Care UK Health & Social Care Investments Limited

Annual report and financial statements

Registered number 07158140

30 September 2017

Contents

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2017.

Care UK Health & Social Care Investments Limited's ("Care UK" or "the group") aim is to help older people live happier, healthier and more fulfilling lives and to be the leading independent sector provider of community and hospital-based health care services principally to the NHS. We aim to achieve this by:

- **Provide high quality care that helps people live fulfilling lives and improves outcomes and efficiency for commissioners.** People are able to overcome, or live positively with health challenges with the support of caring and dedicated experts and access to quality facilities. There is a clear correlation between good and consistent quality with organisational efficiency and Care UK seeks to optimise both through its human and capital resources and its ability to use its service infrastructure to drive innovation. Care UK's expertise is already delivering new integrated urgent care models, best in class health and rehabilitation services within the justice system and new forms of support and consultation in primary care practices.

- **Develop existing and new care homes.** Modern and well-maintained facilities are important to good quality care and Care UK will continue to update existing care homes and to build new homes through the most extensive programme in the sector. With 116 care homes providing over 7,600 beds, Care UK is one of the five largest operators of care homes for older people in the United Kingdom measured by bed numbers. Our strategy successfully anticipated the growing importance in the market of self-funded residents and as a result the proportion of revenue derived from this segment has grown from a base of 10% to more than 43% at 30 September 2017, in line with a clear plan to exceed 50% in 2020. Whether our customers are publicly or self-funded, Care UK will not compromise on meeting individual needs and currently achieves better quality ratings from UK regulators than other similar large providers.

- **Provide best in class primary and secondary care services, working in partnership with the NHS to utilise best practice and innovation.** Care UK embraces the ethos of the NHS and believes that the interests of the public are paramount, with prompt access to treatment and care to maintain quality of life. To meet the opportunities of healthcare innovation within the financial constraints of the NHS, organisations must embrace efficiency, change and technology, Care UK's key strengths. Care UK remains the leading independent sector provider to the NHS in England of elective surgical procedures, NHS 111 non-emergency service and out of hours primary care, and health care in prisons. Care UK's healthcare services have a proven record of excellent clinical outcomes and patient satisfaction.

- **Maintain organisational and financial resilience:**
    - **Stable contracted revenue streams with a high degree of visibility and high cash conversion ratio.** In the year ended 30 September 2017, over 80% of Care UK's revenue was from publicly funded entities in the United Kingdom. This provides Care UK with a stable revenue stream (much of which is contracted) with high visibility of future revenue for the term of these contracts.
    - **Strong asset backing.** Care UK operates around 190 facilities across the United Kingdom. As of 30 September 2017, the group's total property, plant and equipment assets, before applying IFRIC 12, amounted to £219.1m.
    - **Strong support from principal shareholder.** Performance in both the healthcare and social care businesses provides a strong basis for supportive and positive long term investment, both at the present and in the future. Care UK benefits from the relationships, investment experience and knowledge of its shareholder, Bridgepoint, one of Europe's leading mid-market private equity managers with a longstanding track record of investing in European businesses and expertise in the social care and health care markets.

STRATEGIC REPORT (continued)

- **Experienced and proven management team.** Care UK's senior management team, led by Chief Executive Mike Parish who joined Care UK in 2001, has extensive experience and expertise in health and social care in the UK. Mike has participated in or chaired a number of industry forums and boards for the Department of Health, the NHS Confederation and the independent sector. During 2017, Mike was invited to join the panel of experts advising the government on its social care green paper and also became the Chair of Samuel Ward Academy Trust, a group of 19 primary, secondary and special needs schools. Philip Whitecross has been with Care UK since 2012 becoming Chief Financial Officer on 12 December 2014. Philip has an exceptional track record of both operational and financial leadership within health and social care services (having previously been both CFO and CEO at InHealth Group) and is a Non-Executive Director of Guys & St Thomas Enterprises Limited. Jim Easton is Managing Director of the Heath Care business, having previously held a number of senior positions in the NHS and Department of Health where he was National Director of Improvement and Efficiency. Prior to joining Care UK in 2013, Jim was a board member of NHS England. Andrew Knight is Managing Director of the Residential Care business, having held a number of senior positions across a number of industries, most recently as Managing Director of Weightwatchers (UK) Limited. Andrew previously held director and managing director roles within the UK leisure sector.

BUSINESS REVIEW

Care UK continues to occupy a unique position within the health and social care markets, as the largest independent provider of NHS services and as the largest developer of new residential and nursing care homes. The Care UK health and social care portfolio is focused on the continued development of residential care services, through its new home development programme, and on its market leading provision of primary and secondary NHS health services. The Group operates a balanced and diverse portfolio encompassing a broader range of specialist clinical and social care services than any other provider. Care UK's portfolio is closely aligned to commissioners' current and anticipated priorities, and focused on patient, service user and customer expectations and choice.

The main drivers affecting results of operations are:

Residential Care Business

- the number of beds and the occupancy rates at Care UK's care homes;
- the level of fee increases achievable for local authority spot rates and self-funded residents;
- the level of operating expenses, particularly staff costs given the current labour shortages across the sector, the impact of the newly implemented National Living Wage, and any potential impact from Brexit on the labour market;
- CQC quality ratings and in particular potential embargoes; and
- the new care home development programme.

Health Care

- Care UK's ability to win new contracts and develop new innovative solutions aligned to key national policy and clinical priorities;
- its continued operation and organic growth of existing facilities and contracts;
- the level of patient volume and Care UK's ability to attract patients within the Secondary Care services market;
- the number of patients who choose or are directed to use Care UK's Primary and Urgent Care services;
- the level of operating expenses, particularly staff costs given the current labour shortages across the sector, and any potential impact from Brexit on the labour market;
- the level of tariff received for clinical procedures as set by the NHS.

STRATEGIC REPORT (continued)

The table below summarises the key performance indicators by segment for 2016 and 2017.

	2017	2016
Residential Care Services		
Revenue £m	**298.8**	270.0
Adjusted EBITDA [1] £m	**29.6**	23.8
Operating profit[1] £m	**15.7**	12.4
Adjusted operating profit[1] £m	**18.4**	7.2
Average quarterly financial occupancy[2]	**88.6%**	87.7%
Self-funding residents % of annual revenue	**42.5%**	38.5%
Number of beds	**7,610**	7,342
Average weekly fee	**835**	777
Health Care		
Revenue £m	**357.0**	324.2
Adjusted EBITDA[1] £m	**12.2**	12.3
Operating loss[1]	**(8.7)**	(8.5)
Adjusted operating profit[1] £m	**2.5**	5.0
Number of elective procedures	**81,834**	76,939

[1] For the definition of Adjusted EBITDA and Adjusted operating profit and the reconciliation of EBITDA to operating profit/(loss), see note 2(Y)

[2] Financial occupancy is defined as the total number of paid for beds as a percentage of total beds

Residential Care Services KPIs

Adjusted EBITDA for Care UK's Residential Care Services division increased by £5.8m, from £23.8m for the year ended 30 September 2016 to £29.6m for the year ended 30 September 2017. The reported results are impacted by the magnitude of start-up losses incurred in each respective period relating to the new build homes that are considered to be in its start-up phase for the first 18 months of operation where Adjusted EBITDA losses are expected to be incurred as occupancy increases as part of the normal maturity profile. Aggregate Adjusted EBITDA start-up losses of £4.9m have been incurred in the year ended 30 September 2017 in respect of new build homes, including an element of preliminary costs for future homes, compared to £3.6m incurred in the year ended 30 September 2016. The increase is largely as a result of the five new homes opened in the current year offset by the lapping of initial start-up losses incurred on the Suffolk contract homes in earlier years that have now matured. Whilst the new build self-funded homes are taking slightly longer than expected to reach our expected mature occupancy levels, average fee rates are higher than initial expectations, delivering enhanced mature profitability. Given the strong pipeline of homes in construction and planning outlined above we expect start-up losses to be a prominent feature of reporting financial performance going forward.

After adjusting for start-up losses, underlying Adjusted EBITDA increased by £7.1m, from £27.4m for the year ended 30 September 2016 to £34.5m for the year ended 30 September 2017. This increase is primarily as a result of the maturing occupancy profile of new homes and the Suffolk contract portfolio, a greater proportion of self-funding, together with fee increases detailed below.

Total financial occupancy across the entire Care UK portfolio averaged 88.6% in the year ended 30 September 2017 compared with 87.7% in the year ended 30 September 2016. This positive increase reflects robust occupancy levels in our core, largely local authority funded homes that have maintained stable occupancy levels despite what continues to be challenging market conditions. The Suffolk homes have now also reached similar maturity levels with almost all having been operational for over two years. The new build care homes, of which there have been 18 opened since the 2014 financial year, continue to track in line with management expectations and in particular these homes are now at mature levels of occupancy on average.

STRATEGIC REPORT (continued)

As at 30 September 2017 Care UK operated 7,610 beds across 116 care homes (30 September 2016, 7,342 beds; 113 homes). Five new build care homes opened during the year with an average bed capacity among them of 76. Three of the five were built by the separate development group Silver Sea (see note 32) with the remaining two being third party leasehold arrangements. There has been a reduction of 90 beds during the year as a local authority home was handed back at the end of its contract and another locally authority home was closed. Other net movements in bed numbers reflect small configuration changes in certain homes. Measured by bed numbers, Care UK remains one of the five largest operators of care homes.

Fee rates across all homes in the year ended 30 September 2017 averaged £835 per week compared with £777 per week in the year ended 30 September 2016, a total increase of 7.5 %. The strong increase is due to a number of factors within the overall portfolio, not least the impact of new build homes and the self-funded element of the Suffolk homes that have built occupancy over the year. The mature portfolio of homes, that accounts for more than 70% of total beds, has increased fee rates by over 6.0 % on average over the year, again from a combination of factors including a shift towards self-funding residents, uplift from Funded Nursing Care, the application of block contract indexation mechanisms, increases in local authority spot rates achieved in April 2017 and the increasing level of dependency, in particular dementia and other related conditions that are typically evident in the residents being cared for.

Health Care KPIs

Revenue for the year ended 30 September 2017 increased by £32.8m, from £324.2m for the year ended 30 September 2016 to £357.0m for the year ended 30 September 2017. This increase is largely driven by significant new contract wins delivering health care in prisons that mobilised during 2016 and 2017 adding an additional £42.6m of revenue year on year. These new prison contracts cover a total of 28 sites across the UK and have a combined annual revenue of approximately £85m. Offsetting this new business were contract exits within the Out-of-hours service line and also the former Manchester CATS service that reduced revenue by £25.6m in aggregate. Other year-on-year revenue growth has come from our ISTC elective surgery services and NHS 111 services as outlined below.

Overall Primary Care Revenue has increased by £40.6m in the year ended 30 September 2017 compared with the year ended 30 September 2016, as a result of the new prison contracts offset by the mainly London based out-of-hours contract exits that occurred in the 2016 financial year. Out-of-hours continues to be a difficult market with additional contract exits occurring in 2017 in Luton and Rotherham. Offsetting these business losses is the new contract mobilisation for the Gloucestershire out-of-hours service that commenced in June 2017. The NHS 111 service line also had a number of contract changes driving a net increase in revenue of £9.5m during the year as the West Midlands contract, which integrates both out of hours and NHS 111 services, commenced in November 2016 offsetting the cessation of several smaller contracts during 2016 and 2017. Care UK evaluates contracts as they become due for renewal and we have benefitted from some short term extensions and price uplifts upon; however the overall profitability remains marginal.

Revenue from Secondary Care, which comprises our ISTC elective surgery services and CATS and Diagnostics contracts, decreased by £8.6m in the year ended 30 September 2017 compared with the year ended 30 September 2016. This reduction is due to the former Manchester CATS service that was sold to the InHealth Group in January 2017. In aggregate, our treatment centres have increased revenue by almost £5.0m year-on-year. There was a small dilution on this growth from the tail end of lapping the Wave 2 ISTC contract re-pricing that took effect on the Avon/Gloucester/Wiltshire (AGW) cluster of units and the Southampton treatment centre that have operated at national tariff for the majority of the year.

Adjusted EBITDA for Care UK's Health Care division was £12.2m for the year ended 30 September 2017 virtually unchanged compared to the year ended 30 September 2016. The shape of the Adjusted EBITDA year-on-year comparison broadly follows that of revenue outlined above and the changes in contracts.

STRATEGIC REPORT (continued)

Primary Care increased Adjusted EBITDA by £2.8m through addition of new prison contracts offset by the impact of the cessation of contracts within the out of hours services, including the South West London NHS 111 contract that ceased at the end of the 2017 financial year that is largely replaced by the West Midlands integrated out of hours/NHS 111 service that commenced in November 2016. This service has integrated well into our existing infrastructure but as with many new Health Care contracts, the work force transition has suppressed Year One profitability, with improvements expected in future years when operations are fully optimised. The Primary Care service line has also incurred a higher than normal amount of overhead as the business pursued new contract opportunities, particularly within prison healthcare but also within the urgent care sector (NHS 111 and out-of-hours) where procurement outcomes remain difficult to predict due to commissioners seeking to provide services within increasingly constrained financial envelopes that are not commensurate with the infrastructure and overhead required to provide such services. We were disappointed to lose our Brent out-of-hours/NHS 111 contract to another provider who already has a significant presence in North West London.

The Secondary Care service line, excluding the impact of the former Manchester CATS service, has increased Adjusted EBITDA by £0.7m; consistent with the factors outlined above in respect of Secondary Care revenue and in particular in ISTC elective surgery units. The increase is marginally diluted by the year-on-year impact of the re-pricing of the Southampton treatment centre as it stepped down from Wave 2 contract terms in November 2015. The increase is notwithstanding significant factors that are affecting the sector as a whole, being underlying cost inflation and the shortage of nurses and senior medical resource. We have experienced an increase in the reliance on agency staff during the year as a result of the competition in the sector to recruit and retain staff in some services.

Activity levels were weaker in the second half of the year and continue to track below levels we would expect. Therefore, whilst we are pleased by year-on-year growth in revenue and profitability across our treatment centres in aggregate, we remain cautious regarding a return to activity levels that we would expect. Whilst we have maintained market share in this elective surgery sector it is clear that the financial pressure in the NHS is leading commissioners to reduce demand. This deferring of procedures is clearly leading to the build-up of a large number of patients needing treatment and we believe that the consequent increase in waiting lists is unsustainable. Care UK is exploring partnership structures with NHS Acute Trusts alongside developing the opportunity to give patients choice and control over their treatment through a self-funding alternative currently being trialled.

Pressure for further funding increases resulted in additional funding being made available as part of the Autumn 2017 budget. While the scale of the new funding - £2.8bn over three years – is less than NHS leaders had requested, Care UK is well placed to help commissioners utilise it to alleviate winter pressures and reduce waiting lists for planned surgery. Nonetheless, NHS organisations still face a stretching set of efficiency demands, on top of the Forward View's initial target of total savings amounting to £22bn, requiring commissioners to seek efficient sources of supply. We therefore remain confident in the value of our elective surgery facilities and services in the medium term most independent sector providers remain exposed to the short-term trading pressures.

