

Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three and nine months ended 30 June 2013

£325,000,000 9.75% Senior Secured Notes due 2017

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SUMMARY

Care UK has delivered a solid operational performance in the three months ended 30 June 2013, with further improvement in financial performance. All figures and percentages quoted below are for the three months ended 30 June 2013 unless stated, and exclude the effects of IFRIC 12.

• Group Highlights

- Operational performance has been steady across the group with further improvement in financial performance delivered in the period
- o Revenue for the quarter increased by 44.8 per cent. to £174.0 million compared with the third quarter of the previous financial year. Adjusted EBITDA for the quarter increased by 46.2 per cent. to £17.1 million. The three and nine months ended 30 June 2013 include expected reductions in Adjusted EBITDA of £0.6 million and £5.7 million respectively compared to the three and nine months ended 30 June 2012 in respect of the last of the former Wave I ISTCs to reach the end of their initial contract periods. This is the last quarter where comparative figures include any contribution from such centres operating under their former contractual terms
- The Residential Care division is continuing to deliver its planned growth with total beds in the division having increased to almost 6,300 following the opening of two new homes in the period. The first of the transferred Suffolk homes has closed as planned for re-development. As at 30 June 2013 a further 11 homes, excluding those related to the Suffolk contract, were at various stages of development and will add more than 830 beds. In addition, seven of the planned ten Suffolk homes have now received planning consent and construction has commenced on the first four homes, the first of which is due to open in summer 2014. All of these developments are being funded primarily outside the Care UK group
 - As at 30 June 2013 38 per cent. (30 September 2012: 39 per cent.) of all beds were operated under block contracts with public sector customers, a key competitive differentiator
 - We have achieved further progress in the former Southern Cross homes with occupancy averaging 83.4 per cent. for the nine months ended 30 June 2013 compared with 80.7 per cent. for the nine months ended 30 June 2012. Occupancy is currently in excess of 85 per cent.
- Following a challenging start for the national programme generally, including in two of the four Harmoni 111 care response centres, our 111 service is now operationally stable and has consistently achieved a high level of performance over several months. The focus now is to translate this good operational performance into a commensurate financial return
- o In April the Community Services division completed the acquisition of a small learning disabilities provider, Living Ambitions, based in Lancashire for consideration of £3.5 million. Living Ambitions' revenue amounts to approximately £2.8 million p.a. with expected annual EBITDA of approximately £0.7 million. The business currently serves around 55 service users plus outreach services
- The Mental Health division opened its new Complex Care and Rehabilitation unit in Walsall, with 28 beds, in June; a further unit is being developed in Horsham by the division's joint venture with the Sussex Partnership NHS Foundation Trust
- On a pro-forma basis, adjusting for the full year effects of the acquisitions made during the year, including their full anticipated cost synergies, LTM Adjusted EBITDA to net debt as at 30 June 2013 was 5.01x. On an actual basis, reflecting full acquisition costs but only partial trading and synergy contributions, the reported leverage was 6.36x.

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 2012 (the "Annual Report 2012") and should be read in conjunction with that report. The Annual Report 2012 is available in pdf format only and can be found on our website, www.careuk.com.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is a significant provider of outsourced health care services to the NHS in England 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 exclude the effects of applying IFRIC 12.

Social Care	Health Care
Residential Care: Care homes (107 homes with around 6,300 beds) providing care for older people, particularly those suffering from dementia and related conditions	Broad range of health care services centred around the three key service streams of Primary Care, Secondary Care and Urgent Care
Community Services: Care worker visits and live-in support for people in their own homes, facilitating daily living needs and promoting independence (around 153,000 care hours per week delivered to more than 13,000 people plus 132 residential learning disability places)	 More than 70 operating locations, following the acquisitions of Harmoni and UK Specialist Hospitals Important new position in the nascent provision of 111 services to NHS patients in England
Mental Health: Providing care to individuals suffering from a range of enduring mental health conditions through a range of 18 facilities	Over 16 million patients treated or supported annually by the enlarged Health Care division

Key figures, in £ million	Q3 / 2012	YTD / 2012	Q3 / 2013	YTD / 2013
Revenue	120.2	367.7	174.0	481.1
Adjusted EBITDA 1)	11.7	36.3	17.1	36.4
Adjusted operating profit 1)	6.8	20.7	10.5	18.1
Net loss for the period	(3.6)	(11.4)	(4.1)	(27.6)
Operating cash flow	4.7	28.2	(6.4)	2.3

¹⁾ See key definitions below

Financial leverage	As of and for the 12 month period ended				
Amounts in £ million	30 September	31 December	31 March	30 June	
	2012	2012	2013	2013	
Adjusted EBITDA	52.6	48.5	47.3	52.7	
Net debt	215.2	269.5	315.8	335.2	
Net debt / Adjusted EBITDA	4.09x	5.56x ¹	6.68x ²	6.36x ³	

¹ Pro-forma Net debt/Adjusted EBITDA, including the full year effect of the Harmoni acquisition, including all anticipated cost synergies, was 4.64x at 31 December 2012

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.

² Pro-forma Net debt/Adjusted EBITDA, including the full year effect of the Harmoni and UKSH acquisitions, including all anticipated cost synergies, was 4.94x at 31 March 2013

³ Pro-forma Net debt/Adjusted EBITDA, including the full year effect of the acquisitions made during the year, including all anticipated cost synergies, was 5.01x at 30 June 2013

Adjusted operating profit is defined as Operating profit before financing expenses 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 the principal amount of the Senior Secured Notes, all bank or other loans (net of unamortised arrangement fees where relevant), 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. In addition, a proforma set of financial statements is presented before giving effect to the application of IFRIC 12. For further information on the effect of the application of IFRIC 12 see the Annual Report 2012. 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 2012, and as updated in the quarterly financial report for the period ended 31 March 2013, 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

Contract commencement

The learning disabilities contract awarded by Doncaster Metropolitan Borough Council, which was referred to in the quarterly financial report for the period ended 31 March 2013, is expected to commence in September 2013. Annual revenue is now estimated at close to £7.0 million per annum with an initial three year contract.

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 the Annual report 2012. 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 group results on a fully compliant IFRS basis, including the effects of applying 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 2012.

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 2012.

Critical Accounting Policies and Estimates

For full details regarding Care UK's Critical Accounting Policies refer to the Annual Report 2012. 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 table on the following page sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance for the financial periods ended 30 June 2012 and 30 June 2013, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12.

	Nine months ended 30 June				
	Adjusted for IFRIC 12		Excluding II	FRIC 12	
	2012	2013	2012	2013	
	£m	£m	£m	£m	
Revenue	365.5	479.3	367.7	481.1	
Cost of sales	(311.0)	(421.3)	(313.6)	(422.7)	
Gross profit	54.5	58.0	54.1	58.4	
Administrative expenses	(49.0)	(64.7)	(48.6)	(64.4)	
Operating profit/(loss) before financing expenses	5.5	(6.7)	5.5	(6.0)	
Adjusted EBITDA	33.7	34.3	36.3	36.4	
Depreciation of tangible fixed assets	(12.7)	(16.6)	(15.6)	(18.3)	
Adjusted operating profit	21.0	17.7	20.7	18.1	
Amortisation of intangible assets	(12.9)	(15.0)	(12.6)	(14.7)	
Non-recurring items	(2.6)	(9.4)	(2.6)	(9.4)	
Operating profit/(loss) before financing expenses	5.5	(6.7)	5.5	(6.0)	
Financial income	1.3	1.9	0.4	1.1	
Financial expenses	(20.4)	(27.4)	(20.4)	(27.4)	
Net financing expense	(19.1)	(25.5)	(20.0)	(26.3)	
Loss before taxation	(13.6)	(32.2)	(14.5)	(32.3)	
Taxation	3.0	4.7	3.1	4.7	
Loss for the period	(10.6)	(27.5)	(11.4)	(27.6)	

Three and nine months ended 30 June 2013 compared to the three and nine months ended 30 June 2012 – 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 pages F-20 and F-21 of this interim report.

Revenue

Revenue increased by 44.8 per cent., or £53.8 million, from £120.2 million for the three months ended 30 June 2012 to £174.0 million for the three months ended 30 June 2013. Revenue increased by 30.8 per cent., or £113.4 million, from £367.7 million for the nine months ended 30 June 2012 to £481.1 million for the nine months ended 30 June 2013. Approximately 77 per cent. of the increase for the three months ended 30 June 2013 and 82 per cent. of the increase for the nine months ended 30 June 2013 was attributable to the acquisitions of the Harmoni and UKSH businesses in November 2012 and February 2013 respectively. The balance of revenue growth was attributable both to organic growth and to other, smaller bolt-on acquisitions made in the Community Services division, in aggregate more than offsetting the reduced revenue from the group's former Wave LISTCs.

