes.

RISK FACTORS

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

See the 2015 Annual report for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three and nine month period ended 30 June 2016

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month period ended 30 June 2016

	Notes	Three months to 30 June 2016	Three months to 30 June 2015[1]	Nine months to 30 June 2016	Nine months to 30 June 2015[1]
		£m	£m	£m	£m
Revenue		**154.5**	143.2	**436.5**	442.5
Cost of sales		**(136.8)**	(126.3)	**(391.1)**	(396.8)
Gross profit		**17.7**	16.9	**45.4**	45.7
Administrative expenses		**(15.3)**	(18.6)	**(52.3)**	(60.5)
Operating profit/(loss) before financing expense		**2.4**	(1.7)	**(6.9)**	(14.8)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**9.4**	11.7	**21.6**	28.1
Depreciation of tangible assets		**(4.7)**	(6.8)	**(15.3)**	(20.4)
Adjusted operating profit		**4.7**	4.9	**6.3**	7.7
Amortisation of intangible assets		**(2.2)**	(3.4)	**(7.8)**	(10.9)
Profit/(loss) on disposal of tangible fixed assets		**0.1**	(2.1)	**(0.4)**	(2.1)
Non-recurring items	5	**-**	(1.2)	**(4.1)**	(9.0)
IAS 17 lease expense		**(0.2)**	0.1	**(0.9)**	(0.5)
Operating profit/(loss) before financing expense		**2.4**	(1.7)	**(6.9)**	(14.8)
Financial income	6	**0.8**	1.9	**2.3**	3.2
Financial expense	6	**(5.1)**	(7.6)	**(15.2)**	(22.5)
Net financing expense		**(4.3)**	(5.7)	**(12.9)**	(19.3)
Loss before taxation	7	**(1.9)**	(7.4)	**(19.8)**	(34.1)
Taxation		**(0.1)**	4.0	**1.5**	6.4
Loss for the period from continuing operations		**(2.0)**	(3.4)	**(18.3)**	(27.7)
Profit for the period from discontinued operations	8	**-**	36.1	**0.1**	21.9
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent		**(2.0)**	32.7	**(18.2)**	(5.8)

[1] Re-presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs – see the 2015 Annual report.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2016

	Notes	30 June 2016	30 June 2015[1]	30 September 2015
		£m	£m	£m
Assets				
Property, plant and equipment	9	**188.0**	211.2	190.2
Intangible assets	10	**154.2**	166.2	162.9
Other financial assets	11	**19.9**	20.7	20.7
Amounts due from related party undertakings		**27.0**	19.2	21.3
Other receivables		**8.3**	8.7	8.6
Deferred tax assets		**12.2**	1.4	10.6
Total non-current assets		**409.6**	427.4	414.3
Inventories		**3.8**	4.0	4.0
Trade and other receivables		**54.5**	68.4	59.6
Other financial assets	11	**1.1**	0.7	0.5
Cash and cash equivalents		**24.4**	111.2	19.9
Assets held for sale		**-**	0.6	0.6
Total current assets		**83.8**	184.9	84.6
Total assets		**493.4**	612.3	498.9
Liabilities				
Financial liabilities	12	**-**	(0.1)	(0.1)
Trade and other payables		**(148.1)**	(156.4)	(148.6)
Current tax liabilities		**(0.4)**	(0.2)	(0.4)
Provisions for liabilities and charges		**(1.0)**	-	(1.0)
Total current liabilities		**(149.5)**	(156.7)	(150.1)
Financial liabilities	12	**(286.7)**	(360.9)	(272.8)
Other non-current liabilities		**(12.1)**	(14.1)	(13.1)
Amounts due to related party undertakings		**(5.4)**	-	(5.0)
Provisions for liabilities and charges		**(13.2)**	-	(13.2)
Total non-current liabilities		**(317.4)**	(375.0)	(304.1)
Total liabilities		**(466.9)**	(531.7)	(454.2)
Net assets		**26.5**	80.6	44.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Capital contribution reserve		**15.7**	15.7	15.7
Retained earnings		**(199.9)**	(145.8)	(181.7)
Total equity attributable to equity holders of the parent		**26.5**	80.6	44.7

[1] Re-presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs – see the 2015 Annual report.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine month period ended 30 June 2016