Continuing Operations

Revenue

Revenue increased by 10.4%, or £61.6m, from £594.2m for the year ended 30 September 2016 to £655.8m for the year ended 30 September 2017. The Residential Care division increased revenue by £28.8m, with a significant proportion attributable to the new care homes opened in the previous four financial years, and subsequent increase in self-funded residents, together with a positive contribution from the Suffolk homes as they mature. The core mature estate also delivered a robust increase in revenue, through increased fee rates but also a greater level of self-funding residents. The Health Care revenue for the same period has increased by £32.8m which is the net effect of a number of offsetting factors. New contracts mobilised during 2016 and 2017 are delivering health care across a total of 28 prison and offender facilities added revenue of £42.6m (c£85m annualised). This was offset by the tail end of the step down on Wave 2 contract pricing; various out of hours service contract exits, together with the disposal of the former Manchester CATS service. There was positive growth in revenue across our ISTC elective surgery units despite unpredictable activity levels as a result of commissioners restricting access for patients. Our NHS 111 services revenue grew by £9.5m in the year due to the West Midlands contract but also supported by contract extensions and improved funding in some but not all geographies.

STRATEGIC REPORT (continued)

In the year ended 30 September 2017 approximately 80% (30 September 2016: approximately 81%) of revenue from continuing operations was derived from contracts with publically funded entities, with the remainder derived from self-funding individuals in Care UK's residential care business.

Cost of Sales

The group's cost of sales increased by 10.8%, or £57.0m from £529.9m for the 2016 financial year to £586.9m for the 2017 financial year. The scale of the increase is commensurate with the increase in revenue across both Residential and Health care businesses outlined above. Measured as a percentage of revenue, cost of sales increased marginally from 89.1% for the 2016 financial year to 89.4% for the 2017 financial year. A large proportion of the group's cost of sales relates to direct labour costs, consisting of employed staff (including agency), staff seconded from the NHS and self-employed medical professionals. For employed staff (including agency) the total cost as a percentage of revenue has decreased by 0.4 % from 2016 to 2017, although the proportion of this cost relating to agency staff has increased marginally in both operating divisions driven by the continued sector wide shortage of health care professionals and partly due to the high level of contract mobilisations undertaken during the year, particularly within prisons. Other non-staff costs have increased in line with inflation and again commensurate with the increase in revenue.

Administrative expenses

The group's administrative expenses decreased by £1.1m, from £72.2m for the 2016 financial year to £71.1m for the 2017 financial year. Administrative expenses include non-recurring items and non-cash charges for depreciation, amortisation, loss on disposal of assets and IAS 17 rent charges. The majority of the Group's depreciation is recognised in cost of sales, but an element relating to group and divisional support assets is recognised in administration expenses and increased by £1.7m year-on-year. The charge in respect of amortisation of intangible fixed assets reduced by £4.8m year-on-year, largely as a result of the natural unwind of the economic life attached to the underlying contract values in the Health Care division.

Operating loss before financing expense

Care UK's operating loss before financing expenses decreased from a loss of £7.9m in the year ended 30 September 2016 to a loss of £2.2m for the year ended 30 September 2017. This decrease in operating loss reflects the factors discussed above in relation to revenue and cost of sales.

Non-recurring items

The group separately identifies and discloses certain items, referred to as non-recurring items, by virtue of size, nature or occurrence. Non-recurring items incurred in the year ended 30 September 2017 amounted to a charge of £5.3m in aggregate (£3.5m in the year ended 30 September 2016). The key elements of the charges for both years on a continuing basis are set out in the following table, see note 4 for further details:

	Year ended 30 September	
	2017	**2016**
	£m	**£m**
Contract transfer and integration costs	1.0	0.5
Contract exit and transition costs	(1.0)	-
Restructuring	(2.0)	(1.3)
Procurement programme	(3.3)	-
Secondary care productivity improvement costs	-	(2.7)
Total	**(5.3)**	**(3.5)**

STRATEGIC REPORT (continued)

Net financing expense

Care UK's net financing expenses decreased by £2.4m from £17.9m for year ended 30 September 2016 to £15.5m for the year ended 30 September 2017. The majority of the financing expense of £19.0m comprises the interest payable on the group's 2014 Notes, and interest and commitment fees payable on the group's Revolving Credit Facility ("RCF"), all of which have an underlying link to LIBOR. Other non-cash elements of the finance expense include the unwinding of discounting on various long-term provisions and the amortisation of loan arrangement fees.

The majority of the financing income of £3.5m relates to non-cash interest accrued on loans with the independent development group Silver Sea (see note 32).

Taxation

Care UK's taxation changed from a charge of £5.9m for the year ended 30 September 2016 to a taxation credit of £0.8m during the year ended 30 September 2017. The charge incurred in 2016 occurred largely as a result of the de-recognition of certain deferred taxation assets as a result of a change in the loss relief rules that came into effect from 1 April 2017. There has been no major change in the anticipated tax rates going forward.

PRINCIPAL RISKS AND UNCERTAINTIES

The board has overall responsibility for the group's approach to assessing risk and recognises that creating value is the reward for taking, and accepting, risk. Executive management implement the board's policies on risk and control and present assurance on compliance with these policies. The divisional management teams are responsible for managing risk and maintaining appropriate control environments.

Further information is provided on accounting estimates and judgements in the accounting policies section of these financial statements

Impact of referendum on membership of the European Union

Care UK faces potential risks associated with the proposed exit by the UK from its membership of the European Union, and the potential uncertainty preceding that exit. The UK exiting the European Union could materially change both the fiscal and legal framework in which Care UK operates, and it could have a material impact on the UK's economy and its future economic growth. In addition, prolonged uncertainty regarding aspects of the UK economy due to the uncertainty around the proposed exit could damage customers' and investors' confidence. The consequences and potential risks arising from the decision in the 2016 referendum to leave the European Union relate principally to the labour market for essential care workers. The likelihood of any adverse impact remains unclear, but the sector is working actively to ensure that measures to support ongoing recruitment and retention of necessary care and nursing staff are in place.

Competition and Markets Authority ("CMA")

The Competition and Markets Authority have undertaken a review of the residential care home market. On 30 November 2017, The Competition and Markets Authority announced the outcome of their investigation into the care home sector. We are still evaluating the report but do not expect it to have a material impact on the company's financial performance.

STRATEGIC REPORT (continued)

The principal risks and uncertainties for the group are set out below in summary. Further detail can be found on Care UK's website, www.careukgroup.com.

- Care UK relies on providing services to publicly funded entities in the United Kingdom such as Local Authorities and the NHS, typically through Clinical Commissioning Groups and NHS England, for a substantial proportion of its revenue and any material reduction in the revenue earned from such services could adversely impact Care UK's business, results of operations and financial condition.
- Changes in public policy for health and social care and uncertainty as to the future of such policies, particularly given the UK Government's commitment to reducing public deficit spending, could have an adverse impact on Care UK and delay or prevent its ability to achieve its strategic goals or increase the costs of achieving them.
- Care UK's strategy is partly based on growth derived from increased levels of consumer demand for certain of its services or the increased influence of consumers in the choice of the provider of care to them and, as a result, its future growth is dependent on maintaining the quality of its services, consumer and patient perception of that quality and on its ability to market these services effectively.
- The risk of an extended recessionary period and weak macro-economic conditions generally may have an adverse effect on personal disposable income.
- Care UK earns revenue from long-term contracts and, as a result, a failure accurately to predict and account for future cost increases or to overestimate its ability to efficiently deliver the services that it contracts to provide could affect its profitability. Failure to perform its services in accordance with its contractual obligations could result in Care UK facing financial penalties or being required to continue operating unprofitable contracts.
- Future changes in the rate of the National Living Wage ("NLW") will have a significant impact on labour costs for the social care sector (including Care UK's residential care services business) and level of recovery through fee increases is uncertain. Failure to recover such costs would have a negative impact on margin.
- Care UK operates in a highly regulated business environment and failure to comply with regulations could lead to substantial penalties, including the loss of the registration certificates necessary to continue to trade.
- Care UK may fail to achieve anticipated contract or service volumes or it may reach those volumes over a longer period of time than originally anticipated under its contracts or service business plans, which could have a negative impact upon its results of operations and the financial performance of Care UK.
- Care UK's revenue is derived from contracts and if Care UK is unable to renew them or replace them with comparable contracts, it could suffer a substantial reduction in revenues.
- Negative publicity generally could adversely impact Care UK.
- Certain of Care UK's operations, particularly in social care, are capital intensive and require significant capital investment and planning to support successful organic growth.
- Care UK's growth plans require significant process and efficiency improvements to drive greater operating efficiency within the group's businesses. These initiatives exert competing pressures on the resources of the business, and may impact upon the speed of change the business can cope with in the short-term.
- Financing for the development of new facilities or modifications of existing facilities may not be available to Care UK on acceptable terms in the future or at all.
- Care UK's insurance may be inadequate or premiums may increase substantially.
- UK Government outsourcing of the provision of health care services to private providers is a relatively new development in the United Kingdom and the observed growth in this area may not be sustained or could be reversed.
- Care UK's activities are exposed to significant medical, clinical and health and safety risks and the risk of acute service failure.
- Care UK operates in a competitive environment and faces competition with other for-profit, public and not-for-profit entities for contracts, patients and service users as well as for appropriate sites on which to expand and build new facilities.
- The Competition and Markets Authority have undertaken a review of the residential care home market.

STRATEGIC REPORT (continued)

- The senior management team is critical to Care UK's continued performance.
- Care UK's business could be disrupted if its information systems fail or if its databases were destroyed or damaged.
- Care UK handles sensitive consumer data in the ordinary course of its business and any failure to maintain the confidentiality of that data could result in legal liability for, and reputational harm to, Care UK.
- Care UK's business is subject to laws and regulations relating to the environment and public health.
- Loss of Care UK's ability to use certain key properties subject to long-term leases through termination or frustration of the relevant lease, compulsory purchase or other events or circumstances outside its control could have a material adverse effect on its ability to operate its business and meet its financial obligations.
- Care UK may become involved in legal proceedings based on environmental, health and public liability and the duty of care it assumes for its service users.
- Care UK could be adversely affected by violations by its employees of anti-bribery laws and/or other government regulations.
- Care UK may have exposure to greater tax liabilities than anticipated.
- Care UK may incur substantially more debt in the future. Together with its current leverage, it may be difficult for Care UK to service its debt and impair its ability to operate its businesses.
- Care UK is subject to covenants under its Revolving Credit Facility and the 2014 Notes, which will limit its operating and financial flexibility and, if Care UK defaults under these covenants, it may not be able to meet its payment obligations.
- Care UK may not be able to generate sufficient cash to service its indebtedness, including due to factors outside its control, and may be forced to take other actions to satisfy its obligations under its indebtedness, which may not be successful.
- The 2014 Notes, drawings under the Revolving Credit Facility and any future variable interest rate debt could rise significantly in the future thereby increasing costs and reducing cash flow.
- The interests of Care UK's principal shareholder may be inconsistent with the interests of the holders of the 2014 Notes.
- Overseas bondholders may be subject to exchange rate risk.
- Care UK is exposed to risks related to the UK's proposed termination of its membership of the European Union.
- Care UK depends on its ability to attract, retain and train experienced and/or qualified staff in a number of disciplines and any reduction in the number of such individuals or an increase in the wages and salaries necessary to attract and retain them could negatively impact Care UK.

This report was approved by order of the Board.

P. Whitecross

PHILIP WHITECROSS
DIRECTOR

Connaught House
850 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9QB
4 December 2017

DIRECTORS' REPORT

The Directors present their Directors' report and Financial Statements for the year ended 30 September 2017.

Principal activities

The Care UK Health & Social Care Investments Limited Group's ('the Group' or 'Investments') principal activities comprise the provision of health and social care services, focused on the continued development of residential care services, through its new home development programme, and on its market leading provision of primary and secondary NHS health services.

Investments is a holding company, which indirectly holds 100% of Care UK Limited ('Care UK'). These 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.

Dividends

No interim dividend was paid and the directors do not recommend the payment of a final dividend. No dividends were paid either in or relating to the year ended 30 September 2017.

Employment policies

Our aims:

At Care UK, we believe we thrive because our people love what they do and because they connect with our core value – to fulfil lives.

We want our people to flourish and be positive advocates of our organisation. We are committed to providing an engaging and inclusive environment for everyone who works with us regardless of their background, beliefs or personal context.

Our policies:

Our people policies reflect the changing needs of society, offering a range of family friendly opportunities and flexible ways of working to ensure those who choose to work with us can balance their commitments both in and out of work.

We regularly review and assess our policies with equality in mind and we are committed to making reasonable adjustments to both our policies and our processes where individual or group need arises.

Communicating:

We communicate with our people through a range of channels including face to face meetings and forums, newsletters and most importantly our intranet, which is available to colleagues both in the workplace and via their personal mobile devices. Each division delivers tailor made content to ensure it is relevant and meaningful to colleagues.

Listening:

Our annual 'Over to you!' survey helps us to understand what's important to our people and develop business strategies that reflect what our people tell us. Action planning takes place at local and divisional level.

Supporting:

We provide all colleagues with a free employee assistance programme to help them deal with personal and domestic issues via telephone or face to face counselling. Support can range from simple advice and guidance right through to cognitive behavioural therapy. Online resources offer health quizzes and lifestyle advice.

Occupational Health Services help us keep our people well at work both physically and mentally. Occupational Health also helps us ensure that any health related risks at work are managed and our people kept safe from any potential work related sickness.

DIRECTORS' REPORT (continued)

We ensure that throughout our business, we support our managers to deliver benchmark employment practices through the provision of a 24/7 employment advice helpline. The helpline provides prompt and timely advice to help managers deal with people issues effectively, fairly and consistently.

Regulation and governance

As outlined above the board has overall responsibility for the group's approach to assessing risk and the divisional management teams are responsible for managing risk and maintaining appropriate control environments.

In addition to Care UK's internal governance framework, Care UK's services operate within a robust, externally validated governance structure which provides a strong focus on clinical safety, transparency, learning and improvement as well as rigorous financial oversight. Care UK's external governance includes the following components:

NHS Improvement

Care UK is regulated by NHS Improvement (formerly 'Monitor') when providing services to the NHS. NHS Improvement oversees the market for healthcare in the UK, including competition and procurement processes and the performance and sustainability of both providers and commissioners. NHS Improvement's regulatory duties include determining tariffs for key NHS services provided by Care UK.

The Care Act 2014

The 2014 Care Act provides an overarching piece of legislation addressing the way in which care is provided by local authorities and has significant implications for providers. The Act, the first part of which was implemented in April 2015, establishes a principle of wellbeing in law, sets requirements for assessment, eligibility, planning and safeguarding process, creates a market oversight process to manage provider failure, sets out future funding reforms and established a Duty of Candour with which providers must comply.

Implementation of the second part of the Act, principally addressing funding reforms, has been delayed from the planned April 2016 date.

Market oversight

The Care Quality Commission (CQC) is required by the Care Act to operate a statutory market oversight scheme in the social care sector, to assess the financial sustainability of those care organisations, including Care UK, that local authorities would find difficult to replace should they become unable to deliver services.

Care UK is included within the scheme because it meets eligibility criteria based on size, number of services and number of employees and as such provides CQC with appropriate financial and operational information.

Quality inspections in England, Scotland and Wales

Health and social care services are regulated in England by the Care Quality Commission (CQC), in Scotland by the Care Inspectorate and in Wales by the Care and Social Services Inspectorate Wales. The majority of Care UK's service are inspected by CQC.

