Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and six months ended 31 March 2012

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

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SUMMARY

Care UK has delivered another consistent operational and financial performance in the three months ended 31 March 2012, with important new business development initiatives also undertaken. All figures and percentages quoted below are for the three months ended 31 March 2012 unless stated, and excluding the effects of IFRIC 12.

- **Group Highlights**
  - Good operational and financial performance in the period in line with management's expectations
  - Revenue for the six months ended 31 March 2012 increased by 13.3 per cent. to £247.5 million with Adjusted EBITDA for the same period increasing by 10.8 per cent. to £24.6 million
  - LTM Adjusted EBITDA consistent at £54.6 million and net debt to LTM Adjusted EBITDA reported at 3.73x
  - At 31 March 2012, 61.0 per cent. (30 September 2011: 63.0 per cent.) of the existing Care UK residential care beds were operated under block contracts with public sector customers, a key competitive differentiator
  - Good operational progress in integrating the former Southern Cross care homes taken over by Care UK, with service quality improving and customer relationships, particularly with Local Authorities, being re-established
  - Since the period end, Care UK has been awarded Preferred Bidder status for a major new contract in the Residential Care division, which will involve the management of over a further 500 beds
  - Five greenfield homes in the Residential Care division, with a total of 404 beds, currently under construction; two of these homes, with 140 beds, have opened in April/May 2012. The pipeline of further new developments, primarily to be financed from resources outside the Care UK group, remains good
  - A small bolt-on acquisition of a community services provider in Scotland was completed in February 2012
  - Strong operating cash flow performance with a net inflow from operating activities of £23.5 million (2011: £10.6 million) in the six months ended 31 March 2012. As expected, net debt has increased in the quarter due to growth investment in new and acquired services.

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 or can be requested from investorrelations@careuk.com.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

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

Social Care	Health Care
• ***Residential Care:*** Care homes (89 homes with over 5,300 beds) providing care for older people, particularly those suffering from dementia and related conditions, plus 130 day care places • ***Community Services:*** Care worker visits and live-in support for people in their own homes, facilitating daily living needs and promoting independence (around 154,000 care hours for approximately 15,000 people delivered per week) • ***Mental Health:*** Providing care for a range of enduring mental health conditions through a range of 17 facilities including independent hospitals, mental health homes and specialist facilities for eating disorders and self-harm	• 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 • Over one million patients p.a. treated or supported by the Health Care division

Key figures, in £ million	Q2 / 2011	YTD / 2011	Q2 / 2012	YTD / 2012
Revenue	109.4	218.4	124.0	247.5
Adjusted EBITDA [1)]	12.9	22.2	12.9	24.6
Adjusted operating profit [1)]	7.1	10.9	7.7	13.9
Net loss for the period	(3.5)	(6.8)	(2.0)	(7.8)
Operating cash flow	16.7	10.6	16.1	23.5

[1)] See key definitions below

Financial leverage	As of and for the 12 month period ended			
Amounts in £ million	30 June 2011	30 September 2011	31 December 2011	31 March 2012
Adjusted EBITDA	52.0	52.2	54.6	54.6
Net debt	196.0	199.5	187.6	203.7
Net debt / Adjusted EBITDA	3.77x	3.82x	3.44x	3.73x

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 residential care homes

Care UK opened a new residential care home in Halstead in Essex in late April 2012 as planned. This home, which has 70 beds, is primarily targeted at older people with dementia and has initially taken residents from Care UK's previously operated care home in Halstead. This home, which had 28 beds, has now closed. A further new residential care home in East Grinstead in Sussex opened in late May 2012. This home also has 70 beds and is targeted primarily at older people with dementia.

Care UK also acquired an existing operational care home, in Essex, on a leasehold basis in May 2012. This home, which has 64 beds, is focused mostly on self-pay service users with a range of care needs.

Preferred Bidder award

In April 2012 Care UK was named by Suffolk County Council as Preferred Bidder for a contract to deliver residential and nursing care to older people across Suffolk. This project will involve the transfer of operating responsibility for 16 existing homes, with over 500 beds, to Care UK and the subsequent development of ten new purpose built facilities. We will be working with the Council towards achieving financial close of this contract over the coming months and will provide further details of this project once this has been achieved.

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; and (ii) the unaudited pro-forma condensed Consolidated financial statements 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 before giving effect to the provisions of IFRIC 12. In addition, a short separate discussion and analysis is provided dealing with the group results 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 March 2011 and 31 March 2012, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12.

	Six months ended 31 March			
	Adjusted for IFRIC 12		Excluding IFRIC 12	
	2011	2012	2011	2012
	£m	£m	£m	£m
Revenue	216.0	245.9	218.4	247.5
Cost of sales	(184.7)	(209.2)	(186.6)	(211.3)
Gross profit	**31.3**	**36.7**	**31.8**	**36.2**
Administrative expenses	(30.9)	(33.5)	(30.7)	(33.2)
Operating profit before financing expenses	**0.4**	**3.2**	**1.1**	**3.0**
Adjusted EBITDA	18.5	22.8	22.2	24.6
Depreciation	(8.2)	(8.4)	(11.3)	(10.7)
Adjusted operating profit	10.3	14.4	10.9	13.9
Amortisation of intangible assets	(13.5)	(8.9)	(13.4)	(8.6)
Non-recurring items	3.6	(2.3)	3.6	(2.3)
Operating profit before financing expenses	0.4	3.2	1.1	3.0
Financial income	1.1	0.9	0.1	0.3
Financial expenses	(13.9)	(13.7)	(13.9)	(13.7)
Net financing costs	**(12.8)**	**(12.8)**	**(13.8)**	**(13.4)**
Loss before taxation	**(12.4)**	**(9.6)**	**(12.7)**	**(10.4)**
Taxation	5.5	2.5	5.9	2.6
Loss for the period	**(6.9)**	**(7.1)**	**(6.8)**	**(7.8)**

Three and six months ended 31 March 2012 compared to the three and six months ended 31 March 2011 – 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 segmental reporting note in the unaudited pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements on page F-18 of this interim report.

Revenue

Revenue increased by 13.3 per cent., or £14.6 million, from £109.4 million for the three months ended 31 March 2011 to £124.0 million for the three months ended 31 March 2012. Revenue increased by 13.3 per cent., or £29.1 million, from £218.4 million for the six months ended 31 March 2011 to £247.5 million for the six months ended 31 March 2012. Over half of these increases are attributable to the addition of the former Southern Cross homes, primarily in the Residential Care division, together with an increased contribution from the two 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 ongoing post-contract commercial basis.

Revenue for the Residential Care division increased by 40.5 per cent., or £12.1 million, from £29.9 million for the quarter ended 31 March 2011 to £42.0 million for the quarter ended 31 March 2012 and by 35.8 per cent., or £21.4 million, from £59.7 million for the six months ended 31 March 2011 to £81.1 million for the six months ended 31 March 2012. The revenue reported for the three months ended 31 March 2012 included a contribution of £9.5 million from the former Southern Cross homes together with an increase of 8.7 per cent. in the revenue from the core Care UK business. The revenue reported for the six months ended 31 March 2012 included a contribution of £16.3 million from the former Southern Cross homes together with an increase in the core Care UK business of 8.5 per cent. The increases in revenue in the core Care UK business have resulted from the opening or transfer of five new homes in the 2011 financial year together with improvements in occupancy and increases in average weekly fee rates.