	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 2015	210.7	15.7	(181.7)	44.7
Total comprehensive loss for the period	-	-	(18.2)	(18.2)
At 30 June 2016	**210.7**	**15.7**	**(199.9)**	**26.5**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month period ended 30 June 2016

	Three months to 30 June 2016	Three months to 30 June 2015	Nine months to 30 June 2016	Nine months to 30 June 2015
	£m	£m	£m	£m
Cash flows from operating activities				
Loss for the period from continuing operations before taxation ...	**(1.9)**	(7.4)	**(19.8)**	(34.1)
Profit for the period from discontinued operations before taxation including net gain on disposal..	**-**	38.2	**0.1**	25.1
Net gain on measurement to fair value and disposal of discontinued operation	**-**	(36.6)	**-**	(21.0)
Share of results of joint venture...	**-**	-	**-**	0.2
Financial income...	**(0.8)**	(2.0)	**(2.3)**	(3.4)
Financial expense...	**5.1**	7.7	**15.2**	22.6
Depreciation of tangible assets	**4.7**	6.8	**15.3**	21.7
Amortisation of intangible assets..	**2.2**	3.4	**7.8**	13.3
(Profit)/loss on disposal of tangible fixed assets	**(0.3)**	2.1	**0.2**	2.1
Decrease in IFRIC 12 financial asset	**0.5**	0.5	**1.5**	1.6
(Increase)/decrease in inventory	**0.1**	-	**0.5**	0.1
(Increase)/decrease in trade and other receivables.....................	**(5.9)**	(12.6)	**4.1**	(5.7)
Increase/(decrease) in trade and other payables........................	**9.2**	(1.8)	**3.1**	(3.7)
Net cash flows from operating activities	**12.9**	(1.7)	**25.7**	18.8
Cash flows from investing activities				
Disposal of businesses, net of cash disposed.........................	**-**	132.3	**0.1**	132.3
Payments to acquire property, plant and equipment....................	**(5.8)**	(27.3)	**(16.8)**	(38.0)
Net proceeds from the sale of property, plant and equipment	**-**	21.0	**0.8**	21.0
Loans to related party undertakings	**-**	(0.1)	**(4.2)**	-
Interest received	**-**	-	**-**	0.2
Net cash flows from investing activities.................................	**(5.8)**	125.9	**(20.1)**	115.5
Cash flows from financing activities				
Proceeds from new loans	**28.0**	20.0	**64.4**	154.0
Repayment of amounts borrowed	**(34.0)**	(55.8)	**(52.0)**	(176.8)
Interest paid..	**(4.5)**	(6.7)	**(13.4)**	(19.8)
Payment of capital element of finance lease payments	**-**	(0.7)	**(0.1)**	(1.4)
Net cash flows from financing activities.................................	**(10.5)**	(43.2)	**(1.1)**	(44.0)
Net (decrease)/increase in cash and cash equivalents..........	**(3.4)**	81.0	**4.5**	90.3
Cash and cash equivalents at the beginning of the period	**27.8**	30.2	**19.9**	20.9
Cash and cash equivalents at the end of the period	**24.4**	111.2	**24.4**	111.2

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three and nine months ended 30 June 2016 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three and nine months ended 30 June 2016, 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 2015, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG LLP gave an unqualified opinion, are available on the website www.careukgroup.com. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2015 set out within this report have been extracted from the 2015 Annual report and accounts published on 18 January 2016.

2. ACCOUNTING POLICIES

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

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

Accounting policies specific to interim financial statements

The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2015 Annual report.

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

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

Provisions for liabilities and other charges: The group has provided for onerous lease contracts in respect of residential care homes to the extent that the unavoidable costs of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the care home. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Care UK updates these forecast assumptions on an annual basis together with other variable assumptions typically applied in a discounted cash flow method. Care UK does not recalculate the provision at each interim reporting date and therefore does not account for any unwinding or utilisation of the provision within the interim financial statements. The carrying amount of the provision as at 30 June 2016 was £14.2m.

3. NON-IFRS FINANCIAL MEASURES

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

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

Adjusted EBITDA is defined as adjusted operating profit plus depreciation. For further detail on the definition of these performance measures and the items that have been excluded see the 2015 Annual report – Presentation of Financial Information.