In England, CQC has fully introduced new inspection models for health and social care services, asking five key questions of every provider or service: is it safe, is it effective, is it caring, is it responsive and is it well-led. Each question, as well as providing an overall rating for the home, is rated as one of inadequate, requires improvement, good or outstanding. There is little scope to appeal the judgement rating inherent in this system. The ratings are publicised by the CQC on their website in relation to each home that they regulate.

DIRECTORS' REPORT (continued)

Care UK agrees with the principles underpinning the approach and believes that an effective inspection regime is an appropriate tool to drive and secure high quality, safe services.

CQC is able to impose conditions on services which fail to meet appropriate standards of care, including placing individual services in special measures, placing embargoes on admissions to particular services, requiring and monitoring action and improvement plans and, in extreme cases, suspending or revoking registration (which means in effect closing the home as it is a criminal offence to provide regulated services without registration).

CQC also have prosecution powers and are increasingly investigating care providers where they seem to have failed to provide safe care to residents.

In Scotland, similar functions are carried out by the Care Inspectorate. In Wales, responsibility is held by the Care and Social Services Inspectorate Wales.

Gender diversity

The following table shows our current gender diversity:

	2017		2016	
	Male %	**Female %**	**Male %**	**Female %**
Board of directors	**100**	**-**	**100**	**-**
Senior managers[1]	**59**	**41**	**55**	**45**
Other employees	**20**	**80**	**22**	**78**

[1]Senior managers are comprised of the members of the executive committee (unless already included within the board of directors) and members of the executive teams.

Financial risk management

Refer to note 24 for disclosure of the group's financial risk management policies and procedures.

Charitable and political donations

The Group supports a number of charities through a community support scheme. During the year it made charitable donations of £42,000 (2016: £65,000). No political donations were made in the year.

Directors

The names of the directors who held office on 30 September 2017 and those serving during the year are as follows:

Mike Parish

Philip Whitecross

Jonathan Calow

Statement on payment of suppliers

The Group does not follow a specific code or statement on payment practice. However, it is the Group's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations.

DIRECTORS' REPORT (continued)

Corporate social responsibilities

Care UK is committed to supporting research and investing in social initiatives and charitable organisations which support wellbeing. Care UK is also committed to developing skilled clinicians and carers and to managing all our care settings in an environmentally responsible way in order to benefit the local community.

Environmental policies

Care UK meet all reporting and submission requirements set by the Environment Agency's ESOS (Energy Savings Opportunities Scheme) and CRC Energy Efficiency Scheme, and have made appropriate carbon allowances based on our gas and electricity usage. Care UK are also committed to Project Green - an ambitious environmental commitment which covers the whole of our property portfolio, targeting a 10 percent reduction in carbon emissions per resident/patient and the Europe-wide target of recycling 50 percent of our general waste.

Reducing our carbon footprint is not an easy challenge as, by the very nature of care homes and clinical services, our properties are net consumers of energy resources. We are using a three-tier approach. The first, and in many ways the most important, is our people – our teams, service users, patients and residents. By educating everyone in our services about the importance of reducing, reusing and recycling, we are making a sustainable start to day-to-day environmental responsibility.

Trained advisers visit our residential homes to explain how our carbon footprint can be reduced. They are have recruited Eco Ambassadors among both colleagues and residents to act as drivers for change, questioning how things are done and, challenging people to improve their green habits.

The second tier focuses on process and looks at some of the more technical issues around how we run our buildings, such as building in seasonal flexibility to heating and lighting.

The final tier is technology, where we are making our largest financial commitment. This includes completion of the first phase of a programme to move to LED lighting across the whole portfolio, the installation of new-generation, fuel-efficient boilers, electrical control systems on heaters and the use of combined heat and power units solar panels on roofs in all new-build homes.

In addition to carbon reduction we have made a significant reduction in our consumption of mains water through the introduction of 'smart' water-meter technology to enable us rapidly identify and repair leaks.

Working with the Community:

Care UK colleagues regularly extend their care for others beyond their day job and out into their own communities through a range of fundraising activities. We are delighted to reward and acknowledge their efforts through our Working with the Community Fund. The Working with the Community Fund provides employee matched funding up to £1,000 per application. Each year, up to £25,000 of employee fundraising is matched, helping our colleagues support charities that operate in the communities where Care UK is active. A wide range of charities are helped by the funds that our employees raise, in particular cancer charities and Children in Need are two of the most supported by Care UK colleagues. To date, more than 100 different national and local charities have received match funding donations.

Wellbeing Foundation:

In the latter part of 2017, funds which had been ring-fenced for The Wellbeing Foundation were devolved to the two operating companies; Residential Care Services and Health Care. This was to enable the companies to ensure that Care UK's charitable giving remained relevant and meaningful to our employees.

Our Residential Care Services division has already started to turn the funds into action, commencing a relationship with the Care Workers Charity, a fund committed to helping care workers in times of need. Our Health Care division is currently reviewing the options with a view to setting up a relationship during the early part of 2018.

DIRECTORS' REPORT (continued)

2017 saw the second year of Care UK's partnership with Essex-based charity, the Rob George Foundation. The relationship has ensured continuing sponsorship of young people, enabling them to further their talent aspirations, alongside the opportunity for Care UK colleagues to directly engage in community-based projects – such as participating in a mentoring scheme for students at a local school.

Guidelines for Disclosure and Transparency in Private Equity

The Directors consider that the annual report and Financial Statements have been prepared in accordance with the Guidelines for Disclosure and Transparency in Private Equity.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's Auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's Auditor is aware of that information.

This report was approved by order of the Board.

P. White

PHILIP WHITECROSS
DIRECTOR

Connaught House
850 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9QB
4 December 2017

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE
For the year ended 30 September 2017

	Notes	2017	2016
		£m	**£m**
Revenue		**655.8**	594.2
Cost of sales		**(586.9)**	(529.9)
Gross profit		**68.9**	64.3
Administrative expenses		**(71.1)**	(72.2)
Operating loss before financing expense		**(2.2)**	(7.9)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**35.4**	31.6
Depreciation of tangible assets	7	**(22.3)**	(20.3)
Adjusted operating profit		**13.1**	11.3
Amortisation of intangible assets	7	**(9.5)**	(14.3)
Profit/(loss) on disposal of tangible fixed assets	7	**0.2**	(0.5)
Loss on disposal of discontinued operations		**(0.9)**	-
Non-recurring items	4	**(5.3)**	(3.5)
IAS 17 lease credit/(expense)		**0.2**	(0.9)
Operating loss before financing expense		**(2.2)**	(7.9)
Financial income		**3.5**	3.1
Financial expense		**(19.0)**	(21.0)
Net financing expense	5	**(15.5)**	(17.9)
Loss before taxation	7	**(17.7)**	(25.8)
Taxation	9	**0.8**	(5.9)
Loss for the year from continuing operations		**(16.9)**	(31.7)
Profit for the year from discontinued operations	8	**-**	0.1
Loss for the year attributable to equity holders of the parent		**(16.9)**	(31.6)
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension plan	26	**3.8**	(6.7)
Deferred taxation (charge)/credit on actuarial gain/(loss)	9	**(0.7)**	1.3
Other comprehensive income/(loss) for the year, net of taxation		**3.1**	(5.4)
Total comprehensive loss for the year attributable to equity holders of the parent		**(13.8)**	(37.0)

The notes on pages 22 to 68 form an integral part of these financial statements.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

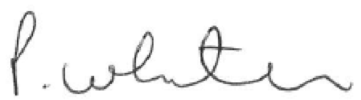
		Group		Company	
	Notes	**2017**	**2016**	**2017**	**2016**
		£m	**£m**	**£m**	**£m**
Assets					
Property, plant and equipment	10	**190.9**	190.0	-	-
Intangible assets	11	**138.2**	147.7	-	-
Other financial assets	12	**17.5**	20.0	**-**	-
Amounts due from related party undertakings		**27.7**	27.6	**-**	-
Investments in subsidiary undertakings	13	**-**	-	**226.4**	226.4
Other receivables	15(a)	**8.0**	8.3	**-**	-
Deferred tax assets	22	**7.7**	7.7	**-**	-
Total non-current assets		**390.0**	401.3	**226.4**	226.4
Other financial assets	12	**1.3**	1.4	**-**	-
Inventories	14	**2.0**	3.7	**-**	-
Trade and other receivables	15(b)	**57.6**	50.1	**-**	-
Cash and cash equivalents	16	**12.0**	12.8	**-**	-
		72.9	68.0	**-**	-
Assets held for sale	17	**4.4**	2.9	**-**	-
Total current assets		**77.3**	70.9	**-**	-
Total assets		**467.3**	472.2	**226.4**	226.4
Liabilities					
Trade and other payables	19	**(154.4)**	(137.6)	**(9.8)**	(2.6)
Current tax liabilities		**(1.5)**	(1.7)	**-**	-
Provisions for other liabilities and charges	21	**(1.0)**	(1.0)	**-**	-
Total current liabilities		**(156.9)**	(140.3)	**(9.8)**	(2.6)
Financial liabilities	18(a)	**(269.4)**	(274.1)	**(3.8)**	(9.6)
Other non-current liabilities	20	**(15.1)**	(19.3)	**-**	-
Amounts due to parent undertakings		**(5.9)**	(5.5)	**-**	-
Provisions for other liabilities and charges	21	**(26.1)**	(25.3)	**-**	-
Total non-current liabilities		**(316.5)**	(324.2)	**(3.8)**	(9.6)
Total liabilities		**(473.4)**	(464.5)	**(13.6)**	(12.2)
Net (liabilities)/assets		**(6.1)**	7.7	**212.8**	214.2

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2017

		Group		Company	
	Notes	**2017**	**2016**	**2017**	**2016**
		£m	**£m**	**£m**	**£m**
Equity					
Issued share capital	23	**210.7**	210.7	**210.7**	210.7
Capital contribution reserve	23	**15.7**	15.7	**15.7**	15.7
Retained earnings		**(232.5)**	(218.7)	**(13.6)**	(12.2)
Total (deficit)/equity attributable to equity holders of the parent		**(6.1)**	7.7	**212.8**	214.2

The notes on pages 22 to 68 form an integral part of these financial statements.

The Financial Statements of Care UK Health & Social Care Investments Ltd (registered number 07158140) on pages 17 to 68 were approved by the Board of Directors on 4 December 2017 and were signed on its behalf by:



PHILIP WHITECROSS
Director

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
As at 30 September 2017

	Attributable to equity holders of the parent			
Group	**Issued share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity /(deficit)**
	£m	**£m**	**£m**	**£m**
At 30 September 2015	210.7	15.7	(181.7)	44.7
Total comprehensive loss for the year.	-	-	(37.0)	(37.0)
At 30 September 2016	**210.7**	**15.7**	**(218.7)**	**7.7**
Total comprehensive loss for the year.	-	-	(13.8)	(13.8)
At 30 September 2017	**210.7**	**15.7**	**(232.5)**	**(6.1)**

	Attributable to equity holders of the parent			
Company	**Issued share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity**
	£m	**£m**	**£m**	**£m**
At 30 September 2015	210.7	15.7	(10.9)	215.5
Total comprehensive loss for the year.	-	-	(1.3)	(1.3)
At 30 September 2016	**210.7**	**15.7**	**(12.2)**	**214.2**
Total comprehensive loss for the year.	-	-	(1.4)	(1.4)
At 30 September 2017	**210.7**	**15.7**	**(13.6)**	**212.8**

The notes on pages 22 to 68 form an integral part of these financial statements.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
For the year ended 30 September 2017

		Group		Company	
	Notes	**2017**	**2016**	**2017**	**2016**
		£m	**£m**	**£m**	**£m**
Net cash flow from operating activities	28	**44.8**	38.0	**7.2**	1.6
Cash flow from investing activities					
Disposal of businesses, net of cash disposed		**0.2**	0.1	**-**	-
Payments to acquire property, plant and equipment		**(27.0)**	(23.4)	**-**	-
Loans from/(to) related party undertakings		**2.5**	(4.2)	**-**	-
Interest received		**0.1**	0.1	**-**	-
Net proceeds from sales of property, plant and equipment		**0.7**	0.7	**-**	-
Net cash flow from investing activities		**(23.5)**	(26.7)	**-**	-
Cash flow from financing activities					
Proceeds from borrowings		**150.7**	83.4	**150.0**	84.0
Repayment of borrowings		**(156.0)**	(84.0)	**(156.0)**	(84.0)
Interest paid		**(16.8)**	(17.6)	**(1.2)**	(1.6)
Finance costs		**-**	(0.1)	**-**	-
Payment of capital element of finance lease payments		**-**	(0.1)	**-**	-
Net cash flow from financing activities		**(22.1)**	(18.4)	**(7.2)**	(1.6)
Net decrease in cash and cash equivalents		**(0.8)**	(7.1)	**-**	-
Cash and cash equivalents at the beginning of the year		**12.8**	19.9	**-**	-
Cash and cash equivalents at the end of the year	16	**12.0**	12.8	**-**	-

The notes on pages 22 to 68 form an integral part of these financial statements.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Care UK Health & Social Care Investments Limited (“the company”) is a private company, limited by shares and is incorporated and domiciled in England and Wales.

The Consolidated Financial Statements of the company for the year ended 30 September 2017 comprise the company and its subsidiaries (together referred to as the “group”). See note 35 for a full list of subsidiaries.

The Financial Statements were authorised for issue by the directors on 4 December 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the group and parent company are set out below.

(A) STATEMENT OF COMPLIANCE

The group’s annual consolidated financial statements for the year ended 30 September 2017 are prepared in accordance with IFRS adopted for use within the EU (“adopted IFRS”), including International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The directors have elected to prepare the parent company’s financial statements on the same basis.

(B) BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis or fair value as appropriate.

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The preparation of 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note (F) in these Accounting Policies.

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

The accounting policies set out on the following pages have been applied consistently to all periods presented in the financial statements. The accounting policies have been applied consistently by group entities. Refer to section (C) of these Accounting Policies for new standards effective and applied in these financial statements.

(B) BASIS OF PREPARATION (continued)

During the current year, although the group incurred total comprehensive losses of £13.8m (2016: £37.0m), it generated positive cash flow from operations of £44.8m (2016: £38.0m). The Financial Statements are prepared on a going concern basis, which the directors feel to be appropriate for the following reasons:

- As at 30 September 2017 the group has undrawn borrowing facilities of £61.0m (2016: £45.6m) and cash of £12.0m (2016: £12.8m).
- The group has net liabilities of £6.1m at the 30 September 2017, however the group's forecasts for the forthcoming financial years demonstrate that the business has adequate financial resources and headroom within its credit facilities to continue to invest in growth and meet its future financial obligations as they fall due, including remaining compliant with its associated debt covenants.
- The group has maintained a stable financing structure since the last refinancing performed in 2014. Of the debt instruments in place, the earliest to mature is the RCF with a date of 11 May 2019 with the First Lien Senior Secured Noted being repayable in July 2019 and the Second Lien repayable in January 2020.