The total number of beds at the end of the period, excluding day care places, was in excess of 5,300 reflecting the addition of over 1,600 beds from the former Southern Cross homes where lease transfers were taken from the previous operator. A further former Southern Cross home, with 87 beds, was purchased by Care UK on a freehold basis in February 2012. This home is expected to be re-commissioned in summer 2012. At the end of the period a total of 61.0 per cent. of beds in the previous 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 former Southern Cross homes, was 42.2 per cent., which reflects the fact that the former Southern Cross homes do not carry block contracts in the way that the previously existing Care UK business does.

Fee rates in the core Care UK business in the six months ended 31 March 2012 averaged £670 per week compared with £652 in the six months ended 31 March 2011, an increase of 2.8 per cent. This level of increase reflects the fee rate increases achieved in April 2011 as well as the mix effects arising from the new services opened in the 2011 financial year. Fee rates in the former Southern Cross homes averaged £553 per week during the six months ended 31 March 2012, 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 91.6 per cent. in the six months ended 31 March 2012 compared with 92.1 per cent. for the six months ended 31 March 2011. Total physical occupancy, including the two immature homes, was 90.0 per cent. in the six months ended 31 March 2012 compared with 90.7 per cent. in the six months ended 31 March 2011. Total financial occupancy in the previous Care UK business, which measures beds paid for and reflects the benefit of the division's block bed contracts, in the six months ended 31 March 2012 was 96.3 per cent. compared with 97.1 per cent. for the six months ended 31 March 2011, the change in this measure reflecting the impact of the two homes opened during the 2011 financial year. The average occupancy in the former Southern Cross homes in the six months ended 31 March 2012 was 78.0 per cent. This level of occupancy reflects the position that was inherited on the transfer of these homes to Care UK. We have now begun to see signs of improving occupancy in a good number of these homes, with the small number of inherited embargoed services now having had these restrictions lifted and good improvements in service quality and asset condition being effected.

The development pipeline for the Residential Care division remains very visible with the two Care UK freehold developments previously reported, with a combined total of 140 beds, having opened as planned in April and May 2012. In addition, there are currently 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, and a number of other sites at earlier stages in the development process.

Revenue for the Community Services division decreased by 1.8 per cent., or £0.5 million, from £27.6 million for the three months ended 31 March 2011 to £27.1 million for the three months ended 31 March 2012. Revenue for the Community Services division also decreased by 1.8 per cent., or £1.0 million, from £55.5 million for the six months ended 31 March 2011 to £54.5 million for the six months ended 31 March 2012. These decreases reflect both the elimination of certain domiciliary care contracts that were not considered to be sustainable at acceptable profitability as well as the impact of Local Authorities tightening eligibility criteria for public sector funding of domiciliary care, seeking fee rate changes when domiciliary care contracts are re-tendered and re-assessing the number of hours provided to service users. The learning disabilities services provided within this division have not been affected in the same way as domiciliary care services given the more acute need of the service users to whom these services are provided. Average fee rates for domiciliary care for the six months ended 31 March 2012 were £13.04 per hour compared with £13.25 per hour for the six months ended 31 March 2011, a decrease of 1.6 per cent., reflecting the factors referred to above, particularly the fee rate changes being sought by Local Authorities when contracts are re-tendered. Average fee rates for learning disabilities services for the six months ended 31 March 2012 were £14.65 per hour compared with £14.11 per hour for the six months ended 31 March 2011, an increase of 3.8 per cent. Total hours of care delivered across both domiciliary care and learning disabilities services averaged approximately 147,000 per week for the six months ended 31 March 2012 compared with approximately 153,000 per week for the six months ended 31 March 2011, a decrease of 3.9 per cent, which reflects the impact of the factors discussed above in relation to domiciliary care.

Notwithstanding these public sector funding pressures, in the 2012 financial year Care UK has won a number of new contracts to deliver both domiciliary care and learning disabilities services, which will begin to impact the performance of this division in the second half of the financial year. During the period reported the Community Services division also absorbed two former Southern Cross residential learning disabilities homes with a total of 29 beds. As at 31 March 2012 a total of 84 residential learning disabilities beds were operated with average occupancy for the six months ended 31 March 2012 of 95.2 per cent. and average fee rates of approximately £1,294 per week. In the six months ended 31 March 2011 a total of 58 residential learning disabilities beds were operated with average occupancy of 83.9 per cent. and average fee rates of £1,419 per week. A small bolt-on acquisition, of a provider of both domiciliary care and learning disabilities services, in Scotland was made at the end of February 2012. This business made a small contribution to revenue for the three months ended 31 March 2012.

Revenue for the Health Care division increased by 9.2 per cent., or £4.2 million, from £45.7 million for the three months ended 31 March 2011 to £49.9 million for the three months ended 31 March 2012. Revenue for the Health Care division increased by £12.5 million, or 13.9 per cent., from £89.7 million for the six months ended 31 March 2011 to £102.2 million for the six months ended 31 March 2012. This increase can be attributed to the new contracts won and implemented during the 2011 financial year, which generated an increase in revenue of approximately £16 million for the six months ended 31 March 2012 compared with the six months ended 31 March 2011. This increase was offset by a reduction of approximately £7 million arising from services either transferred back to the NHS or re-tendered to revised commercial terms during the period. In addition, further growth was achieved in the two Wave II ISTC services in Southampton and Manchester where both services have seen continued growth in patient volumes. A small amount of revenue growth in other services was also achieved.

In April 2012 the Sussex Orthopaedic Treatment Centre, a Wave I Independent Sector Treatment Centre previously operated by Care UK, was transferred to the control of the Brighton and Sussex University Hospitals Trust, which will impact revenue in the second half of the financial year. Care UK continues to work with local commissioners to look at other, more substantive potential areas for collaboration within the local health economy.

Revenue within the Other segment decreased by 19.4 per cent., or £1.2 million, from £6.2 million for the three months ended 31 March 2011 to £5.0 million for the three months ended 31 March 2012. Revenue for the Other segment decreased by £3.8 million, or 28.1 per cent., from £13.5 million for the six months ended 31 March 2011 to £9.7 million for the six months ended 31 March 2012. The three and six months ended 31 March 2011 included revenue from the group's former children's services businesses of £1.2 million and £3.5 million respectively. The children's services business was disposed of in February 2011. In the six months ended 31 March 2012 the Other segment includes only the Mental Health business. Consequently, revenue for the Mental Health business remained static at £5.0 million for the three months ended 31 March 2012, the same level as for the three months ended 31 March 2011. Revenue for the Mental Health business decreased by £0.3 million, or 3.0 per cent., from £10.0 million for the six months ended 31 March 2011 to £9.7 million for the six months ended 31 March 2012. These changes reflect the impact of the homes within this business that were closed during the 2011 financial year and early in the 2012 financial year, now being fully offset by increased revenue from the eating disorders business, Rhodes Farm, which was acquired in February 2011 as well as some growth in the existing core business. Financial occupancy for mature services in the Mental Health business, excluding closed and closing homes, averaged 90.5 per cent. for the six months ended 31 March 2012 compared with 90.0 per cent. for the six months ended 31 March 2011.