Revenue for the Residential Care division increased by 19.2 per cent., or \$8.2 million, from \$42.6 million for the three months ended 30 June 2012 to \$50.8 million for the three months ended 30 June 2013 and by 17.9 per cent., or \$22.2 million, from \$123.7 million for the nine months ended 30 June 2012 to \$145.9 million for the nine months ended 30 June 2013. The increase in revenue in both the three and nine months ended 30 June 2013 has largely resulted from the Suffolk contract and growth in the former Southern Cross homes, from both improved occupancy and higher fee rates, as well as growth from the immature homes within the division. Revenue in the mature estate in the three months ended 30 June 2013 is consistent with revenue in the three months ended 30 June 2012, whilst revenue in the mature estate in the nine months ended 30 June 2013 is slightly lower than in the nine months ended 30 June 2012 due to slightly lower occupancy in these homes.

As at 30 June 2013 Care UK operated 6,295 beds in 107 care homes compared with 6,151 beds in 106 homes as at 31 March 2013. As at 30 June 2013 approximately 38 per cent. of all beds

were operated under block contracts compared with approximately 40 per cent. as at 31 March 2013. The increase in beds since 31 March 2013 reflects the opening of two new care homes in Edinburgh and Hailsham in April and June 2013 respectively, partly offset by the planned closure of the first of the Suffolk homes transferred to Care UK in December 2012. This site will shortly commence redevelopment.

Fee rates in the nine months ended 30 June 2013 averaged £670 per week compared with £642 in the nine months ended 30 June 2012, an increase of 4.4 per cent. This level of increase reflects the impact of the Suffolk contract as from December 2012, the positive mix effects arising from the new services opened in both the year ended 30 September 2012 and the nine months ended 30 June 2013 and higher fee levels within both the mature Care UK estate and the former Southern Cross homes, approximately 1.0 per cent. and 2.6 per cent. respectively higher than in the nine months ended 30 June 2013. Total physical occupancy averaged 84.4 per cent. in the nine months ended 30 June 2013 compared with 86.5 per cent, in the nine months ended 30 June 2012. Physical occupancy in the mature Care UK estate, excluding immature and new homes and the homes transferred under the Suffolk contract, averaged 89.1 per cent. in the nine months ended 30 June 2013 compared with 91.2 per cent. in the nine months ended 30 June 2012. Physical occupancy in the former Southern Cross homes averaged 83.4 per cent. in the nine months ended 30 June 2013 compared with 80.7 per cent. in the nine months ended 30 June 2012. The physical occupancy in both of these elements of the overall estate has shown improvement compared with the average levels reported in the previous quarterly financial report, of 89.0 per cent. and 83.1 per cent. respectively.

The Residential Care division currently has eleven further homes in development, with a combined total of more than 830 beds, including five being developed by the Silver Sea development entity referred to in the 2012 Annual Report and six that are being developed by independent developers. A further Silver Sea site has now received planning consent but is not yet in construction. Good progress is also being made in relation to the ten new homes that are due to be developed under the Suffolk contract, with seven of the sites now having received planning consent and the first four of these sites being under construction. These homes are all being funded by institutional property funders, as previously reported, and will be operated under lease by Care UK on their completion. When complete, around 54 per cent. of the beds in these ten new homes will be contracted by Suffolk County Council for a 25 year period.

Revenue for the Community Services division increased by 3.5 per cent., or £1.0 million, from £28.5 million for the three months ended 30 June 2012 to £29.5 million for the three months ended 30 June 2013. Revenue for the Community Services division increased by 6.5 per cent., or £5.4 million, from £83.0 million for the nine months ended 30 June 2012 to £88.4 million for the nine months ended 30 June 2013. These increases largely reflect the contribution from acquisitions made in both the current and previous financial years. The Living Ambitions business, acquired in April 2013, contributed revenue of £0.7 million in both the three and nine months ended 30 June 2013, in line with expectations. Average fee rates for domiciliary care for the nine months ended 30 June 2013 were £13.37 per hour compared with £13.46 per hour for the nine months ended 30 June 2012, a decrease of 0.7 per cent. The lower average fee rate reflects some changes in service mix as well as small price reductions on certain re-tendered contracts. Average fee rates for learning disabilities supported living services for the nine months ended 30 June 2013 were £14.38 per hour compared with £14.69 per hour for the nine months ended 30 June 2012, a decrease of 2.1 per cent, reflecting changes in service mix rather than absolute reductions in price.

Total hours of care delivered across the combined domiciliary care and learning disabilities services averaged approximately 150,000 hours per week for the nine months ended 30 June 2013 compared with approximately 149,000 hours per week for the nine months ended 30 June 2012, an increase of 0.7 per cent, reflecting the impact of the acquisitions made within this division in both 2012 and 2013, organic growth in the learning disabilities business and a slight reduction in hours in the domiciliary care business. As at 30 June 2013 a total of 132 residential learning disabilities beds were operated with average occupancy for the nine months ended 30 June 2013 of 92.4 per cent. and average fee rates of approximately £1,778 per week. In the nine months ended 30 June 2012 a total of 84 residential learning disabilities beds were operated with average occupancy of 95.5 per cent. and average fee rates of £1,371 per week. Average fee rates in particular were positively impacted by the acquisition of Whitwood Care in July 2012 where the service users typically have higher acuity needs resulting in higher fee rates.

Revenue for the Health Care division increased by 93.9 per cent., or £41.6 million, from £44.3 million for the three months ended 30 June 2012 to £85.9 million for the three months ended 30 June 2013. Revenue for the Health Care division increased by £77.2 million, or 52.7 per cent., from £146.5 million for the nine months ended 30 June 2012 to £223.7 million for the nine months ended 30 June 2013. These increases largely reflect the acquisitions of Harmoni in November 2012 and UKSH in February 2013, which together added revenue of £38.7 million and £83.6 million in the three and nine months ended 30 June 2013 respectively. The reductions in revenue arising as a result of the final Wave I ISTC contract transition, with three centres having still operated under Wave I contract terms for part of the nine months ended 30 June 2012, were £0.7 million and £16.2 million respectively in the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2012. Excluding the effects of both the acquisitions and the ISTC Wave I contract changes, organic revenue growth therefore represented 8.3 per cent., or £3.6 million, and 7.5 per cent., or £9.8 million, respectively in the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2013.

Care UK's Other activities segment comprises the Mental Health division, Amicus ITS, the small IT services provider acquired within the Harmoni business, and the group's central functions. Revenue within the Other segment increased by 62.5 per cent., or £3.0 million, from £4.8 million for the three months ended 30 June 2012 to £7.8 million for the three months ended 30 June 2013. Revenue for the Other segment increased by £8.6 million, or 59.3 per cent., from £14.5 million for the nine months ended 30 June 2012 to £23.1 million for the nine months ended 30 June 2013. The Mental Health business contributed revenue of £4.9 million and £14.4 million respectively in the three and nine months ended 30 June 2013 compared with £4.8 million and £14.5 million respectively in the three and nine months ended 30 June 2012. The closure programme within the Mental Health business was completed in late 2012 and the business is now beginning to see organic growth from new services commenced in both 2012 and 2013. The Amicus ITS business contributed revenue of £2.9 million and £8.7 million respectively in the three and nine months ended 30 June 2013; there was no revenue from this business in the nine months ended 30 June 2012.

Cost of Sales

Care UK's cost of sales increased by 48.1 per cent., or £49.2 million, from £102.3 million for the three months ended 30 June 2012 to £151.5 million for the three months ended 30 June 2013. Cost of sales increased by 34.8 per cent., or £109.1 million, from £313.6 million for the nine months ended 30 June 2012 to £422.7 million for the nine months ended 30 June 2013. Measured as a percentage of revenue, cost of sales increased from 85.1 per cent. for the three months ended 30 June 2012 to 87.1 per cent. for the three months ended 30 June 2013 and increased from 85.3 per cent. for the nine months ended 30 June 2012 to 87.9 per cent. for the nine months ended 30 June 2013. The increase in the absolute value of cost of sales reflects the increase in scale of the group's activities, particularly the two acquisitions within the Health Care division and the Suffolk contract within the Residential Care division. The increase in the ratio of cost of sales to revenue for the three and nine months ended 30 June 2013 compared to the three and nine months ended 30 June 2012 reflects the higher cost of sales ratio within the Harmoni business as well as the final effects of the Wave I ISTC programme, where three centres still operated under Wave I contract terms for part or all of the nine months ended 30 June 2012. The cost of sales ratio has fallen since the previous quarter as a result of the lower cost of sales ratio within the UKSH business.

