



## **Care UK Health & Social Care Investments Limited**

Quarterly Financial Report for the three  
months ended 31 December 2011

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

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY .....	2
CARE UK SERVICES AND GROUP FIGURES AT A GLANCE .....	3
PRESENTATION OF FINANCIAL INFORMATION .....	4
RISK FACTORS .....	5
RECENT DEVELOPMENTS .....	6
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	7
INDEX TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2011 .....	F-1

## SUMMARY

Care UK has delivered a further sound operational and financial performance in the quarter ended 31 December 2011, with a significant new business development step taken with the transfer of 28 care homes from the former Southern Cross group. All figures and percentages quoted below are quoted for the first quarter of the 2012 financial year where relevant and excluding the effects of IFRIC 12.

- **Group Highlights**

- Good operational and financial performance in the period across all divisions
- LTM Adjusted EBITDA to net debt at 3.44x; LTM Adjusted EBITDA increased to £54.6 million
- Revenue for the quarter increased by 13.3 per cent. to £123.5 million and Adjusted EBITDA for the quarter increased by 25.8 per cent. to £11.7 million against the comparative quarter
- LTM Adjusted EBITDA increased by 4.6 per cent. to £54.6 million as at 31 December 2011; LTM Revenue increased by 3.2 per cent. to £465.2 million as at 31 December 2011
- A total of approximately 1,650 beds transferred into the group from the former Southern Cross business, resulting in an increase in capacity of approximately 44 per cent. in the Residential Care division and adding 29 residential Learning Disabilities beds into the Community Services division. Good initial progress made on integrating these services
- At 31 December 2011, 62.8 per cent. (30 September 2011: 63.0 per cent.) of the core Care UK residential care beds were operated under block contracts with public sector customers, a key competitive differentiator
- Good pipeline of potential new greenfield developments within the Residential Care division, with five homes, with a total of 404 beds, currently under construction, two being funded by Care UK
- Good cash flow performance in the period with an increase in cash and cash equivalents of £12.4 million to £52.6 million
- ISTC Wave I buyback programme completed as planned, with £15.2 million received in the quarter and a cumulative total of over £54.0 million received since the commencement of the programme in February 2010.

This quarterly report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2011 (the "Annual Report 2011") and should be read in conjunction with that report. The Annual Report 2011 is available in pdf format only and can be found on our website, [www.careuk.com](http://www.careuk.com) or can be requested from [investorrelations@careuk.com](mailto:investorrelations@careuk.com).

## CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is the largest independent provider of outsourced health care services to the NHS, as measured by revenue, and a leading provider of social care services in the United Kingdom. Care UK is the most diversified provider operating across both the health and social care markets in the United Kingdom, which are markets that provide multiple opportunities for growth. Unless stated, all figures and percentages quoted below are for the Care UK Health & Social Care Investments Limited group and excluding the effects of IFRIC 12.

Social Care	Health Care
<ul style="list-style-type: none"> <li>• <b>Residential Care:</b> Care homes (90 homes with approximately 5,370 beds) providing care for older people, particularly those suffering from dementia and related conditions, plus 130 day care places</li> <li>• <b>Community Services:</b> Care worker visits and live-in support for people in their own homes, facilitating daily living needs and promoting independence (around 145,000 care hours for approximately 14,000 people delivered per week)</li> <li>• <b>Mental Health:</b> Providing care for a range of enduring mental health conditions through a range of 18 facilities including independent hospitals, mental health homes and specialist facilities for eating disorders and self-harm</li> </ul>	<ul style="list-style-type: none"> <li>• Broad range of health care services, including 7 elective surgery centres, 5 specialist Clinical Assessment and Treatment Services (“CATS”), 13 general practitioner (“GP”) practices, 4 diagnostic centres, 6 out-of-hours or urgent care services, 12 walk-in centres and health services in 16 prisons</li> <li>• Approximately 800,000 patients p.a. treated or supported by the Health Care division</li> </ul>

### Key figures, in £ million

	Q1 / 2011	Q1 / 2012
Revenue	109.0	123.5
Adjusted EBITDA <sup>1)</sup>	9.3	11.7
Adjusted operating profit <sup>1)</sup>	3.8	6.2
Net loss for the period	(3.3)	(5.8)
Operating cash flow	(6.1)	7.1

<sup>1)</sup> See key definitions below

### Financial leverage

Amounts in £ million	As of and for the 12 month period ended			
	31 March 2011	30 June 2011	30 September 2011	31 December 2011
Adjusted EBITDA	54.5	52.0	52.2	54.6
Net debt	207.3	196.0	199.5	187.6
Net debt / Adjusted EBITDA	3.80x	3.77x	3.82x	3.44x

### Non-IFRS Financial Measures

The financial measures Adjusted operating profit, Adjusted EBITDA, free cash flow, net debt and cash conversion ratio as against Adjusted EBITDA as presented in this interim report, are non-IFRS measures that are supplemental measures of Care UK's performance.

Adjusted operating profit is defined as Operating profit before net financing costs adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items and before giving effect to adjustments arising from the application of IFRIC 12.

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation and before giving effect to adjustments arising from the application of IFRIC 12.

Net debt is defined as bonds, bank loans (net of unamortised arrangement fees), overdrafts and finance lease liabilities, less cash and cash equivalents.

## PRESENTATION OF FINANCIAL INFORMATION

### Financial Statements

The unaudited condensed consolidated financial statements presented in this interim report are for Care UK Health & Social Care Investments Limited and its subsidiaries (the "Investments group"). In addition, a pro-forma set of financial statements is presented for the Investments group before giving effect to the application of IFRIC 12. For further information on the effect of the application of IFRIC 12 to the Care UK Limited group financial statements see the Annual Report 2011. The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are presented in pounds sterling.

Certain amounts that appear in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them and amounts expressed as percentages may not total 100 per cent. when aggregated.

IFRS differs in certain respects from generally accepted accounting principles in the United States ("US GAAP"). Care UK has not prepared and does not currently intend to prepare its financial statements in, or reconcile them to, US GAAP. Investors should consult their own professional advisers for an understanding of the differences between US GAAP and IFRS.

This interim report includes forward-looking statements, which, although based on assumptions that are considered reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those expressed or implied herein. You are cautioned not to place undue reliance on these forward looking statements. These forward looking statements are made as of the date of this report and are not intended to give any assurance as to future results.

## **RISK FACTORS**

Compared to the Risk Factors set out in Care UK's Annual Report 2011 there have been no material changes in Care UK's overall opportunity and risk position.

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

## RECENT DEVELOPMENTS

### *New home acquisition*

In February 2012 Care UK acquired a former Southern Cross home in Sussex as a freehold purchase, for a total sum of approximately £7.5 million. This home, which has 87 beds, is currently closed and Care UK intends to re-commission the home in summer 2012. Care UK chose to acquire this home on a freehold basis in view of the favourable deal that was available. Following this acquisition, Care UK has transferred in a total of over 1,730 beds from the former Southern Cross group, all but 29 within the group's Residential Care division.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion of Care UK's financial condition and results of operations should be read in conjunction with the unaudited condensed Consolidated financial statements and unaudited pro-forma supplementary condensed Consolidated financial statements and the related notes thereto contained in this interim report.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For the reasons explained under "Presentation of Financial Information" Care UK's future results may differ materially from those expected or implied in these forward-looking statements.*

*The financial information in this interim report comprises two elements: (i) the unaudited condensed Consolidated financial statements of Care UK Health & Social Care Investments Limited and its subsidiaries (the "Investments group"); and (ii) the unaudited pro-forma condensed Consolidated financial statements for the Investments group before giving effect to the provisions of IFRIC 12. For further information refer to "Presentation of Financial Information". The commentary included within this section of the interim report primarily discusses the financial condition and results of operations of the Investments group before giving effect to the provisions of IFRIC 12. In addition, a short separate discussion and analysis is provided dealing with the results of the Investments group on a fully compliant IFRS basis, including the effects of IFRIC 12.*

### **Significant Factors Affecting Care UK's Results of Operations**

For details regarding the significant factors affecting Care UK's Results of Operations refer to the Annual Report 2011.

### **Key Line Items in the Consolidated Statement of Comprehensive Performance**

For details regarding the key line items in Care UK's Consolidated Statement of Comprehensive Performance refer to the Annual Report 2011.

### **Critical Accounting Policies and Estimates**

For full details regarding Care UK's Critical Accounting Policies refer to the Annual Report 2011. The preparation of Care UK's unaudited financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management bases its estimates and associated assumptions on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Care UK uses estimates in accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes and contingencies. The estimates and underlying assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period that an adjustment is determined to be required.

### **Results of Operations**

The following table sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance of the Investments group for the financial periods ended 31 December 2010 and 31 December 2011, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12.