Cost of Sales

Care UK's cost of sales increased by 14.3 per cent., or £13.1 million, from £91.9 million for the three months ended 31 March 2011 to £105.0 million for the three months ended 31 March 2012. Cost of sales increased by 13.2 per cent., or £24.7 million, from £186.6 million for the six months ended 31 March 2011 to £211.3 million for the six months ended 31 March 2012. Measured as a percentage of revenue, cost of sales increased from 84.0 per cent. for the three months ended 31 March 2011 to 84.7 per cent. for the three months ended 31 March 2012 and remained unchanged at 85.4 per cent. for the six months ended 31 March 2011 compared to 85.4 per cent. for the six months

ended 31 March 2012. 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 former Southern Cross homes within the Residential Care division and the growth in new services within the Health Care division. The increase in the ratio of cost of sales to revenue for the three months ended 31 March 2012 compared to the three months ended 31 March 2011 reflects changes in the group's mix of business and particularly that the former Southern Cross homes are operated on a leasehold basis, which is different to the majority of Care UK's other residential care homes.

Administrative Expenses

Care UK's administrative expenses increased by 0.6 per cent., or £0.1 million, from £15.4 million for the three months ended 31 March 2011 to £15.5 million for the three months ended 31 March 2012. Administrative expenses increased by 8.1 per cent., or £2.5 million, from £30.7 million for the six months ended 31 March 2011 to £33.2 million for the six months ended 31 March 2012. These increases in administrative expenses mainly reflect the changes in non-recurring items and amortisation charges in the reported periods. In the three months ended 31 March 2012, a non-recurring charge of £0.3 million and amortisation charge of £3.9 million were incurred compared with a credit of £1.8 million and a charge of £6.8 million respectively for the three months ended 31 March 2011. In the six months ended 31 March 2012, a non-recurring charge of £2.3 million and amortisation charge of £8.6 million were incurred compared with a credit of £3.6 million and charge of £13.4 million respectively for the six months ended 31 March 2011. Excluding these items, administrative expenses increased by £0.9 million, or 8.7 per cent., from £10.4 million for the three months ended 31 March 2011 to £11.3 million for the three months ended 31 March 2012 and by 6.7 per cent., or £1.4 million, from £20.9 million for the six months ended 31 March 2011 to £22.3 million for the six months ended 31 March 2012. The non-recurring items incurred in the six months ended 31 March 2012 almost all relate to the transfer of the former Southern Cross homes. The non-recurring gains in the six months ended 31 March 2011 mostly related to a number of asset disposals effected in the period. The group's amortisation charge has reduced due to the basis of allocation of the intangible assets recognised on the acquisition of Care UK Limited by Care UK Health & Social Care Plc in May 2010 and the associated attributable economic lives.

As a percentage of revenue, excluding non-recurring items and amortisation, administrative expenses decreased from 9.6 per cent. of revenue for the six months ended 31 March 2011 to 9.0 per cent. for the six months ended 31 March 2012. The absolute increases in administrative expenses reflect the increased scale of the Care UK business whilst the reduction in the ratio of administrative expenses to revenue reflects the greater cost efficiency of the larger business.

Operating Profit before Financing Expenses

Care UK's operating profit before financing expenses increased by 66.7 per cent., or £1.4 million, from £2.1 million for the three months ended 31 March 2011 to £3.5 million for the three months ended 31 March 2012. Operating profit before financing expenses increased by 172.7 per cent., or £1.9 million, from £1.1 million for the six months ended 31 March 2011 to £3.0 million for the six months ended 31 March 2012. These improvements reflect the contribution from the former Southern Cross homes, other improvements in the Residential Care division, an improved contribution from the Health Care division and a significant reduction in the amortisation charge for intangible assets offset by an increase in non-recurring charges and reductions in the contributions from the Community Services division and the disposed children's services businesses.

Operating profit for the Residential Care division increased by 40.7 per cent., or £1.1 million, from £2.7 million for the three months ended 31 March 2011 to £3.8 million for the three months ended 31 March 2012. Operating profit for the Residential Care division increased by 13.7 per cent., or £0.7 million, from £5.1 million for the six months ended 31 March 2011 to £5.8 million for the six months ended 31 March 2012. The increase in the three months ended 31 March 2012 reflects the impact of the former Southern Cross homes together with continued improvements in the existing core Care UK business resulting from the two new homes opened in the 2011 financial year and the three homes transferred into the division from the London Borough of Croydon in June 2011, together with increases in average weekly fee rates and a small reduction in the amortisation charges attributable to this division. The increase in the six months ended 31 March 2012 reflects a lower contribution from the former Southern Cross homes as non-recurring integration charges of £1.4

million were incurred, mostly in the three months ended 31 December 2011. Otherwise, the increase in operating profit in the six months ended 31 March 2012 reflects the same improvements in the core Care UK business as for the three months ended 31 March 2012.

Operating profit for the Community Services division increased from a loss of £0.3 million for the three months ended 31 March 2011 to a loss of £0.1 million for the three months ended 31 March 2012. Operating profit for the Community Services division increased from a loss of £0.4 million for the six months ended 31 March 2011 to a loss of £0.1 million for the six months ended 31 March 2012. In the three months ended 31 March 2012 the amortisation charges attributable to this division reduced by £0.4 million and there was a reduction of £0.2 million in the trading contribution from this division, driven by the factors that reduced revenue during the period. In the six months ended 31 March 2012 there was a reduction of £0.6 million in the amortisation charges attributable to this division and a decrease of £0.3 million in the trading contribution of the division, again for the same reasons as drove the reduction in revenue. The two former Southern Cross residential learning disabilities homes transferred into this division made a small positive contribution for both the three and six months ended 31 March 2012. The small acquisition in Scotland referred to in the section on Revenue above made no contribution to operating profit for the three months ended 31 March 2012 because the operating profit generated was offset by the transaction costs associated with the acquisition.

Operating profit for the Health Care division improved by £1.9 million from a loss of £0.9 million for the three months ended 31 March 2011 to a profit of £1.0 million for the three months ended 31 March 2012. Operating profit for the Health Care division improved by £4.2 million from a loss of £3.5 million for the six months ended 31 March 2011 to a profit of £0.7 million for the six months ended 31 March 2012. The core trading contribution of the division reduced by £0.2 million for the three months ended 31 March 2012 compared with the three months ended 31 March 2011 and increased by £1.5 million for the six months ended 31 March 2012 compared with the six months ended 31 March 2011. The reduction in the three months ended 31 March 2012 resulted from the expected reduction in operating profit arising from the division's Wave I ISTCs, as they have transitioned to their planned ongoing post-contract commercial basis, partly offset by an increased contribution from the two Wave II ISTCs and the contribution from new services implemented during the 2011 financial year. The increase in the core trading contribution for the six months ended 31 March 2012 reflects these factors but includes a substantially greater increase in contribution from the two Wave II ISTCs, arising in the three months ended 31 December 2011. As at 31 December 2011 all Wave I ISTC contracts had reached their initial contract expiry dates with the NE London centre being retained following a tender process. Following the transfer of this latter centre to the post-contract basis we have seen the expected immediate small dip in patient volumes. The Sussex Orthopaedic Treatment Centre reverted to the NHS in April 2012, which will impact the expected level of operating profit from the Health Care division in the second half of the 2012 financial year. A non-recurring asset disposal loss of £0.1 million was recorded in the three months ended 31 March 2012 compared with a non-recurring asset disposal gain of £0.1 million reported in the three months ended 31 March 2011. A non-recurring asset disposal loss of £0.1 million was recorded in the six months ended 31 March 2012 compared with a non-recurring asset disposal gain of £1.1 million for the six months ended 31 March 2011. All of these items related to the ISTC buyback programme.

