Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three months ended 31 December 2017

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

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2017 (the "2017 Annual report") and should be read in conjunction with that report. The 2017 Annual report is available in pdf format only and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the first quarter of the year ending 30 September 2018 and exclude the effects of IFRIC 12.

- **Group overview and financial highlights**
  - Overall performance in the three months ended 31 December 2017 was ahead of management expectations. Revenue increased by 6.1 per cent., or £9.8 million, to £169.9 million for the quarter. Adjusted EBITDA of £10.6 million represents a 58.2 per cent. increase of £3.9 million on prior year reflecting continued growth in Residential Care and a combination of new contracts and improved performance in Health Care.
  - Pro-forma Adjusted EBITDA was £12.4 million for the quarter, an increase of £4.8 million (63.2 per cent.) on prior year. As expected new care home start-up losses within the Residential Care business increased from £0.9 million in Q1 2017 to £1.8 million in the current quarter.
  - Revenue in our Residential Care business increased 9.0 per cent. to £79.6 million for the quarter. This growth has been delivered from continued occupancy growth in the new home portfolio, including the seven new homes opened in the last 14 months. In the mature home portfolio, increased fee rates (mainly as a result of the increasing proportion of self-funding residents) has contributed to the underlying growth. Pro-forma Adjusted EBITDA increased by £1.3 million to £10.0 million for the quarter reflecting the underlying long-term profitability of the portfolio. Adjusted EBITDA increased by £0.4 million, £0.9 million lower than the pro-forma basis as a result of the expected increase in start-up losses year-on-year.
  - Health Care has made a good start to the year, with revenue increasing by £3.2 million year-on-year to £90.3 million for the quarter. New prison healthcare contracts contributed over £7.0 million of revenue growth year-on-year, being partly offset by the impact from the disposal of the Manchester CATS service in January 2017 and reduction in GP contracts. Quarter one is historically a low volume elective surgery period and despite the NHS wide moratorium on certain procedures, we are pleased to report improved profitability from the flow through of procurement and other cost saving benefits. Adjusted EBITDA of £3.8 million is significantly ahead of the £0.2m reported last year.
  - The strong result has generated a significant increase in Adjusted EBITDA LTM which reduces reported leverage to 6.2x (5.5x on a pro-forma basis) on net debt of £264.3 million at 31 December 2017.
  - Net financing costs of £3.9 million are in line with prior year reflecting the stable debt profile and interest cost thereon.
  - As previously indicated, we continue to actively evaluate strategic options for the long term future of both our Health Care and Residential Care businesses. The full range of potential scenarios which enable continued growth and further innovation are being considered. Our focus continues to be the best interests of residents, patients, colleagues, commissioners and our investors.

- **Residential Care Services**
  - Residential Care revenue increased by £6.6 million (9.0 per cent.) to £79.6 million with approximately one third of this growth generated by the mature homes estate from a combination of increased weekly fees and the self-funding mix of residents. The remainder of growth is generated from the progressive maturing of occupancy in the new care home portfolio.
  - Pro-forma Adjusted EBITDA has increased by 14.9 per cent. from £8.7 million to £10.0 million for the quarter. The scale of new care home openings and related start-up losses has suppressed the reported Adjusted EBITDA growth of £0.4 million. Compared to prior quarter (Q4 2017) the reduction of £0.9 million in pro-forma Adjusted EBITDA is due to the timing of one-off contract income received in Q4 2017 together with typical winter cost seasonality.
  - Continuing financial progress demonstrates the strength of Care UK's self-funding orientated new care home strategy and positions the business well to continue to deliver future growth. The new home pipeline to 2020 and beyond is strong. During the quarter, two new build homes were opened with the business on target to open six new homes in the financial year. We currently plan to open ten homes in 2018-19, subject to planning and construction timing. Separately, and following the success of the Suffolk County Council contract, we continue to explore opportunities to develop local authority partnership models.
  - In addition to organic growth, two homes were added to the portfolio in the quarter. In October, we acquired the leasehold interest in a 69 bed self-pay focussed care home located in Knebworth. Care UK was also successful in winning a tender to retain an existing contract home with the addition of a 62 bed local authority home in Berkshire. Whilst both are established care homes they are not yet fully mature and occupancy levels are expected to increase during year ended 30 September 2018.
  - Key operational metrics continue to improve in line with management expectations, driving continued financial improvement.
    - Average weekly fee (AWF) has increased to £868, a 7.3 per cent. increase on prior year mainly as result of the increasing proportion of self-funding residents. The proportion of total revenue derived from self-funded residents in Q1 2018 was 45.2 per cent., up from 43.7 per cent. in Q4 2017 and 41.3 per cent. a year ago.
    - Financial occupancy across the entire care home portfolio reduced marginally in Q1 2018 to 87.3 per cent. from 88.2 per cent. in Q4 2017. Approximately half of the reduction is the dilutive effect of the several new homes being added to the portfolio in the period, with the remainder a normal seasonal effect. Our established, largely local authority funded homes maintained strong occupancy levels in the quarter at 92.0 per cent. despite winter pressures.
    - The labour cost to sales ratio for the quarter increased as expected to 58.9 per cent. from 58.2 per cent. in the prior quarter (as the Christmas holiday period incurs additional cost).
  - On 30 November 2017, the Competition and Markets Authority announced the outcome of their investigation into the care home sector. The main conclusions related to the overall acceptability of competitiveness across the sector, with concerns that local authority pricing is undermining sector sustainability. They also raised some consumer protection concerns and continue to engage with the sector, particularly regarding certain charges prior to the admission of residents and at the end of their stay. We are still evaluating the report and any necessary changes to our commercial terms and conditions. Any impact on the company's financial performance is not expected to be material.
  - Care Quality Commission (CQC) inspection ratings have shown continued improvement throughout 2017 with 78 per cent. of homes currently ranked at least "Good" (with two homes rated "Outstanding"), the best performance of the five largest operators within the sector. Of our 119 care homes, four were regrettably rated "Inadequate" and have improvement plans in place.