4. SEGMENT REPORTING

Segment 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. Care UK Health & Social Care Investments Limited 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 year ended 30 September 2015, the Care at Home and Learning Disability service lines, that combined made 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. In February 2016 the Amicus ITS business, that was originally acquired as part of a larger acquisition during the year ended 30 September 2013, was sold. The Amicus business was formerly included in the 'Other' segment. All prior year comparative information has been restated to reflect the classification of the service lines and business units 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 year comparative segmental information reported below has been restated 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 healthcare services; and
- Other: comprises the group's central support functions.

Three months to 30 June 2016	Continuing Operations: Residential Care Services	Health Care	Other	Total	Discontinued Operations*	Group
	£m	£m	£m	£m	£m	£m
Group revenue	68.5	86.0	-	**154.5**	-	**154.5**
Adjusted EBITDA	7.0	3.3	(0.9)	**9.4**	-	**9.4**
Depreciation of tangible assets	(2.7)	(1.6)	(0.4)	**(4.7)**	-	**(4.7)**
Adjusted operating profit/(loss)	4.3	1.7	(1.3)	**4.7**	-	**4.7**
Amortisation of intangible assets	(1.1)	(1.1)	-	**(2.2)**	-	**(2.2)**
Profit on disposal of tangible assets	0.1	-	-	**0.1**	-	**0.1**
IAS 17 lease expense	(0.2)	-	-	**(0.2)**	-	**(0.2)**
Profit/(loss) before financing expense and taxation	3.1	0.6	(1.3)	**2.4**	-	**2.4**
Net financing expense						**(4.3)**
Taxation						**(0.1)**
Loss for the period						**(2.0)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.9)	(2.8)	(0.1)	(9.8)	-	(9.8)

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	-	**143.2**	22.4	**165.6**
Adjusted EBITDA	6.1	7.1	(1.5)	**11.7**	1.7	**13.4**
Depreciation of tangible assets	(3.4)	(2.9)	(0.5)	**(6.8)**	-	**(6.8)**
Adjusted operating profit/(loss)	2.7	4.2	(2.0)	**4.9**	1.7	**6.6**
Amortisation of intangible assets	(1.3)	(2.1)	-	**(3.4)**	-	**(3.4)**
Gain on the disposal of the businesses constituting the discontinued operations	-	-	-	**-**	36.6	**36.6**
Loss on disposal of 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)**
Profit/(loss) before financing expense and taxation	1.3	-	(3.0)	**(1.7)**	38.2	**36.5**
Net financing expense						**(5.7)**
Taxation						**1.9**
Profit for the period						**32.7**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.2)	(3.8)	(0.1)	(10.1)	(0.3)	(10.4)

* Care at Home, Learning Disability Service, Mental Health Services and Amicus ITS

Nine months to 30 June 2016	Continuing Operations: Residential Care Services	Health Care	Other	Total	Discontinued Operations*	Group
	£m	£m	£m	£m	£m	£m
Group revenue	198.2	238.3	-	**436.5**	3.0	**439.5**
Adjusted EBITDA	16.5	8.5	(3.4)	**21.6**	0.1	**21.7**
Depreciation of tangible assets	(8.6)	(5.5)	(1.2)	**(15.3)**	-	**(15.3)**
Adjusted operating profit/(loss)	7.9	3.0	(4.6)	**6.3**	0.1	**6.4**
Amortisation of intangible assets	(3.6)	(4.2)	-	**(7.8)**	-	**(7.8)**
Profit/(loss) on disposal of tangible assets	0.1	-	(0.5)	**(0.4)**	-	**(0.4)**
Non-recurring items	(0.7)	(3.4)	-	**(4.1)**	-	**(4.1)**
IAS 17 lease expense	(0.9)	-	-	**(0.9)**	-	**(0.9)**
Profit/(loss) before financing expense and taxation	2.8	(4.6)	(5.1)	**(6.9)**	0.1	**(6.8)**
Net financing expense						**(12.9)**
Taxation						**1.5**
Loss for the period						**(18.2)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(20.1)	(8.5)	(0.2)	(28.8)	-	(28.8)