Administrative Expenses

Care UK's administrative expenses increased by 32.5 per cent., or £5.0 million, from £15.4 million for the three months ended 30 June 2012 to £20.4 million for the three months ended 30 June 2013. Administrative expenses increased by 32.5 per cent., or £15.8 million, from £48.6 million for the nine months ended 30 June 2012 to £64.4 million for the nine months ended 30 June 2013. The increase in administrative expenses in the three months ended 30 June 2013 mainly reflects the changes in non-recurring items and amortisation charges compared with the three months ended 30 June 2012 whilst the increase in the nine months ended 30 June 2013 reflects both the changes in non-recurring items and amortisation expenses as well as reflecting the overall growth in the group. In the three months ended 30 June 2013, a non-recurring charge of £3.5 million and amortisation charge of £4.9 million were incurred compared with a non-recurring charge of £0.3 million and an amortisation charge of £4.0 million for the three months ended 30 June 2012. In the nine months ended 30 June 2013, a non-recurring charge of £9.4 million and amortisation charge of £14.7 million were incurred compared with a non-recurring charge of £2.6 million and amortisation charge of £12.6

million for the nine months ended 30 June 2012. Excluding these items, administrative expenses increased by £0.9 million, or 8.1 per cent., from £11.1 million for the three months ended 30 June 2012 to £12.0 million for the three months ended 30 June 2013 and by 20.7 per cent., or £6.9 million, from £33.4 million for the nine months ended 30 June 2012 to £40.3 million for the nine months ended 30 June 2013. Measured as a percentage of revenue, Administrative expenses, excluding non-recurring items and amortisation charges, reduced from 9.2 per cent. of revenue for the three months ended 30 June 2012 to 6.9 per cent. of revenue for the three months ended 30 June 2013 and reduced from 9.1 per cent. of revenue for the nine months ended 30 June 2012 to 8.4 per cent. of revenue for the nine months ended 30 June 2013.

Operating Profit/(Loss) before Financing Expenses

Care UK's Operating profit/(loss) before financing expenses changed from a profit of $\pounds 2.5$ million for the three months ended 30 June 2012 to a profit of $\pounds 2.1$ million for the three months ended 30 June 2013 and from a profit of $\pounds 5.5$ million for the nine months ended 30 June 2012 to a loss of $\pounds 6.0$ million for the nine months ended 30 June 2013. These changes reflect the organic and acquisition led growth within the group being more than offset by a higher level of non-recurring charges, the reduction in contribution from the former Wave I ISTC contracts and the higher level of non-cash depreciation and amortisation charges.

Operating profit for the Residential Care division decreased by 10.5 per cent., or £0.4 million, from £3.8 million for the three months ended 30 June 2012 to £3.4 million for the three months ended 30 June 2013. Operating profit for the Residential Care division decreased by 20.8 per cent., or £2.0 million, from £9.6 million for the nine months ended 30 June 2012 to £7.6 million for the nine months ended 30 June 2013. These changes reflect increases in Operating profit arising from the Suffolk contract and trading improvements in the former Southern Cross homes, more than offset by the expected and previously reported increase in rental costs for the former Southern Cross homes, following the expiry of certain rent free arrangements, higher depreciation charges resulting from new freehold homes, expected start up losses on recently opened homes and the impact of slightly lower occupancy in the core Care UK estate.

The operating result for the Community Services division increased by £0.9 million from a loss of £0.3 million for the three months ended 30 June 2012 to a profit of £0.6 million for the three months ended 30 June 2013. The operating result for the Community Services division increased by £0.4 million from a loss of £0.4 million for the nine months ended 30 June 2012 to zero for the nine months ended 30 June 2013. These improvements are largely attributable to the Operating profit contribution from the acquisitions made in 2012 and 2013, net of the increase in the non-cash amortisation charge arising as a result of these acquisitions. In addition, for the three months ended 30 June 2013, organic growth in the core business also delivered an improvement in Operating profit. A non-recurring charge of £0.2 million was incurred in both the three and nine months ended 30 June 2013 relating to acquisition and integration costs.

The operating result for the Health Care division changed from a loss of £0.1 million for the three months ended 30 June 2012 to a profit of £0.1 million for the three months ended 30 June 2013. The operating result for the Health Care division changed from a profit of £0.6 million for the nine months ended 30 June 2012 to a loss of £7.9 million for the nine months ended 30 June 2013. The principal factors behind these changes are the acquisitions of Harmoni and UKSH in November 2012 and February 2013 respectively. The operating loss for the two acquisitions combined was £0.4 million and £4.0 million respectively for the three and nine months ended 30 June 2013. These results are stated after non-cash depreciation and amortisation charges of £2.8 million and £4.9 million respectively and non-recurring charges of £2.5 million and £7.8 million respectively for the three and nine months ended 30 June 2013. The non-recurring charges mostly represent the transaction and integration costs arising on the two acquisitions, together with the start-up losses of £1.3 million incurred in relation to Harmoni's 111 services. The integration of the two acquired businesses into the Health Care division is now effectively complete and the expected cost synergies from the two businesses are being achieved in line with their respective acquisition plans.

The combined operating result of the Harmoni and UKSH businesses in the three and nine months ended 30 June 2013, as discussed above, was in line with expectations other than the slightly higher level of start-up costs associated with the Harmoni 111 service. In the financial report for the period ended 31 March 2013, EBITDA losses of £0.7 million and £1.0 million respectively were reported in respect of the Harmoni 111 service for the three and six months ended 31 March 2013. In

the three months ended 30 June 2013 the cumulative loss reported as at 31 March 2013 has been reclassified as a non-recurring item and, in addition, a further start-up loss of £0.3 million was incurred in this period resulting from a combination of lower call volumes arising on certain contracts, notably in London, and additional resourcing costs required in order to adapt the staffing rotas in the care response centres to the profile of calls being received. The Harmoni 111 service has been operationally stable for several months now, following the initial challenges experienced nationally across the programme, and the focus now is to be able to sustain and improve the operational performance of the business whilst delivering an improved financial return.

The reduction in Operating profit arising from the expiry of former Wave I ISTC contracts, particularly the two formerly operated centres that transferred to the NHS in October 2011 and April 2012, was £0.6 million and £5.7 million respectively for the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2012. The core Care UK business, excluding the effects of these centres, delivered an increased Operating profit in both the three and nine months ended 30 June 2013.

The Operating loss of the Other segment changed from £0.9 million for the three months ended 30 June 2012 to £2.0 million for the three months ended 30 June 2013. The Operating loss for the Other segment changed from £4.3 million for the nine months ended 30 June 2012 to £5.7 million for the nine months ended 30 June 2013. The contribution from the Mental Health business reduced by £0.5 million in both the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2012. This reduction in contribution arose from the previously reported closure of a number of lower margin services, including their related closure costs, the expected small start-up losses on new services and higher depreciation charges arising on new services. The Amicus ITS business, acquired with the Harmoni acquisition, made a positive contribution in both the three and nine months ended 30 June 2013. A non-recurring charge of £0.8 million was incurred in the nine months ended 30 June 2012 in relation to the transfer of the former Southern Cross care homes. The non-recurring charge of £0.2 million reported in both the three and nine months ended 30 June 2013 represents closure costs for former mental health homes and is referred to above in relation to the Mental Health business. The group's central management costs increased in both the three and nine months ended 30 June 2013 compared with the three and nine months ended 30 June 2012 as a result of increased investment to support the growth of the group, in particular the recent significant growth in both the Residential Care and Health Care divisions.

Adjusted Operating Profit

Adjusted operating profit increased by 54.4 per cent., or £3.7 million, from £6.8 million for the three months ended 30 June 2012 to £10.5 million for the three months ended 30 June 2013. Adjusted operating profit changed from £20.7 million for the nine months ended 30 June 2012 to £18.1 million for the nine months ended 30 June 2013. These changes 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 30 June 2013 was £4.9 million, compared to £4.0 million for the three months ended 30 June 2012 and for the nine months ended 30 June 2013 was £14.7 million compared with £12.6 million for the nine months ended 30 June 2012. The increase in the amortisation charge primarily reflects the amortisation arising in relation to the intangible assets recognised on the acquisitions of Harmoni and UKSH in November 2012 and February 2013 respectively. The aggregate amortisation charge resulting from these two acquisitions was £1.3 million and £2.4 million respectively in the three and nine months ended 30 June 2013. Other than the impact of these acquisitions, the amortisation charge has reduced in comparison to the previous financial year due to the economic lives adopted in relation to the intangible assets recognised on the acquisition of Care UK Limited in 2010.

Non-recurring charges of £3.5 million and £9.4 million respectively were incurred in the three and nine months ended 30 June 2013 compared with charges of £0.3 million and £2.6 million respectively for the three and nine months ended 30 June 2012. The charges in the three and nine months ended 30 June 2013 relate mostly to the acquisition and integration costs arising on the acquisitions of Harmoni and UKSH, together with the start-up losses incurred on Harmoni's 111 service. These items amount to £2.5 million and £7.8 million respectively in the three and nine months ended 30 June 2013. The remaining balance of non-recurring charges relate to the costs arising on the transfer of care homes to the Residential Care division under the Suffolk contract and some

smaller property related costs and acquisition and integration costs. The charges in the three and nine months ended 30 June 2012 related largely to the transfer of the former Southern Cross homes together with some smaller property related items.