In applying the going concern concept, the directors have taken into account the key risks to which the group is exposed, as outlined in the Strategic Report, and believe the company is able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

(C) NEW STANDARDS EFFECTIVE AND APPLIED IN THESE FINANCIAL STATEMENTS

The company has adopted the following new standards, amendments to standards and interpretations issued under IFRS, the adoption of which has had no material financial effect on the group for the current year:

- Amendments to IFRS10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception;
- Amendments to IAS27 Equity Method in Separate Financial Statements;
- Amendments to IAS 1: Disclosure Initiative;
- Annual Improvements to IFRSs – 2012-2014 Cycle;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations; and
- Amendments to IAS 16 and IAS 41: Bearer Plants

(D) NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The International Accounting Standards Board (IASB) and International Financial Reporting Committee (IFRIC) have also issued the following Standards and Interpretations with an effective date after the date of these financial statements (and in some cases not yet adopted by EU):

		Effective for periods commencing after
• Multiple	Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 & 2018
• IFRS 9	Financial Instruments	1 January 2018
• IFRS 15	Revenue from Contracts with Customers	1 January 2018
• IFRS 16	Leases	1 January 2019
• IAS 12	Amendments- Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017 (*)
• IAS 7	Amendments- Disclosure Initiative	1 January 2017 (*)
• IFRS 2	Amendments- Classification and Measurement of Share based Payment Transactions	1 January 2018
• IFRS 4	Amendments- Applying IFRS9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
• IFRS 17	Insurance Contracts	1 January 2019
• IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
• IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
• IAS 40	Transfers of Investment Property	1 January 2018
• IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• IAS 28	Long- term interests in Associates and Joint Ventures	1 January 2019

(*) Awaiting EU endorsement

The group intends to adopt these standards in the first accounting period after the effective date. With the exception of IFRS 15 and IFRS 16, the Directors do not anticipate that the adoption of the remaining Standards and Interpretations will have a material effect on the consolidated financial statements in the period of initial application. With regard to IFRS 15, which provides for a single principle-based model to be applied to all sales contracts based on the transfer of control of goods and services to customers, the Directors anticipate that the application of the standard may have a material effect on the amounts reported and the disclosures made in the consolidated financial statements. The adoption of IFRS 16 will result in the recognition of assets on the balance sheet which are currently leased under operating lease. Until the group performs a detailed impact assessment of both standards, it is not practicable to provide a reasonable estimate of the financial impact.

(E) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(E) BASIS OF CONSOLIDATION (continued)

(ii) Joint ventures

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

(iii) Transactions eliminated upon consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(F) SIGNIFICANT SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The preparation of the Financial Statements in conformity with adopted IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the year then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes, provisions, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the year that an adjustment is determined to be required.

Management regularly discusses with the Audit Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates.

Significant accounting judgements in applying the group's accounting policies have been applied by the group in order to prepare the consolidated financial statements with respect to the value of tangible assets (note 10), intangible assets including goodwill (note 11), provisions (note 21), and pensions (note 26), and are described below.

Tangible assets

The group assesses the recoverable amount of tangible fixed assets where there are indications that the assets could be impaired. Indicators of impairment include factors internal and external to the organisation that suggest the asset's value may have declined. Where indicators suggest that the value of the asset may have declined, the group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Further details are given in note 10.

(F) SIGNIFICANT SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

Intangible assets

The group uses forecast cash flow information and estimates of future growth to initially value other intangible assets recognised as part of business combinations, to assess whether goodwill and other intangible assets are impaired, and to determine the useful economic lives of its intangible assets. If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment charge may be triggered at that point, or a reduction in useful economic life may be required.

Provision for onerous contracts

During the year ended 30 September 2015 the group provided for onerous contracts to the extent that the unavoidable costs of fulfilling the contractual obligation exceeded the estimated economic benefit expected from the contract. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable risk-adjusted discount rate in order to calculate present value. The carrying amount of the provision relating to onerous care home leases as at 30 September 2017 was £15.0m (2016: £14.6m) and is expected to be realised over a period from 2018 to 2037. See note 21 for further details.

Provision for dilapidations

The group has recognised provisions for the cost of dilapidations on leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate. The carrying amount of the provision for the year ended 30 September 2017 was £12.1m (2016: £11.7m). This provision is expected to be utilised over a period from 2018 to 2057. See note 21 for further details.

Defined benefit pension schemes

The defined benefit pension deficits are calculated by independent qualified actuaries using actual payroll data and actuarial assumptions to model the future costs and expected benefits. These assumptions cover discount rate, life expectancy, mortality, inflation, and expected retirement age. These assumptions are updated on an annual basis and change with current market data which may necessitate material adjustments to this liability in the future. Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 26.

(G) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the foreign exchange rate ruling at the year-end date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive performance.

The functional currency of all the group entities is sterling.

(H) FINANCIAL INSTRUMENTS

(i) Non-derivative instruments

Non-derivative financial instruments comprise investments in equity, debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. The group has no material non-derivative financial instruments measured at fair value through the consolidated statement of comprehensive performance. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Accounting for cash and cash equivalents is discussed in note (N); interest bearing borrowings in note (P); and finance income and expense in note (U)(iii). Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

On occasion, the group used derivative financial instruments to hedge its exposure to interest rate risks arising from its financing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the consolidated statement of comprehensive performance. Where the derivatives qualify for hedge accounting and the group opts to apply hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. In order to qualify for hedge accounting, the group is required to document in advance the relationship between the item being hedged and the hedging instrument. The group is also required to demonstrate that the hedge is highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure the hedge remains highly effective.

(iii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The associated cumulative gain or loss is removed from equity and recognised in the statement of comprehensive performance in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the statement of comprehensive performance.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of comprehensive performance.

(iv) Financial guarantee contracts

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(I) PROPERTY, PLANT AND EQUIPMENT

(i) Owned assets

Items of property, plant and equipment are included at historic cost or deemed cost, less accumulated depreciation and impairment losses. Certain items of property that had been revalued to fair value prior to 1 October 2004, the date of transition to adopted IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation less any subsequent depreciation and impairments. The fair value adjustments recorded by the group on the acquisition of Care UK Limited in 2010 include uplifts in the valuation of certain tangible assets, as valued independently at the time of the acquisition of Care UK Limited.

The cost of land and buildings includes both the costs of financing assets in the course of construction and other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capitalisation of finance and other costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Assets in the course of construction are carried in the Financial Statements at cost, less any provision for impairment, and are transferred to the appropriate tangible asset balance when the asset is ready for use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is classified as a finance lease. An asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Future instalments under such leases, net of finance charges, are included within creditors.

All other leases are accounted for as operating leases.

The group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified. See note 21 for further details.

(iii) Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive performance, as an expense, as incurred.

(I) PROPERTY, PLANT AND EQUIPMENT (continued)

(iv) Depreciation

Depreciation is charged to the consolidated statement of comprehensive performance to write off the cost, less estimated residual values, of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold land	— no depreciation provided
Freehold buildings	— 25 to 50 years
Long leasehold buildings	— 50 years or, if shorter, the period of the lease or the associated contract
Short leasehold buildings	— the shorter of the period of the lease or the associated contract
Plant and machinery (as an integral part of property assets)	— 25 years or, if shorter, the period of the lease
Motor vehicles	— four years
Furniture, fittings, medical equipment and office equipment	— three to ten years

Depreciation methods and useful economic lives are reviewed at each year-end date. The residual value, if not insignificant, is reassessed annually.

(v) Pre-contract costs

Pre-contract costs include the costs attributable to a contract for the period from the date of securing the contract to the date at which financial close is achieved. The award of preferred bidder status is considered as the point at which it is probable that the contract has been secured, although contracts are individually reviewed in order to apply the most appropriate treatment. Costs that relate directly to a contract and which are incurred in this period are included as part of pre-contract costs where they can be separately identified and reliably measured. Such amounts are held within other debtors until such time as financial close of the contract is achieved, at which time they are transferred to assets in the course of construction.

(vi) Commissioning costs

Certain pre-opening expenditure is incurred to ensure a residential care home is able to operate in the safe and secure manner intended by management with the necessary regulatory and compliance measures in place. Certain directly attributable costs incurred before commencement of a new business operation, where no underlying customer contract exists, are expensed immediately. When costs incurred are directly attributable to an existing customer contract, they are capitalised within the cost of the building.

(J) INTANGIBLE ASSETS

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures, being the excess of the fair value of the purchase consideration over the fair values attributable to the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on acquisitions before the date of transition to adopted IFRS has been retained at the previous UK GAAP amounts. Goodwill is allocated to cash-generating units and is not subject to periodic amortisation but is tested annually for impairment. As permitted under IFRS 3 “Business Combinations”, the fair value of the assets acquired may be reassessed in the instance of further information arising within twelve months from the date of acquisition, provided the initial fair values were determined as provisional.

Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of comprehensive performance.

(ii) Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses. Intangible assets that are recognised as part of a business combination are initially recognised at fair value.

Expenditure on internally generated goodwill and brands is recognised in the consolidated statement of comprehensive performance, as an expense, as incurred.

(iii) Amortisation

Amortisation is charged to the consolidated statement of comprehensive performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Customer contracts are amortised over their estimated useful economic lives, which do not exceed ten years. Goodwill and intangible assets with an indefinite useful life are tested annually for impairment. Intangible assets are amortised from the date they are available for use over their estimated useful lives.

(iv) Impairment of assets

At each year-end date, the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted. Recoverable amounts are calculated for either individual assets, or cash generating units (CGU) for assets which do not generate largely independent cash flows.

If the recoverable amount of an individual asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. For assets carried at cost, any reversals of impairments are recognised in the consolidated statement of comprehensive financial performance but only to the net book value at which the asset would have been carried prior to any impairment. Goodwill impairment losses cannot be subsequently reversed.

(K) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost less any provision for impairment.

(L) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their fair value less impairment losses.

(M) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on a first-in first-out cost formula. During the year, the group reviewed the de minimis limit under which an item of inventory is expensed immediately upon purchase was increased. The raising of this threshold resulted in approximately 60% of inventory items with an aggregate value of £1.7m, which are of a fast moving low value nature, being expensed and recognised as a non-recurring cost. See note 4(c).

(N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management strategy are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(O) SHARE CAPITAL

(i) Dividends

Final dividends are recognised as a liability in the period in which they are approved by the company's shareholders. Interim dividends are recorded in the period in which they are paid.

(P) INTEREST BEARING BORROWINGS

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of comprehensive performance over the period of the borrowings on an effective interest basis.

(Q) EMPLOYEE BENEFITS

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of comprehensive performance as incurred. The assets of defined contribution pension plans are held separately from those of the group, in independently administered managed funds.

(ii) Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair values of plan assets are deducted. The discount rates applied are the yields at the year-end date on AA credit rated corporate bonds that have maturity obligations approximating to the terms of the group's obligations. The calculations are performed by qualified actuaries using the projected unit credit method. Any pension scheme surpluses are limited to the present value of economic benefits available in the form of refunds from the schemes or reductions in the future contributions into the schemes. The group recognises all actuarial gains and losses in the consolidated statement of comprehensive performance. The assets of defined benefit pension plans are held separately from those of the group, in independently administered managed funds. See note 26 for further details.

(iii) Share based payments

Some employees are entitled to purchase shares in the parent company and also in the companies in which they are employed as part of an incentive plan. The nature of any such arrangements are assessed to consider whether they meet the definition of share based payments and whether any share based payments are equity settled or cash settled. The Group currently has equity-settled share based payments and no cash-settled share-based payments.

Equity-settled share based payments are measured at the fair value of the equity instruments on the grant date. See note 27 for further details regarding the determination of the fair value. The resulting fair value is expensed on a straight-line basis over the vesting period.

For cash-settled share based payments, a liability is recognised for the goods or services acquired, initially measured at the fair value of the liability. The fair value of the liability is re-measured at each balance sheet date, with any changes in fair value recognised in profit or loss for the year.

(R) TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

(S) SERVICE CONCESSION ARRANGEMENTS

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

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

As a consequence of this treatment the operator 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.

(T) REVENUE

(i) Services rendered

Revenue represents the fair value of sales and services to third party customers, stated net of any applicable value added tax, rebates and discounts. The stage of completion as defined in IAS 18 “Revenue” is determined by reference to the point at which the group has met its principal contractual obligations. In all businesses when revenue is invoiced in advance this is accounted for as deferred income until the service is provided. Revenue is recognised as follows:

(T) REVENUE (continued)

- **Residential Care**

Residential long-term contracts — revenue is recognised on a time-elapsed basis as the principal contractual obligation is to provide bed capacity. Units of care under these contracts are typically provided on a daily basis and there is no obligation to carry forward any non-utilised capacity.

Residential spot purchase contracts — revenue is recognised when the group's principal contractual obligation is fulfilled, that is typically when a service user has received care services from the group, which are usually provided on a daily basis.

- **Health Care**

Capacity related contracts — revenue is recognised on a time-elapsed basis as the principal contractual obligation is to provide an agreed level of capacity over a fixed term. There is no obligation under these contracts to carry forward non-utilised capacity.

Service related contracts — revenue is recognised only on the delivery of services, either surgical procedures or other treatments, under contractual obligations that are intended to provide a pre-determined volume of services over a fixed term. Revenue attributable to unused capacity is only recognised when recovery of income is considered virtually certain.

(ii) Land pass through

In the normal course of business the group enters into forward agreements with institutional funders for the development of new residential care homes. Where these funding arrangements include the pass through of land from Care UK's customer to the institutional provider, who ultimately bear the risks and rewards of ownership of the property during construction and on legal completion, Care UK makes a nil gain or loss from the pass through transaction.

Under IAS 18 revenue is measured at the fair value of the goods or services received, adjusted by the amount of cash or cash equivalents transferred. Accordingly, Care UK recognises the fair value of non-cash deferred income and operating lease charges, being equal and opposite values, within liabilities and assets respectively upon the legal transfer of land. The subsequent amortisation of both the deferred income and lease charge are released to the consolidated statement of comprehensive performance over the life of the underlying contract and lease relationships. There is no impact on cash flow or total profit or loss that will ultimately be recognised in the consolidated statement of comprehensive performance over the life of the operating leases or service contracts.

(iii) Government grants

Capital based Government grants are included within trade and other payables in the consolidated statement of financial position and credited to the consolidated statement of comprehensive performance over the estimated useful economic lives of the assets to which they relate. Grants that compensate the group for expenses incurred are recognised as revenue in the consolidated statement of comprehensive performance on a systematic basis in the same periods in which the expenses are incurred.

(U) EXPENSES

(i) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of comprehensive performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive performance as an integral part of the total lease expense.

The amortisation of the fair value of non-cash operating lease charges arising on the pass through of land to institutional funders as outlined in accounting policy (I) above are recognised in the consolidated statement of comprehensive performance on a straight-line basis over the term of the lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, net pension interest, foreign exchange gains and losses, unwinding of discount on provisions, and gains and losses on hedging instruments that are recognised in the consolidated statement of comprehensive performance. The interest expense component of finance lease payments is recognised in the consolidated statement of comprehensive performance using the effective interest rate method.

Interest income is recognised in the consolidated statement of comprehensive performance as it accrues, using the effective interest method.

(V) TAXATION

The charge for taxation is based on the profit or loss for the year and comprises current and deferred taxation. Income tax is recognised as an income or expense in the consolidated statement of comprehensive performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year-end date, together with any adjustment to tax payable in respect of previous periods.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill not deductible for taxation purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(W) SEGMENT REPORTING

Care UK Health & Social Care Investments Limited operates solely within the UK, hence no geographical segment disclosures are presented.

Segmental information is presented in respect of business segments which are regularly reviewed by the Chief Operating Decision Maker ("CODM") and the disclosure of the measure of profit and revenue used by the CODM. The segments reviewed by the CODM are Residential Care, Health Care, and Other, which includes the group's central functions. The measure of profit used is "adjusted" operating profit as defined below in non-GAAP performance measures.