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	-	**442.5**	96.8	**539.3**
Adjusted EBITDA	14.1	18.4	(4.4)	**28.1**	8.0	**36.1**
Depreciation of tangible assets	(9.9)	(8.9)	(1.6)	**(20.4)**	(1.3)	**(21.7)**
Adjusted operating profit/(loss)	4.2	9.5	(6.0)	**7.7**	6.7	**14.4**
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)**
Profit/(loss) before financing expense and taxation	(3.4)	0.6	(12.0)	**(14.8)**	25.2	**10.4**
Net financing expense						**(19.2)**
Share of results of joint venture						**(0.2)**
Taxation						**3.2**
Loss for the period						**(5.8)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(17.1)	(11.0)	(0.4)	(28.5)	(1.3)	(29.8)

* Care at Home, Learning Disability Service, Mental Health Services and Amicus ITS

5. NON-RECURRING ITEMS

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

The following table details non-recurring items that have been incurred in the reporting periods presented.

	Note	Three months to 30 June 2016	Three months to 30 June 2015	Nine months to 30 June 2016	Nine months to 30 June 2015
		£m	£m	£m	£m
Non-recurring items:					
— Secondary care productivity improvement costs....	*(a)*	**-**	-	**(2.6)**	-
— Contract transfer and integration costs	*(b)*	**-**	(0.2)	**(0.3)**	(1.4)
— Restructuring	*(c)*	**-**	(1.0)	**(1.2)**	(6.0)
— Property related costs	*(d)*	**-**	-	**-**	(1.6)
		-	(1.2)	**(4.1)**	(9.0)

Non-recurring items in the three months to 30 June 2016 amounted to a charge of £nil in aggregate (three months to 30 June 2015: charge £1.2m). The key elements of the charges for all periods are set out below. Segmental analyses of non-recurring items are shown in note 4.

(a) Secondary care productivity improvement costs

During the year ended 30 September 2015 Care UK's Health Care division initiated an efficiency programme across all of its treatment centres. The programme focuses on optimising operating theatre usage whilst also maximising patient satisfaction through the delivery of a high quality end-to-end procedure experience and service. The programme has incurred implementation costs of £2.6m in the year to date and is expected to generate recurring annual financial contribution as volumes increase.

(b) Contract transfer and integration costs

During the 2013 financial year Care UK's Residential Care division transferred 16 existing care homes from Suffolk County Council under a contract to replace all these homes with 10 new purpose built care homes and to operate these under a long-term contract together with a proportion of self-funded residents. The build and transition programme successfully completed with the opening of the tenth and final home in January 2016. Aggregate employee transition and service optimisation costs of £0.3m have been incurred in the preceding quarterly reporting periods (three and nine months to 30 June 2015, £0.2m and £1.4m respectively).

(c) Restructuring

During the second quarter of the 2016 financial year redundancy programme costs of £0.8m were incurred relating to a contract within the Health Care division. The Manchester CATS service that has been operated by Care UK for the past seven years under a Wave 2 contract transitioned to NHS tariff pricing without guaranteed volumes. Accordingly, restructuring of the service has been initiated which will align service levels with expected volumes.

During the second quarter of the 2016 financial year the Residential Care Services division undertook a reconfiguration of its central support functions in order to realign them to better support the growth strategy and strong pipeline of new home development opportunities. Related employee transition costs of £0.4m were incurred in that quarter.

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. All the organisational changes took place in the 2015 financial year with related costs of £1.0m and £6.0m being incurred in the three and nine months to 30 June 2015 respectively.

(d) 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 a long-term solution with the owners of the property to build a new care home on the existing site. In the year ended 30 September 2015 a non-recurring charge of £1.6m was recognised in respect of the onerous lease on the property.

6. NET FINANCING EXPENSE

	Three months to 30 June 2016	**Three months to 30 June 2015**	**Nine months to 30 June 2016**	**Nine months to 30 June 2015**
	£m	**£m**	**£m**	**£m**
Financial income:				
Interest receivable	**0.6**	0.4	**1.6**	1.2
IFRIC-12 interest receivable	**0.2**	0.3	**0.7**	0.8
Net gain on repurchase of 2014 Second Lien Notes	**-**	1.2	**-**	1.2
Financial income	**0.8**	1.9	**2.3**	3.2
Financial expense:				
Interest payable on borrowings	**(4.3)**	(5.9)	**(12.8)**	(18.6)
Amortisation of deferred financing costs	**(0.3)**	(1.0)	**(1.0)**	(1.9)
Interest payable on loans with parent undertaking	**(0.1)**	(0.2)	**(0.3)**	(0.2)
Fair value movement in interest rate cap	**-**	-	**-**	(0.5)
Other interest expense	**(0.4)**	(0.5)	**(1.1)**	(1.3)
Financial expense	**(5.1)**	(7.6)	**(15.2)**	(22.5)
Net financing expense	**(4.3)**	(5.7)	**(12.9)**	(19.3)