The operating result of the Other segment changed from a profit of £0.6 million for the three months ended 31 March 2011 to a loss of £1.2 million for the three months ended 31 March 2012. The operating result for the Other segment changed from a loss of £0.1 million for the six months ended 31 March 2011 to a loss of £3.4 million for the six months ended 31 March 2012. This category comprises the Mental Health business and the central management costs of the group as well as, for the three and six months ended 31 March 2011 only, the group's former children's services business that was disposed of in February 2011. The former children's services business contributed a loss of £0.2 million in the three months ended 31 March 2011 and a loss of £0.3 million in the six months ended 31 March 2011. Non-recurring items were nil for the three months ended 31 March 2012 compared with a credit of £1.8 million for the three months ended 31 March 2011. Non-recurring items included a charge of £0.8 million for the six months ended 31 March 2012 compared with a credit of £1.8 million for the six months ended 31 March 2011. The non-recurring credit in the three and six months ending 31 March 2011 resulted from the disposal of the group's former children's services business and the non-recurring charge in the six months ended 31 March 2012 related to the transfer in to Care UK of the former Southern Cross care homes. Group central management costs increased

by £0.8 million for the six months ended 31 March 2012 compared with the six months ended 31 March 2011, approximately half of the increase arising from increased depreciation charges resulting from a number of new systems investments. The operating profit of the Mental Health business reduced from £1.3 million for the six months ended 31 March 2011 to £1.1 million for the six months ended 31 March 2012 as a result of an increased depreciation charge relating to the acquired Rhodes Farm business and the closure of homes that has been previously reported.

Adjusted Operating Profit

Adjusted operating profit increased by 8.5 per cent., or £0.6 million, from £7.1 million for the three months ended 31 March 2011 to £7.7 million for the three months ended 31 March 2012. Adjusted operating profit increased by 27.5 per cent., or £3.0 million, from £10.9 million for the six months ended 31 March 2011 to £13.9 million for the six months ended 31 March 2012. These increases in adjusted operating profit reflect the factors discussed above, other than the movement in amortisation charges and non-recurring items.

The non-cash amortisation charge for the three months ended 31 March 2012 was £3.9 million, compared to £6.8 million for the three months ended 31 March 2011 and for the six months ended 31 March 2012 was £8.6 million compared with £13.4 million for the six months ended 31 March 2011. The reduction in the amortisation charge reflects the amortisation profile adopted on the acquisition of Care UK Limited 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 three months ended 31 March 2012 were a charge of £0.3 million compared with a credit of £1.8 million for the three months ended 31 March 2011 and were a charge of £2.3 million for the six months ended 31 March 2012 compared with a credit of £3.6 million for the six months ended 31 March 2011. The non-recurring charges in the 2012 financial year are almost wholly made up of the costs arising from the transfer in and integration of the former Southern Cross care homes whilst the credits in the 2011 financial year all related to disposal gains on assets and businesses.

Adjusted operating profit for the Residential Care division increased by 22.2 per cent., or £1.0 million, from £4.5 million for the three months ended 31 March 2011 to £5.5 million for the three months ended 31 March 2012. Adjusted operating profit for the Residential Care division increased by 32.5 per cent., or £2.5 million, from £7.7 million for the six months ended 31 March 2011 to £10.2 million for the six months ended 31 March 2012. These increases in adjusted operating profit were due to the same factors as drove the growth in operating profit other than the non-recurring charges of £0.2 million and £1.4 million for the three and six months ended 31 March 2012 and the non-recurring charge of £0.1 million and non-recurring credit of £0.7 million for the three and six months ended 31 March 2011.

Adjusted operating profit for the Community Services division decreased by 14.3 per cent., or £0.2 million, from £1.4 million for the three months ended 31 March 2011 to £1.2 million for the three months ended 31 March 2012. Adjusted operating profit for the Community Services division decreased by 10.7 per cent., or £0.3 million, from £2.8 million for the six months ended 31 March 2011 to £2.5 million for the six months ended 31 March 2012. This outcome was driven by the same factors as for operating profit other than the reduction in amortisation charges from £1.7 million and £3.2 million for the three and six months ended 31 March 2011 respectively to £1.3 million and £2.6 million for the three and six months ended 31 March 2012 respectively.

Adjusted operating profit for the Health Care division decreased by 8.3 per cent., or £0.2 million, from £2.4 million for the three months ended 31 March 2011 to £2.2 million for the three months ended 31 March 2012. Adjusted operating profit for the Health Care division increased by 65.2 per cent., or £1.5 million, from £2.3 million for the six months ended 31 March 2011 to £3.8 million for the six months ended 31 March 2012. These changes were mainly due to the same factors as for operating profit with the exception that Adjusted operating profit does not reflect amortisation charges or non-recurring items. Amortisation charges were £1.1 million and £3.0 million for the three and six months ended 31 March 2012 respectively compared with £3.4 million and £6.9 million for the three and six months ended 31 March 2011 respectively. Non-recurring items were a charge of £0.1 million for both the three and six months ended 31 March 2012 compared with credits of £0.1 million and £1.1 million for the three and six months ended 31 March 2011 respectively. All of the non-

recurring items in all periods were asset disposal gains and losses arising from the Wave I ISTC buyback programme.

The Adjusted operating profit for the Other segment was a loss of £1.2 million for the three months ended 31 March 2012, the same level as for the three months ended 31 March 2011. The Adjusted operating profit for the Other segment increased from a loss of £1.9 million for the six months ended 31 March 2011 to a loss of £2.6 million for the six months ended 31 March 2012. These outcomes were driven by the same factors as for operating profit, particularly the increased depreciation charges in both the central management costs and the Mental Health business, with the exception that Adjusted operating profit does not reflect non-recurring items. Non-recurring items were nil in the three months ended 31 March 2012 and a charge of £0.8 million for the six months ended 31 March 2012, relating to the transfer into Care UK of the former Southern Cross care homes. Non-recurring items were a credit of £1.8 million in both the three and six months ended 31 March 2011, resulting from asset and business disposal gains.

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 remained constant at £12.9 million for the three months ended 31 March 2012 compared to £12.9 million for the three months ended 31 March 2011. Adjusted EBITDA increased by 10.8 per cent., or £2.4 million, from £22.2 million for the six months ended 31 March 2011 to £24.6 million for the six months ended 31 March 2012. The outturns in Adjusted EBITDA were driven by the factors discussed above in relation to operating profit and Adjusted operating profit, particularly the effects discussed in relation to the former Southern Cross homes in the Residential Care division and the improvement in the first quarter of the 2012 financial year reported in the Health Care division. Measured on a Last Twelve Months basis, Adjusted EBITDA increased from £52.2 million as at 30 September 2011 to £54.6 million as at 31 March 2012.

Net Financing Costs

Net financing costs for the three months ended 31 March 2012 were £6.4 million compared with £6.9 million for the three months ended 31 March 2011. Net financing costs for the six months ended 31 March 2012 were £13.4 million compared with £13.8 million for the six months ended 31 March 2011. Net financing costs comprise the interest payable on the Senior Secured Notes and performance bond commissions and commitment fees payable on the Super Senior Revolving Credit Facility. During the six months ended 31 March 2012 there has been no cash utilisation of the Super Senior Revolving Credit Facility.