	Three months ended 31 December			
	Adjusted for IFRIC 12		Excluding IFRIC 12	
	2010	2011	2010	2011
	£m	£m	£m	£m
Revenue	107.8	122.6	109.0	123.5
Cost of sales	(93.5)	(104.7)	(94.7)	(106.3)
<b>Gross profit</b>	<b>14.3</b>	<b>17.9</b>	<b>14.3</b>	<b>17.2</b>
Administrative expenses	(15.4)	(17.9)	(15.3)	(17.7)
<b>Operating loss before financing expenses</b>	<b>(1.1)</b>	<b>-</b>	<b>(1.0)</b>	<b>(0.5)</b>
Adjusted EBITDA	7.7	10.6	9.3	11.7
Depreciation	(3.9)	(3.9)	(5.5)	(5.5)
Adjusted operating profit	3.8	6.7	3.8	6.2
Amortisation of intangible assets	(6.7)	(4.7)	(6.6)	(4.7)
Non-recurring items	1.8	(2.0)	1.8	(2.0)
Operating loss before financing expenses	(1.1)	-	(1.0)	(0.5)
Financial income	0.6	0.6	0.1	0.2
Financial expenses	(7.0)	(7.2)	(7.0)	(7.2)
<b>Net financing costs</b>	<b>(6.4)</b>	<b>(6.6)</b>	<b>(6.9)</b>	<b>(7.0)</b>
<b>Loss before taxation</b>	<b>(7.5)</b>	<b>(6.6)</b>	<b>(7.9)</b>	<b>(7.5)</b>
Taxation	4.4	1.8	4.6	1.7
<b>Loss for the period</b>	<b>(3.1)</b>	<b>(4.8)</b>	<b>(3.3)</b>	<b>(5.8)</b>

**Three months ended 31 December 2011 compared to three months ended 31 December 2010 – excluding IFRIC 12**

*The comparisons presented within this section of the Management discussion and analysis use the financial information presented before giving effect to the provisions of IFRIC 12. The segmental information referred to below is set out in full in the pro-forma segmental reporting note to the unaudited pro-forma condensed consolidated financial statements on page F-12 of this interim report.*

**Revenue**

Revenue increased by 13.3 per cent., or £14.5 million, from £109.0 million for the quarter ended 31 December 2010 to £123.5 million for the quarter ended 31 December 2011. This increase is attributable to the addition of the former Southern Cross homes (referred to subsequently as the “Transferred Homes”), primarily in the Residential Care division, together with an increased contribution from new Residential Care homes opened in the 2011 financial year and new contracts commissioned in the Health Care division in the 2011 financial year. These increases more than offset the further small decrease in revenue arising in the Health Care division from the transition of the Wave I ISTCs to their new commercial basis.

Revenue for the Residential Care division increased by 31.2 per cent., or £9.3 million, from £29.8 million for the quarter ended 31 December 2010 to £39.1 million for the quarter ended 31 December 2011. This increase comprised an initial contribution of £6.8 million from the Transferred Homes together with an increase of 8.4 per cent. in the revenue from the core Care UK business, resulting from the opening of new services in the 2011 financial year together with improvements in occupancy and increases in average weekly fee rates. The weighted average number of beds in the Transferred Homes available during the period was 1,333, reflecting the various different dates on which these homes were transferred into Care UK.

The total number of beds at the end of the period, excluding day care places, was 5,283 compared with 3,661 at the beginning of the period, reflecting the addition of 1,622 beds in the 26 Transferred Homes. A further former Southern Cross home in Sussex, with 87 beds, has been acquired by Care UK on a freehold basis since the end of the period reported. At the end of the period a total of 62.8 per cent. of beds in the core Care UK business were operated under block contracts compared with 63.0 per cent. as at 30 September 2011. The total proportion of beds operated under block contracts, including the beds in the Transferred Homes, was 43.5 per cent., which reflects the fact that the Transferred Homes do not carry block contracts in the way that the core Care UK business does.

Fee rates in the core Care UK business in the quarter ended 31 December 2011 averaged £664 per week compared with £656 in the quarter ended 31 December 2010, an increase of 1.2 per cent. This level of increase predominantly reflects the fee rate increases achieved in April 2011. Fee rates in the Transferred Homes averaged £543 per week during the quarter ended 31 December 2011, reflecting the different geography and service acuity within these homes. The level of physical occupancy achieved in the core Care UK business, excluding the two immature homes opened during 2011, was 92.5 per cent. in the quarter ended 31 December 2011, the same level as was achieved in the quarter ended 31 December 2010. Total physical occupancy, including the two immature homes, was 90.0 per cent. in the quarter ended 31 December 2011 compared with 92.6 per cent. in the quarter ended 31 December 2010. Total financial occupancy in the core Care UK business, which measures beds paid for, in the quarter ended 31 December 2011 was 96.2 per cent. compared with 97.7 per cent. for the quarter ended 31 December 2010, the change in this measure reflecting the impact of the two homes opened during 2011. Financial occupancy in the core Care UK business, excluding these two homes, was 97.7 per cent. for the quarter ended 31 December 2011. The high level of this measure of occupancy reflects the block contracted nature of a significant proportion of the beds within the core Care UK homes in the Residential Care division. The average occupancy in the Transferred Homes in the period was 78.1 per cent. This level of occupancy reflects the weak trading experienced in the great majority of the former Southern Cross group prior to the transfer of homes to new operators. Since taking over the operating responsibility for the Transferred Homes, Care UK has focused on improving the physical condition of the transferred homes and undertaking a substantive customer engagement programme. The overwhelming response to this activity has been highly positive towards Care UK and good steps have already been taken in re-positioning the service quality of the Transferred Homes for the future. This will inevitably take some time to feed directly into the financial performance of this business.

The development pipeline for the Residential Care division remains good with the two Care UK freehold developments previously reported, with a combined total of 140 beds, both expected to open in spring 2012 as planned and three developments in construction, with a total of 264 beds, by the Silver Sea group that Care UK will operate on completion under arms-length lease agreements.

Revenue for the Community Services division decreased by 1.8 per cent., or £0.5 million, from £27.9 million for the quarter ended 31 December 2010 to £27.4 million for the quarter ended 31 December 2011. This decrease reflects the elimination of certain domiciliary care contracts that were not considered to be sustainable at their respective fee rate levels. Average fee rates in the Community Services division for the quarter ended 31 December 2011 were £13.53 per hour compared with £13.45 per hour in the quarter ended 31 December 2010, an increase of 0.6 per cent., reflecting the fee rate changes achieved at April 2011, the mix of hours delivered between domiciliary care and learning disabilities provision and the rates achievable on new contracts or re-tendered existing contracts. Hours of care delivered averaged approximately 147,000 per week for the quarter ended 31 December 2011 compared with approximately 153,000 per week in the quarter ended 31 December 2010. Local Authorities, who commission the majority of services within this business, are seeking to achieve cost reductions in this area both by limiting the individuals for whom care is funded to the highest categories of need, limiting the length of care packages for those individuals who do receive funding and seeking price reductions wherever possible, particularly on the re-tendering of services. Balancing the effects of this, there is also evidence of services being tendered by Local Authorities who have previously provided such services on an in-house basis and reductions in the number of providers being included on framework agreements, which tends to favour larger providers. As a consequence of these trends, Care UK has recently won contracts to deliver services in a number of greenfield areas, which have so far had only a limited impact on the financial performance of this division. In addition to the domiciliary care and learning disabilities supported living services provided by this division there are also a number of residential learning disabilities services operated by this business. During the period the Community Services division absorbed two Transferred Homes with a total of 29 beds. As at 31 December 2011 a total of 84 beds were operated with average occupancy for the period of 94.2 per cent. and average fee rates of approximately £1,350 per week.

Revenue for the Health Care division increased by 18.9 per cent., or £8.3 million, from £44.0 million for the quarter ended 31 December 2010 to £52.3 million for the quarter ended 31 December 2011. The majority of this increase, amounting to £8.0 million, was attributable to the new contracts won and implemented during the 2011 financial year. The balance reflects growth in the Wave II ISTC contracts and the general healthcare business offset by the further expected reduction in revenue from the group's Wave I ISTCs.

The NHS has recently decided to transfer the Sussex Orthopaedic Treatment Centre ("SOTC"), a Wave I Independent Sector Treatment Centre currently operated by Care UK, to the control of the Brighton and Sussex University Hospitals Trust ("BSUH") with effect from 1 April 2012, when the current interim contract with Care UK expires. The decision to transfer the service back to the NHS is to support the work of

BSUH as a trauma centre, and therefore is not a reflection of the outstanding service provided by Care UK.

The SOTC opened in June 2006 and has successfully treated thousands of patients with very positive patient satisfaction measures and clinical outcomes. The SOTC is one of the centres that contributed to Care UK being named in the independent "Good Hospital Guide 2011" as the best provider of NHS hip replacements in England. The local NHS has expressed its appreciation of Care UK's management of the SOTC and is working with Care UK to look at other, more substantive potential areas for collaboration within the local health economy.