(X) NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale are non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before their classification as being held for sale, any such assets (and all assets and liabilities in a disposal group) are measured at fair value in accordance with applicable adopted IFRS. On their ensuing initial classification as being held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs of disposal.

Impairment losses on the initial classification of non-current assets as being held for sale are included in the consolidated statement of comprehensive performance, including where there has been any revaluation of the asset. The same also applies to gains and losses on subsequent measurement.

(Y) NON-GAAP PERFORMANCE MEASURES

The board believe that the measure "adjusted" operating profit provides additional useful information for the shareholders and other stakeholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. The 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 net financing expenses adjusted to exclude amortisation of intangible assets, impairment charges and non-recurring items and excluding the impact of applying IAS 17 in respect of lease incentives. Adjusted EBITDA is defined as adjusted operating profit plus depreciation.

3. SEGMENT REPORTING

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

Continuing Business Segments

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

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

	Continuing Operations					
2017	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	298.8	357.0	-	**655.8**	-	**655.8**
Adjusted EBITDA	29.6	12.2	(6.4)	**35.4**	-	**35.4**
Depreciation of tangible assets	(11.2)	(9.7)	(1.4)	**(22.3)**	-	**(22.3)**
Adjusted operating profit/(loss)	18.4	2.5	(7.8)	**13.1**	-	**13.1**
Amortisation of intangible assets	(4.1)	(5.4)	-	**(9.5)**	-	**(9.5)**
Profit on disposal of tangible assets	0.2	-	-	**0.2**	-	**0.2**
Loss on disposal of discontinued operations	-	-	(0.9)	**(0.9)**	-	**(0.9)**
Non-recurring items	1.0	(5.8)	(0.5)	**(5.3)**	-	**(5.3)**
IAS 17 lease credit	0.2	-	-	**0.2**	-	**0.2**
Profit/(loss) before financing expense and taxation	15.7	(8.7)	(9.2)	**(2.2)**	-	**(2.2)**
Net financing expense						**(15.5)**
Taxation						**0.8**
Loss for the year						**(16.9)**
Operating lease charges: (excluding IAS 17 lease expense)	(30.7)	(11.4)	(0.3)	(42.4)	-	(42.4)

	Continuing Operations					
2017	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Tangible assets						
Property, plant and equipment:						
— additions	15.2	10.1	-	**25.3**	-	**25.3**

3. SEGMENT REPORTING (continued)

2016	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations[1]	Group
	£m	£m	£m	£m	£m	£m
Group revenue	270.0	324.2	-	**594.2**	3.0	**597.2**
Adjusted EBITDA	23.8	12.3	(4.5)	**31.6**	0.1	**31.7**
Depreciation of tangible assets	(11.4)	(7.3)	(1.6)	**(20.3)**	-	**(20.3)**
Adjusted operating profit/(loss)	12.4	5.0	(6.1)	**11.3**	0.1	**11.4**
Amortisation of intangible assets	(4.5)	(9.8)	-	**(14.3)**	-	**(14.3)**
Profit/(loss) on disposal of tangible assets	0.1	(0.1)	(0.5)	**(0.5)**	-	**(0.5)**
Non-recurring items	0.1	(3.6)	-	**(3.5)**	-	**(3.5)**
IAS 17 lease expense	(0.9)	-	-	**(0.9)**	-	**(0.9)**
Profit/(loss) before financing expense and taxation	7.2	(8.5)	(6.6)	**(7.9)**	0.1	**(7.8)**
Net financing expense						**(17.9)**
Taxation						**(5.9)**
Loss for the year						**(31.6)**
Operating lease charges: (excluding IAS 17 lease expense)	(27.3)	(11.2)	(0.3)	(38.8)	-	(38.8)

2016	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Tangible assets						
Property, plant and equipment:						
— additions	11.7	12.2	0.1	**24.0**	-	**24.0**

[1] Amicus ITS – see note 8.

4. NON-RECURRING ITEMS

The group separately identifies and discloses certain items, referred to as non-recurring items, by virtue of size, nature or occurrence. This is consistent with the way that financial performance is measured by management (see note 2(Y) Non-GAAP performance measures) and assists in providing a meaningful analysis of operating results by excluding items that may not be indicative of the operating results of the group's business.

The following table details non-recurring items that have been incurred in the reporting years presented which all relate to continuing operations.

	Note	2017	2016
		£m	**£m**
Non-recurring items:			
— Contract transfer and integration costs..............................	*(a)*	**1.0**	0.5
— Contract exit and transition costs	*(b)*	**(1.0)**	-
— Restructuring..	*(c)*	**(2.0)**	(1.3)
— Procurement programme..	*(d)*	**(3.3)**	-
— Secondary care productivity improvement costs.................	*(e)*	**-**	(2.7)
		(5.3)	(3.5)

(a) Contract transfer and integration costs

During the 2013 financial year the Residential Care Services division transferred 16 existing care homes from Suffolk County Council under an agreement to replace all these homes with ten new purpose built care homes, and to operate these under a long-term contract together with an element of self-funded residents. The four year build and transition programme successfully completed in January 2016 with the opening of the tenth and final new home. The project involved a significant employee transition and service optimisation programme and incurred associated non-recurring costs. The net non-recurring credits of £0.5m and £1.0m, recorded in the year ended 30 September 2016 and year ended 30 September 2017 respectively, are the reversal of surplus transition cost provisions previously estimated and charged to non-recurring items in the preceding financial years.

(b) Contract exit and transition costs

The former Manchester CATS service that was operated under an NHS Wave 2 contract until February 2016 was sold to a third party provider on 3 January 2017. Due to a combination of a reduction in tariff following the end of the NHS ISTC Wave 2 contract terms, and an underlying reduction in patient volumes, the service had become loss making. The net charge of £1.0m incurred in the year ended 30 September 2017 comprises the net cost of running the service during the transition phase and costs of disposal.

(c) Restructuring

Towards the end of the 2016 financial year Care UK's Health Care business commenced an overhead reduction programme in order to address substantial market challenges within its Urgent Care and other healthcare service lines. Related restructuring costs of £1.5m were incurred in the year ended 30 September 2017. In addition, legal and professional costs of £0.5m have been incurred during the year ended 30 September 2017 in respect of a health care group simplification programme. The division has grown organically and through acquisition since it was originally acquired itself through acquisition by Care UK in 2010. The contractual and legal structure of the group has been reorganised and simplified to reflect the underlying operating structures of the business.

During the second quarter of the year ended 30 September 2016 the former Manchester CATS service that had been operated by Care UK's Health Care division for the previous seven years under an NHS Wave 2 contract transitioned to NHS tariff pricing without guaranteed volumes. Accordingly, a restructuring of the service's operations was initiated in order to align service levels with expected volumes. Redundancy programme costs of £0.9m were incurred in the period.

4. NON-RECURRING ITEMS (continued)

During the second quarter of the year ended 30 September 2016 Care UK's Residential Care Services division undertook a reconfiguration of its central support functions in order to realign them to better support the growth strategy and strong pipeline of new home development opportunities. Related employee transition costs of £0.4m were incurred in the period.

(d) Procurement programme

During the year, Care UK's Health Care division commenced a comprehensive review of its procurement practices with a view to driving operational and clinical efficiency without compromising the quality of patient care. The programme is being supported by an external specialist and has brought significant commercial benefit to the business. Implementation costs of £1.6m were incurred in the year ended 30 September 2017. The programme is now complete and has delivered approximately £5m of recurring benefit.

As an extension to the above procurement programme the Secondary Care ISTC treatment centres undertook a review of the clinical supplies process of inventory control with a view to improving working capital and improving the efficiency of inventory handling throughout the units. As a result of the review, the monetary threshold value for capitalisation of consumables was increased meaning 60 per cent. of inventory items with an aggregate value of £1.7 million was expensed and recognised as a one-off non-recurring cost. These low value, fast moving items are now expensed as incurred.

(e) Secondary care productivity improvement costs

During the year ended 30 September 2015 Care UK's Health Care division initiated an efficiency programme across all of its treatment centres. The programme focuses on optimising operating theatre usage whilst also maximising patient satisfaction through the delivery of a high quality end-to-end procedure experience and service. The programme was completed in 2016, incurring implementation costs of £2.7m in the year ended 30 September 2016 and has delivered efficiency savings that correlate with level of activity and volume of procedures achieved in the treatment centre.

5. NET FINANCING EXPENSE

Continuing operations	**2017**	**2016**
	£m	**£m**
Financial income:		
Interest receivable	**2.6**	2.2
IFRIC-12 interest	**0.9**	0.9
Financial income	**3.5**	3.1
Financial expense:		
- Interest payable on borrowings	**(16.5)**	(17.1)
- Amortisation of deferred financing costs	**(1.3)**	(1.3)
- Interest payable on loans with parent undertaking	**(0.4)**	(0.4)
- Interest capitalised to assets in the course of construction at an annual rate of 7.5% (2016: 7.5%)	**0.1**	0.1
- Other interest expense	**(0.9)**	(2.3)
Financial expense	**(19.0)**	(21.0)
Net financing expense	**(15.5)**	(17.9)

6. EMPLOYEES AND REMUNERATION OF DIRECTORS

(a) Employees

	Group	
	2017	**2016**
	£m	**£m**
Staff costs for all employees, including executive directors, consists of:		
— wages and salaries	**285.8**	270.1
— social security costs	**25.1**	23.0
— pension costs	**6.5**	5.1
	317.4	298.2

Pension costs represent contributions to the group's defined contribution pension schemes, contributions to the NHS pension scheme and the service cost relating to the group's defined benefit pension schemes.

The average monthly number of employees of the group during the year, including executive directors, was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Number	**Number**	**Number**	**Number**
Nursing, care and support staff	**13,026**	11,464	**-**	-
Management and administration	**2,122**	3,092	**-**	-
	15,148	14,556	**-**	**-**

In common with other providers in the health and social care sector, Care UK's employed staff base is supplemented by agency staff and, on certain contracts within the Health Care division, both by staff seconded from the NHS and by self-employed medical professionals. As these categories of staff are not direct employees of Care UK neither the numbers of these staff nor their related costs are shown in the above tables.

(b) Remuneration of directors

	2017	**2016**
	£m	**£m**
Directors' emoluments	**1.6**	1.2
Company contributions to money purchase pension plans	**0.1**	0.1
	1.7	1.3

The aggregate of emoluments of the highest paid director was £0.9m (2016: £0.8m) including contributions in lieu of pension payments totalling £0.1m (2016: £0.1m).

	Number of directors	
	2017	**2016**
In the year, retirement benefits were accruing to the following number of directors under:		
Money purchase schemes	**3**	3

7. LOSS BEFORE TAXATION

The following items have been charged/(credited) in arriving at loss before taxation:

Continuing operations	2017	2016
	£m	£m
Depreciation of owned assets (note 10)	**22.3**	20.3
Amortisation of intangible assets (note 11)	**9.5**	14.3
Profit/(loss) on disposal of tangible fixed assets	**0.2**	(0.3)
Loss on disposal of discontinued operations	**(0.9)**	-
Impairment of trade receivables	**(0.3)**	0.2
Land and buildings - operating leases	**42.2**	39.7
Hire of other assets – operating leases	**0.5**	0.1
Government grants	**(0.2)**	(0.1)
IFRIC 12 infrastructure costs expensed in the year	**1.4**	1.0
Amounts receivable by the auditor in respect of services to the company and its subsidiaries:		
- audit of subsidiaries' Financial Statements	**0.3**	0.3
- other services	**0.5**	0.4

Of the auditor's remuneration £6,000 (2016: £5,000) was in respect of the audit of the company.

8. DISCONTINUED OPERATIONS

In February 2016 the Amicus ITS business was sold. The Amicus business was formerly included in the 'Other' segment. The aggregated results of discontinued service lines and business units that have been included in the consolidated statement of comprehensive performance are as follows:

	2017	2016
	£m	£m
Revenue	-	3.0
Cost of sales	-	(2.4)
Gross profit	-	0.6
Administrative expenses	-	(0.5)
Operating profit before financing expenses	-	0.1
Net financing income	-	-
Share of results of joint venture	-	-
Profit before taxation	-	0.1
Taxation on ordinary activities	-	-
	-	0.1
Net gain on the measurement to fair value less costs to sell and on the disposal of discontinued operations	-	-
Attributable tax expense	-	-
Profit for the year from discontinued operations	-	0.1

In order to determine the results for the discontinued operations, revenues and costs have been allocated to the disposal groups only to the extent that the group is no longer entitled to receive revenues or incur expenses. The effect of discontinued operations on segmental results is disclosed in note 3.

The financing of the group is managed on a centralised basis and the directors' consider the separation of net cash flows arising from discontinued operations to be immaterial.

The aggregate net assets of the Amicus ITS business (excluding cash) on its disposal date was £0.9m, with deferred consideration of £1.0m recognised on disposal. During the year ended 30 September 2017 all remaining deferred consideration was derecognised resulting in a loss on disposal of £0.9m charged to the consolidated statement of comprehensive performance.

9. TAXATION

	2017	2016
	£m	£m
UK corporation tax payable at 19.5% (2016: 19.5%)	**-**	-
Adjustment relating to previous years	**0.1**	(1.6)
Total current taxation recognised in consolidated statement of comprehensive performance	**0.1**	(1.6)
Deferred taxation:		
— origination and reversal of temporary differences	**0.8**	(2.9)
— adjustment relating to previous years	**(0.1)**	0.2
— adjustment relating from change in rate of corporation tax	**-**	(1.6)
Total deferred taxation credit/(charge) recognised in consolidated statement of comprehensive performance	**0.7**	(4.3)
Total income tax credit/(charge) recognised in consolidated statement of comprehensive performance	**0.8**	(5.9)

The taxation credit/(charge) for the year represents an effective tax rate of (4.5)% (2016: (22.9%)) which is lower than (2016: higher than) the average standard rate of corporation tax in the UK applied during the year of 19.5% (2016: 19.5%). The differences are explained below:

	2017	2016
	£m	£m
Loss before taxation	**(17.7)**	(25.8)
Expected tax credit at 19.5% (2016: 19.5%)	**3.5**	5.0
Effects of:		
Expenses not deductible for taxation purposes	**(2.1)**	(2.3)
Group relief received	**1.4**	-
Adjustments relating to prior years	**(0.1)**	(1.3)
Adjustment arising from change of rate of corporation tax	**-**	(1.6)
Deferred tax not recognised	**(2.1)**	(5.9)
Provisions	**-**	-
Other adjustments	**0.2**	0.2
Total income tax credit/(charge) recognised in consolidated statement of comprehensive performance	**0.8**	(5.9)

Deferred tax recognised directly in equity

	2017	2016
	£m	£m
Deferred tax (charge)/credit on pension liability	**(0.7)**	1.3
Total deferred tax (charge)/credit recognised directly in equity	**(0.7)**	1.3
Total tax (charge)/credit recognised in equity	**(0.7)**	1.3

Total tax

	2017	2016
	£m	£m
Total current tax credit/(charge)	0.1	(1.6)
Total deferred tax charge	**-**	(3.0)

For factors that may affect future tax charges see note 22 (d).