Taxation

The taxation credit for the three months ended 31 March 2012 was £0.9 million compared with a taxation credit of £1.3 million for the three months ended 31 March 2011. The taxation credit for the six months ended 31 March 2012 was £2.6 million compared with a taxation credit of £5.9 million for the six months ended 31 March 2011. The principal differences in the taxation credits reflects the change in taxable group profit as well as certain non-recurring effects recorded in the three months 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 three months ended 31 March 2012 of £2.0 million compared with a loss of £3.5 million for the three months ended 31 March 2011 and a loss of £7.8 million for the six months ended 31 March 2012 compared with a loss of £6.8 million for the six months ended 31 March 2011.

Three and six months ended 31 March 2012 – 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.

	Six months ended 31 March 2012		
	Pre-IFRIC 12 adoption	**IFRIC 12 adjustments**	**Post IFRIC 12 adjustments**
	£m	**£m**	**£m**
Revenue	247.5	(1.6)	245.9
Cost of sales	(211.3)	2.1	(209.2)
Gross profit	**36.2**	**0.5**	**36.7**
Administrative expenses	(33.2)	(0.3)	(33.5)
Operating profit before financing expenses	**3.0**	**0.2**	3.2
Adjusted EBITDA	24.6	(1.8)	22.8
Depreciation	(10.7)	2.3	(8.4)
Adjusted operating profit	13.9	0.5	14.4
Amortisation of intangible assets	(8.6)	(0.3)	(8.9)
Non-recurring items	(2.3)	-	(2.3)
Operating profit before financing expenses	3.0	0.2	3.2
Financial income	0.3	0.6	0.9
Financial expenses	(13.7)	-	(13.7)
Net financing costs	**(13.4)**	**0.6**	**(12.8)**
(Loss)/profit before taxation	**(10.4)**	**0.8**	**(9.6)**
Taxation	2.6	(0.1)	2.5
(Loss)/profit for the period	**(7.8)**	**0.7**	**(7.1)**

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 six months of the 2012 financial year is to decrease the loss for the period by £0.7 million.

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

	As at 31 March 2012		
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post IFRIC 12 adjustments £m
Property, plant and equipment	268.6	(33.5)	235.1
Intangible assets	166.3	9.9	176.2
Other financial assets	-	23.5	23.5
Total non-current assets	438.7	(0.1)	438.6
Other financial assets	-	0.8	0.8
Total current assets	102.1	0.8	102.9
Trade and other payables	(91.1)	(9.7)	(100.8)
Total current liabilities	(95.9)	(9.7)	(105.6)
Deferred tax liabilities	(30.7)	2.1	(28.6)
Total non-current liabilities	(276.4)	2.1	(274.3)
Net assets	**168.5**	**(6.9)**	**161.6**

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.

	Six months ended 31 March 2012		
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post IFRIC 12 adjustments £m
Net cash from operating activities	23.5	(0.2)	23.3
Net cash from investing activities	(13.8)	0.2	(13.6)
Net cash from financing activities	(13.0)	-	(13.0)
Net decrease in cash and cash equivalents	(3.3)	-	(3.3)
Cash and cash equivalents carried forward	36.9	-	36.9

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.

Net Debt and Liquidity

The following table shows the comparative net debt position as at 31 March 2011 and 31 March 2012.

	As at 31 March	
	2011	2012
	(£ in millions)	
Senior Secured Notes	250.0	250.0
Finance lease obligations	0.1	0.1
Deferred financing costs	(11.3)	(9.5)
Cash and cash equivalents	(31.5)	(36.9)
Total net debt	**207.3**	**203.7**

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 six months 31 March 2012 Care UK received the final £15.3 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.

	For the six months ended 31 March	
	2011	2012
Net cash from operating activities	10.6	23.5
Net cash from investing activities	1.0	(13.8)
Net cash from financing activities	(14.1)	(13.0)
Net increase in cash and cash equivalents	(2.5)	(3.3)
Cash and cash equivalents carried forward	31.5	36.9

Three and six months ended 31 March 2012 compared to three and six months ended 31 March 2011

The net decrease in cash and cash equivalents in the three months ended 31 March 2012 was £15.7 million compared with a net decrease of £6.5 million for the three months ended 31 March 2011. The net decrease in cash and cash equivalents in the six months ended 31 March 2012 was £3.3 million compared with a net decrease of £2.5 million in the six months ended 31 March 2011. The total reported group net debt increased by £16.1 million in the three months ended 31 March 2012 from £187.6 million as at 31 December 2011 to £203.7 million as at 31 March 2012. The total reported net debt increased by £4.2 million in the six months ended 31 March 2012 from £199.5 million as at 30 September 2011 to £203.7 million as at 31 March 2012.

The net cash flow from operating activities for the three months ended 31 March 2012 was an inflow of £16.1 million compared with an inflow of £16.7 million for the three months ended 31 March 2011. The net cash flow from operating activities in the six months ended 31 March 212 was an inflow of £23.5 million compared with an inflow of £10.6 million for the six months ended 31 March 2011. The inflow in the six months ended 31 March 2011 was impacted by the settlement of transaction charges amounting to £7.1 million that related to the acquisition of Care UK Limited by the Care UK

Health & Social Care Investments Limited group in May 2010. As reported for the quarter 31 December 2011, the absorption of the former Southern Cross residential care homes into Care UK has resulted in a working capital investment in these new services, which is now effectively fully worked through into the figures reported for the period ended 31 March 2012.

The net cash flow from investing activities for the three months ended 31 March 2012 was an outflow of £19.2 million compared with an outflow of £9.1 million for the three months ended 31 March 2011. The net cash flow from investing activities for the six months ended 31 March 2012 was an outflow of £13.8 million compared with an inflow of £1.0 million for the six months ended 31 March 2011. Capital expenditure in the three months ended 31 March 2012 amounted to £14.9 million compared with £6.1 million in the three months ended 31 March 2011. Expansionary capital expenditure amounted to £12.4 million in the three months ended 31 March 2012, of which £7.6 million related to the purchase of a former Southern Cross residential care home and another £2.9 million was incurred in relation to the two freehold residential care developments previously reported. The balance related to the new mental health care facility also under development and the transferred former Southern Cross homes as well as other, smaller projects. Funding of £1.8 million was provided in the three months ended 31 March 2012 to the independent development company reported in the Annual Report 2011. In addition, an acquisition payment of £2.7 million was incurred in the three months ended 31 March 2012 relating to the acquisition of Housecall in Scotland; in the three months ended 31 March 2011, acquisition payments totalling £4.8 million were incurred in relation to two small bolt-on business within the Mental Health and Health Care divisions.

The net cash flow from financing activities for the three months ended 31 March 2012 was an outflow of £12.6 million compared with an outflow of £14.1 million for the three months ended 31 March 2011. The net cash flow from financing activities for the six months ended 31 March 2012 was an outflow of £13.0 million compared with an outflow of £14.1 million for the six months ended 31 March 2011. The half-yearly payments of interest to Noteholders are made on 1 February and 1 August. Consequently, the three month periods ended 31 March 2012 and 31 March 2011 contain the cash outflows associated with these payments. Apart from interest payments to Noteholders the only cash flows associated with financing activities relate to commitment fees for the group's Super Senior Revolving Credit Facility.

Cash and Cash Equivalents

Care UK's cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, net of related bank overdrafts. As at 31 March 2012, Care UK had net cash and cash equivalents of £36.9 million, compared to £31.5 million as at 31 March 2011 and £52.6 million as at 31 December 2011.

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.