Adjusted operating profit for the Residential Care division changed from £5.6 million for the three months ended 30 June 2012 to £5.3 million for the three months ended 30 June 2013. Adjusted operating profit for the Residential Care division changed from £15.8 million for the nine months ended 30 June 2012 to £13.2 million for the nine months ended 30 June 2013. These changes in Adjusted operating profit were principally due to the same factors as drove the changes in Operating profit other than the increase of £0.3 million in non-recurring charges in the three months ended 30 June 2012 and the decrease of £0.5 million in non-recurring charges in the nine months ended 30 June 2012 compared with the nine months ended 30 June 2012.

Adjusted operating profit for the Community Services division increased by 110.0 per cent., or £1.1 million, from £1.0 million for the three months ended 30 June 2012 to £2.1 million for the three months ended 30 June 2013. Adjusted operating profit for the Community Services division increased by 40.0 per cent., or £1.4 million, from £3.5 million for the nine months ended 30 June 2012 to £4.9 million for the nine months ended 30 June 2013. These increases in Adjusted operating profit were driven by the same factors as for Operating profit other than the increase in the amortisation charge from £3.9 million for the three months ended 30 June 2012 to £4.7 million for the nine months ended 30 June 2013 and the non-recurring charge of £0.2 million incurred in both the three and nine months ended 30 June 2013. No non-recurring charges were incurred in either the three or nine months ended 30 June 2012.

Adjusted operating profit for the Health Care division increased by 345.5 per cent., or £3.8 million, from £1.1 million for the three months ended 30 June 2012 to £4.9 million for the three months ended 30 June 2013. Adjusted operating profit for the Health Care division increased by 12.2 per cent., or £0.6 million, from £4.9 million for the nine months ended 30 June 2012 to £5.5 million for the nine months ended 30 June 2013. These increases were due to the same factors as for Operating profit other than the movements in depreciation and amortisation charges and non-recurring items.

The Adjusted operating loss for the Other segment was £1.8 million for the three months ended 30 June 2013 compared with £0.9 million for the three months ended 30 June 2012. The Adjusted operating loss for the Other segment was £5.5 million for the nine months ended 30 June 2013 compared with £3.5 million for the nine months ended 30 June 2012. These outcomes were driven by the same factors as for operating profit, other than the non-recurring charges of £0.2 million incurred in both the three and nine months ended 30 June 2013 compared with the non-recurring charge of £0.8 million incurred in the nine months ended 30 June 2012. No non-recurring charge was incurred in the three months ended 30 June 2012.

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 from £11.7 million for the three months ended 30 June 2012 to £17.1 million for the three months ended 30 June 2013 and from £36.3 million for the nine months ended 30 June 2012 to £36.4 million for the nine months ended 30 June 2013. The increases in Adjusted EBITDA were driven by the factors discussed above in relation to Operating profit and Adjusted operating profit.

Net Financing Expense

The net financing expense for the three months ended 30 June 2013 was £9.4 million compared with £6.6 million for the three months ended 30 June 2012. The net financing expense for the nine months ended 30 June 2013 was £26.3 million compared with £20.0 million for the nine

months ended 30 June 2012. Net financing costs comprise the interest payable on the Senior Secured Notes and the Super Senior Revolving Credit Facility, together with the interest payable on the term loan and finance leases acquired with UKSH in February 2013, as well as the non-cash amortisation of loan arrangement fees and related expenses. The increase in the net financing expense in both the three and nine months ended 30 June 2013 is primarily attributable to the interest payable on the additional Senior Secured Notes issued in November 2012, the increased usage of the Revolving Credit Facility and the interest payable on the acquired UKSH net debt.

Taxation

The taxation credit for the three months ended 30 June 2013 was $\pounds 3.2$ million compared with a taxation credit of $\pounds 0.5$ million for the three months ended 30 June 2012. The taxation credit for the nine months ended 30 June 2013 was $\pounds 4.7$ million compared with a taxation credit of $\pounds 3.1$ million for the nine months ended 30 June 2012. The principal differences in the taxation credit reflect the change in taxable group profit/(loss).

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 30 June 2013 of £4.1 million compared with a loss of £3.6 million for the three months ended 30 June 2012 and a loss of £27.6 million for the nine months ended 30 June 2013 compared with a loss of £11.4 million for the nine months ended 30 June 2012.

Three and nine months ended 30 June 2013 – 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 2012.

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

	Nine months ended 30 June 2013			
	Pre-IFRIC 12 adoption			
	£m	£m	£m	
Revenue	481.1	(1.8)	479.3	
Cost of sales	(422.7)	1.4	(421.3)	
Gross profit	58.4	(0.4)	58.0	
Administrative expenses	(64.4)	(0.3)	(64.7)	
Operating loss before financing expenses	(6.0)	(0.7)	(6.7)	
Adjusted EBITDA	36.4	(2.1)	34.3	
Depreciation of tangible fixed assets	(18.3)	1.7	(16.6)	
Adjusted operating profit	18.1	(0.4)	17.7	
Amortisation of intangible assets	(14.7)	(0.3)	(15.0)	
Non-recurring items	(9.4)	-	(9.4)	
Operating loss before financing expenses	(6.0)	(0.7)	(6.7)	
Financial income	1.1	0.8	1.9	
Financial expenses	(27.4)	-	(27.4)	
Net financing expense	(26.3)	0.8	(25.5)	
(Loss)/profit before taxation	(32.3)	0.1	(32.2)	
Taxation	4.7	-	4.7	
(Loss)/profit for the period	(27.6)	0.1	(27.5)	

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 nine months ended 30 June 2013 is to decrease the loss for the period by £0.1 million.

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

	As at 30 June 2013			
	Pre-IFRIC 12 IFRIC 12 adoption adjustments		Post IFRIC 12 adjustments	
	£m	£m	£m	
Property, plant and equipment	304.9	(31.2)	273.7	
Intangible assets	229.5	9.3	238.8	
Other financial assets		22.3	22.3	
Total non-current assets	552.3	0.4	552.7	
Other financial assets		0.9	0.9	
Total current assets	131.5	0.9	132.4	
Trade and other payables	(138.4)	(9.6)	(148.0)	
Total current liabilities	(141.4)	(9.6)	(151.0)	
Deferred tax liabilities	(28.0)	1.9	(26.1)	
Total non-current liabilities	(400.1)	1.9	(398.2)	
Net assets	142.3	(6.4)	135.9	

The principal effect of IFRIC 12 on the group's consolidated Balance sheets is to derecognise 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 condensed consolidated Cash flow statement.

	Nine months ended 30 June 2013			
	Pre-IFRIC 12 adoption £m	IFRIC 12 adjustments £m	Post IFRIC 12 adjustments £m	
Net cash from operating activities	2.3	(0.3)	2.0	
Net cash used in investing activities	(100.7)	0.3	(100.4)	
Net cash from financing activities	90.2	-	90.2	
Net decrease in cash and cash equivalents	(8.2)	-	(8.2)	
Cash and cash equivalents carried forward	30.1	-	30.1	

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 30 June 2012 and 30 June 2013.

	As at 30	June
	2012	2013
	(£ in mil	lions)
Senior Secured Notes	250.0	325.0 ¹
Finance lease obligations	0.1	4.8
Bank loans	-	46.5
Deferred financing costs	(9.1)	(11.0)
Cash and cash equivalents	(29.3)	(30.1)
Total net debt	211.7	335.2

¹ Excluding premium on issue of £4.2 million.

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 2012, 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. As at 30 June 2013 the group's liquidity amounted to more than £90 million through a combination of the undrawn element of the Revolving Credit Facility and cash and cash equivalents held by the group.

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

		For the three months ended 30 June		nths ended ne
	2012	2013	2012	2013
Net cash flow from operating activities	4.7	(6.4)	28.2	2.3
Net cash flow from investing activities	(11.8)	(10.7)	(25.6)	(100.7)
Net cash flow from financing activities	(0.5)	6.3	(13.5)	90.2
Net decrease in cash and cash equivalents	(7.6)	(10.8)	(10.9)	(8.2)
Cash and cash equivalents carried forward	29.3	30.1	29.3	30.1

Three and nine months ended 30 June 2013 compared to three and nine months ended 30 June 2012

The net decrease in cash and cash equivalents in the three months ended 30 June 2013 was £10.8 million compared with a net decrease of £7.6 million for the three months ended 30 June 2012. The net decrease in cash and cash equivalents in the nine months ended 30 June 2013 was £8.2 million compared with a net decrease of £10.9 million in the nine months ended 30 June 2012. Total reported group net debt increased by £19.4 million in the three months ended 30 June 2013 from £315.8 million as at 31 March 2013 to £335.2 million as at 30 June 2013. Total reported net debt increased by £120.0 million in the nine months ended 30 June 2013 from £215.2 million as at 30 September 2012 to £335.2 million as at 30 June 2013. The principal factors behind these increases are the major strategic acquisitions of Harmoni and UKSH completed during the nine months ended 30 June 2013 together with the group's ongoing investment programme in new services.