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Furniture, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 30 September 2015	202.7	78.0	4.8	285.5
Additions	5.3	14.0	4.7	24.0
Transfers	4.8	-	(6.8)	(2.0)
Transfers to current assets	(3.3)	(0.9)	-	(4.2)
Disposals	(29.8)	(22.3)	-	(52.1)
At 30 September 2016	179.7	68.8	2.7	251.2
Additions	2.0	16.2	7.1	25.3
Transfers	3.6	3.5	(7.1)	-
Transfers to assets held for sale	(1.7)	(0.5)	-	(2.2)
Disposals	(3.9)	(5.7)	-	(9.6)
At 30 September 2017	**179.7**	**82.3**	**2.7**	**264.7**
Depreciation and impairment				
At 30 September 2015	54.9	40.4	-	95.3
Charge for year	8.7	11.6	-	20.3
Transfers	(0.9)	(1.1)	-	(2.0)
Transfer to current assets	(0.7)	(0.5)	-	(1.2)
Disposals	(29.0)	(22.2)	-	(51.2)
Impairment	-	-	-	-
At 30 September 2016	33.0	28.2	-	61.2
Charge for year	8.4	13.9	-	22.3
Transfers	-	-	-	-
Transfer to assets held for sale	(0.7)	(0.2)	-	(0.9)
Disposals	(3.8)	(5.0)	-	(8.8)
At 30 September 2017	**36.9**	**36.9**	**-**	**73.8**
Net book value				
At 30 September 2017	**142.8**	**45.4**	**2.7**	**190.9**
At 30 September 2016	146.7	40.6	2.7	190.0

Refer to note 30 for contractual commitments for the acquisition of property, plant and equipment.

(a) Valuation of land and buildings

The carrying value of certain tangible assets above are based on a valuation conducted by an external independent valuer in 2010 at the time of the acquisition of Care UK Limited, less accumulated depreciation and impairments. The fair value of the valuation was used as deemed cost.

During the year ended 30 September 2015 the group commissioned a similar valuation of 48 freehold/long leasehold care homes and 21 commercial leasehold care homes. As at 30 September 2015 the current market value placed on this group of properties on a trading basis was £189.8m in aggregate, with £173.6m being assigned to freehold/long leasehold property and £16.2m to commercial leaseholds. This represented a valuation surplus of approximately £35.2m above their book value as at 30 September 2015. The fully mature market value placed on the entire portfolio was £259.8m. No further valuations have been performed during 2016 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Impairment

The Residential Care Services division of the Care UK group operates residential care homes across the UK. The group considers each individual care home as a CGU, except in circumstances where certain care homes operate under contractual arrangements with a single local authority, in which case the assets are grouped together to form a larger CGU for the purposes of impairment assessment in accordance with IAS 36 'impairment of assets'.

Impairment assessments are conducted at this level when indicators of impairment are considered to exist. During the year ended 30 September 2017 impairment assessments were conducted and no further impairment of asset carrying values were required and no significant reversal of previous impairments were deemed necessary based on prevailing market conditions.

Significant assumptions used in the value in use assessments are summarised below:

Post-tax discount rate: 8.9% (2016: 8.9%)
Long term growth rate: 1.9% (2016: 2.4%)

The above assumptions are subject to sensitivity analysis and the impairment review performed is predominantly dependent upon the judgements made in arriving at the future growth rates and discount rates applied in the cash flow projections that are extrapolated over the useful economic life of the respective asset.

The impact on the impairment charge of applying a 1% reduction to the long term growth rate would be to recognise an impairment charge of £1.5m and a 1% increase in the discount rate would be to recognise an impairment charge of £1.5m.

(c) Capitalised interest

The net book value of accumulated interest included within property, plant and equipment is £1.1m (2016: £1.9m). Assets in the course of construction include capitalised interest of £0.1m (2016: £0.1m).

11. INTANGIBLE ASSETS

Group	Goodwill	Intangible assets	Total
	£m	**£m**	**£m**
Cost			
At 30 September 2015	119.2	129.4	248.6
Disposals	(0.3)	(0.9)	(1.2)
At 30 September 2016 and at 30 September 2017	**118.9**	**128.5**	**247.4**
Amortisation and impairment			
At 30 September 2015	1.8	83.9	85.7
Amortisation charge for year	-	14.3	14.3
Disposals	-	(0.3)	(0.3)
At 30 September 2016	1.8	97.9	99.7
Amortisation charge for year	-	9.5	9.5
At 30 September 2017	**1.8**	**107.4**	**109.2**
Net book value			
At 30 September 2017	**117.1**	**21.1**	**138.2**
At 30 September 2016	117.1	30.6	147.7

The amortisation of intangible assets of £9.5m (2016: £14.3m) is recognised within administrative expenses in the consolidated statement of comprehensive performance.

Intangible assets comprise the value attributed to ongoing customer relationships within acquired businesses and are amortised over their estimated useful economic lives, which do not exceed ten years. The useful economic life is determined by reference to the life of the associated contract.

Management believes that goodwill represents value to the group for which the recognition of a discrete intangible asset is not permitted.

Impairment testing of intangible assets

(a) Method of impairment testing

The recoverable amount of goodwill and intangible assets allocated to the cash generating units has been determined based on the higher of fair value less costs of disposal and the calculation of the value in use.

For the purposes of calculating the value in use of cash generating units containing goodwill, cash flow projections based on actual operating results and the budget and forecast business plan for the three years ending 30 September 2020 have been used. A terminal value is placed on the value of the annual cash flows in year five. No growth has been assumed after the first five years. No adjustment is made for the projected terminal value of the net assets of the individual cash-generating unit. Cash flows associated with post acquisition investment are included within the calculation.

For the purposes of calculating value in use of cash generating units containing other intangible assets, cash flow projections over the remaining life of the underlying contracts, together with extensions based on management's probability weighted expectation of contract renewal where appropriate have been used.

All cash flow projections are based on financial budgets and projections prepared by senior management and approved by the board of directors.

Where recoverable amount has been determined using fair value, fair value has been determined using external sources including comparable transactions using profitability/revenue multiples.

11. INTANGIBLE ASSETS (continued)

The group has considered the impact of the current economic and market conditions in determining the appropriate discount rate to use in impairment testing.

Key assumptions used in value in use calculation

The budget and forecast business plans include assumptions of the level of certain key drivers that are assumed to be met to achieve revenue and EBITDA projections as follows:

	Key Driver
Residential Care Services	Occupancy, bed fee rates, capital expenditure and staff costs
Health Care	Volumes of activity, patients treated, tariff rates, capital expenditure and staff costs

Whilst management is confident that its assumptions are appropriate in light of circumstances at the time of the review, it is possible that circumstances may change. The recoverable amounts calculated on the above basis significantly exceed the carrying values of the cash generating units that include goodwill to the extent that the assumptions made would need to change by a significant amount to eliminate the surplus.

The following discount rates have been used in each value-in-use calculation:

	Goodwill impairment testing		Other impairment testing	
	2017	**2016**	**2017**	**2016**
Discount rate	**9.6%-10.6%**	9.3%-10.3%	**8.9% - 10.6%**	8.6% - 10.3%

(b) Impairment tests for cash-generating units containing goodwill

The following segments have significant cash-generating units that have the following goodwill carrying values:

	2017	2016
	£m	**£m**
Residential Care Services	**48.6**	48.6
Health Care	**68.5**	68.5
	117.1	117.1

All of the recoverable amounts are measured based on value-in-use. Those calculations use assumptions outlined above. During the year ended 30 September 2017, the group reviewed all cash generating units that contain goodwill for impairment in accordance with IAS 36 with no impairment losses being recognised.

(c) Impairment tests for other intangible assets

Intangible assets other than goodwill comprise customer contracts acquired. These intangible assets have been allocated useful economic lives upon recognition of varying length depending on the length of the underlying contract and a management assumption in respect of contract renewal. Typically a contract within the Health Care division is awarded for 3 to 5 years duration and a block contract within the Residential Care Services division is typically awarded for 20 to 25 years.

During the year ended 30 September 2017, the group reviewed all cash generating units that contained intangible assets to determine whether there is any indication that those assets have suffered an impairment loss in accordance with IAS 36. Recoverable amount was determined using a combination of value in use and fair value less costs of disposal. No impairments were recognised.

12. OTHER FINANCIAL ASSETS

Non-current

	Group	
	2017	**2016**
	£m	**£m**
Financial asset measured at amortised cost	**-**	0.6
Financial asset measured at fair value through profit or loss	**-**	0.6
IFRIC-12 financial asset	**17.5**	18.8
	17.5	20.0

Current

	Group	
	2017	**2016**
	£m	**£m**
Financial asset measured at fair value through profit or loss	**-**	0.2
IFRIC-12 financial asset	**1.3**	1.2
	1.3	1.4

IFRIC-12 financial asset

	Group	
	2017	**2016**
	£m	**£m**
IFRIC-12 financial asset: brought forward	**20.0**	21.2
Released in the year	**(1.2)**	(1.2)
IFRIC-12 financial asset: carried forward	**18.8**	20.0

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

13. INVESTMENTS

Company	**Shares in subsidiary undertakings**
	£m
Cost and net book value	
At 30 September 2016 and at 30 September 2017	**226.4**

Care UK Health & Social Care Investments Limited owns 100% of the issued ordinary share capital of Care UK Health & Social Care Plc, its only direct investment. See note 35 for further details of subsidiary and joint venture undertakings.

14. INVENTORIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Materials and consumables	**2.0**	3.7	**-**	-

During the year, the group reviewed the de minimis limit under which an item of inventory is expensed immediately upon purchase was increased. The raising of this threshold resulted in approximately 60% of inventory items with an aggregate value of £1.7m, which are of a fast moving low value nature, being expensed and recognised as a non-recurring cost. See note 4(c).

15. TRADE AND OTHER RECEIVABLES

(a) Non-current

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Other receivables	**8.0**	8.3	**-**	-

(b) Current

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Trade receivables	**39.8**	34.6	**-**	-
Less: provision for impairment of receivables	**(1.7)**	(2.1)	**-**	-
Trade receivables — net	**38.1**	32.5	**-**	-
Other receivables	**6.4**	5.9	**-**	-
Prepayments and accrued income	**13.1**	11.7	**-**	-
	57.6	50.1	**-**	-

Non-current and current other receivables includes non-cash deferred lease charges recognised at fair value to reflect land passed through to institutional funding partners as outlined in the group's accounting policies.

The group's exposure to credit risk from its trading operations is considered to be minimal in view of its customer base, which primarily comprises public sector entities such as Local Authorities, CCGs and other NHS Trusts.

15. TRADE AND OTHER RECEIVABLES (continued)

(c) Overdue receivables

The group has £7.7m (2016: £9.1m) of trade and other receivables that are past due but not impaired. These relate primarily to Local Authorities, CCGs and other NHS Trusts for whom there is no history of default. These have not been provided for as there has not been a significant change in the credit quality of the customers concerned and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The ageing analysis of these receivables is as follows:

	2017	2016
	£m	£m
0–30 days	**4.6**	6.6
31–60 days	**1.1**	1.7
61–90 days	**0.8**	0.3
Over 90 days	**1.2**	0.5
	7.7	9.1

The group has trade and other receivables of £1.7m (2016: £2.1m) which are impaired and provided for. The ageing of these receivables is as follows:

	2017	2016
	£m	£m
0–30 days	**-**	-
31–60 days	**0.2**	0.1
61–90 days	**0.4**	0.3
Over 90 days	**1.1**	1.7
	1.7	2.1

The group's impairment provision has been calculated based upon the ageing profile of the receivables and any history of default with particular customers. Concentrations of credit risk with respect to trade and current other receivables are limited due to the nature of the group's customer base.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Cash at bank and in hand	**12.0**	12.8	**-**	-
Cash and cash equivalents	**12.0**	12.8	**-**	-
Cash and cash equivalents as shown in the consolidated statement of cash flows	**12.0**	12.8	**-**	-

17. ASSETS HELD FOR SALE

As at 30 September 2017 the group has three (2016: two) properties that have been classified as being held for sale. The properties are measured at the lower of cost and fair value less costs to sell, being £4.4m at 30 September 2017 (2016: £2.9m).

18. FINANCIAL LIABILITIES

(a) Non-current liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Senior Secured Notes	**267.6**	267.6	**-**	-
Revolving Credit Facility	**4.0**	10.0	**4.0**	10.0
Loan arrangement fees	**(2.2)**	(3.5)	**(0.2)**	(0.4)
	269.4	274.1	**3.8**	9.6

(b) Maturity profile of financial liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Debt can be analysed as falling due				
In one year or less, or on demand	**-**	-	**-**	**-**
In more than one year but not more than two years	**232.1**	-	**3.8**	**-**
In more than two years but not more than five years	**37.3**	274.1	**-**	**9.6**
In five years or more	**-**	-	**-**	**-**
	269.4	274.1	**3.8**	**9.6**

(c) Terms and conditions

(i) Senior Secured Notes

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

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

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

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum.

During 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased in aggregate £16.2m of 2014 Second Lien Notes and subsequently transferred these to the Issuer for cancellation. In addition, the Issuer purchased and cancelled £16.2m of 2014 Second Lien Notes during the year. No further transactions took place in the current year. As a result of these transactions the total of Second Lien Notes remaining in issue at 30 September 2017 was £42.6m.

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. As at 30 September 2017 these Notes are still held by Care UK Health & Social Care Finance Limited and are presented as ‘amounts due to parent undertakings’ in the consolidated statement of financial position.

18. FINANCIAL LIABILITIES (continued)

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. No further transactions took place in the current year. As a result of this transaction the total of Senior Secured Notes remaining in issue at 30 September 2017 was £230.0m.

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

(ii) Senior Revolving Credit Facility

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

As at 30 September 2017, £4.0m (2016: £10.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remains undrawn, compared to 30 September 2016, where £9.4m was utilised in relation to performance bonds provided in relation to certain contracts in the Health Care division, which have expired during the year.

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

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

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	£m	**£m**	**£m**	**£m**
Accrued Senior Secured Notes interest	**3.1**	3.3	**-**	-
Trade payables	**32.5**	23.4	**-**	-
Other tax and social security	**8.4**	7.1	**-**	-
Deferred Government grant income	**0.1**	0.1	**-**	-
Accruals and deferred income	**110.3**	103.7	**0.2**	0.1
Amounts owed to subsidiary undertakings	**-**	-	**9.6**	2.5
	154.4	137.6	**9.8**	2.6

Trade and other payables are expected to be settled within twelve months.

20. OTHER NON-CURRENT LIABILITIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Retirement benefit obligations (note 26).............	**6.0**	9.7	-	-
Deferred Government grant income	**1.5**	1.7	-	-
Accruals and deferred income...........................	**7.6**	7.9	-	-
	15.1	19.3	-	-

Non-current and current accruals and deferred income include non-cash deferred revenue recognised at fair value to reflect land passed through to institutional funding partners as outlined in the group's accounting policies.

The group has a number of Government grants that relate to capital contributions towards the development of residential homes. The total amount of Government grants recognised in the consolidated statement of comprehensive performance during the year was £0.2m (2016: £0.1m) and the total of Government grants held in the consolidated statement of financial position at 30 September 2017 was £1.6m (2016: £1.8m).