Revenue within the Other segment decreased by 35.6 per cent., or £2.6 million, from £7.3 million for the quarter ended 31 December 2010 to £4.7 million for the quarter ended 31 December 2011. In the quarter ended 31 December 2010 this category included both the Mental Health and former Children's Services businesses. The Children's Services business was disposed of in February 2011 and contributed revenue of £2.3 million in the quarter ended 31 December 2010. In the quarter ended 31 December 2011 the Other category includes only the Mental Health business in terms of revenue generation, which showed a decrease from £5.0 million for the quarter ended 31 December 2010 to £4.7 million for the quarter ended 31 December 2011. This expected decrease reflects the impact of the homes within this business that were closed during the 2011 financial year and early in the 2012 financial year partly offset by the revenue from the eating disorders business, Rhodes Farm, which was acquired in February 2011.

### ***Cost of Sales***

Care UK's cost of sales increased by 12.2 per cent., or £11.6 million, from £94.7 million for the quarter ended 31 December 2010 to £106.3 million for the quarter ended 31 December 2011. Measured as a percentage of revenue, cost of sales decreased from 86.9 per cent. in the quarter ended 31 December 2010 to 86.1 per cent. in the quarter ended 31 December 2011. The increase in the absolute value of cost of sales reflects the increase in scale of the group's activities, particularly the addition of the Transferred Homes within the Residential Care division. The reduction in cost of sales as a ratio measured against revenue reflects the change in the mix of services provided by Care UK.

### ***Administrative Expenses***

Care UK's administrative expenses increased by 15.7 per cent., or £2.4 million, from £15.3 million for the quarter ended 31 December 2010 to £17.7 million for the quarter ended 31 December 2011. This increase in administrative expenses mainly reflects the change in non-recurring items and amortisation charges in the period. Non-recurring charges of £2.0 million were incurred in the quarter ended 31 December 2011, related to the Transferred Homes, whilst non-recurring asset disposal gains totalling £1.8 million were realised in the quarter ended 31 December 2010. Amortisation charges amounted to £4.7 million in the quarter ended 31 December 2011 compared with £6.6 million for the quarter ended 31 December 2010. Excluding these items, administrative expenses increased by £0.5 million, or 4.8 per cent., from £10.5 million to £11.0 million as a result of the increased scale of the Care UK business.

### ***Operating Profit before Financing Expenses***

Care UK's operating loss before financing expenses decreased by 50.0 per cent., or £0.5 million, from £1.0 million for the quarter ended 31 December 2010 to £0.5 million for the quarter ended 31 December 2011. This improvement mostly reflects the contribution from the Transferred Homes, other improvements in the Residential Care division, an improved contribution from the Health Care division and a reduction in the amortisation charge for intangible assets offset by an increase in non-recurring charges.

Operating profit for Care UK's Residential Care division decreased by 16.7 per cent., or £0.4 million, from £2.4 million for the quarter ended 31 December 2010 to £2.0 million for the quarter ended 31 December 2011. This decrease reflects the impact of the Transferred Homes with the initial operating profit contribution being more than offset by the non-recurring integration charges incurred in the period amounting to £1.2 million, resulting in an overall operating loss of £0.3 million. The operating profit for the quarter ended 31 December 2010 included a non-recurring asset disposal gain of £0.8 million. The underlying performance of the core business improved by £0.7 million compared with the quarter ended 31 December 2010 as a result of the new services opened during the 2011 financial year and increased fee rates.

Operating profit for Care UK's Community Services division increased from a loss of £0.1 million for the quarter ended 31 December 2010 to a break-even result for the quarter ended 31 December 2011. There was a reduction of £0.2 million in amortisation charges partly offset by a reduction of £0.1 million in the trading contribution of the division resulting from the reduced revenue for this division reported above. The two homes

transferred into this division as part of the Transferred Homes made a small positive contribution for the quarter reported.

Operating profit for the Health Care division improved by £2.3 million from a loss of £2.6 million for the quarter ended 31 December 2010 to a loss of £0.3 million for the quarter ended 31 December 2011. The core trading contribution of the division improved by £1.7 million as a result of an improved contribution particularly from the two Wave II ISTC contracts as well as from the six new services implemented or acquired during the 2011 financial year. Performance for the two Wave II contracts in the quarter ended 31 December 2010 was depressed through volumes being below the levels targeted at their inception and by the consequent decision to invest in increased capacity as well as increased marketing costs relating to these services. These investments resulted in improving volumes during the rest of the 2011 financial year, which has continued into the 2012 financial year. Balancing these effects, the contribution from the Wave I ISTCs reduced further, as expected, during the quarter ended 31 December 2011. As at 31 December 2011 all Wave I ISTC contracts had reached their initial contract expiry dates with the Mid-Kent centre in Maidstone reverting to the NHS in November 2011 and the NE London centre being retained following the tender process carried out by the commissioning Primary Care Trust. Depreciation and amortisation charges for the Health Care division amounted to £6.4 million in total for the quarter ended 31 December 2010, which reduced to £4.3 million for the quarter ended 31 December 2011, mainly as a result of the expiry of the Wave I ISTC contracts. A non-recurring asset disposal gain of £1.0 million was recorded in the quarter ended 31 December 2010 on the buyback of the Portsmouth Wave I ISTC by the NHS.

The operating result classified as Other changed from a loss of £0.7 million for the quarter ended 31 December 2010 to a loss of £2.2 million for the quarter ended 31 December 2011. This category comprises the Mental Health business and the central management costs of the group as well as, for the quarter ended 31 December 2010 only, the former Children's Services business that was disposed of in February 2011. The former Children's Services business contributed a loss of £0.1 million in the quarter ended 31 December 2010. Group central costs increased from £1.3 million for the quarter ended 31 December 2010 to £1.8 million for the quarter ended 31 December 2011, particularly reflecting increased depreciation charges resulting from a number of new systems investments. The operating profit of the Mental Health business changed from £0.7 million for the quarter ended 31 December 2010 to £0.4 million for the quarter ended 31 December 2011 as a result of the closure of homes that has been previously reported. In addition, a non-recurring charge of £0.8 million was incurred in the quarter ended 31 December 2011 relating to the lease assignment transaction costs associated with the Transferred Homes.

### ***Adjusted Operating Profit***

Adjusted operating profit for the quarter ended 31 December 2011 increased by £2.4 million, or 63.2 per cent., from £3.8 million for the quarter ended 31 December 2010 to £6.2 million for the quarter ended 31 December 2011. This increase in adjusted operating profit reflects the factors discussed above, other than the movement in amortisation charges and non-recurring items.

The non-cash amortisation charge for the first quarter of the 2012 financial year amounted to £4.7 million, compared to £6.6 million in the first quarter of the 2011 financial year. The reduction in the amortisation charge reflects the amortisation profile adopted on the acquisition of Care UK Plc by the Care UK Health & Social Care Investments Limited group in May 2010, and particularly the profile adopted in relation to amounts recognised in relation to the group's Wave I ISTCs. Non-recurring items in the first quarter of the 2011 financial year amounted to a gain of £1.8 million in aggregate from asset disposal gains. The non-recurring charge in the first quarter of the 2012 financial year, of £2.0 million, relates to the lease assignment transaction and integration costs associated with the Transferred Homes.

Adjusted operating profit for the Residential Care division increased by 46.9 per cent., or £1.5 million, from £3.2 million for the quarter ended 31 December 2010 to £4.7 million for the quarter ended 31 December 2011. This increase in adjusted operating profit was due to the same factors as drove the growth in operating profit other than the non-recurring gain of £0.8 million in the quarter ended 31 December 2010 and the non-recurring charge of £1.2 million in the quarter ended 31 December 2011.

Adjusted operating profit for the Community Services division decreased by 7.1 per cent., or £0.1 million, from £1.4 million for the quarter ended 31 December 2010 to £1.3 million for the quarter ended 31 December 2011. This outcome was driven by the same factors as for operating profit.

Adjusted operating profit for the Health Care division increased by £1.7 million, from a loss of £0.1 million for the quarter ended 31 December 2010 to a profit of £1.6 million for the quarter ended 31 December 2011. This increase was mainly due to the same factors as for operating profit with the

exception that Adjusted operating profit does not reflect the asset disposal gain of £1.0 million reported as a non-recurring item in the quarter ended 31 December 2010. There were no non-recurring items reported in the Health Care division in the quarter ended 31 December 2011.

The adjusted operating loss classified as Other increased from a loss of £0.7 million for the quarter ended 31 December 2010 to a loss of £1.4 million for the quarter ended 31 December 2011. This outcome was driven by the same factors as for operating profit with the exception that Adjusted operating profit does not reflect the non-recurring charge of £0.8 million reported in the quarter ended 31 December 2011. There were no non-recurring items reported in the Other category in the quarter ended 31 December 2010.