The net cash flow from operating activities for the three months ended 30 June 2013 was an outflow of $\mathfrak{L}6.4$ million compared with an inflow of $\mathfrak{L}4.7$ million for the three months ended 30 June 2012. The net cash inflow from operating activities in the nine months ended 30 June 2013 was $\mathfrak{L}2.3$ million compared with $\mathfrak{L}28.2$ million for the nine months ended 30 June 2012. As previously reported, certain timing differences have impacted working capital movements between the previous and current financial years by approximately $\mathfrak{L}6.5$ million resulting in a reduced operating cash inflow in the nine months ended 30 June 2013 and for the year as a whole.

The net cash flow from investing activities for the three months ended 30 June 2013 was an outflow of £10.7 million compared with an outflow of £11.8 million for the three months ended 30 June 2012. The net cash flow from investing activities for the nine months ended 30 June 2013 was an outflow of £100.7 million compared with an outflow of £25.6 million for the nine months ended 30 June 2012. Capital expenditure in the three and nine months ended 30 June 2013 amounted to £7.2 million and £25.6 million respectively compared with £10.1 million and £34.9 million respectively in the three and nine months ended 30 June 2012. The principal expansionary capital expenditure in the three months ended 30 June 2013 related to the implementation of 111 services (£1.4 million), costs related to the commissioning or improvement of residential care homes (£1.3 million), the new mental health unit in Walsall (£0.6 million), systems implementation costs in the Residential Care business (£0.5 million) and expenditure relating to the Suffolk contract in the Residential Care division (£0.4 million). Maintenance capital expenditure amounted to approximately £2.4 million and £9.5 million respectively for the three and nine months ended 30 June 2013. No funding was provided in the three months ended 30 June 2013 to the Silver Sea development company reported in the Annual Report 2012, compared with £1.8 million in the three months ended 30 June 2012. Funding of £3.3 million has been provided to Silver Sea in the nine months ended 30 June 2013 compared with £3.6 million provided in the nine months ended 30 June 2012. There are now three Silver Sea developed homes being operated by Care UK with a further five under construction and a ninth site also having received planning permission. In addition, funding of £nil and £4.9 million respectively was provided in the three and nine months ended 30 June 2013 to a joint venture company formed by the Mental Health division, as previously reported. There was no equivalent funding provided in the previous financial year. The net cash outflow in relation to acquired businesses was £3.5 million and £67.0 million respectively in the three and nine months ended 30 June 2013, compared with £nil and an outflow of £2.7 million in the three and nine months ended 30 June 2012. The net cash outflow relating to acquired businesses in the three months ended 30 June 2013 reflected the acquisition of the Living Ambitions business within the Community Services division.

The net cash inflow from financing activities for the three and nine months ended 30 June 2013 was £6.3 million and £90.2 million respectively compared with outflows of £0.5 million and £13.5 million for the three and nine months ended 30 June 2012 respectively. The movement in the three

months ended 30 June 2013 reflected net funds drawn from the group's Revolving Credit Facility offset by interest payments and capital repayments on certain finance leases.

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 30 June 2013, Care UK had net cash and cash equivalents of £30.1 million, compared to £29.3 million as at 30 June 2012.

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 2012, a 1 per cent. increase in salary costs would have decreased profit before tax by £3.1 million.

In common with the majority of government-funded providers, most of Care UK's price changes take effect annually on 1 April. Around 26 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 and Clinical Commissioning Groups. 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 consolidated financial statements (unaudited)

Three month and nine month periods ended 30 June 2013

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) THIRD QUARTER

For the three month and nine month periods ended 30 June 2013

	Notes	Three months to 30 June 2013	Three months to 30 June 2012	Nine months to 30 June 2013	Nine months to 30 June 2012
		£m	£m	£m	£m
Revenue	3	173.4	119.6	479.3	365.5
Cost of sales		(151.0)	(101.8)	(421.3)	(311.0)
Gross profit		22.4	17.8	58.0	54.5
Administrative expenses		(20.7)	(15.5)	(64.7)	(49.0)
Operating profit/(loss) before financing					
expenses	3, 6	1.7	2.3	(6.7)	5.5
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		16.4 (6.1)	10.9 (4.3)	34.3 (16.6)	33.7 (12.7)
Adjusted operating profit		10.3	6.6	17.7	21.0
Amortisation of intangible assets		(5.1)	(4.0)	(15.0)	(12.9)
Non-recurring items		(3.5)	(0.3)	(9.4)	(2.6)
Operating profit/(loss) before financing expenses		1.7	2.3	(6.7)	5.5
Financial income		0.8	0.4	1.9	1.3
Financial expense	5	(10.0)	(6.7)	(27.4)	(20.4)
Net financing expense		(9.2)	(6.3)	(25.5)	(19.1)
Loss before taxation		(7.5)	(4.0)	(32.2)	(13.6)
Taxation		3.4	0.5	4.7	3.0
Loss for the period		(4.1)	(3.5)	(27.5)	(10.6)
Total comprehensive loss for the period .		(4.1)	(3.5)	(27.5)	(10.6)
Loss attributable to					
Equity holders of the parent		(4.1)	(3.5)	(27.5)	(10.5)
Non-controlling interest					(0.1)
		(4.1)	(3.5)	(27.5)	(10.6)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) As at 30 June 2013

				30
	Notes	30 June 2013	30 June 2012	September 2012
		£m	£m	£m
Assets				
Property, plant and equipment		273.7	239.8	252.1
Intangible assets		238.8	172.2	170.7
Other financial assets		22.3	23.2	23.2
Amounts due from related party undertakings		13.1	3.7	8.7
Other investments		4.8	0.1	0.1
Total non-current assets	•	552.7	439.0	454.8
Inventories	=	3.2	2.1	1.8
Trade and other receivables		97.1	70.2	53.0
Other financial assets		0.9	0.8	1.0
Cash and cash equivalents		30.1	29.3	38.3
Current tax asset		0.4		-
Assets classified as held for sale		0.7	2.7	2.0
Total current assets	='	132.4	105.1	96.1
Total assets	i	685.1	544.1	550.9
Liabilities				
Financial liabilities — borrowings	. 11	(3.0)	(0.1)	(0.2)
Trade and other payables		(148.0)	(107.0)	(102.2)
Current tax liabilities			(5.3)	(1.1)
Total current liabilities	•	(151.0)	(112.4)	(103.5)
Financial liabilities — borrowings	. 11	(366.5)	(240.9)	(253.3)
Other non-current liabilities	•	(5.6)	(5.2)	(7.4)
Deferred tax liabilities		(26.1)	(27.5)	(23.3)
Total non-current liabilities	•	(398.2)	(273.6)	(284.0)
Total liabilities	1	(549.2)	(386.0)	(387.5)
Net assets		135.9	158.1	163.4
Equity				
Issued share capital	1	210.7	210.7	210.7
Retained earnings		(74.8)	(52.6)	(47.3)
Total equity attributable to equity holders of the parent.		135.9	158.1	163.4
Non-controlling interest		-	-	-
Total equity	•	135.9	158.1	163.4

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) THIRD QUARTER

For the nine month period ending 30 June 2013

	Attributable to equity holde the parent			
Group	Issued Share capital	Retained earnings	Total parent equity	
	£m	£m	£m	
At 30 September 2012	210.7	(47.3)	163.4	
Total comprehensive income for the period Loss for the period and total comprehensive loss for the		. ,		
period	-	(27.5)	(27.5)	
At 30 June 2013	210.7	(74.8)	135.9	