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Care UK Health & Social Care Investments Limited

Group condensed financial information (unaudited)

Three and six month periods ended 31 March 2012

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month and six month periods ended 31 March 2012

	Notes	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
		£m	£m	£m	£m
Revenue	3	**123.3**	108.2	**245.9**	216.0
Cost of sales		**(104.5)**	(91.2)	**(209.2)**	(184.7)
Gross profit		**18.8**	17.0	**36.7**	31.3
Administrative expenses		**(15.6)**	(15.5)	**(33.5)**	(30.9)
Operating profit before financing expenses	3, 5	**3.2**	1.5	**3.2**	0.4
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**12.2**	10.8	**22.8**	18.5
Depreciation of tangible assets		**(4.5)**	(4.3)	**(8.4)**	(8.2)
Adjusted operating profit		**7.7**	6.5	**14.4**	10.3
Amortisation of intangible assets		**(4.2)**	(6.8)	**(8.9)**	(13.5)
Non-recurring items		**(0.3)**	1.8	**(2.3)**	3.6
Operating profit before financing expenses		**3.2**	1.5	**3.2**	0.4
Financial income	4	**0.3**	0.5	**0.9**	1.1
Financial expenses	4	**(6.5)**	(6.9)	**(13.7)**	(13.9)
Net financing costs		**(6.2)**	(6.4)	**(12.8)**	(12.8)
Loss before taxation		**(3.0)**	(4.9)	**(9.6)**	(12.4)
Taxation		**0.7**	1.1	**2.5**	5.5
Loss for the period		**(2.3)**	(3.8)	**(7.1)**	(6.9)
Total comprehensive loss for the period		**(2.3)**	(3.8)	**(7.1)**	(6.9)
Loss attributable to					
Equity holders of the parent		**(2.2)**	(3.8)	**(7.0)**	(6.9)
Minority interest		**(0.1)**	—	**(0.1)**	—
		(2.3)	(3.8)	**(7.1)**	(6.9)
Total comprehensive loss attributable to					
Equity holders of the parent		**(2.2)**	(3.8)	**(7.0)**	(6.9)
Minority interest		**(0.1)**	—	**(0.1)**	—
		(2.3)	(3.8)	**(7.1)**	(6.9)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2012

	Notes	31 March 2012	31 March 2011	30 September 2011
		£m	£m	£m
Assets				
Property, plant and equipment	6	**235.1**	217.4	218.1
Intangible assets	7	**176.2**	194.4	182.8
Other financial assets	8	**23.5**	24.4	24.2
Amounts due from related party undertakings		**3.7**	—	3.6
Other investments		**0.1**	—	0.1
Total non-current assets		**438.6**	436.2	428.8
Inventories		**2.7**	2.6	2.9
Trade and other receivables		**59.5**	52.6	49.8
Other financial assets	8	**0.8**	30.6	19.6
Cash and cash equivalents	9	**36.9**	31.5	40.2
Properties classified as held for sale		**3.0**	3.1	3.2
Total current assets		**102.9**	120.4	115.7
Total assets		**541.5**	556.6	544.5
Liabilities				
Financial liabilities — borrowings	9	**(0.1)**	(0.1)	(0.1)
Trade and other payables		**(100.8)**	(83.4)	(95.1)
Current tax liabilities		**(4.7)**	(2.0)	(3.6)
Total current liabilities		**(105.6)**	(85.5)	(98.8)
Financial liabilities — borrowings	9	**(240.5)**	(238.7)	(239.6)
Other non-current liabilities		**(5.2)**	(10.3)	(5.5)
Deferred tax liabilities		**(28.6)**	(37.9)	(31.9)
Total non-current liabilities		**(274.3)**	(286.9)	(277.0)
Total liabilities		**(379.9)**	(372.4)	(375.8)
Net assets		**161.6**	184.2	168.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Retained earnings		**(49.1)**	(26.5)	(42.1)
Total equity attributable to equity holders of the parent		**161.6**	184.2	168.6
Minority interest		—	—	0.1
Total equity		**161.6**	184.2	168.7

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
As at 31 March 2012

	Attributable to equity holders of the parent				
	Share capital	**Retained earnings**	**Total parent equity**	**Minority interest**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**
At 30 September 2011	210.7	(42.1)	168.6	0.1	168.7
Total comprehensive income for the period					
Loss for the period	—	(7.0)	(7.0)	(0.1)	(7.1)
Other comprehensive income					
Total other comprehensive income	—	—	—	—	—
Total comprehensive loss for the period	—	(7.0)	(7.0)	(0.1)	(7.1)
At 31 March 2012	**210.7**	**(49.1)**	**161.6**	**—**	**161.6**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month and six month periods ended 31 March 2012

	Notes	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
		£m	£m	£m	£m
Cash flows from operating activities					
Loss for the period		**(2.3)**	(3.8)	**(7.1)**	(6.9)
Depreciation		**4.5**	4.3	**8.4**	8.2
Amortisation of intangible assets		**4.2**	6.8	**8.9**	13.5
Profit on disposal of fixed assets		**0.4**	—	**0.4**	(1.8)
Decrease in IFRIC 12 financial asset		**0.7**	1.3	**1.6**	2.4
Decrease/(increase) in inventory		**0.2**	—	**0.4**	(0.1)
Decrease/(increase) in receivables		**3.8**	—	**(7.0)**	2.1
(Decrease)/increase in payables		**(0.9)**	(0.4)	**7.3**	(16.9)
Financial income		**(0.3)**	(0.5)	**(0.9)**	(1.1)
Financial expense		**6.5**	6.9	**13.7**	13.9
Tax credit		**(0.7)**	(1.1)	**(2.5)**	(5.5)
Cash flows from operations		**16.1**	13.5	**23.2**	7.8
Income taxes received		**—**	2.5	**0.1**	1.6
Net cash from operating activities		**16.1**	16.0	**23.3**	9.4
Cash flows from investing activities					
Decrease in IFRIC 12 financial asset		**—**	—	**15.3**	10.6
Payments to acquire property, plant and equipment		**(14.9)**	(5.4)	**(24.6)**	(9.0)
Loans to related party undertakings		**(1.8)**	—	**(1.8)**	—
Interest received		**0.1**	—	**0.1**	—
Net proceeds/(expenses) from sales of property, plant and equipment		**0.1**	(0.3)	**0.1**	0.7
Proceeds from sales of subsidiary undertakings and businesses		**—**	2.1	**—**	4.7
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)		**(2.7)**	(4.8)	**(2.7)**	(4.8)
Net cash from investing activities		**(19.2)**	(8.4)	**(13.6)**	2.2
Cash flows from financing activities					
Interest paid		**(12.6)**	(14.0)	**(13.0)**	(14.0)
Capital element of finance lease payments		**—**	(0.1)	**—**	(0.1)
Net cash from financing activities		**(12.6)**	(14.1)	**(13.0)**	(14.1)
Net decrease in cash and cash equivalents		**(15.7)**	(6.5)	**(3.3)**	(2.5)
Cash and cash equivalents brought forward		**52.6**	38.0	**40.2**	34.0
Cash and cash equivalents carried forward	9	**36.9**	31.5	**36.9**	31.5

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 interim financial statements of the company for the three months and six months ended 31 March 2012 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months and six months ended 31 March 2012, 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 interim 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 balance sheet date. For interim 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 March 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	41.3	27.1	49.9	5.0	**123.3**
Adjusted EBITDA	6.7	1.5	4.4	(0.4)	**12.2**
Depreciation	(1.4)	(0.3)	(2.0)	(0.8)	**(4.5)**
Adjusted operating profit/(loss)	5.3	1.2	2.4	(1.2)	**7.7**
Amortisation of intangible assets	(1.8)	(1.3)	(1.1)	—	**(4.2)**
Non-recurring items	(0.2)	—	(0.1)	—	**(0.3)**
Operating profit/(loss)	3.3	(0.1)	1.2	(1.2)	**3.2**
Net financing costs					**(6.2)**
Taxation					**0.7**
Loss for the period					**(2.3)**