### **Adjusted EBITDA**

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation and before giving effect to IFRIC 12. Care UK presents Adjusted EBITDA because it believes, when considered in conjunction with related IFRS financial measures, Adjusted EBITDA provides investors with important additional information to evaluate operating performance. Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered an alternative to, or more meaningful than, net income as a measure of operating performance. Adjusted EBITDA is very similar, but not exactly equivalent, to how Care UK calculates "Consolidated EBITDA" for the purposes of the covenants under the Senior Secured Notes.

Care UK's Adjusted EBITDA increased by 25.8 per cent., or £2.4 million, from £9.3 million for the quarter ended 31 December 2010 to £11.7 million for the quarter ended 31 December 2011. The increase in Adjusted EBITDA was driven by the factors discussed above in relation to operating profit and Adjusted operating profit, particularly the effects discussed in relation to the Transferred Homes in the Residential Care division and the improvement reported in the Health Care division.

### **Net Financing Costs**

Net financing costs for the quarter ended 31 December 2011 were £7.0 million compared with £6.9 million for the quarter ended 31 December 2010. Net financing costs is mostly comprised of the interest payable on the group's high yield bond and performance bond commission and commitment fees payable on the group's Revolving Credit Facility.

### **Taxation**

In the quarter ended 31 December 2011 Care UK recorded a taxation credit of £1.7 million compared with a taxation credit of £4.6 million for the quarter ended 31 December 2010. This change reflects the underlying change in taxable group profit as well as certain non-recurring effects in the quarter ended 31 December 2010 resulting from the de-listing of the group from the London Stock Exchange and the winding up of previous share incentive schemes.

The underlying tax rate on Care UK's profit before taxation is higher than the statutory tax rate, mainly as a result of the proportion of Care UK's capital expenditure that is non-qualifying for tax purposes.

### **Profit for the Period**

As a result of the factors discussed above, Care UK reported a loss for the quarter ended 31 December 2011 of £5.8 million compared with a loss of £3.3 million for the quarter ended 31 December 2010.

### **Three months ended 31 December 2011 – IFRS compliant basis**

*The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, including the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12, see the Annual Report 2011.*

The following table shows the effects of IFRIC 12 on the Investments group condensed Consolidated statement of comprehensive performance.

	Period ended 31 December 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Revenue	123.5	(0.9)	122.6
Cost of sales	(106.3)	1.6	(104.7)
<b>Gross profit</b>	<b>17.2</b>	<b>0.7</b>	<b>17.9</b>
Administrative expenses	(17.7)	(0.2)	(17.9)
<b>Operating (loss)/profit before financing expenses</b>	<b>(0.5)</b>	<b>0.5</b>	<b>-</b>
Adjusted EBITDA	11.7	(1.1)	10.6
Depreciation	(5.5)	1.6	(3.9)
Adjusted operating profit	6.2	0.5	6.7
Amortisation of intangible assets	(4.7)	-	(4.7)
Non-recurring items	(2.0)	-	(2.0)
Operating (loss)/profit before financing expenses	(0.5)	0.5	-
Financial income	0.2	0.4	0.6
Financial expenses	(7.2)	-	(7.2)
<b>Net financing costs</b>	<b>(7.0)</b>	<b>0.4</b>	<b>(6.6)</b>
<b>(Loss)/profit before taxation</b>	<b>(7.5)</b>	<b>0.9</b>	<b>(6.6)</b>
Taxation	1.7	0.1	1.8
<b>(Loss)/profit for the period</b>	<b>(5.8)</b>	<b>1.0</b>	<b>(4.8)</b>

The application of IFRIC 12 does not change the overall profit or loss recorded on a contract accounted for in accordance with its provisions. However, both the disposition of income and operating costs change within the Consolidated statement of comprehensive performance and the timing of recognition of both revenue and profit also changes. The net effect of these changes in the first quarter of the 2012 financial year is to decrease the loss for the period by £1.0 million.

The following table shows the effects of IFRIC 12 on the consolidated Balance sheet.

	As at 31 December 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Property, plant and equipment	258.1	(34.0)	224.1
Intangible assets	168.1	10.0	178.1
Other financial assets	-	23.9	23.9
Total non-current assets	430.0	(0.1)	429.9
Other financial assets	-	0.9	0.9
Total current assets	119.9	0.9	120.8
Trade and other payables	(97.8)	(9.6)	(107.4)
Total current liabilities	(101.1)	(9.6)	(110.7)
Deferred tax liabilities	(32.9)	2.2	(30.7)
Total non-current liabilities	(278.3)	2.2	(276.1)
<b>Net assets</b>	<b>170.5</b>	<b>(6.6)</b>	<b>163.9</b>

The principal effect of IFRIC 12 on the group's consolidated Balance sheets is to de-recognise amounts formerly accounted for as Property, plant and equipment and to recognise amounts as either

Intangible assets or Other financial assets. The net impact on the consolidated Balance sheet reflects the aggregate timing differences regarding the recognition of profits or losses on IFRIC 12 related contracts.

The following table shows the effects of IFRIC 12 on the Investments group condensed consolidated cash flow statement.

	Period ended 31 December 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Net cash from operating activities	7.1	(0.1)	7.0
Net cash from investing activities	5.3	0.1	5.4
Net cash from financing activities	-	-	-
Net increase in cash and cash equivalents	12.4	-	12.4
Cash and cash equivalents carried forward	52.6	-	52.6

IFRIC 12 has no effect on total cash flow movements. It does have an effect on the disposition of cash flow movements within the group's consolidated Cash flow statement, as set out in the above table.

### Segmental Information

In the Annual Report 2011 Care UK reported its operating results for the year ended 30 September 2011 under a revised group structure following the merger of the formerly separate Community Care division and the learning disabilities element of the former Specialist Care division to form the Community Services division. Following this change in structure the Mental Health business, previously included in the Specialist Care division, has been included in the Other category together with the group's central management costs and, for the year ended 30 September 2011 only, the results of the disposed Children's Services business.

The tables set out below show the key segmental financial information by quarter for the year ended 30 September 2011 under the revised group structure. All figures are shown before the application of IFRIC 12, which has no impact on the particular segments affected by this change in reporting structure. The financial information published for periods ending on or before 30 September 2011 was reported for two groups – the group comprising Care UK Health & Social Care Investments Limited and its subsidiaries (the "Investments group"), including Care UK Limited, and pro-forma information for the group comprising Care UK Limited and its subsidiaries (the "Care UK Limited group"). The latter information was previously published as the Investments group had not traded for a full financial year. As set out in *Presentation of Financial Information* the financial information published in this interim report is solely for the Investments group and is reported both on a fully IFRS compliant basis and, on a pro-forma basis, before the effects of applying IFRIC 12. The information provided below for the year ended 30 September 2011 is for the Investments group and is stated before the effects of applying IFRIC 12. Consequently, this information is not directly comparable to previously published financial information. In particular the amounts shown as Adjusted operating profit and Operating profit differ to the supplementary pro-forma financial information previously published for the Care UK Limited group stated before the application of IFRIC 12. The amounts shown below for Revenue and Adjusted EBITDA do not differ from the previously published information for the Care UK Limited group. Reconciliations for Adjusted operating profit and Operating profit between the amounts previously reported for the Care UK Limited group and the amounts now reported for the Investments group are also provided.

### Reconciliation between the Care UK Limited group and the Investments group for the year ended 30 September 2011, stated before the application of IFRIC 12

Year ended 30 September 2011, in £m	Adjusted operating profit	Operating profit
<b>As reported for the Care UK Limited group</b>	<b>30.0</b>	<b>13.2</b>
Less: Additional depreciation arising in the Investments group	(0.9)	(0.9)
Less: Additional amortisation charges arising in the Investments group	-	(16.7)
Less: Impairment charges and non-recurring items in the Investments group	-	(1.2)
<b>As reported for the Investments group</b>	<b>29.1</b>	<b>(5.6)</b>

**Segmental information for the Investments group for the year ended 30 September 2011, stated before the application of IFRIC 12**

Revenue <i>In £m</i>	Quarter ended				Year ended 30 September 2011
	31 December 2010	31 March 2011	30 June 2011	30 September 2011	
Residential Care	29.8	29.9	30.7	32.2	122.6
Community Services	27.9	27.6	27.7	28.0	111.2
Health Care	44.0	45.7	50.6	53.3	193.6
Other	7.3	6.2	5.0	4.8	23.3
<b>Group total</b>	<b>109.0</b>	<b>109.4</b>	<b>114.0</b>	<b>118.3</b>	<b>450.7</b>

Adjusted EBITDA <i>In £m</i>	Quarter ended				Year ended 30 September 2011
	31 December 2010	31 March 2011	30 June 2011	30 September 2011	
Residential Care	5.2	6.5	6.8	7.5	26.0
Community Services	1.6	1.6	1.6	2.1	6.9
Health Care	2.8	5.4	5.3	7.0	20.5
Other	(0.3)	(0.6)	(0.6)	0.3	(1.2)
<b>Group total</b>	<b>9.3</b>	<b>12.9</b>	<b>13.1</b>	<b>16.9</b>	<b>52.2</b>