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) - THIRD QUARTER

For the three month and nine month periods ended 30 June 2013

		Three	Three	Nine	Nine
		months to	months to	months to	months to
		30 June	30 June	30 June	30 June
	Notes	2013	2012	2013	2012
		£m	£m	£m	£m
Cash flows from operating activities					
Loss for the period before taxation		(7.5)	(4.0)	(32.2)	(13.6)
Financial income		(8.0)	(0.4)	(1.9)	(1.3)
Financial expense		10.0	6.7	27.4	20.4
Depreciation of tangible assets		6.1	4.3	16.6	12.7
Amortisation of intangible assets		5.1	4.0	15.0	12.9
(Profit)/loss on disposal of fixed assets		-	(0.3)	-	0.1
Decrease in IFRIC 12 financial asset		0.6	0.6	1.8	2.2
Decrease in inventory		0.9	0.9	0.7	1.3
Increase in trade and other receivables		(18.4)	(8.5)	(28.1)	(15.5)
(Decrease)/increase in trade and other			, ,		, ,
payables		(2.4)	1.1	3.1	8.4
Cash flows from operations		(6.4)	4.4	2.4	27.6
Income taxes (paid)/received		(0.1)		(0.4)	0.1
Net cash flows from operating activities	ī	(6.5)	4.4	2.0	27.7
Cash flows from investing activities					
Decrease in IFRIC 12 financial asset		-	-	-	15.3
Payments to acquire property, plant and					
equipment		(7.1)	(9.9)	(25.3)	(34.5)
Loans to related party undertakings		-	(1.8)	(3.3)	(3.6)
Investment in joint venture		-	-	(0.2)	-
Loans to joint venture		-	-	(4.7)	-
Interest received		-	-	0.1	0.1
Net proceeds from sales of property, plant and					
equipment		-	0.2	-	0.3
Payments to acquire subsidiary undertakings					
and businesses (net of cash acquired)		(3.5)		(67.0)	(2.7)
Net cash flows used in investing activities		(10.6)	(11.5)	(100.4)	(25.1)
Cash flows from financing activities					
Proceeds from new loans		15.2	-	169.6	-
Repayment of amounts borrowed		(6.5)	-	(55.9)	-
Interest paid		(1.0)	(0.4)	(17.8)	(13.4)
Finance costs		(0.5)	-	(4.5)	-
Payment of capital element of finance lease					
payments		(0.9)	(0.1)	(1.2)	(0.1)
Net cash flows from financing activities		6.3	(0.5)	90.2	(13.5)
Net decrease in cash and cash equivalents	•	(10.8)	(7.6)	(8.2)	(10.9)
Cash and cash equivalents at the beginning of					
the period		40.9	36.9	38.3	40.2
Cash and cash equivalents at the end of the	9	••		••	
period		30.1	29.3	30.1	29.3

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three months and nine months ended 30 June 2013 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months and nine months ended 30 June 2013, 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 2012, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG 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 2012 set out within this report have been extracted from the 2012 annual report and accounts published on 14 November 2012.

2. ACCOUNTING POLICIES

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

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

Adjusted operating profit is defined as Operating profit before financing expenses adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items. Adjusted EBITDA is defined as adjusted operating profit plus depreciation. The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2012 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 third quarter balance sheet date. For interim reporting purposes, reliable measurement has been obtained by extrapolation from the latest actuarial valuations.

3. SEGMENTAL REPORTING

Segment information is presented in respect of the group's business segments. The primary format, business segments, is based on the group's management and internal reporting structure. Care UK Health & Social Care Investments Limited operates solely within the UK hence no geographical segment disclosures are presented.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest bearing loans, borrowings and expenses, corporation taxes and corporate assets and expenses.

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, secondary and urgent care services; and
- Other includes the central functions and smaller trading operations.

Three months to 30 June 2013	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	50.2	29.5	85.9	7.8	173.4
Adjusted EBITDA	7.1	2.5	7.9	(1.1)	16.4
Depreciation of tangible assets	(2.0)	(0.4)	(3.0)	(0.7)	(6.1)
Adjusted operating profit/(loss)	5.1	2.1	4.9	(1.8)	10.3
Amortisation of intangible assets	(1.5)	(1.3)	(2.3)	-	(5.1)
Non-recurring items	(0.6)	(0.2)	(2.5)	(0.2)	(3.5)
Operating profit/(loss) before financing					
expenses and taxation	3.0	0.6	0.1	(2.0)	1.7
Net financing expense					(9.2)
Taxation					3.4
Loss for the period				:	(4.1)

Three months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	42.0	28.5	44.3	4.8	119.6
Adjusted EBITDA	6.8	1.4	3.0	(0.3)	10.9
Depreciation of tangible assets	(1.4)	(0.4)	(1.9)	(0.6)	(4.3)
Adjusted operating profit/(loss)	5.4	1.0	1.1	(0.9)	6.6
Amortisation of intangible assets	(1.5)	(1.3)	(1.2)	-	(4.0)
Non-recurring items	(0.3)				(0.3)
Operating profit/(loss) before financing expenses and taxation	3.6	(0.3)	(0.1)	(0.9)	2.3
Net financing expense					(6.3)
Taxation					0.5
Loss for the period				;	(3.5)

Nine months to 30 June 2013	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	144.1	88.4	223.7	23.1	479.3
Adjusted EBITDA	18.5	6.2	13.0	(3.4)	34.3
Depreciation of tangible assets		(1.3)	(7.5)	(2.1)	(16.6)
Adjusted operating profit/(loss)	12.8	4.9	5.5	(5.5)	17.7
Amortisation of intangible assets	(4.7)	(4.7)	(5.6)	-	(15.0)
Non-recurring items	(1.2)	(0.2)	(7.8)	(0.2)	(9.4)
Operating profit/(loss) before financing expenses and taxation	6.9		(7.9)	(5.7)	(6.7)
Net financing expense					(25.5)
Taxation					4.7
Loss for the period					(27.5)

Nine months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	121.8	83.0	146.2	14.5	365.5
Adjusted EBITDA	19.5	4.5	11.0	(1.3)	33.7
Depreciation of tangible assets		(1.0)	(5.2)	(2.2)	(12.7)
Adjusted operating profit/(loss)	15.2	3.5	5.8	(3.5)	21.0
Amortisation of intangible assets	(4.8)	(3.9)	(4.2)	-	(12.9)
Non-recurring items	(1.7)		(0.1)	(8.0)	(2.6)
Operating profit/(loss) before financing expenses and taxation	8.7	(0.4)	1.5	(4.3)	5.5
Net financing expense					(19.1)
Taxation					3.0
Loss for the period					(10.6)

4. NON-RECURRING ITEMS

The following non-recurring items have been adjusted for on the face of the statement of comprehensive performance in arriving at Adjusted operating profit:

	Note	Three months to 30 June 2013	Three months to 30 June 2012	Nine months to 30 June 2013	Nine months to 30 June 2012
		£m	£m	£m	£m
Non-recurring items:					
 Acquisition and integration costs 	. (a)	(1.4)	-	(6.7)	-
 Contract transfer and integration costs 	(b)	(0.5)	(0.3)	(0.9)	(2.5)
— Property related costs	. (c)	(0.3)	-	(0.5)	(0.1)
— Contract start-up losses	. (d)	(1.3)		(1.3)	
		(3.5)	(0.3)	(9.4)	(2.6)

Segmental analyses of non-recurring expenses are shown in note 3.

(a) Acquisition and integration costs

During the period Care UK incurred costs in relation to a number of acquisitions (note 9). In accordance with IFRS 3, such costs cannot be included in the cost of business combination and therefore cannot be capitalised. In the nine months to 30 June 2013 total transaction and integration costs of £6.7m were incurred in relation to these acquisitions and subsequent integration into the Care UK group.

(b) Contract transfer and integration costs

During the period the Care UK Residential Care division transferred 16 existing care homes from Suffolk County Council as the initial stage of a long term contract. Integration costs of $\mathfrak{L}0.9m$ were incurred in the nine months to 30 June 2013 in relation to the transfer of these homes.

During the 2012 financial year Care UK transferred 29 care homes formerly operated by Southern Cross, 27 being transferred into the Residential Care division and two into the Community Services division. Total transaction and integration costs of £2.5m were incurred in the nine months to 30 June 2012 (£3.5m in total in the 2012 financial year) in relation to the transfer of these homes and their subsequent integration into the Care UK group.

(c) Property related costs

During the period Care UK incurred financial loss due to property related issues that restricted the business's ability to deliver its services.

(d) Contract start-up losses

During the period the Care UK Health Care division commenced the supply of services under the new '111 service' across a number of regional contracts. During the early 'soft launch' stage of the contracts, financial losses were incurred due to the low volume of service users and high level of investment in set-up and launch resource. In the nine months to 30 June 2013 financial losses of £1.3m were incurred in relation to delivering the service.