7. LOSS BEFORE TAXATION

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

	Three months to 30 June 2016	**Three months to 30 June 2015**	**Nine months to 30 June 2016**	**Nine months to 30 June 2015**
	£m	**£m**	**£m**	**£m**
Depreciation of tangible assets	**4.7**	6.8	**15.3**	20.4
Amortisation of intangible assets	**2.2**	3.4	**7.8**	10.9
(Profit)/loss on disposal of tangible fixed assets	**(0.3)**	2.1	**0.2**	2.1
Operating lease charges: Land & buildings (including IAS 17 lease expense)	**10.0**	10.0	**29.7**	29.0
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.1	**0.4**	0.4

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. In February 2016 the Amicus ITS business was sold. The Amicus business was formerly included in the 'Other' segment.

The aggregated results of discontinued service lines and business units that have been included in the consolidated statement of comprehensive performance are as follows:

	Three months to 30 June 2016	Three months to 30 June 2015	Nine months to 30 June 2016	Nine months to 30 June 2015
	£m	£m	£m	£m
Revenue	**-**	22.4	**3.0**	96.8
Cost of sales	**-**	(19.2)	**(2.4)**	(84.6)
Gross profit	**-**	3.2	**0.6**	12.2
Administrative expenses	**-**	(1.6)	**(0.5)**	(8.0)
Operating profit before financing expenses	**-**	1.6	**0.1**	4.2
Net financing income	**-**	-	**-**	0.1
Share of results of joint venture	**-**	-	**-**	(0.2)
Profit before taxation	**-**	1.6	**0.1**	4.1
Taxation on ordinary activities	**-**	(0.1)	**-**	(1.2)
	-	1.5	**-**	2.9
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 for the period from discontinued operations	**-**	36.1	**0.1**	21.9

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 is no longer entitled to receive revenues or incur expenses.

The effect of discontinued operations on segmental results is disclosed in note 4.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016	30 June 2015[1]	30 September 2015
	£m	£m	£m
Opening net book value	**190.2**	277.6	277.6
Additions	**14.0**	33.9	41.2
Disposal and transfers to current assets	**(0.9)**	(78.6)	(79.6)
Impairment	**-**	-	(21.1)
Depreciation charge for the period	**(15.3)**	(21.7)	(27.9)
Closing net book value	**188.0**	211.2	190.2

[1] Re-presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs – see the 2015 Annual report.

10. INTANGIBLE ASSETS

	30 June 2016	30 June 2015	30 September 2015
	£m	£m	£m
Opening net book value	**162.9**	211.0	211.0
Disposal	**(0.9)**	(16.0)	(16.0)
Impairment	**-**	(15.6)	(15.6)
Amortisation charge for the period	**(7.8)**	(13.2)	(16.5)
Closing net book value	**154.2**	166.2	162.9

11. OTHER FINANCIAL ASSETS

	30 June 2016	30 June 2015	30 September 2015
	£m	£m	£m
Non-current			
IFRIC-12 financial asset	**19.2**	20.6	20.7
Fair value of interest rate cap	**-**	0.1	-
Loans due from former subsidiary undertaking	**0.7**	-	-
	19.9	20.7	20.7
Current			
IFRIC-12 financial asset	**1.1**	0.7	0.5
	21.0	21.4	21.2

IFRIC-12 financial asset	30 June 2016	30 June 2015	30 September 2015
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**21.2**	22.2	22.2
Released in the period	**(0.9)**	(0.9)	(1.0)
IFRIC-12 financial asset: carried forward	**20.3**	21.3	21.2

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 2014	(1.3)	(398.5)	(399.8)
Cash flow	1.4	107.9	109.3
Other non-cash changes	(0.2)	17.8	17.6
At 30 September 2015	(0.1)	(272.8)	(272.9)
Cash flow	0.1	(13.0)	(12.9)
Other non-cash changes	-	(0.9)	(0.9)
At 30 June 2016	**-**	**(286.7)**	**(286.7)**

As at 30 June 2016 accrued interest of £3.3m (30 June 2015: £4.5m; 30 September 2015: £3.4m) is included in 'Trade and Other payables', disclosed within current liabilities in the balance sheet, and excluded from this note.