Three months to 31 March 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	29.3	27.6	45.1	6.2	**108.2**
Adjusted EBITDA	5.7	1.6	4.1	(0.6)	**10.8**
Depreciation	(1.4)	(0.2)	(2.1)	(0.6)	**(4.3)**
Adjusted operating profit/(loss)	4.3	1.4	2.0	(1.2)	**6.5**
Amortisation of intangible assets	(1.7)	(1.7)	(3.4)	—	**(6.8)**
Non-recurring items	(0.1)	—	0.1	1.8	**1.8**
Operating profit/(loss)	2.5	(0.3)	(1.3)	0.6	**1.5**
Net financing costs					**(6.4)**
Taxation					**1.1**
Loss for the period					**(3.8)**

Six months to 31 March 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	79.8	54.5	101.9	9.7	**245.9**
Adjusted EBITDA	12.7	3.1	8.0	(1.0)	**22.8**
Depreciation	(2.9)	(0.6)	(3.3)	(1.6)	**(8.4)**
Adjusted operating profit/(loss)	9.8	2.5	4.7	(2.6)	**14.4**
Amortisation of intangible assets	(3.3)	(2.6)	(3.0)	—	**(8.9)**
Non-recurring items	(1.4)	—	(0.1)	(0.8)	**(2.3)**
Operating profit/(loss)	5.1	(0.1)	1.6	(3.4)	**3.2**
Net financing costs					**(12.8)**
Taxation					**2.5**
Loss for the period					**(7.1)**

Six months to 31 March 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	58.4	55.5	88.6	13.5	**216.0**
Adjusted EBITDA	10.1	3.2	6.1	(0.9)	**18.5**
Depreciation	(2.8)	(0.4)	(4.0)	(1.0)	**(8.2)**
Adjusted operating profit/(loss)	7.3	2.8	2.1	(1.9)	**10.3**
Amortisation of intangible assets	(3.4)	(3.2)	(6.9)	—	**(13.5)**
Non-recurring items	0.7	—	1.1	1.8	**3.6**
Operating profit/(loss)	4.6	(0.4)	(3.7)	(0.1)	**0.4**
Net financing costs					**(12.8)**
Taxation					**5.5**
Loss for the period					**(6.9)**

4. NET FINANCING COSTS

	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
	£m	£m	£m	£m
Financial income:				
Interest receivable	**0.1**	—	**0.3**	0.1
IFRIC-12 interest receivable	**0.2**	0.5	**0.6**	1.0
Financial income	**0.3**	0.5	**0.9**	1.1
Financial expenses — interest payable on bank overdrafts and loans	**(6.5)**	(6.9)	**(13.7)**	(13.9)
Net financing costs	**(6.2)**	(6.4)	**(12.8)**	(12.8)

5. OPERATING PROFIT

The following items have been included in arriving at operating profit before financing expenses and taxation:

	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
	£m	£m	£m	£m
Depreciation	**4.5**	4.3	**8.4**	8.2
Amortisation of intangible assets	**4.2**	6.8	**8.9**	13.5
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.1	**0.2**	1.2

6. PROPERTY, PLANT AND EQUIPMENT

	31 March 2012	31 March 2011	30 September 2011
	£m	£m	£m
Opening book value	**218.1**	216.8	216.8
Acquired	**0.7**	2.2	2.3
Additions	**25.3**	9.6	22.3
Disposal and transfers to current assets	**(0.6)**	(3.0)	(2.9)
Depreciation	**(8.4)**	(8.2)	(17.2)
Impairment	**—**	—	(3.2)
Closing book value	**235.1**	217.4	218.1

7. INTANGIBLE ASSETS

	31 March 2012	31 March 2011	30 September 2011
	£m	£m	£m
Opening book value	**182.8**	197.9	197.9
Acquired	**2.3**	10.0	10.1
Adjustment	**—**	—	(0.1)
Amortisation	**(8.9)**	(13.5)	(25.1)
Closing book value	**176.2**	194.4	182.8

8. OTHER FINANCIAL ASSETS

	31 March 2012	31 March 2011	30 September 2011
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**43.8**	66.0	66.0
Released in the period	**(19.5)**	(11.0)	(22.2)
IFRIC-12 financial asset: carried forward	**24.3**	55.0	43.8
Disclosed as:			
Non-current assets: IFRIC-12 financial asset	**23.5**	24.4	24.2
Current assets: IFRIC-12 financial asset	**0.8**	30.6	19.6
	24.3	55.0	43.8

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 and cash equivalents	Borrowings due within one year	Borrowings due after one year	Net debt
	£m	£m	£m	£m
At 1 October 2010	34.0	(0.1)	(237.9)	(204.0)
Cash flow	6.2	—	—	6.2
Other non-cash changes	—	—	(1.7)	(1.7)
At 30 September 2011	40.2	(0.1)	(239.6)	(199.5)
Cash flow	(3.3)	—	—	(3.3)
Other non-cash changes	—	—	(0.9)	(0.9)
At 31 March 2012	**36.9**	**(0.1)**	**(240.5)**	**(203.7)**

As at 31 March 2012 there was accrued interest of £4.0 million (31 March 2011: £4.5 million; 30 September 2011: £4.1 million) 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 £15.3 million as at 31 March 2012 (31 March 2011: £19.1 million; 30 September 2011: £17.0 million) in relation to performance bonds and £0.5 million in relation to other ancillary facilities.

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 and six month periods ended 31 March 2012

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 six months ended 31 March 2012:

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)
For the three month and six month periods ended 31 March 2012

	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
	£m	£m	£m	£m
Revenue	**124.0**	109.4	**247.5**	218.4
Cost of sales	**(105.0)**	(91.9)	**(211.3)**	(186.6)
Gross profit	**19.0**	17.5	**36.2**	31.8
Administrative expenses	**(15.5)**	(15.4)	**(33.2)**	(30.7)
Operating profit before financing expenses	**3.5**	2.1	**3.0**	1.1
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**12.9**	12.9	**24.6**	22.2
Depreciation of tangible assets	**(5.2)**	(5.8)	**(10.7)**	(11.3)
Adjusted operating profit	**7.7**	7.1	**13.9**	10.9
Amortisation of intangible assets	**(3.9)**	(6.8)	**(8.6)**	(13.4)
Non-recurring items	**(0.3)**	1.8	**(2.3)**	3.6
Operating profit before financing expenses	**3.5**	2.1	**3.0**	1.1
Financial income	**0.1**	—	**0.3**	0.1
Financial expenses	**(6.5)**	(6.9)	**(13.7)**	(13.9)
Net financing costs	**(6.4)**	(6.9)	**(13.4)**	(13.8)
Loss before taxation	**(2.9)**	(4.8)	**(10.4)**	(12.7)
Taxation	**0.9**	1.3	**2.6**	5.9
Loss for the period	**(2.0)**	(3.5)	**(7.8)**	(6.8)
Total comprehensive loss for the period	**(2.0)**	(3.5)	**(7.8)**	(6.8)
Loss attributable to				
Equity holders of the parent	**(1.9)**	(3.5)	**(7.7)**	(6.8)
Minority interest	**(0.1)**	—	**(0.1)**	—
	(2.0)	(3.5)	**(7.8)**	(6.8)
Total comprehensive loss attributable to				
Equity holders of the parent	**(1.9)**	(3.5)	**(7.7)**	(6.8)
Minority interest	**(0.1)**	—	**(0.1)**	—
Equity holders of the parent	**(2.0)**	(3.5)	**(7.8)**	(6.8)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2012