5. NET FINANCING EXPENSE

	Three months to 30 June 2013	Three months to 30 June 2012	Nine months to 30 June 2013	Nine months to 30 June 2012
	£m	£m	£m	£m
Financial income:				
Interest receivable	0.5	0.1	1.0	0.4
IFRIC-12 interest receivable	0.3	0.3	0.9	0.9
Financial income	0.8	0.4	1.9	1.3
Financial expenses — interest payable on				
bank overdrafts and loans	(10.0)	(6.7)	(27.4)	(20.4)
Net financing expense	(9.2)	(6.3)	(25.5)	(19.1)

6. OPERATING PROFIT/(LOSS) BEFORE TAXATION

The following items have been included in arriving at operating profit/(loss) before taxation:

	Three	Three	Nine	Nine
	months to	months to	months to	months to
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	£m	£m	£m	£m
Depreciation of tangible assets	6.1	4.3	16.6	12.7
Amortisation of intangible assets	5.1	4.0	15.0	12.9
IFRIC 12 infrastructure costs expensed in the period	0.1	0.1	0.3	0.3

7. PROPERTY, PLANT AND EQUIPMENT

	30 June 2013	30 June 2012	30 September 2012
	£m	£m	£m
Opening book value, net of accumulated depreciation	252.1	218.1	218.1
Acquired	10.6	0.7	9.6
Additions	27.1	34.6	43.5
Transfer from current assets	0.5	-	-
Disposal and transfers to current assets	-	(0.9)	-
Depreciation charge for the period	(16.6)	(12.7)	(12.8)
Impairment	<u> </u>	-	(6.3)
Closing book value, net of accumulated depreciation	273.7	239.8	252.1

8. INTANGIBLE ASSETS

_	30 June 2013		
	£m	£m	£m
Opening book value, net of accumulated amortisation	170.7	182.8	182.8
Acquired	82.9	2.3	5.7
Adjustment	0.2	-	(0.1)
Disposal	-	-	(0.5)
Amortisation charge for the period	(15.0)	(12.9)	(17.2)
Closing book value, net of accumulated amortisation	238.8	172.2	170.7

9. BUSINESS COMBINATIONS

During the nine months ended 30 June 2013, the Group acquired 100% of the issued share capital of the following:-

Company name	Date of acquisition	Nature of business
HWH Group Limited	5 November 2012	The provision of health care services
UK Specialist Hospitals Limited	20 February 2013	The provision of health care services
Watson Group Healthcare Limited T/as Living Ambitions	4 April 2013	The provision of supported living care

The acquisitions are in line with the strategic growth plans of the group.

Due to the timing of the acquisition, the initial fair value accounting for UKSH has currently only been determined on a provisional basis.

Due to the timing of the Living Ambitions acquisition, the initial fair value accounting has not been determined. The acquisition accounting reflected in these financial statements is based on the net book value of the acquired business as at the date of acquisition.

In accordance with IFRS 3, adjustments to the fair value of assets acquired and liabilities assumed can be made during the first twelve months from the date of acquisition. The difference between the fair value of the consideration paid and the fair value of the identifiable net assets acquired is recognised as goodwill. In respect of the Living Ambitions acquisition, included within the provisional

goodwill value are certain intangible assets, in respect of customer contracts, that the group considers likely to be separately identified but where the assessment of their fair value has not yet been finalised. Also included in goodwill are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include an assembled workforce and anticipated future operating synergies from the combination. None of the goodwill is expected to be deductible for income tax purposes.

		Provisional fair value	
HWH Group Limited	Book value	adjustments	Fair value
	£m	£m	£m
Property, plant and equipment	2.7	-	2.7
Other intangibles	-	20.6	20.6
Current assets:			
— Inventories	0.3	-	0.3
— Trade and other receivables		(0.9)	10.3
— Cash and cash equivalents	1.2		1.2
Total assets	15.4	19.7	35.1
Liabilities:			
— Trade and other payables	(18.1)	(3.2)	(21.3)
— Deferred tax	0.4	(4.9)	(4.5)
— Corporation tax	(0.1)		(0.1)
Total liabilities	(17.8)	(8.1)	(25.9)
Net assets	(2.4)	11.6	9.2
Goodwill on acquisition			38.6
Total consideration			47.8
Satisfied by:			
Cash paid on acquisition			47.8

		Provisional fair value	
UK Specialist Hospitals Limited	Book value	adjustments	Fair Value
	£m	£m	£m
Property, plant and equipment	7.9	-	7.9
Other intangibles	-	11.5	11.5
Current assets:			
— Inventories	0.4	0.7	1.1
— Trade and other receivables	6.3	0.2	6.5
— Cash and cash equivalents	10.5	-	10.5
— Corporation tax	0.1	(0.1)	
Total assets	25.2	12.3	37.5
Liabilities:			
— Financial liabilities	(7.8)	-	(7.8)
— Trade and other payables	(7.6)	(2.5)	(10.1)
— Deferred tax	-	(2.0)	(2.0)
— Deferred income	(4.5)	0.1	(4.4)
Total liabilities	(19.9)	(4.4)	(24.3)
Net assets	5.3	7.9	13.2
Goodwill on acquisition			8.7
Total consideration			21.9
Satisfied by:			
Cash paid on acquisition			21.9

Watson Group Healthcare Limited T/as Living Ambitions

The book value of net assets acquired on acquisition of £nil, is made up of trade and other receivables of £0.1m and trade and other payables of £0.1m. Cash consideration of £3.5m was paid on acquisition. Goodwill of £3.5m has been recognised and includes separately identifiable intangible assets the valuation of which has not yet been finalised.

10. OTHER FINANCIAL ASSETS

	30 June 2013	30 June 2012	30 September 2012
	£m	£m	£m
IFRIC-12 financial asset: brought forward	24.2	43.8	43.8
Released in the period	(1.0)	(19.8)	(19.6)
IFRIC-12 financial asset: carried forward	23.2	24.0	24.2
Disclosed as:			
Non-current assets: IFRIC-12 financial asset	22.3	23.2	23.2
Current assets: IFRIC-12 financial asset	0.9	0.8	1.0
<u>-</u>	23.2	24.0	24.2

These financial assets were recognised upon the adoption of IFRIC 12 "Service Concession Arrangements", which 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 there is an unconditional right to receive a specified amount of cash or other financial assets over the life of the arrangement.

11. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total financial liabilities
	£m	£m	£m
At 1 October 2011	(0.1)	(239.6)	(239.7)
Cash flow	0.1	(11.9)	(11.8)
Other non-cash changes	(0.2)	(1.8)	(2.0)
At 30 September 2012	(0.2)	(253.3)	(253.5)
Cash flow	1.2	(109.2)	(108.0)
Other non-cash changes	(4.0)	(4.0)	(8.0)
At 30 June 2013	(3.0)	(366.5)	(369.5)

As at 30 June 2013 there was accrued interest of £13.7 million (30 June 2012: £10.1 million; 30 September 2012: £4.1 million) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

Terms and conditions

i) Senior Secured Notes

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 93/4% Senior Secured Notes. In November 2012 Care UK Health & Social Care Plc issued an additional £75 million 93/4% Senior Secured Notes bringing the total in issue to £325 million. The proceeds of this

additional issue were partially used to repay Super Senior Revolving Credit Facility (RCF) borrowings of £49.4m with the remainder being held in the group for future investment requirements.

Interest is payable semi-annually in arrears on 1 February and 1 August.

There have been no material changes to the terms and conditions or maturity and redemption profile outlined in the group's 2012 annual report.

ii) Super Senior Revolving Credit Facility

With effect from 31 December 2012 the Super Senior Revolving Credit Facility (the "RCF") was increased from £97.5m to £115.0m.

As at 30 June 2013, £43.5m (2012: £nil) of the RCF has been utilised as cash drawings. The remainder of the facility was undrawn, with the exception of £9.4m (2012: £14.7m) utilised in relation to performance bonds provided in relation to certain contracts in the Health Care division and £0.5m (2012: £0.5m) in relation to other ancillary utilisations.

The RCF 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 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 guarter end date to EBITDA for the 12 months ending on that guarter end date); and
- Interest cover (calculated as the ratio of EBITDA to total net finance charges, measured at each quarter end date for the 12 months ending on the relevant quarter end date).

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

Care UK Health & Social Care Investments Limited

Group pro-forma pre-IFRIC 12 nonstatutory condensed consolidated financial statements (unaudited)

Three month and nine month periods ended 30 June 2013

BASIS OF PREPARATION

This group pro-forma 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 pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) have 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 pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited).