Terms and conditions

i) Senior Secured Notes

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

During the three month period ended 30 June 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased in aggregate £16.2m of 2014 Second Lien Notes and subsequently transferred these to the Issuer for cancellation. In addition, the Issuer purchased and cancelled £16.2m of 2014 Second Lien Notes during the year. As a result of these transactions the total of Second Lien Notes remaining in issue at 30 June 2016 is £37.6m (excluding those Notes held in treasury as outlined below).

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. As at 30 June 2016 these Notes are still held by Care UK Health & Social Care Finance Limited and are presented as 'amounts due to related party undertakings' in the consolidated statement of financial position.

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. As a result of this transaction the total of Senior Secured Notes remaining in issue at 30 June 2016 is £230.0m.

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

ii) Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the "original RCF") was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF"). 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 2016, £23.0m (30 June 2015: £nil, 30 September 2015: £10.0m) 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 2015: £9.4m, 30 September 2015: £9.4m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division.

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 2015 Annual report.

Care UK Health & Social Care Investments Limited

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

Three and nine month period ended
30 June 2016

BASIS OF PREPARATION

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

The 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).

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

Definition

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

Accounting policies

The preparation of the group 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 to all periods presented in the financial statements and throughout the group. Certain comparative segmental information has been restated to be on a consistent basis with the current period's presentation (refer to note 4 of the condensed consolidated financial statements (unaudited).

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 consolidated financial statements (unaudited) has been prepared to present financial information on a pre-IFRIC 12 basis.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three and nine month period ended 30 June 2016

	Three months to 30 June 2016	Three months to 30 June 2015[1]	Nine months to 30 June 2016	Nine months to 30 June 2015[1]
	£m	£m	£m	£m
Revenue	**155.0**	143.8	**438.0**	444.1
Cost of sales	**(137.3)**	(126.8)	**(392.5)**	(398.1)
Gross profit	**17.7**	17.0	**45.5**	46.0
Administrative expenses	**(15.1)**	(18.5)	**(51.9)**	(60.2)
Operating profit/(loss) before financing expense	**2.6**	(1.5)	**(6.4)**	(14.2)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**10.1**	12.4	**23.5**	30.0
Depreciation of tangible assets	**(5.3)**	(7.5)	**(17.1)**	(22.1)
Adjusted operating profit	**4.8**	4.9	**6.4**	7.9
Amortisation of intangible assets	**(2.1)**	(3.2)	**(7.4)**	(10.5)
Profit/(loss) on disposal of tangible fixed assets	**0.1**	(2.1)	**(0.4)**	(2.1)
Non-recurring items	**-**	(1.2)	**(4.1)**	(9.0)
IAS 17 lease expense	**(0.2)**	0.1	**(0.9)**	(0.5)
Operating profit/(loss) before financing expense	**2.6**	(1.5)	**(6.4)**	(14.2)
Financial income	**0.6**	1.7	**1.6**	2.5
Financial expense	**(5.1)**	(7.6)	**(15.2)**	(22.5)
Net financing expense	**(4.5)**	(5.9)	**(13.6)**	(20.0)
Loss before taxation	**(1.9)**	(7.4)	**(20.0)**	(34.2)
Taxation	**(0.1)**	4.9	**1.6**	6.4
Loss for the period from continuing operations	**(2.0)**	(2.5)	**(18.4)**	(27.8)
Profit for the period from discontinued operations	**-**	35.0	**0.1**	21.9
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent	**(2.0)**	32.5	**(18.3)**	(5.9)