Adjusted operating profit <i>In £m</i>	Quarter ended				Year ended 30 September 2011
	31 December 2010	31 March 2011	30 June 2011	30 September 2011	
Residential Care	3.2	4.5	4.9	5.5	18.1
Community Services	1.4	1.4	1.5	2.1	6.4
Health Care	(0.1)	2.4	2.2	4.7	9.2
Other	(0.7)	(1.2)	(1.2)	(1.5)	(4.6)
<b>Group total</b>	<b>3.8</b>	<b>7.1</b>	<b>7.4</b>	<b>10.8</b>	<b>29.1</b>

Operating profit <i>In £m</i>	Quarter ended				Year ended 30 September 2011
	31 December 2010	31 March 2011	30 June 2011	30 September 2011	
Residential Care	2.4	2.7	3.5	(3.4)	5.2
Community Services	(0.1)	(0.3)	0.2	(1.5)	(1.7)
Health Care	(2.6)	(0.9)	(2.5)	2.4	(3.6)
Other	(0.7)	0.6	(1.2)	(4.2)	(5.5)
<b>Group total</b>	<b>(1.0)</b>	<b>2.1</b>	<b>-</b>	<b>(6.7)</b>	<b>(5.6)</b>

**Net Debt and Liquidity**

The following table shows the comparative net debt position as at 31 December 2010 and 31 December 2011.

	As at 31 December	
	2010	2011
	(£ in millions)	
Senior Secured Notes	250.0	250.0
Finance lease obligations	0.1	0.1
Deferred financing costs	(11.7)	(9.9)
Cash and cash equivalents	(38.0)	(52.6)
<b>Total net debt</b>	<b>200.4</b>	<b>187.6</b>

**Liquidity and Capital Resources**

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

Care UK expects, as set out in the Annual Report 2011, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations plus, if required, drawings under Care UK's Revolving Credit Facility. During the quarter ended 31 December 2011 Care UK received the final £15.2



million of proceeds from the NHS in relation to the ISTC Wave I buyback programme, with an aggregate total of approximately £54.0 million having been received since the commencement of this programme in February 2010.

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

	<u>For the period ended 31 December</u>	
	<u>2010</u>	<u>2011</u>
Net cash from operating activities	(6.1)	7.1
Net cash from investing activities	10.1	5.3
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	4.0	12.4
Cash and cash equivalents carried forward	38.0	52.6

### ***Three months ended 31 December 2011 compared to three months ended 31 December 2010***

The net increase in cash and cash equivalents in the quarter ended 31 December 2011 was £12.4 million compared with a net increase of £4.0 million in the quarter ended 31 December 2010. The total reported group net debt reduced by £11.9 million in the quarter from £199.5 million as at 30 September 2011 to £187.6 million as at 31 December 2011.

The net cash flow from operating activities for the quarter ended 31 December 2011 was £7.1 million compared with an outflow of £6.1 million for the quarter ended 31 December 2010. The outflow in the quarter ended 31 December 2010 included the settlement of transaction charges amounting to £7.1 million that related to the acquisition of Care UK Plc by the Care UK Health & Social Care Investments Limited group in May 2010. As expected, the absorption of the Transferred Homes into Care UK has resulted in a working capital investment in these new services, although the full effect of this has not yet impacted.

The net cash flow from investing activities for the quarter ended 31 December 2011 was an inflow of £5.3 million compared with an outflow of £10.1 million for the quarter ended 31 December 2010. Proceeds of disposal of property, plant and equipment in the quarter ended 31 December 2011 amounted to £15.2 million compared with £11.6 million in the quarter ended 31 December 2010. All of the proceeds in the quarter ended 31 December 2011 resulted from the buyback by the NHS of the Wave I ISTCs in Maidstone and NE London. The disposal proceeds in the quarter ended 31 December 2010 comprised the repurchase of the group's Portsmouth Wave I ISTC facility by the NHS, the sale of a surplus site and the disposal of the group's foster care business in December 2010. Capital expenditure in the quarter ended 31 December 2011 amounted to £9.8 million compared with £4.1 million in the quarter ended 31 December 2010. Expansionary capital expenditure amounted to £8.3 million, approximately half relating to the development of the two freehold residential care developments previously reported and the new mental health facility also under development. Other expansionary expenditure related to the Transferred Homes, new equipment in the Health Care division and various IT infrastructure projects. Whilst the investment required to bring the Transferred Homes up to the required operating standard has commenced, the majority of this investment will arise during the balance of the 2012 financial year. No funding was provided in the period reported to the independent development company reported in the Annual Report 2011.

There were no net cash flows from financing activities in either the quarter ended 31 December 2011 or the quarter ended 31 December 2010.

### ***Cash and Cash Equivalents***

Care UK's cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, net of related bank overdrafts. As at 31 December 2011, Care UK had net cash and cash equivalents of £52.6 million, compared to £38.0 million as at 31 December 2010.

### **Qualitative and Quantitative Disclosures about Market Risk**

Care UK's activities and debt financing expose it to a variety of financial risks, the most significant of which are market risk (cash flow interest rate risk and price risk), credit risk and liquidity risk (changes in the debt market). Care UK's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Care UK's financial performance. Care UK may

use derivative financial instruments to hedge certain risk exposures: no such instruments are currently employed.

### ***Cash Flow Interest Rate Risk***

The majority of Care UK's borrowings currently carry a fixed interest rate as limited use has been required of the group's Revolving Credit Facility. In addition, Care UK currently carries an amount of short-term cash deposits. Therefore Care UK's current income and cash flows are only affected to a limited degree by changes in market interest rates. Short-term deposits are placed with financial institutions in accordance with Care UK's treasury policy. Interest rates obtained on deposits are variable and linked to LIBOR.

In managing interest rate risks, Care UK aims to reduce the impact of short-term fluctuations in Care UK's earnings. Over the longer term, however, changes in interest rates would have an impact on consolidated earnings.

Care UK would expect to make increased use of the Revolving Credit Facility in the future. Any such borrowings would potentially increase Care UK's exposure to cash flow interest rate risk as they would be issued at a floating rate linked to LIBOR. Care UK has historically used a range of derivative financial instruments, including interest rate swaps and collars, to hedge its exposure to floating rates and would expect to do so in future where considered appropriate, dependent on the expected duration of such underlying borrowings.

### ***Price Risk***

Care UK is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. Contracts with Local Authorities, Primary Care Trusts and other NHS Trusts are also subject to annual price review. For the year ended 30 September 2011, a 1 per cent. increase in salary costs would have decreased profit before tax by £2.5 million.

In common with the majority of government-funded providers, most of Care UK's price changes take effect annually on 1 April. Around 30 per cent. of Care UK's revenue is linked to general inflation indices.

### ***Credit Risk***

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Credit exposures in relation to customers is limited given that the majority of Care UK's revenue is attributable to publicly funded entities such as Local Authorities, Primary Care Trusts and other NHS Trusts. Care UK has no significant concentrations of credit risk. For banks and financial institutions, only parties with a minimum rating of A are accepted.

### ***Liquidity Risk***

A policy of prudent liquidity risk management is applied. Care UK's operational cash flow is largely stable and predictable given the contractual and recurring nature of the core business activity. Care UK prepares annual and shorter term cash flow forecasts reflecting known commitments and anticipated projects. Borrowing facilities are arranged as necessary to finance projected requirements, including capital expenditure. Adequate headroom in available facilities is maintained.

**INDEX TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31  
DECEMBER 2011**

	<b>PAGE</b>
<b>CARE UK HEALTH &amp; SOCIAL CARE INVESTMENTS LIMITED</b>	
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) – FIRST QUARTER .....	F-3
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) .....	F-4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) – FIRST QUARTER.....	F-5
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) – FIRST QUARTER .....	F-6
NOTES TO THE CONDENSED FINANCIAL STATEMENTS .....	F-7
 <b>CARE UK HEALTH &amp; SOCIAL CARE INVESTMENTS LIMITED – GROUP PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED FINANCIAL INFORMATION (UNAUDITED)</b>	
BASIS OF PREPARATION.....	F-13
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) – FIRST QUARTER..	F-14
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) .....	F-15
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) – FIRST QUARTER.....	F-16
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED) – FIRST QUARTER .....	F-17

**Care UK Health & Social Care  
Investments Limited**

Group condensed financial  
information (unaudited)

Three month period ended 31  
December 2011

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)**  
**– FIRST QUARTER**  
**For the three month period ended 31 December 2011**

	Notes	Three months to 31 December 2011 £m	Three months to 31 December 2010 £m
<b>Revenue</b> .....	3	122.6	107.8
Cost of sales.....		(104.7)	(93.5)
<b>Gross profit</b> .....		17.9	14.3
Administrative expenses .....		(17.9)	(15.4)
<b>Operating loss before financing expenses</b> .....	3, 5	—	(1.1)