21. PROVISIONS

	Group		
	Onerous lease	**Dilapidations**	**Total**
	£m	**£m**	**£m**
Balance at 1 October 2016..	14.6	11.7	26.3
Provision created in the year..	-	0.6	0.6
Provision utilised in the year	-	(0.5)	(0.5)
Provision movement due to unwind of discounting	0.4	0.3	0.7
Balance at 30 September 2017...	**15.0**	**12.1**	**27.1**
Current..	1.0	-	1.0
Non-current...	14.0	12.1	26.1
	15.0	**12.1**	**27.1**

(a) Onerous lease

In 2015 Care UK made significant provisions for both onerous contracts and leases, with the provisions being reviewed annually on a home by home basis. There was no overall movement in the year ended 30 September 2017, with a reduction in provisions for some homes offset by a provision to terminate a contract on a loss making home.

The onerous lease relates to certain residential care homes whereby, based on management's assessment, the unavoidable costs of fulfilling the lease obligations on these care homes exceeds, to various degrees, the economic benefits expected from operating the care homes. The remaining term of the respective leases range from 2034 to 2037.

(b) Dilapidations

The dilapidations provision relates to the expected cost of dilapidations on leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate. This provision will be utilised over the remaining lease terms from 2018 to 2057.

22. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of 17% and 19% (2016: 17 and 19%). The company has no deferred tax balances.

(a) Recognised deferred tax assets

Deferred tax assets have been recognised in respect of tax losses and other deductible temporary differences where it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Assets		Liabilities		Net	
Group	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Deferred taxation						
Property, plant and equipment	**6.6**	5.3	**-**	-	**6.6**	5.3
Employee benefits	**1.0**	1.8	**-**	-	**1.0**	1.8
Acquired intangible assets	**-**	-	**(2.7)**	(4.3)	**(2.7)**	(4.3)
Unutilised losses carried forward	**1.8**	3.5	**-**	-	**1.8**	3.5
Other items	**1.0**	1.4	**-**	-	**1.0**	1.4
Net deferred tax assets/(liabilities)	**10.4**	12.0	**(2.7)**	(4.3)	**7.7**	7.7
Offset of tax	**(2.7)**	(4.3)	**2.7**	4.3	**-**	-
Net deferred tax assets	**7.7**	7.7	**-**	-	**7.7**	7.7

The net deferred tax assets are due after more than one year:

	Group	
	2017	**2016**
	£m	**£m**
Net deferred tax assets	**7.7**	7.7

(b) Unrecognised deferred tax assets

The total amount of unrecognised deferred tax assets is as follows:

	Group	
	2017	**2016**
	£m	**£m**
Unrecognised deferred tax assets	**7.2**	5.9

22. DEFERRED TAXATION (continued)

(c) Movement in temporary differences during the year

The movement on the group deferred taxation account is as follows:

Group	Balance 1 October 2016	Recognised in income	Recognised in equity	Disposals	Balance 30 September 2017
	£m	£m	£m	£m	£m
Property, plant and equipment..	**5.3**	1.3	-	-	**6.6**
Employee benefits..................	**1.8**	(0.1)	(0.7)	-	**1.0**
Acquired intangible asset.........	**(4.3)**	1.6	-	-	**(2.7)**
Unutilised losses	**3.5**	(1.7)	-	-	**1.8**
Other items............................	**1.4**	(0.4)	-	-	**1.0**
	7.7	0.7	(0.7)	-	**7.7**

Group	Balance 1 October 2015	Recognised in income	Recognised in equity	Disposals	Balance 30 September 2016
	£m	£m	£m	£m	£m
Property, plant and equipment..	**5.9**	(0.6)	-	-	**5.3**
Employee benefits	**0.6**	(0.1)	1.3	-	**1.8**
Acquired intangible asset.........	**(7.5)**	3.1	-	0.1	**(4.3)**
Unutilised losses.....................	**11.0**	(7.5)	-	-	**3.5**
Other items............................	**0.6**	0.8	-	-	**1.4**
	10.6	(4.3)	1.3	0.1	**7.7**

(d) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2017 has been calculated based on the rates of 19% and 17% substantively enacted at the year-end date.

23. ISSUED SHARE CAPITAL AND CAPITAL RESERVE

In accordance with Section 408 of the Companies Act 2006, the company has elected not to present its own statement of comprehensive performance. The loss for the year dealt with in the company's own statement of comprehensive income is £1.4m (2016: £1.3m).

Issued share capital

	2017		2016	
Group and company	**Shares**	**£m**	**Shares**	**£m**
Authorised				
Ordinary shares of £1 each	**210,676,211**	**210.7**	210,676,211	210.7
Allotted, called-up and fully paid shares of £1 each				
At 30 September 2016 and 2017	**210,676,211**	**210.7**	210,676,211	210.7

There were no ordinary shares allotted during the year.

Capital contribution reserve

	2017	2016
Group and company	**£m**	**£m**
At 30 September 2016 and 2017	**15.7**	15.7

24. FINANCIAL RISK MANAGEMENT

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 strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Care UK's financial performance. Further detail is provided below.

(a) Cash Flow Interest Rate Risk

In July 2014 Care UK Health & Social Care Plc completed a refinancing of its borrowings, incorporating a two tier floating rate bond issue of £400m (the 2014 Notes). Care UK had not employed derivative financial instruments to manage interest rate risk prior to the Refinancing. The 2014 Notes issued as part of the Refinancing all carry a combination of a fixed margin together with a LIBOR floating interest rate. Care UK is exposed to interest rate risk relating to the 2014 Notes which carry a combination of fixed margin with a LIBOR floating rate. This risk was previously mitigated by a 3 year interest rate cap which expired in July 2017. Care UK has benefitted from low LIBOR rates since the Notes were issued, and whilst any future rate rises would increase future interest costs, Care UK believes this risk is tolerable based on the maturity of the instruments and the anticipated profile of any future rate rises. A 1% increase in the LIBOR rate would increase annual interest costs by £2.9m.

Whilst there were no short-term deposits as at 30 September 2017, Care UK does place surplus cash on deposit where possible. 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.

During the year, Care UK made use of the Revolving Credit Facility and expects to continue to use the 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. However, the group considers this risk as not material in view of the final repayment being May 2019.

24. FINANCIAL RISK MANAGEMENT (continued)

(b) 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, Clinical Commissioning Groups and other NHS funded bodies are also subject to annual price review. For the year ended 30 September 2017, a 1% increase in salary costs would have decreased profit before tax by £3.2m (2016: £3.0m).

In common with the majority of government funded providers, most of Care UK's price changes take effect annually on 1 April. Approximately 12% (2016: 15%) of Care UK's revenue is linked to general inflation indices.

(c) 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, Clinical Commissioning Groups and other NHS funded bodies. Care UK has no significant concentrations of credit risk. For banks and financial institutions, only parties with a minimum rating of A are accepted. For an analysis of trade receivables which are past due but not impaired and trade receivables which are past due and impaired, see note 15(c).

As at 30 September 2017 the group had £nil (2016: £nil) cash and cash equivalents credit exposure to financial institutions (excluding bank balances).

(d) 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 activities. 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.

(e) Fair value hierarchy

The group uses the following valuation hierarchy to determine the carrying value of financial instruments that are measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 30 September 2016 and 2017, the carrying value of financial instruments at fair value was zero.

25. FINANCIAL INSTRUMENTS

(a) Embedded derivatives

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the group reviews all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such derivatives were identified as a result of the review.

(b) Fair value of financial assets and liabilities

The fair values together with the carrying amounts shown in the consolidated statement of financial position are as follows. Items have been excluded where their book value approximates their fair value.

		2017		2016	
Group	**Notes**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		£m	**£m**	**£m**	**£m**
IFRIC 12 financial asset....................al asset	12	**20.0**	**20.0**	20.0	20.0
Cash and cash equivalents...........................	16	**12.0**	**12.0**	12.8	12.8
Senior secured notes...................................	18	**(267.6)**	**(256.2)**	(267.6)	(234.6)
Revolving credit facility....................................	18	**(4.0)**	**(3.7)**	(10.0)	(7.9)
Deferred government grants..........................	19,20	**(1.6)**	**(1.0)**	(1.8)	(1.0)

		2017		2016	
Company	**Notes**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		£m	**£m**	**£m**	**£m**
Revolving credit facility.	18	**(4.0)**	**(3.7)**	(10.0)	(7.9)

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments reflected in the above tables:

Derivatives

The fair value of derivatives, which are quoted at market price, has been calculated by discounting the expected future cash flows at prevailing interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements. The estimated fair values reflect changes in the interest rates.

Interest rates for determining fair value

Unless specified on the previous page, the group uses its risk adjusted weighted average cost of capital for 30 September 2017 to discount financial instruments.

26. PENSIONS

The group has established a number of pension schemes, both defined contribution and defined benefit, covering a number of its employees.

(a) Defined contribution plan

The group has a defined contribution group personal pension plan as well as a trust based occupational defined contribution pension scheme. These schemes comply with the new workplace pension reform requirements. Group contributions to these schemes are charged as an expense to the consolidated statement of comprehensive performance as they fall due. The assets of these schemes are held separately from those of the group in independently administered funds.

Pension costs for defined contribution schemes are as follows:

	2017	2016
	£m	£m
Defined contribution schemes	**3.0**	3.0

In addition, the Group pays into the NHS pension scheme to provide certain employees with defined pension benefits, however these are not accounted for as defined benefit schemes as Group liability is limited to the contributions paid. In 2017, these totalled £2.6m (2016: £0.9m) and are not included in the defined benefit plan financial information below.

(b) Defined benefit plans

As a result of contractual arrangements with a small number of public sector customers, the group contributes to eight defined benefit pension schemes. These schemes provide pension benefits based on a mixture of final pensionable pay and career average revalued earnings.

The schemes are funded by payments to independently managed funds, the assets of which are held separately from those of the group. The funds are administered by trustees as a separate legal entity or by administering authorities in the case of county council schemes. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees is determined by the schemes' trust documentation.

Contributions to the defined benefit pension schemes are charged to the consolidated statement of comprehensive performance so as to spread the cost of pensions over employees' estimated working lives with the group. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

The liabilities of the defined benefit schemes are measured by discounting the best estimate of future cash flows to be paid out by the schemes using the projected unit method. This is the amount, after taking into consideration reimbursement assets, which is reflected in the deficit in the consolidated statement of financial position. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Under the terms of the group's contract with certain of the county council pension schemes, the group is indemnified for any shortfall in scheme assets and for any increase in contributions required by any future actuarial valuation; hence the group has no constructive or legal obligation to fund a deficit on the associated segregated portion of these schemes. Accordingly, the group has recognised an asset equal to the current deficit on the segregated portion of these schemes. These reimbursement assets have been presented as offsetting the current scheme deficit on the segregated portion of the schemes and are therefore included within retirement benefit obligations.

26. PENSIONS (continued)

Details of the principal defined benefit scheme are provided below.

Care UK LG Pension Scheme

The most recent triennial actuarial valuation was at 1 April 2015. At the date of the actuarial valuation the market value of the schemes assets was £8.8m and the actuarial value of those assets represented 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Further to the valuation, the Trustees have agreed with the employer an additional amount of £20,400 per month as part of a recovery plan to be paid beyond 30 September 2016. The group will monitor funding levels on an annual basis. The next triennial valuation report will be as at 1 April 2018.

Employer contributions amounted to £0.7m for the year ended 30 September 2017 (2016: £0.6m). The net defined benefit liability at 30 September 2017 was £5.7m (2016: £7.9m).

The scheme obtains approval by the Government Actuarial Department when new members join the scheme.

Currently the Trustee Board has three Trustees nominated by the employer and there are two vacancies available to be nominated by the scheme members. An independent Trustee has been appointed since the year-end.

Risks

By funding its defined benefit pension schemes, the group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities;
- The level of price inflation may be higher from that assumed, resulting in higher payments from the schemes;
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical health care. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash;
- Legislative changes could also lead to an increase in the schemes' liabilities.

Aggregated scheme disclosures

The amounts recognised in the consolidated statement of financial position are as follows:

	2017	**2016**
	£m	**£m**
Present value of funded obligations	**(65.1)**	(72.6)
Fair value of plan assets	**59.0**	58.6
Reimbursement assets	**0.1**	4.3
Total value of plan assets	**59.1**	62.9
Net defined benefit liability	**(6.0)**	(9.7)

26. PENSIONS (continued)

Movements in net defined benefit liability

	Defined benefit obligation £m	Fair value of plan assets £m	Reimbursement asset £m	Net defined benefit liability £m
Opening position at 1 October 2016	**(72.6)**	**58.6**	**4.3**	**(9.7)**
Service cost				
Current service cost	(1.0)	-	0.1	(0.9)
	(1.0)	-	0.1	(0.9)
Net interest				
Interest income on plan assets	-	1.4	(0.8)	0.6
Interest cost on defined benefit obligation	(1.7)	-	0.9	(0.8)
	(1.7)	1.4	0.1	(0.2)
Total defined benefit cost recognised in profit or (loss)	**(2.7)**	**1.4**	**0.2**	**(1.1)**
Cash flows				
Plan participant contributions	(0.1)	0.1	-	-
Employer contributions	-	1.0	-	1.0
Benefits paid	0.9	(0.9)	-	-
	0.8	**0.2**	**-**	**1.0**
Expected closing position	**(74.5)**	**60.2**	**4.5**	**(9.6)**
Re-measurements				
Changes in demographic assumptions	1.3	-	(0.3)	1.0
Changes in financial assumptions	2.9	-	(1.9)	1.0
Other experience	5.2	0.2	(4.7)	0.7
Return on assets excluding amounts included in net interest	-	(1.4)	2.5	1.1
Total re-measurements recognised in Other Comprehensive Income	**9.4**	**(1.2)**	**(4.4)**	**3.8**
Closing position at 30 September 2017	**(65.1)**	**59.0**	**0.1**	**(6.0)**

26. PENSIONS (continued)

	Defined benefit obligation	Fair value of plan assets	Reimbursement asset	Net defined benefit liability
	£m	£m	£m	£m
Opening position at 1 October 2015	**(58.5)**	**49.6**	**5.9**	**(3.0)**
Service cost				
Current service cost	(0.9)	-	(0.3)	(1.2)
Past service cost (including curtailments)	(0.3)	-	0.3	-
	(1.2)	-	-	(1.2)
Net interest				
Interest income on plan assets	-	1.9	(1.1)	0.8
Interest cost on defined benefit obligation	(2.2)	-	1.1	(1.1)
	(2.2)	1.9	-	(0.3)
Total defined benefit cost recognised in profit or (loss)	**(3.4)**	**1.9**	**-**	**(1.5)**
Cash flows				
Plan participant contributions	(0.1)	0.1	-	-
Employer contributions	-	1.5	-	1.5
Benefits paid	1.1	(1.1)	-	-
	1.0	**0.5**	**-**	**1.5**
Expected closing position	**(60.9)**	**52.0**	**5.9**	**(3.0)**
Re-measurements				
Changes in demographic assumptions	(0.2)	-	1.0	0.8
Changes in financial assumptions	(11.5)	-	1.7	(9.8)
Other experience	-	-	(0.1)	(0.1)
Return on assets excluding amounts included in net interest	-	6.6	(4.2)	2.4
Total re-measurements recognised in Other Comprehensive Income	**(11.7)**	**6.6**	**(1.6)**	**(6.7)**
Closing position at 30 September 2016	**(72.6)**	**58.6**	**4.3**	**(9.7)**

Plan assets	**2017**	**2016**
	£m	**£m**
Cash and cash equivalents	**0.8**	0.5
Equity instruments	**12.2**	12.1
Debt instruments: Gilts	**2.9**	1.4
Debt instruments: Other bonds	**6.9**	9.0
Investment funds	**33.1**	32.0
Property and other assets	**3.1**	3.6
	59.0	58.6

26. PENSIONS (continued)

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

	2017	2016
	%	%
Rate of increase of pensionable salaries	**2.0**	2.0
Rate of increase in pensions in payment and deferred pensions	**2.4-3.4**	2.3-3.2
Discount rate	**2.7-2.8**	2.3-2.4
Inflation assumptions	**3.3-3.6**	3.1-3.4

The assumed life expectancy at age 65 is:

	Care UK LG Pension Scheme		Other	
	2017	2016	2017	2016
	Years	Years	Years	Years
Current pensioners				
— males	**87.9**	87.8	**87.9**	87.5
— females	**90.3**	89.9	**89.4**	89.9
Prospective pensioners				
— males	**89.2**	89.1	**89.3**	89.4
— females	**91.7**	91.6	**91.5**	92.0

Sensitivity analysis

The net defined benefit liability for the Care UK LG scheme as at 30 September 2017 is £5.7m (2016: £7.9m). The sensitivities shown below are only in respect of this scheme.