	31 March 2012	31 March 2011	30 September 2011
	£m	£m	£m
Assets			
Property, plant and equipment	**268.6**	281.2	269.1
Intangible assets	**166.3**	182.5	172.8
Amounts due from related party undertakings	**3.7**	—	3.6
Other investments	**0.1**	—	0.1
Total non-current assets	**438.7**	463.7	445.6
Inventories	**2.7**	2.6	2.9
Trade and other receivables	**59.5**	52.6	49.8
Cash and cash equivalents	**36.9**	31.5	40.2
Properties classified as held for sale	**3.0**	3.1	3.2
Total current assets	**102.1**	89.8	96.1
Total assets	**540.8**	553.5	541.7
Liabilities			
Financial liabilities — borrowings	**(0.1)**	(0.1)	(0.1)
Trade and other payables	**(91.1)**	(72.0)	(82.5)
Current tax liabilities	**(4.7)**	(2.0)	(3.6)
Total current liabilities	**(95.9)**	(74.1)	(86.2)
Financial liabilities — borrowings	**(240.5)**	(238.7)	(239.6)
Other non-current liabilities	**(5.2)**	(10.3)	(5.5)
Deferred tax liabilities	**(30.7)**	(40.3)	(34.1)
Total non-current liabilities	**(276.4)**	(289.3)	(279.2)
Total liabilities	**(372.3)**	(363.4)	(365.4)
Net assets	**168.5**	190.1	176.3
Equity			
Issued share capital	**210.7**	210.7	210.7
Retained earnings	**(42.2)**	(20.6)	(34.5)
Total equity attributable to equity holders of the parent	**168.5**	190.1	176.2
Minority interest	**—**	—	0.1
Total equity	**168.5**	190.1	176.3

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month and six month periods ended 31 March 2012

	Three months to 31 March 2012	Three months to 31 March 2011	Six months to 31 March 2012	Six months to 31 March 2011
	£m	£m	£m	£m
Cash flows from operating activities				
Loss for the period	**(2.0)**	(3.5)	**(7.8)**	(6.8)
Depreciation	**5.2**	5.8	**10.7**	11.3
Amortisation of intangible assets	**3.9**	6.8	**8.6**	13.4
Profit on disposal of fixed assets	**—**	—	**—**	(1.8)
Decrease/(increase) in inventory	**0.2**	—	**0.4**	(0.1)
Decrease/(increase) in receivables	**4.2**	—	**(6.6)**	2.1
(Decrease)/increase in payables	**(0.9)**	(0.5)	**7.3**	(17.0)
Financial income	**(0.1)**	—	**(0.3)**	(0.1)
Financial expense	**6.5**	6.9	**13.7**	13.9
Tax credit	**(0.9)**	(1.3)	**(2.6)**	(5.9)
Cash flows from operations	**16.1**	14.2	**23.4**	9.0
Income taxes received	**—**	2.5	**0.1**	1.6
Net cash from operating activities	**16.1**	16.7	**23.5**	10.6
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(14.9)**	(6.1)	**(24.8)**	(10.2)
Net proceeds/(expenses) from sales of property, plant and equipment	**0.1**	(0.3)	**15.4**	11.3
Loans to related party undertakings	**(1.8)**	—	**(1.8)**	—
Interest received	**0.1**	—	**0.1**	—
Proceeds from sales of subsidiary undertakings and businesses	**—**	2.1	**—**	4.7
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(2.7)**	(4.8)	**(2.7)**	(4.8)
Net cash from investing activities	**(19.2)**	(9.1)	**(13.8)**	1.0
Cash flows from financing activities				
Interest paid	**(12.6)**	(14.0)	**(13.0)**	(14.0)
Capital element of finance lease payments	**—**	(0.1)	**—**	(0.1)
Net cash from financing activities	**(12.6)**	(14.1)	**(13.0)**	(14.1)
Net decrease in cash and cash equivalents	**(15.7)**	(6.5)	**(3.3)**	(2.5)
Cash and cash equivalents brought forward	**52.6**	38.0	**40.2**	34.0
Cash and cash equivalents carried forward	**36.9**	31.5	**36.9**	31.5

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

Three months to 31 March 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	42.0	27.1	49.9	5.0	**124.0**
Adjusted EBITDA	7.5	1.5	4.3	(0.4)	**12.9**
Depreciation	(2.0)	(0.3)	(2.1)	(0.8)	**(5.2)**
Adjusted operating profit/(loss)	5.5	1.2	2.2	(1.2)	**7.7**
Amortisation of intangible assets	(1.5)	(1.3)	(1.1)	—	**(3.9)**
Non-recurring items	(0.2)	—	(0.1)	—	**(0.3)**
Operating profit/(loss)	3.8	(0.1)	1.0	(1.2)	**3.5**
Net financing costs					**(6.4)**
Taxation					**0.9**
Loss for the period					**(2.0)**

Three months to 31 March 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	29.9	27.6	45.7	6.2	**109.4**
Adjusted EBITDA	6.5	1.6	5.4	(0.6)	**12.9**
Depreciation	(2.0)	(0.2)	(3.0)	(0.6)	**(5.8)**
Adjusted operating profit/(loss)	4.5	1.4	2.4	(1.2)	**7.1**
Amortisation of intangible assets	(1.7)	(1.7)	(3.4)	—	**(6.8)**
Non-recurring items	(0.1)	—	0.1	1.8	**1.8**
Operating profit/(loss)	2.7	(0.3)	(0.9)	0.6	**2.1**
Net financing costs					**(6.9)**
Taxation					**1.3**
Loss for the period					**(3.5)**

Six months to 31 March 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	81.1	54.5	102.2	9.7	**247.5**
Adjusted EBITDA	14.2	3.1	8.3	(1.0)	**24.6**
Depreciation	(4.0)	(0.6)	(4.5)	(1.6)	**(10.7)**
Adjusted operating profit/(loss)	10.2	2.5	3.8	(2.6)	**13.9**
Amortisation of intangible assets	(3.0)	(2.6)	(3.0)	—	**(8.6)**
Non-recurring items	(1.4)	—	(0.1)	(0.8)	**(2.3)**
Operating profit/(loss)	5.8	(0.1)	0.7	(3.4)	**3.0**
Net financing costs					**(13.4)**
Taxation					**2.6**
Loss for the period					**(7.8)**

Six months to 31 March 2011	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	59.7	55.5	89.7	13.5	**218.4**
Adjusted EBITDA	11.7	3.2	8.2	(0.9)	**22.2**
Depreciation	(4.0)	(0.4)	(5.9)	(1.0)	**(11.3)**
Adjusted operating profit/(loss)	7.7	2.8	2.3	(1.9)	**10.9**
Amortisation of intangible assets	(3.3)	(3.2)	(6.9)	—	**(13.4)**
Non-recurring items	0.7	—	1.1	1.8	**3.6**
Operating profit/(loss)	5.1	(0.4)	(3.5)	(0.1)	**1.1**
Net financing costs					**(13.8)**
Taxation					**5.9**
Loss for the period					**(6.8)**