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) .....		10.6	7.7
Depreciation of tangible assets .....		(3.9)	(3.9)
Adjusted operating profit .....		6.7	3.8
Amortisation of intangible assets .....		(4.7)	(6.7)
Non-recurring items.....		(2.0)	1.8
<b>Operating loss before financing expenses</b> .....		—	(1.1)

Financial income .....	4	0.6	0.6
Financial expenses.....	4	(7.2)	(7.0)
<b>Net financing costs</b> .....		(6.6)	(6.4)
<b>Loss before taxation</b> .....		(6.6)	(7.5)
Taxation.....		1.8	4.4
<b>Loss for the period</b> .....		(4.8)	(3.1)

<b>Total comprehensive loss for the period</b> .....		(4.8)	(3.1)
--	--	-------	-------

<b>Loss attributable to</b>			
Equity holders of the parent .....		(4.8)	(3.1)
<b>Total comprehensive loss attributable to</b>			
Equity holders of the parent .....		(4.8)	(3.1)

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
As at 31 December 2011

	Notes	31 December 2011 £m	31 December 2010 £m	30 September 2011 £m
<b>Assets</b>				
Property, plant and equipment .....	6	224.1	215.3	218.1
Intangible assets .....	7	178.1	191.2	182.8
Other financial assets .....	8	23.9	33.2	24.2
Amounts due from related party undertakings .....		3.7	—	3.6
Other investments .....		0.1	—	0.1
<b>Total non-current assets .....</b>		<b>429.9</b>	<b>439.7</b>	<b>428.8</b>
Inventories .....		2.9	2.7	2.9
Trade and other receivables.....		61.4	50.9	49.8
Other financial assets .....	8	0.9	22.7	19.6
Cash and cash equivalents .....	9	52.6	38.0	40.2
Properties classified as held for sale.....		3.0	3.3	3.2
Current tax assets .....		—	1.9	—
<b>Total current assets .....</b>		<b>120.8</b>	<b>119.5</b>	<b>115.7</b>
<b>Total assets.....</b>		<b>550.7</b>	<b>559.2</b>	<b>544.5</b>
<b>Liabilities</b>				
Financial liabilities — borrowings .....	9	(0.1)	(0.1)	(0.1)
Trade and other payables .....		(107.4)	(87.4)	(95.1)
Current tax liabilities .....		(3.2)	—	(3.6)
<b>Total current liabilities .....</b>		<b>(110.7)</b>	<b>(87.5)</b>	<b>(98.8)</b>
Financial liabilities — borrowings .....	9	(240.1)	(238.3)	(239.6)
Other non-current liabilities .....		(5.3)	(5.1)	(5.5)
Deferred tax liabilities .....		(30.7)	(40.3)	(31.9)
<b>Total non-current liabilities .....</b>		<b>(276.1)</b>	<b>(283.7)</b>	<b>(277.0)</b>
<b>Total liabilities .....</b>		<b>(386.8)</b>	<b>(371.2)</b>	<b>(375.8)</b>
<b>Net assets.....</b>		<b>163.9</b>	<b>188.0</b>	<b>168.7</b>
<b>Equity</b>				
Issued share capital .....		210.7	210.7	210.7
Retained earnings .....		(46.9)	(22.7)	(42.1)
<b>Total equity attributable to equity holders of the parent .....</b>		<b>163.8</b>	<b>188.0</b>	<b>168.6</b>
Minority interest .....		0.1	—	0.1
<b>Total equity .....</b>		<b>163.9</b>	<b>188.0</b>	<b>168.7</b>

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) – FIRST**  
**QUARTER**  
**As at 31 December 2011**

<b>Group</b>	<b>Attributable to equity holders of the parent</b>		<b>Total parent equity</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Retained earnings</b>			
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 30 September 2011 .....	210.7	(42.1)	168.6	0.1	168.7
<b>Total comprehensive income for the period</b>					
Loss for the period .....	—	(4.8)	(4.8)	—	(4.8)
<b>Other comprehensive income</b>					
<b>Total other comprehensive income .....</b>	—	—	—	—	—
<b>Total comprehensive loss for the period .....</b>	—	(4.8)	(4.8)	—	(4.8)
<b>At 31 December 2011.....</b>	<b>210.7</b>	<b>(46.9)</b>	<b>163.8</b>	<b>0.1</b>	<b>163.9</b>

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) – FIRST QUARTER**  
**For the three month period ended 31 December 2011**

	Three months to 31 December 2011	Three months to 31 December 2010
<u>Notes</u>	<u>£m</u>	<u>£m</u>
<b>Cash flows from operating activities</b>		
Loss for the period.....	(4.8)	(3.1)
Depreciation .....	3.8	3.9
Amortisation of intangible assets.....	4.8	6.7
Profit on disposal of fixed assets.....	—	(1.8)
Decrease in IFRIC 12 financial asset.....	0.9	1.1
Decrease/(increase) in inventory.....	0.2	(0.1)
(Increase)/decrease in receivables .....	(10.7)	2.1
Increase/(decrease) in payables .....	7.9	(16.5)
Financial income.....	(0.6)	(0.6)
Financial expense.....	7.2	7.0
Tax credit.....	(1.8)	(4.4)
<b>Cash flows from operations .....</b>	<b>6.9</b>	<b>(5.7)</b>
Income taxes received/(paid) .....	0.1	(0.9)
<b>Net cash from operating activities.....</b>	<b>7.0</b>	<b>(6.6)</b>
<b>Cash flows from investing activities</b>		
Decrease in IFRIC 12 financial asset.....	15.2	10.6
Payments to acquire property, plant and equipment.....	(9.7)	(3.6)
Loans to related party undertakings .....	(0.1)	—
Proceeds from sales of property, plant and equipment.....	—	1.0
Proceeds from sales of subsidiary undertakings and businesses.....	—	2.6
<b>Net cash from investing activities .....</b>	<b>5.4</b>	<b>10.6</b>
<b>Cash flows from financing activities</b>		
<b>Net cash from financing activities .....</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>12.4</b>	<b>4.0</b>
Cash and cash equivalents brought forward.....	40.2	34.0
<b>Cash and cash equivalents carried forward.....</b>	<b>52.6</b>	<b>38.0</b>

9



## **CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

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

This quarterly report, for the three months ended 31 December 2011, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the group for the year ended 30 September 2011, prepared in accordance with International Financial Reporting Standards as adopted by the EU (“adopted IFRS”), on which KPMG Audit Plc gave an unqualified opinion, have been delivered to the Registrar of Companies. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2011 set out within this report have been extracted from the 2011 annual report and accounts published on 13 December 2011.

### **2. ACCOUNTING POLICIES**

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

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

The board believes that the ‘adjusted’ EBITDA and ‘adjusted’ operating profit measures reported herein provide additional useful information on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. However, neither adjusted EBITDA nor adjusted operating profit are recognised profit measures under IFRS and may not be directly comparable with ‘adjusted’ profit measures used by other companies.

The same accounting policies and methods of computation are followed in these condensed financial statements as were applied in the group’s 2011 annual report.

#### **a) Accounting policies specific to interim financial statements**

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

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

### 3. SEGMENT REPORTING

Segment information is presented in respect of the group's business segments. Care UK Health & Social Care Investments group operates solely within the United Kingdom; hence no geographical segment disclosures are presented. Segment information is provided both in accordance with IFRS and, for key income statement line items only, on an adjusted basis excluding both non-recurring items and the accounting effects of applying IFRIC 12. The directors consider that the adjusted operating profit and adjusted EBITDA measures presented here provide additional useful information.

Inter-segment pricing is determined on an arm's length basis.

#### Business segments

The group comprises the following main segments:

- Residential Care operates care homes for older people;
- Community Services supports people in their own homes, including older people and others with specialist needs;
- Health Care provides a range of primary and secondary care services; and
- Other includes the central functions and smaller trading operations.