Definition

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

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

Except as described below, the same accounting policies and methods of computation are followed in these group pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) as were applied in the group's condensed consolidated financial statements for the nine months ended 30 June 2013:

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. These group pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) have been prepared to present financial information on a pre-IFRIC 12 basis.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) - THIRD QUARTER

For the three month and nine month periods ended 30 June 2013

	Three months to 30 June 2013	Three months to 30 June 2012	Nine months to 30 June 2013	Nine months to 30 June 2012
	£m	£m	£m	£m
Revenue	174.0	120.2	481.1	367.7
Cost of sales	(151.5)	(102.3)	(422.7)	(313.6)
Gross profit	22.5	17.9	58.4	54.1
Administrative expenses	(20.4)	(15.4)	(64.4)	(48.6)
Operating profit/(loss) before financing		<u>-</u>		<u>-</u>
expenses	2.1	2.5	(6.0)	5.5
•				
Adjusted EBITDA (earnings before interest,				
taxation, depreciation and amortisation)	17.1	11.7	36.4	36.3
Depreciation of tangible assets		(4.9)	(18.3)	(15.6)
Adjusted operating profit	10.5	6.8	18.1	20.7
Amortisation of intangible assets	(4.9)	(4.0)	(14.7)	(12.6)
Non-recurring items		(0.3)	(9.4)	(2.6)
Operating profit/(loss) before financing	(0.0)	(0.5)	(3.4)	(2.0)
expenses	2.1	2.5	(6.0)	5.5
Схропосо			(0.0)	0.0
Financial income	0.6	0.1	1.1	0.4
Financial expense		(6.7)	(27.4)	(20.4)
Net financing expense	(9.4)	(6.6)	(26.3)	(20.0)
Loss before taxation	(7.3)	(4.1)	(32.3)	(14.5)
Taxation	3.2	0.5	4.7	3.1
Loss for the period	(4.1)	(3.6)	(27.6)	(11.4)
Total comprehensive loss for the period	(4.1)	(3.6)	(27.6)	(11.4)
•				<u> </u>
Loss attributable to:				
Equity holders of the parent	(4.1)	(3.6)	(27.6)	(11.3)
Non-controlling interests	-	-	(=:10)	(0.1)
	(4.1)	(3.6)	(27.6)	(11.4)
	()	(0.0)	(27.0)	(11.7)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) As at 30 June 2013

			30
	30 June 2013	30 June 2012	September 2012
	£m	£m	£m
Assets			
Property, plant and equipment	304.9	272.9	284.8
Intangible assets	229.5	162.4	161.3
Amounts due from related party undertakings	13.1	3.7	8.7
Other investments	4.8	0.1	0.1
Total non-current assets	552.3	439.1	454.9
Inventories	3.2	2.1	1.8
Trade and other receivables	97.1	70.2	53.0
Cash and cash equivalents	30.1	29.3	38.3
Current tax asset	0.4	-	-
Properties classified as held for sale	0.7	2.7	2.0
Total current assets	131.5	104.3	95.1
Total assets	683.8	543.4	550.0
Liabilities			
Financial liabilities — borrowings	(3.0)	(0.1)	(0.2)
Trade and other payables	(138.4)	(97.4)	(92.4)
Current tax liabilities	- '	(5.3)	`(1.1)
Total current liabilities	(141.4)	(102.8)	(93.7)
Financial liabilities — borrowings	(366.5)	(240.9)	(253.3)
Other non-current liabilities	` (5.6)	` (5.2)	(7.4)
Deferred tax liabilities	(28.0)	(29.7)	(25.2)
Total non-current liabilities	(400.1)	(275.8)	(285.9)
Total liabilities	(541.5)	(378.6)	(379.6)
Net assets	142.3	164.8	170.4
Equity			
Issued share capital	210.7	210.7	210.7
Retained earnings	(68.4)	(45.9)	(40.3)
Total equity attributable to equity holders of the parent	142.3	164.8	170.4
Non-controlling interests	-	-	-
Total equity	142.3	164.8	170.4
	0		

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) - THIRD QUARTER

For the three month and nine month periods ended 30 June 2013

	Three months to 30 June 2013	Three months to 30 June 2012	Nine months to 30 June 2013	Nine months to 30 June 2012
	£m	£m	£m	£m
Cash flows from operating activities				
Loss for the period before taxation	(7.3)	(4.1)	(32.3)	(14.5)
Financial income	(0.6)	(0.1)	(1.1)	(0.4)
Financial expense	10.0	6.7	27.4	20.4
Depreciation of tangible assets		4.9	18.3	15.6
Amortisation of intangible assets		4.0	14.7	12.6
Loss on disposal of fixed assets		0.1	-	0.1
Decrease in inventory	0.9	0.9	0.7	1.3
Increase in trade and other receivables	(18.2)	(8.9)	(28.1)	(15.5)
(Decrease)/increase in trade and other payables	(2.6)	1.2	(3.1)	8.5
Cash flows from operations	(6.3)	4.7	2.7	28.1
Income taxes (paid)/received	(0.1)		(0.4)	0.1
Net cash from operating activities	(6.4)	4.7	2.3	28.2
Cash flows from investing activities	_			
Payments to acquire property, plant and equipment	(7.2)	(10.1)	(25.6)	(34.9)
Loans to related party undertakings	-	(1.8)	(3.3)	(3.6)
Investment in joint venture	-	-	(0.2)	-
Loans to joint venture	-	-	(4.7)	-
Interest received	-	-	0.1	0.1
Net proceeds from sales of property, plant and				
equipment	-	0.1	-	15.5
Proceeds from sales of subsidiary undertakings and				
businesses	-	-	-	-
Payments to acquire subsidiary undertakings and				
businesses (net of cash acquired)	(3.5)		(67.0)	(2.7)
Net cash flows used in investing activities	(10.7)	(11.8)	(100.7)	(25.6)
Cash flows from financing activities				
Proceeds from new loans	15.2	-	169.6	-
Repayment of amounts borrowed	(6.5)	-	(55.9)	-
Interest paid	(1.0)	(0.4)	(17.8)	(13.4)
Finance costs		-	(4.5)	-
Payment of capital element of finance lease payments	(0.9)	(0.1)	(1.2)	(0.1)
Net cash flows from financing activities	6.3	(0.5)	90.2	(13.5)
Net decrease in cash and cash equivalents	(10.8)	(7.6)	(8.2)	(10.9)
Cash and cash equivalents at the beginning of the period	` ,	36.9	38.3	`40.2 [´]
Cash and cash equivalents at the end of the period		29.3	30.1	29.3

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

Three months to 30 June 2013	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	. 50.8	29.5	85.9	7.8	174.0
Adjusted EBITDA	. 7.8	2.5	7.9	(1.1)	17.1
Depreciation of tangible assets		(0.4)	(3.0)	(0.7)	(6.6)
Adjusted operating profit/(loss)	. 5.3	2.1	4.9	(1.8)	10.5
Amortisation of intangible assets	. (1.3)	(1.3)	(2.3)	-	(4.9)
Non-recurring items	(0.6)	(0.2)	(2.5)	(0.2)	(3.5)
Operating profit/(loss) before financing					
expenses and taxation	. 3.4	0.6	0.1	(2.0)	2.1
Net financing expense					(9.4)
Taxation					3.2
Loss for the period					(4.1)

Three months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	. 42.6	28.5	44.3	4.8	120.2
Adjusted EBITDA	. 7.6	1.4	3.0	(0.3)	11.7
Depreciation of tangible assets	. (2.0)	(0.4)	(1.9)	(0.6)	(4.9)
Adjusted operating profit/(loss)	. 5.6	1.0	1.1	(0.9)	6.8
Amortisation of intangible assets	. (1.5)	(1.3)	(1.2)	-	(4.0)
Non-recurring items	(0.3)		<u> </u>	-	(0.3)
Operating profit/(loss) before financing					
expenses and taxation	3.8	(0.3)	(0.1)	(0.9)	2.5
Net financing expense	•		_		(6.6)
Taxation					0.5
Loss for the period					(3.6)

Nine months to 30 June 2013	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	. 145.9	88.4	223.7	23.1	481.1
Adjusted EBITDA	20.6	6.2	13.0	(3.4)	36.4
Depreciation of tangible assets		(1.3)	(7.5)	(2.1)	(18.3)
Adjusted operating profit/(loss)		4.9	5.5	(5.5)	18.1
Amortisation of intangible assets	. (4.4)	(4.7)	(5.6)	-	(14.7)
Non-recurring items	. (1.2)	(0.2)	(7.8)	(0.2)	(9.4)
Operating profit/(loss) before financing					
expenses and taxation	. 7.6	-	(7.9)	(5.7)	(6.0)
Net financing expense					(26.3)
Taxation					4.7
Loss for the period					(27.6)

Nine months to 30 June 2012	Residential Care	Community Services	Health Care	Other	Group
	£m	£m	£m	£m	£m
Group revenue	123.7	83.0	146.5	14.5	367.7
Adjusted EBITDA	. 21.8	4.5	11.3	(1.3)	36.3
Depreciation of tangible assets	. (6.0)	(1.0)	(6.4)	(2.2)	(15.6)
Adjusted operating profit/(loss)	. 15.8	3.5	4.9	(3.5)	20.7
Amortisation of intangible assets		(3.9)	(4.2)	`- ´	(12.6)
Non-recurring items	. (1.7)		(0.1)	(8.0)	(2.6)
Operating profit/(loss) before financing					
expenses and taxation	9.6	(0.4)	0.6	(4.3)	5.5
Net financing expense					(20.0)
Taxation					3.1
Loss for the period					(11.4)