[1] Re-presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2016

	30 June 2016	30 June 2015[1]	30 September 2015
	£m	£m	£m
Assets			
Property, plant and equipment	**217.1**	241.0	220.7
Intangible assets	**146.4**	158.0	154.7
Other financial assets	**0.7**	0.1	-
Amounts due from related party undertakings	**27.0**	19.2	21.3
Other receivables	**8.3**	8.7	8.6
Deferred tax assets	**9.7**	-	8.0
Total non-current assets	**409.2**	427.0	413.3
Inventories	**3.8**	4.0	4.0
Trade and other receivables	**54.5**	68.4	59.7
Cash and cash equivalents	**24.4**	111.2	19.9
Assets held for sale	**-**	0.6	0.6
Total current assets	**82.7**	184.2	84.2
Total assets	**491.9**	611.2	497.5
Liabilities			
Financial liabilities	**-**	(0.1)	(0.1)
Trade and other payables	**(137.6)**	(146.1)	(138.1)
Current tax liabilities	**(0.4)**	(0.2)	(0.4)
Provisions for liabilities and charges	**(1.0)**	-	(1.0)
Total current liabilities	**(139.0)**	(146.4)	(139.6)
Financial liabilities	**(286.7)**	(360.9)	(272.8)
Other non-current liabilities	**(12.1)**	(14.1)	(13.1)
Amounts due to related party undertakings	**(5.4)**	-	(5.0)
Provisions for liabilities and charges	**(13.2)**	-	(13.2)
Deferred tax liabilities	**-**	(1.0)	-
Total non-current liabilities	**(317.4)**	(376.0)	(304.1)
Total liabilities	**(456.4)**	(522.4)	(443.7)
Net assets	**35.5**	88.8	53.8
Equity			
Issued share capital	**210.7**	210.7	210.7
Capital contribution reserve	**15.7**	15.7	15.7
Retained earnings	**(190.9)**	(137.6)	(172.6)
Total equity attributable to equity holders of the parent	**35.5**	88.8	53.8

[1] Re-presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three and nine month period ended 30 June 2016

	Three months to 30 June 2016	Three months to 30 June 2015	Nine months to 30 June 2016	Nine months to 30 June 2015
	£m	£m	£m	£m
Cash flows from operating activities				
Loss for the period from continuing operations before taxation	**(1.9)**	(7.4)	**(20.0)**	(34.2)
Profit for the period from discontinued operations before taxation including net gain on disposal	**-**	38.2	**0.1**	25.1
Net gain on measurement to fair value and disposal of discontinued operation	**-**	(36.6)	**-**	(21.0)
Share of results of joint venture	**-**	-	**-**	0.2
Financial income	**(0.6)**	(1.8)	**(1.6)**	(2.7)
Financial expense	**5.1**	7.7	**15.2**	22.6
Depreciation of tangible assets	**5.3**	7.5	**17.1**	23.4
Amortisation of intangible assets	**2.1**	3.2	**7.4**	12.9
(Profit)/loss on disposal of tangible fixed assets	**(0.3)**	2.1	**0.2**	2.1
(Increase)/decrease in inventory	**0.1**	-	**0.5**	0.1
(Increase)/decrease in trade and other receivables	**(5.9)**	(12.6)	**4.1**	(5.7)
(Decrease)/increase in trade and other payables	**9.1**	(1.8)	**3.1**	(3.6)
Net cash flows from operating activities	**13.0**	(1.5)	**26.1**	19.2
Cash flows from investing activities				
Disposal of businesses, net of cash disposed	**-**	132.3	**0.1**	132.3
Payments to acquire property, plant and equipment	**(5.9)**	(27.5)	**(17.2)**	(38.4)
Net proceeds from sales of property, plant and equipment	**-**	21.0	**0.8**	21.0
Loans to related party undertakings	**-**	(0.1)	**(4.2)**	-
Interest received	**-**	-	**-**	0.2
Net cash flows used investing activities	**(5.9)**	125.7	**(20.5)**	115.1
Cash flows from financing activities				
Proceeds from new loans	**28.0**	20.0	**64.4**	154.0
Repayment of amounts borrowed	**(34.0)**	(55.8)	**(52.0)**	(176.8)
Interest paid	**(4.5)**	(6.7)	**(13.4)**	(19.8)
Payment of capital element of finance lease payments	**-**	(0.7)	**(0.1)**	(1.4)
Net cash flows from financing activities	**(10.5)**	(43.2)	**(1.1)**	(44.0)
Net increase in cash and cash equivalents	**(3.4)**	81.0	**4.5**	90.3
Cash and cash equivalents at the beginning of the period	**27.8**	30.2	**19.9**	20.9
Cash and cash equivalents at the end of the period	**24.4**	111.2	**24.4**	111.2