Three months to 31 December 2011	Social Care				Group
	Residential Care	Community Services	Health Care	Other	
	£m	£m	£m	£m	
Group revenue.....	38.5	27.4	52.0	4.7	<b>122.6</b>
Adjusted EBITDA.....	6.0	1.6	3.6	(0.6)	<b>10.6</b>
Depreciation .....	(1.5)	(0.3)	(1.3)	(0.8)	<b>(3.9)</b>
Adjusted operating profit/(loss) .....	4.5	1.3	2.3	(1.4)	<b>6.7</b>
Amortisation of intangible assets.....	(1.5)	(1.3)	(1.9)	—	<b>(4.7)</b>
Non-recurring items .....	(1.2)	—	—	(0.8)	<b>(2.0)</b>
Operating profit/(loss) .....	1.8	—	0.4	(2.2)	<b>—</b>
Net financing costs .....					<b>(6.6)</b>
Taxation .....					<b>1.8</b>
Loss for the period.....					<b>(4.8)</b>

Three months to 31 December 2010	Social Care				Group
	Residential Care	Community Services	Health Care	Other	
	£m	£m	£m	£m	
Group revenue.....	29.1	27.9	43.5	7.3	<b>107.8</b>
Adjusted EBITDA.....	4.4	1.6	2.0	(0.3)	<b>7.7</b>
Depreciation .....	(1.4)	(0.2)	(1.9)	(0.4)	<b>(3.9)</b>
Adjusted operating profit/(loss) .....	3.0	1.4	0.1	(0.7)	<b>3.8</b>
Amortisation of intangible assets.....	(1.7)	(1.5)	(3.5)	—	<b>(6.7)</b>
Non-recurring items .....	0.8	—	1.0	—	<b>1.8</b>
Operating profit/(loss) .....	2.1	(0.1)	(2.4)	(0.7)	<b>(1.1)</b>
Net financing costs .....					<b>(6.4)</b>
Taxation .....					<b>4.4</b>
Loss for the period.....					<b>(3.1)</b>

#### 4. NET FINANCING COSTS

	Three months to 31 December 2011 <u>£m</u>	Three months to 31 December 2010 <u>£m</u>
Financial income:		
Interest receivable .....	0.2	0.1
IFRIC-12 interest receivable .....	<u>0.4</u>	<u>0.5</u>
Financial income .....	<u>0.6</u>	<u>0.6</u>
Financial expenses — interest payable on bank overdrafts and loans .....	<u>(7.2)</u>	<u>(7.0)</u>
Net financing costs .....	<u>(6.6)</u>	<u>(6.4)</u>

#### 5. LOSS BEFORE TAXATION

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

	Three months to 31 December 2011 <u>£m</u>	Three months to 31 December 2010 <u>£m</u>
Depreciation .....	3.9	3.9
Amortisation of intangible assets .....	4.7	6.7
IFRIC 12 infrastructure costs expensed in the period .....	<u>0.1</u>	<u>1.1</u>

#### 6. PROPERTY, PLANT AND EQUIPMENT

	31 December 2011 <u>£m</u>	31 December 2010 <u>£m</u>	30 September 2011 <u>£m</u>
Opening book value .....	218.1	216.8	216.8
Acquired .....	—	—	2.3
Additions .....	10.4	2.7	22.3
Disposal and transfers to current assets .....	(0.5)	(0.3)	(2.9)
Depreciation .....	(3.9)	(3.9)	(17.2)
Impairment .....	—	—	(3.2)
Closing book value .....	<u>224.1</u>	<u>215.3</u>	<u>218.1</u>

## 7. INTANGIBLE ASSETS

	31 December 2011	31 December 2010	30 September 2011
	£m	£m	£m
Opening book value.....	182.8	197.9	197.9
Acquired.....	—	—	10.1
Adjustment.....	—	—	(0.1)
Amortisation.....	(4.7)	(6.7)	(25.1)
Closing book value .....	<u>178.1</u>	<u>191.2</u>	<u>182.8</u>

## 8. OTHER FINANCIAL ASSETS

	31 December 2011	31 December 2010	30 September 2011
	£m	£m	£m
IFRIC-12 financial asset: brought forward.....	43.8	66.0	66.0
Released in the period.....	(19.0)	(10.1)	(22.2)
IFRIC-12 financial asset: carried forward .....	<u>24.8</u>	<u>55.9</u>	<u>43.8</u>
Disclosed as:			
Non-current assets: IFRIC-12 financial asset.....	23.9	33.2	24.2
Current assets: IFRIC-12 financial asset.....	0.9	22.7	19.6
	<u>24.8</u>	<u>55.9</u>	<u>43.8</u>

These financial assets are recognised upon adoption of IFRIC 12 “Service Concession Arrangements” (this interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services). For all arrangements falling within the scope of the interpretation, the infrastructure assets are not recognised as property, plant and equipment of the operator, Care UK. Rather, depending on the terms of the arrangement, the operator recognises a financial asset where the operator has an unconditional right to receive a specified amount of cash or other financial assets over the life of the arrangement.

## 9. NET DEBT

### (a) Current liabilities

	Cash at bank and in hand	Overdrafts	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Net debt
	£m	£m	£m	£m	£m	£m
At 1 October 2010.....	34.0	—	34.0	(0.1)	(237.9)	(204.0)
Cash flow .....	6.2	—	6.2	—	—	6.2
Other non-cash changes....	—	—	—	—	(1.7)	(1.7)
At 30 September 2011 .....	<u>40.2</u>	<u>—</u>	<u>40.2</u>	<u>(0.1)</u>	<u>(239.6)</u>	<u>(199.5)</u>
Cash flow .....	12.4	—	12.4	—	—	12.4
Other non-cash changes....	—	—	—	—	(0.5)	(0.5)
<b>At 31 December 2011 .....</b>	<b><u>52.6</u></b>	<b><u>—</u></b>	<b><u>52.6</u></b>	<b><u>(0.1)</u></b>	<b><u>(240.1)</u></b>	<b><u>(187.6)</u></b>

As at 31 December 2011 there was accrued interest of £10.2m (31 December 2010: £11.4m; 30 September 2011: £4.1m) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

**(b) Terms and conditions**

**i) Senior Secured Notes**

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 9¾% Senior Secured Notes. Interest is payable semi-annually in arrears on 1 February and 1 August.

The Senior Secured Notes will mature on 1 August 2017. Prior to 1 August 2014, the Senior Secured Notes may be redeemed in whole or in part at any time by paying a "make-whole" premium. The Senior Secured Notes may be redeemed in whole or in part at any time on or after 1 August 2014 at the redemption prices set forth in the Offering Memorandum. In addition, prior to 1 August 2013, the Issuer may redeem at its option up to 35% of the aggregate principal amount of the Senior Secured Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. The Issuer may redeem all of the Senior Secured Notes, at any time, at a price equal to their principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in applicable tax law. If the Issuer sells certain of its assets in some circumstances or experiences a specific kind of change in control, it may be required to offer to repurchase the Senior Secured Notes at a redemption price equal to 100% or 101%, respectively, of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption.

The Senior Secured Notes are guaranteed on a senior secured basis by each of Care UK Health & Social Care Investments Limited, Care UK Limited, and certain of the Issuer's other operating subsidiaries.

**ii) Super Senior Revolving Credit Facility**

The group has an £80 million Super Senior Revolving Credit Facility, a revolving facility loan. The facility expires on 13 July 2016. The margin payable on the outstanding loan is in the range of 2.5% to 4.0% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and redrawable at the end of each interest period. The final repayment date is 13 July 2016.

The facility remains undrawn with the exception of £16.9m as at 31 December 2011 (31 December 2010: £19.1m; 30 September 2011: £17.0m) in relation to performance bonds.

The Super Senior Revolving Facility Agreement requires Care UK Health and Social Care Investments Limited, as the parent guarantor, to ensure compliance with financial covenants relating to:

- Super senior gross leverage (calculated as the ratio of total super senior gross debt at each quarter end to EBITDA for the 12 months ending on that quarter end); and
- Interest cover (calculated as the ratio of EBITDA to total net finance charges, measured at each quarter end for the 12 months ending on the relevant quarter end).

In each case, such terms are defined in the specific facility agreements.

**Care UK Health & Social Care  
Investments Limited**

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

Three month period ended 31  
December 2011

## BASIS OF PREPARATION

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

The accounts are presented in pounds sterling and have been prepared under the historic cost convention.

The group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) has been prepared by the directors pursuant to the requirements detailed on page 156 of the offering memorandum and on the basis of the recognition and measurement principles contained in applicable IFRSs as adopted by the EU, with the exception of accounting interpretation IFRIC 12 Service Concession Arrangements as detailed below, and in accordance with the group accounting policies which have been applied consistently in dealing with items which are considered material in relation to the group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited).

### Definition

The term 'proforma' in this group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) has been defined on page 156 of the offering memorandum as 'prepared in accordance with GAAP before giving effect to the accounting standard IFRIC 12 as amended or supplemented from time to time'.