- **Health Care**
  - Revenue in Health Care increased by £3.2 million for the quarter compared to the prior year, mainly as a result of prison healthcare contracts that mobilised in April and September 2017 giving this service line year-on-year growth of £6.7 million (26.7 per cent.). This growth was partly offset by reduction in revenue from the disposal of the Manchester CATS contract early in Q2 2017 and the rationalisation of the GP and walk in centre portfolio.
  - Revenue for the elective surgery service line was broadly in line with the prior quarter and prior year, with the expected increase restricted by the management of certain elective surgery procedures across the NHS. As waiting lists continue to grow, we increasingly expect a medium term increase in volumes. In addition to 'Patient Choice' activity, Care UK is continuing to develop partnership models with NHS Acute Trusts alongside a self-pay option for patients.
  - Adjusted EBITDA of £3.8 million for the quarter is significantly ahead of the prior year's £0.2 million. Around half of the increase is due to incremental prison contracts alongside improved efficiency. The significant £1.0 million year-on-year Adjusted EBITDA increase in elective surgery is largely due to procurement savings and better operating theatre optimisation.
  - Within Urgent Care, the commencement of the West Midlands integrated NHS 111 and Out of Hours contract in November 2016 (balancing the contemporaneous expiry of the South West London NHS 111 contract) has generated a net £1.2 million increase in revenue. Off-setting this growth Care UK has reduced its contracts in traditional GP practices and Walk-in-Centres but remain committed to strategic partnerships and remain focused on the opportunity to develop new innovative service models that leverage our clinical call centre capability.

- **Post reporting period developments**
  - In February 2018 Care UK's Residential Care business renegotiated terms on a portfolio of 14 properties with a common landlord. The transaction resulted in Care UK purchasing the freehold interest in two properties, with the leases on the remaining 12 homes being renewed under new terms and conditions resulting in rent savings of approximately £1.0 million per annum.
  - As previously reported, at the end of March 2018, a loss making local authority contract will be handed back to the respective council, taking 92 beds out of the portfolio.
  - Due to building defects, a 90 bed care home has been closed for the foreseeable future. The leasehold property was operating at a small loss; it was part of the portfolio of homes taken over from Southern Cross in 2012. Investigation will determine the best course of action in respect of rectification or rebuild.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

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. Care UK's portfolio is closely aligned to commissioners' current and anticipated priorities, and focused on patient, service user and customer expectations and choice. Care UK is structured as two mature and largely standalone service line based operating divisions – Health Care and Residential Care Services – each performing at a market leading level within its sector.

Social Care	Health Care
Care UK is one of the largest providers of residential care for older people. At 31 December 2017 we operated 119 care homes with over 7,800 beds providing both residential and nursing care. Our team of 9,000 people delivers care to over 7,000 people every day. Our care homes provide an impressive range of care services to older people, ranging from short stay respite care to nursing care, end of life care, plus specialist care and support for people living with Alzheimer's and other forms of dementia. We are building modern and fit for purpose care homes, with a strategic ambition to reach 50 per cent. of our revenue being generated from self-funding customers by 2020. We have opened 30 new homes since 2011 and have a strong pipeline of opportunities ahead. The quality of our services as rated by CQC in England and CI in Scotland compares favourably with other providers. More of Care UK's homes are rated 'good' or 'outstanding' than those run by the other four largest providers in the UK marketplace.	Care UK is the largest independent provider of NHS services in the UK, delivering more than 18 million patient interactions each year. Our services are centred around the key primary and secondary care service streams. **Primary Care** We are the largest Independent Sector provider of health care services in prisons and secure facilities, delivered at 41 different sites. We provide NHS primary care services including GP and walk-in services to 48 CCGs. We deliver NHS out of hours services to 17 CCGs, providing health advice and support for over 5 million people. Our NHS 111 service provides services to 46 CCGs and handle on average 225,000 calls a month covering a population of over 11.6 million people. **Secondary Care** Our treatment centres have exceptional clinical outcomes and no cases of hospital acquired MRSA blood stream infections. Our Peninsula treatment centre is the first independent sector surgical hospital to be awarded an 'outstanding' rating by CQC, followed by our Shepton Mallet treatment centre which also achieved an 'outstanding' rating. In the past year, our treatment centres and clinical assessment services delivered over 80,000 procedures for NHS patients.