The following table summarises how the defined benefit obligation would increase as a result in the respective assumptions:

	2017	2016
	£m	£m
0.5% decrease in discount rate	**3.8**	3.8
0.5% increase in rate of increase of pensionable salaries	**0.5**	0.5
0.5% increase in inflation rate	**1.9**	2.5
1 year increase in member life expectancy	**0.8**	0.8

Future funding

The aggregate amount of contributions expected to be paid during the financial year ending 30 September 2018 for all defined benefit pension schemes is £1.0m.

27. SHARE BASED PAYMENTS

In December 2015, certain senior management were invited to become shareholders in their employing company and also in the ultimate parent company, Care UK Health & Social Care Holdings Limited. For Care UK Health & Social Care Holdings Ltd, management could purchase either A1 ordinary, C ordinary or D ordinary shares depending on the division in which they were employed. Management in subsidiaries were offered A ordinary shares in their employing company. The shares were offered at a price reflecting the fair value of the shares on the date of issue and the terms and conditions attached to the shares. The fair value of the shares acquired was measured at the grant date using the estimated enterprise value of the business, and market conditions such as the management estimate of exit date. These shares entitle management to a certain level of return in the case of any sale by the controlling party, subject to certain value thresholds being met. To qualify, the management must be employed by the group at the point of sale. If management leave the business, then it is anticipated that their shares will be repurchased by either other employees or the employee benefit trust.

In the consolidated Financial Statements, these shares have been accounted for as equity settled share based payments. The issue of the shares resulted in an increase in equity in the subsidiary for the fair value of the shares issued. Given management paid fair value for the equity instruments, there was no impact in the income statement.

The table below shows the shares have been issued by subsidiaries which meet the definition of share based payments:

	2017		2016	
Group	**Number**	**Fair value on grant date**	**Number**	**Fair value on grant date**
	£	**£**	**£**	**£**
A Ordinary shares in Healthcare subsidiary...	**14,999**	**21,749**	**14,999**	**21,749**
A Ordinary shares in Residential subsidiary.......	**13,333**	**25,333**	**13,333**	**25,333**
A1 Ordinary shares in parent company..........	**1,000,000**	**40,000**	**1,000,000**	**40,000**
C Ordinary shares in parent company...........	**9,998**	**100**	**9,998**	**100**
D Ordinary shares in parent company...............	**10,000**	**100**	**10,000**	**100**

During 2017, no charge (2016: £nil) has been recognised in respect of these arrangements.

There were no modifications to the rights attached to the shares however as part of re-organisation of the Group legal structure, shares held by management in Care UK Clinical Services Limited were exchanged for shares in Care UK Healthcare Holdings Limited, the newly created Healthcare holding company. There were no changes to the terms and conditions attached to the shares. There were no other shares granted in the current year.

The ordinary shares issued to management within the subsidiaries effectively represents non-controlling interests. Given the terms and conditions attached to these shares, the carrying value of the non-controlling interests is limited to the price paid by management and has not been recognised on the grounds of materiality.

28. NOTES TO THE CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Net cash flow from operation activities are as follows:

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Loss for the year from continuing operations before taxation	**(17.7)**	(25.8)	**(1.4)**	(1.4)
Profit for the year from discontinued operations before taxation	**-**	0.1	**-**	-
Net loss on disposal of discontinued operations	**0.7**	-	**-**	-
Financial income	**(3.5)**	(3.1)	**-**	-
Financial expense	**19.0**	21.0	**1.4**	1.4
Depreciation of tangible assets	**22.3**	20.3	**-**	-
Amortisation of intangible assets	**9.5**	14.3	**-**	-
Decrease in IFRIC 12 financial asset	**1.9**	2.0	**-**	-
(Profit)/loss on disposal of fixed assets	**(0.2)**	0.3	**-**	-
Decrease in inventory	**1.5**	0.5	**-**	-
(Increase)/decrease in trade and other receivables	**(7.3)**	8.6	**-**	-
Increase/(decrease) in trade and other payables	**18.7**	(0.1)	**7.2**	1.6
Cash inflow from operations	**44.9**	38.1	**7.2**	1.6
Income taxes paid	**(0.1)**	(0.1)	**-**	-
Net cash inflow from operating activities	**44.8**	38.0	**7.2**	1.6

29. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases are as follows:

Group	2017 Land and buildings	2017 Other	2016 Land and buildings	2016 Other
	£m	£m	£m	£m
— within one year	**41.7**	**0.5**	37.7	0.4
— within two to five years	**161.6**	**0.5**	138.2	0.4
— after five years	**737.6**	**-**	608.3	-
	940.9	**1.0**	784.2	0.8

The group leases various offices, operational facilities, plant and equipment under non-cancellable operating lease agreements with varying terms, escalation clauses and renewal rights.

The group has the right to recharge one third of the rent due on one of its leased care homes to a third party. The table below shows the elements which are expected to be recovered.

Group	2017 Land and buildings	2017 Other	2016 Land and buildings	2016 Other
	£m	£m	£m	£m
— within one year	**0.3**	**-**	0.3	-
— within two to five years	**1.2**	**-**	1.1	-
— after five years	**5.6**	**-**	5.4	-
	7.1	**-**	6.8	-

The company has no operating lease commitments.

30. CAPITAL COMMITMENTS

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Contracted for, but not provided……………………	**2.6**	5.3	**-**	-

31. CONTINGENT LIABILITIES

Cross guarantees

The group has a number of cross guarantees between group companies relating to debtor balances. The directors consider that the likelihood of these guarantees being called upon is remote.

32. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

The group has a related party relationship with its subsidiaries and with its directors and executive officers.

Silver Sea Holdings

Subsequent to the acquisition of Care UK Limited in 2010, Bridgepoint Europe IV (Nominees) Limited and the management of Care UK jointly established, as planned, an independent development group of which the parent company is Silver Sea Holdings ("Silver Sea"). Silver Sea has been established in order to (i) build residential care homes to Care UK's specifications; or (ii) to oversee the development of residential care homes by third party property developers who will build the care homes to Care UK's specifications and sell them to Silver Sea on completion. In each case Silver Sea enters into an agreement for lease and development with Care UK and enters into a lease for each such home on its practical completion.

Sites developed by Silver Sea are funded by a combination of equity contributions from its shareholders, loans from Care UK and loans drawn down under the separate non-recourse debt facilities available to Silver Sea. The loans provided by Care UK are on arm's length terms and subject to the provisions of both Care UK's Revolving Credit Facility and Senior Secured Notes.

Under a technical services agreement, Silver Sea subcontract certain elements of its obligations to Care UK and pays a fee to Care UK for performing these services. Each agreement for lease and development contains an obligation on Silver Sea to grant, and an obligation on Care UK to accept, a lease of the relevant site.

Given the commonality of equity ownership between Silver Sea and Care UK, each of the agreements entered into between these entities in connection with development plans are a related party transaction. Since the establishment of Silver Sea, the parties have entered into twelve lease agreements, five of which have been subsequently transferred to independent landlords on the sale by Silver Sea of its freehold interest. A further six agreements for lease and development are entered into for various sites across England. A number of other sites have been provisionally approved for development subject to the receipt of satisfactory planning permission.

(b) Pension plans

During the year, the group made various payments to defined benefit pension plans. Details of these transactions are set out in note 26 to the financial statements.

32. RELATED PARTY TRANSACTIONS (continued)

(c) Subsidiaries

The group centrally manages its financing arrangements. Amounts are transferred within the group, dependent on the operational needs of individual companies. The directors do not consider it meaningful to set out the gross amounts of transfers between individual companies. Similarly the directors do not consider it meaningful to set out the interest and dividend payments made within the group as these are a function of the group's central financing arrangements. There are no provisions or expenses recognised for doubtful debts with subsidiary undertakings.

The table below shows the Company's related party transactions:

	2017		2016	
Company	**Amounts receivable**	**Amounts payable**	**Amounts receivable**	**Amounts payable**
	£m	**£m**	**£m**	**£m**
Balances with subsidiary undertakings	**-**	**9.6**	-	2.5

There were no income statement transactions between the Company and any related parties during the year ended 30 September 2017 (2016: none).

Details of the company's cash and indebtedness are set out in notes 16 and 18.

(d) Transactions with related parties

Rent of £3.9m was paid by Care UK to Silver Sea in the year ending 30 September 2017 (2016: £3.9m). Care UK received fees under the technical services agreement from Silver Sea of £1.6m during the year ended 30 September 2017 (2016: £0.8m).

During the year Care UK loaned £2.5m (2016: £4.2m) to the Silver Sea group, and Silver Seas repaid £5.0m of loans (2016: £nil). As at 30 September 2017 £27.7m (2016: £27.6m) of loans were outstanding. The loan is an unsecured, interest bearing loan. Interest is charged at an arms-length rate with interest charged of £2.6m in the year ending 30 September 2017 (2016: £2.1m).

(e) Transactions with key management personnel

(i) Identity

The group and company have identified key management personnel as being the directors of the company and the members of the executive committee.

(ii) Shareholdings

No directors or other key management personnel hold any of the issued ordinary share capital of the company. Certain management have the opportunity to purchase shares in their employing company, see note 27 for more details.

(iii) Compensation

Key management personnel's compensation is as follows:

	2017	2016
	£m	**£m**
Salaries and short-term employment benefits	**2.6**	2.2
Contributions to defined contribution plans	**0.2**	0.2
	2.8	2.4

Total remuneration and directors' emoluments are included in note 6.

(v) Loans and other transactions

There have been no loans or other transactions with key management personnel during the year (2016: £nil).

33. FINANCIAL COMMITMENTS

In line with the growth strategy of the Residential Care Services division of Care UK, the group enters into forward agreements with institutional funders for the development of new residential care homes. As part of these funding arrangements Care UK agrees to enter into a commercial operating lease in respect of the new care home upon practical completion. The lease terms can vary but are typically of between 20 and 30 years duration. As at 30 September 2017, Care UK has nine (2016: nine) such build projects in progress whereby future operating lease commitments will commence upon completion of the new home.

34. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Care UK Health and Social Care Finance Limited, which is registered in England and Wales. Care UK Health and Social Care Finance Limited does not prepare group financial statements.

The company's ultimate parent company is Care UK Health and Social Care Holdings Limited, which is registered in England and Wales. The ultimate controlling party is Bridgepoint Europe IV (Nominees) Limited which is managed by Bridgepoint Advisers Limited.

Copies of the financial statements of Care UK Health and Social Care Holdings Limited, which includes the consolidated results of this group, are available from the company's registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

35. PRINCIPAL SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The following principal subsidiary and joint venture undertakings, which are incorporated in England and Wales and operate in the UK, have been included in the consolidated financial statements. They all have a registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB and are all indirectly held by the holding company; unless otherwise stated:

		Ownership interest	
Subsidiaries	**Nature of business**	**2017**	**2016**
		%	**%**
BH Health Limited	Provides health care services	**100**	100
Care UK (AGW) Limited	Provides health care services	**100**	100
Care UK (H4H) Limited	Provides health care services to those within the judicial system	**100**	100
Care UK (HCS) Limited	Provides and administers clinical services to Clinical Commissioning Groups	**100**	100
Care UK Healthcare Holdings Limited[1]	Holding company	**100**	-
Care UK Health & Rehabilitation Services Limited[2]	Provides forensic and health care services to those within the judicial system	**100**	-
Care UK (Peninsula) Limited	Provides health care services	**100**	100
Care UK (Shepton Mallet) Limited	Provides health care services	**100**	100
Care UK (Surrey) Limited	Provides and administers clinical services to Clinical Commissioning Groups	**100**	100
Care UK (UKSH) Limited	Provides health care services	**100**	100
Care UK (Urgent Care) Holdings Limited	Holding company	**100**	100

35. PRINCIPAL SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (continued)

Subsidiaries	Nature of business	Ownership interest 2017	2016
		%	%
Care UK (Urgent Care) Limited	Provides primary health care services	**100**	100
Care UK Clinical Services Limited	Provides secondary health care services to the public sector	**100**	100
Care UK Community Diagnostics Limited	Provides medical scanning services	**100**	100
Care UK Community Partnerships (Suffolk) Limited	Development and operation of nursing and residential care homes for the elderly	**100**	100
Care UK Community Partnerships Limited	Provides specialist health care, intermediate care, social care and facilities management services for the elderly	**100**	100
Care UK Health & Social Care PLC	Intermediary holding and finance company	**100**	100
Care UK Healthcare (Southeast) Limited	Dormant	**100**	100
Care UK Limited	Intermediary holding company	**100**	100
Care UK Practices Limited	Provides health care services	**100**	100
Care UK Pharmacy Services Limited (formerly Care UK Services Limited)	Provides pharmacy services	**100**	100
CareNorthants Limited	Provides health care services	**100**	100
CHS (Kincardine) Limited	Development and operation of nursing and residential care homes for the elderly	**100**	100
CHS Healthcare Limited	Dormant	**100**	100
Community Health Services Limited	Development and operation of nursing and residential care homes for the elderly	**100**	100
Ellerash Limited	Development and operation of nursing and residential care homes for the elderly	**100**	100
Gryphon Health LLP[3]	Dormant	**-**	100
Hillingdon Health Limited	Dormant	**100**	100
Lanemile Limited	Development and operation of nursing and residential care homes for the elderly	**100**	100
PHG (Hampshire) Limited	Operates a treatment centre providing clinical services	**100**	100
Pocket Physio Limited[4]	Dormant	**-**	100
Practice Assist Limited	Provides health care services	**100**	100
Shepton Mallet Health Partnership Limited	Dormant	**100**	100
Suffolk Integrated Healthcare Limited	Dormant	**100**	100
Buckinghamshire Urgent Care Alliance LLP	Provides primary care services to the public sector	**66**	66

[1] Company formed 24 May 2017
[2] Company formed 28 November 2016
[3] Company dissolved 22 November 2016
[4] Company dissolved 29 November 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Care UK Health & Social Care Investments Limited ("the company") for the year ended 30 September 2017 which comprise the consolidated statement of comprehensive performance, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company cash flow statement, and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Brokenshire

Ian Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Longbridge Road
Marsh Mills
Plymouth
PL6 8LT

Date 5th December 2017