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

	Continuing Operations					
Three months to 30 June 2016	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations***	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	69.0	86.0	-	**155.0**	-	**155.0**
Adjusted EBITDA	7.7	3.3	(0.9)	**10.1**	-	**10.1**
Depreciation of tangible assets	(3.3)	(1.6)	(0.4)	**(5.3)**	-	**(5.3)**
Adjusted operating profit/(loss)	4.4	1.7	(1.3)	**4.8**	-	**4.8**
Amortisation of intangible assets	(1.0)	(1.1)	-	**(2.1)**	-	**(2.1)**
Profit on disposal of tangible assets	0.1	-	-	**0.1**	-	**0.1**
IAS 17 lease expense	(0.2)	-	-	**(0.2)**	-	**(0.2)**
Profit/(loss) before financing expense and taxation...	3.3	0.6	(1.3)	**2.6**	-	**2.6**
Net financing expense..............................						**(4.5)**
Taxation						**(0.1)**
Loss for the period						**(2.0)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.9)	(2.8)	(0.1)	(9.8)	-	(9.8)

* Amicus ITS

	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	-	**143.8**	22.4	**166.2**
Adjusted EBITDA	6.8	7.1	(1.5)	**12.4**	1.7	**14.1**
Depreciation of tangible assets	(4.1)	(2.9)	(0.5)	**(7.5)**	-	**(7.5)**
Adjusted operating profit/(loss)	2.7	4.2	(2.0)	**4.9**	1.7	**6.6**
Amortisation of intangible assets	(1.1)	(2.1)	-	**(3.2)**	-	**(3.2)**
Gain on the disposal of the businesses constituting the discontinued operations...	-	-	-	**-**	36.6	**36.6**
Loss on disposal of 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)**
Profit/(loss) before financing expense and taxation...	1.5	-	(3.0)	**(1.5)**	38.2	**36.7**
Net financing expense..............................						**(5.9)**
Share of results of joint venture						**-**
Taxation						**1.7**
Profit for the period...................................						**32.5**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.2)	(3.8)	(0.1)	(10.1)	(0.3)	(10.4)

* Care at Home, Learning Disability Service, Mental Health Services and Amicus ITS

Nine months to 30 June 2016	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations*	Group
	£m	£m	£m	£m	£m	£m
Group revenue	199.7	238.3	-	**438.0**	3.0	**441.0**
Adjusted EBITDA	18.4	8.5	(3.4)	**23.5**	0.1	**23.6**
Depreciation of tangible assets	(10.4)	(5.5)	(1.2)	**(17.1)**	-	**(17.1)**
Adjusted operating profit/(loss)	8.0	3.0	(4.6)	**6.4**	0.1	**6.5**
Amortisation of intangible assets	(3.2)	(4.2)	-	**(7.4)**	-	**(7.4)**
Profit/(loss) on disposal of tangible assets	0.1	-	(0.5)	**(0.4)**	-	**(0.4)**
Non-recurring items	(0.7)	(3.4)	-	**(4.1)**	-	**(4.1)**
IAS 17 lease expense	(0.9)	-	-	**(0.9)**	-	**(0.9)**
Profit/(loss) before financing expense and taxation	3.3	(4.6)	(5.1)	**(6.4)**	0.1	**(6.3)**
Net financing expense						**(13.6)**
Taxation						**1.6**
Loss for the period						**(18.3)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(20.1)	(8.5)	(0.2)	(28.8)	-	(28.8)

* Amicus ITS

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	-	**444.1**	96.8	**540.9**
Adjusted EBITDA	16.0	18.4	(4.4)	**30.0**	8.0	**38.0**
Depreciation of tangible assets	(11.6)	(8.9)	(1.6)	**(22.1)**	(1.3)	**(23.4)**
Adjusted operating profit/(loss)	4.4	9.5	(6.0)	**7.9**	6.7	**14.6**
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)**
Profit/(loss) before financing expense and taxation	(2.8)	0.6	(12.0)	**(14.2)**	25.2	**11.0**
Net financing expense						**(19.9)**
Share of results of joint venture						**(0.2)**
Taxation						**3.2**
Loss for the period						**(5.9)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(17.1)	(11.0)	(0.4)	(28.5)	(1.3)	(29.8)

* Care at Home, Learning Disability Service, Mental Health Services and Amicus ITS