### Accounting policies

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

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

Except as described below, the same accounting policies and methods of computation are followed in this group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) as were applied in the group's condensed financial information for the three months ended 31 December 2011:

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

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

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

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF**  
**COMPREHENSIVE PERFORMANCE (UNAUDITED) – FIRST QUARTER**  
**For the three month period ended 31 December 2011**

	Three months to 31 December 2011	Three months to 31 December 2010																		
	£m	£m																		
<b>Revenue</b> .....	<b>123.5</b>	109.0																		
Cost of sales .....	<b>(106.3)</b>	(94.7)																		
<b>Gross profit</b> .....	<b>17.2</b>	14.3																		
Administrative expenses .....	<b>(17.7)</b>	(15.3)																		
<b>Operating loss before financing expenses</b> .....	<b>(0.5)</b>	(1.0)																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) .....</td> <td style="text-align: right;"><b>11.7</b></td> <td style="text-align: right;">9.3</td> </tr> <tr> <td>Depreciation of tangible assets .....</td> <td style="text-align: right;"><b>(5.5)</b></td> <td style="text-align: right;">(5.5)</td> </tr> <tr> <td>Adjusted operating profit .....</td> <td style="text-align: right;"><b>6.2</b></td> <td style="text-align: right;">3.8</td> </tr> <tr> <td>Amortisation of intangible assets .....</td> <td style="text-align: right;"><b>(4.7)</b></td> <td style="text-align: right;">(6.6)</td> </tr> <tr> <td>Non-recurring items.....</td> <td style="text-align: right;"><b>(2.0)</b></td> <td style="text-align: right;">1.8</td> </tr> <tr> <td><b>Operating loss before financing expenses</b> .....</td> <td style="text-align: right;"><b>(0.5)</b></td> <td style="text-align: right;">(1.0)</td> </tr> </tbody> </table>			Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) .....	<b>11.7</b>	9.3	Depreciation of tangible assets .....	<b>(5.5)</b>	(5.5)	Adjusted operating profit .....	<b>6.2</b>	3.8	Amortisation of intangible assets .....	<b>(4.7)</b>	(6.6)	Non-recurring items.....	<b>(2.0)</b>	1.8	<b>Operating loss before financing expenses</b> .....	<b>(0.5)</b>	(1.0)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation) .....	<b>11.7</b>	9.3																		
Depreciation of tangible assets .....	<b>(5.5)</b>	(5.5)																		
Adjusted operating profit .....	<b>6.2</b>	3.8																		
Amortisation of intangible assets .....	<b>(4.7)</b>	(6.6)																		
Non-recurring items.....	<b>(2.0)</b>	1.8																		
<b>Operating loss before financing expenses</b> .....	<b>(0.5)</b>	(1.0)																		
Financial income .....	<b>0.2</b>	0.1																		
Financial expenses .....	<b>(7.2)</b>	(7.0)																		
<b>Net financing costs</b> .....	<b>(7.0)</b>	(6.9)																		
<b>Loss before taxation</b> .....	<b>(7.5)</b>	(7.9)																		
Taxation .....	<b>1.7</b>	4.6																		
<b>Loss for the period</b> .....	<b>(5.8)</b>	(3.3)																		
<b>Total comprehensive loss for the period</b> .....	<b>(5.8)</b>	(3.3)																		
<b>Loss attributable to</b>																				
Equity holders of the parent .....	<b>(5.8)</b>	(3.3)																		
<b>Total comprehensive loss attributable to</b>																				
Equity holders of the parent .....	<b>(5.8)</b>	(3.3)																		



**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE**  
**SHEET (UNAUDITED)**  
**As at 31 December 2011**

	31 December 2011	31 December 2010	30 September 2011
	£m	£m	£m
<b>Assets</b>			
Property, plant and equipment .....	258.1	280.0	269.1
Intangible assets .....	168.1	179.1	172.8
Amounts due from related party undertakings .....	3.7	—	3.6
Other investments .....	0.1	—	0.1
<b>Total non-current assets .....</b>	<b>430.0</b>	<b>459.1</b>	<b>445.6</b>
Inventories .....	2.9	2.7	2.9
Trade and other receivables.....	61.4	50.9	49.8
Cash and cash equivalents .....	52.6	38.0	40.2
Properties classified as held for sale.....	3.0	3.3	3.2
Current tax assets .....	—	1.9	—
<b>Total current assets .....</b>	<b>119.9</b>	<b>96.8</b>	<b>96.1</b>
<b>Total assets.....</b>	<b>549.9</b>	<b>555.9</b>	<b>541.7</b>
<b>Liabilities</b>			
Financial liabilities — borrowings .....	(0.1)	(0.1)	(0.1)
Trade and other payables .....	(97.8)	(76.0)	(82.5)
Current tax liabilities .....	(3.2)	—	(3.6)
<b>Total current liabilities .....</b>	<b>(101.1)</b>	<b>(76.1)</b>	<b>(86.2)</b>
Financial liabilities — borrowings .....	(240.1)	(238.3)	(239.6)
Other non-current liabilities .....	(5.3)	(5.1)	(5.5)
Deferred tax liabilities .....	(32.9)	(42.8)	(34.1)
<b>Total non-current liabilities .....</b>	<b>(278.3)</b>	<b>(286.2)</b>	<b>(279.2)</b>
<b>Total liabilities .....</b>	<b>(379.4)</b>	<b>(362.3)</b>	<b>(365.4)</b>
<b>Net assets.....</b>	<b>170.5</b>	<b>193.6</b>	<b>176.3</b>
<b>Equity</b>			
Issued share capital .....	210.7	210.7	210.7
Retained earnings .....	(40.3)	(17.1)	(34.5)
<b>Total equity attributable to equity holders of the parent .....</b>	<b>170.4</b>	<b>193.6</b>	<b>176.2</b>
Minority interest .....	0.1	—	0.1
<b>Total equity .....</b>	<b>170.5</b>	<b>193.6</b>	<b>176.3</b>

**CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP**  
**PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW**  
**STATEMENT (UNAUDITED) – FIRST QUARTER**  
**For the three month period ended 31 December 2011**

	Three months to 31 December 2011	Three months to 31 December 2010
	£m	£m
<b>Cash flows from operating activities</b>		
Loss for the period .....	(5.8)	(3.3)
Depreciation.....	5.5	5.5
Amortisation of intangible assets.....	4.7	6.6
Profit on disposal of fixed assets.....	—	(1.8)
Decrease/(increase) in inventory.....	0.2	(0.1)
(Increase)/decrease in receivables.....	(10.7)	2.1
Increase/(decrease) in payables .....	7.8	(16.5)
Financial income.....	(0.2)	(0.1)
Financial expense.....	7.2	7.0
Tax credit .....	(1.7)	(4.6)
<b>Cash flows from operations .....</b>	<b>7.0</b>	<b>(5.2)</b>
Income taxes received/(paid).....	0.1	(0.9)
<b>Net cash from operating activities.....</b>	<b>7.1</b>	<b>(6.1)</b>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment.....	(9.8)	(4.1)
Proceeds from sales of property, plant and equipment.....	15.2	11.6
Loans to related party undertakings .....	(0.1)	—
Proceeds from sales of subsidiary undertakings and businesses.....	—	2.6
<b>Net cash from investing activities .....</b>	<b>5.3</b>	<b>10.1</b>
<b>Cash flows from financing activities</b>		
<b>Net cash from financing activities .....</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>12.4</b>	<b>4.0</b>
Cash and cash equivalents brought forward .....	40.2	34.0
<b>Cash and cash equivalents carried forward .....</b>	<b>52.6</b>	<b>38.0</b>

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

<b>Three months to 31 December 2011</b>	<b>Social Care</b>				<b>Group</b>
	<b>Residential</b>	<b>Community</b>	<b>Health</b>	<b>Other</b>	
	<b>Care</b>	<b>Services</b>	<b>Care</b>	<b>Care</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Group revenue .....	39.1	27.4	52.3	4.7	<b>123.5</b>
Adjusted EBITDA .....	6.7	1.6	4.0	(0.6)	<b>11.7</b>
Depreciation .....	(2.0)	(0.3)	(2.4)	(0.8)	<b>(5.5)</b>
Adjusted operating profit/(loss) .....	4.7	1.3	1.6	(1.4)	<b>6.2</b>
Amortisation of intangible assets .....	(1.5)	(1.3)	(1.9)	—	<b>(4.7)</b>
Non-recurring items .....	(1.2)	—	—	(0.8)	<b>(2.0)</b>
Operating profit/(loss) .....	2.0	—	(0.3)	(2.2)	<b>(0.5)</b>
Net financing costs .....					<b>(7.0)</b>
Taxation .....					<b>1.7</b>
Loss for the period .....					<b>(5.8)</b>

<b>Three months to 31 December 2010</b>	<b>Social Care</b>				<b>Group</b>
	<b>Residential</b>	<b>Community</b>	<b>Health</b>	<b>Other</b>	
	<b>Care</b>	<b>Services</b>	<b>Care</b>	<b>Care</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Group revenue .....	29.8	27.9	44.0	7.3	<b>109.0</b>
Adjusted EBITDA .....	5.2	1.6	2.8	(0.3)	<b>9.3</b>
Depreciation .....	(2.0)	(0.2)	(2.9)	(0.4)	<b>(5.5)</b>
Adjusted operating profit/(loss) .....	3.2	1.4	(0.1)	(0.7)	<b>3.8</b>
Amortisation of intangible assets .....	(1.6)	(1.5)	(3.5)	—	<b>(6.6)</b>
Non-recurring items .....	0.8	—	1.0	—	<b>1.8</b>
Operating profit/(loss) .....	2.4	(0.1)	(2.6)	(0.7)	<b>(1.0)</b>
Net financing costs .....					<b>(6.9)</b>
Taxation .....					<b>4.6</b>
Loss for the period .....					<b>(3.3)</b>