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

Key figures Amounts in £ million	Q1 2017	Q1 2018
Revenue	160.1	169.9
Adjusted EBITDA	6.7	10.6
Pro-forma Adjusted EBITDA	7.6	12.4
Adjusted operating profit	1.2	4.1
Net loss for the period	(6.9)	(2.5)
Operating cash flow (before capital expenditure)	11.3	6.7

Segmental Reporting	**Revenue**		**Adjusted EBITDA**	
Amounts in £ million	Q1 2017	Q1 2018	Q1 2017	Q1 2018
Residential Care Services	73.0	79.6	7.8	8.2
Health Care	87.1	90.3	0.2	3.8
Other	-	-	(1.3)	(1.4)
Total	160.1	169.9	6.7	10.6

Financial leverage	As of and for the 12 month period ended			
	31 March 2017	30 June 2017	30 September 2017	31 December 2017
Adjusted EBITDA (£m)	39.0	39.6	38.7	42.6
Pro-forma Adjusted EBITDA (£m)[1]	42.8	43.8	43.6	48.4
Net debt (£m)[2]	263.0	265.7	257.4	264.3
Net debt / Pro-forma Adjusted EBITDA	6.14x	6.07x	5.90x	5.46x
Net debt / Adjusted EBITDA	6.74x	6.71x	6.65x	6.20x

[1] Pro-forma Adjusted EBITDA excludes new home start-up losses of £5.8 million for the 12 months ended 31 December 2017 incurred in the Residential Care Services division.

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

FINANCIAL SUMMARY

Results of Operations

The tables below sets out the key line items from the unaudited condensed consolidated statement of comprehensive performance for the three months ended 31 December 2017 and 31 December 2016 excluding the effect of applying IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the 2017 Annual report. For the unaudited condensed consolidated statement of comprehensive performance including the effects of IFRIC 12 see the financial statements on pages F-3 to F-14 that accompany this financial summary.

For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, refer to the 2017 Annual report. For full details regarding Care UK's Accounting Policies refer to the 2017 Annual report.

Pro forma pre-IFRIC 12 non-statutory consolidated statement of comprehensive performance (unaudited)	**Three months ended 31 December**	
	2016	**2017**
	£m	**£m**
Revenue	160.1	169.9
Cost of sales	(145.4)	(152.8)
Gross profit	**14.7**	**17.1**
Administrative expenses	(18.2)	(15.7)
Operating profit/(loss) before financing expenses	**(3.5)**	**1.4**
Adjusted EBITDA	6.7	10.6
Depreciation of tangible assets	(5.5)	(6.5)
Adjusted operating profit	1.2	4.1
Amortisation of intangible assets	(2.1)	(1.9)
Loss on disposal of tangible fixed assets	-	(0.1)
Non-recurring items	(2.5)	(0.2)
IAS 17 lease expense	(0.1)	(0.5)
Operating profit/(loss) before financing expenses	(3.5)	1.4
Financial income	0.7	0.7
Financial expense	(4.7)	(4.6)
Net financing expense	**(4.0)**	**(3.9)**
Loss before taxation	**(7.5)**	**(2.5)**
Taxation	0.6	-
Loss for the period	**(6.9)**	**(2.5)**

Net Debt and Liquidity

The following table shows the comparative net debt position as at 31 December 2016 and 31 December 2017.

	As at 31 December	
	2016	**2017**
	£m	**£m**
Senior Secured Notes	267.6	267.6
Revolving Credit Facility and bank loans	14.0	17.0
Cash and cash equivalents	(14.1)	(18.4)
Deferred financing costs	(3.2)	(1.9)
Total net debt[1]	**264.3**	**264.3**

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

Net debt is unchanged from the prior year and has been broadly consistent since the significant repurchases of the 2014 Notes made in 2015. Net liquidity (RCF availability plus cash) increased from £61.1 million as at 31 December 2016 to £66.4 million as at 31 December 2017, mostly due to the expiry of a performance bond of £4.0 million in Q3 2017.

In July 2014 the group carried out a refinancing (the "Refinancing") in order to put in place a long term stable capital structure to underpin the group's future growth plans whilst significantly reducing the group's cost of debt. The Refinancing comprised the issue of the 2014 Notes divided into two tranches, a First Lien tranche of £325.0 million (the "2014 Senior Secured Notes"), which mature on 15 July 2019, and a Second Lien tranche of £75.0 million (the "2014 Second Lien Notes"), which mature on 15 January 2020.

As a result of a series of repurchase transactions that took place during the year ended 30 September 2015 total Senior Secured Notes and Second Lien Notes remaining in issue at 31 December 2017 are £230.0 million and £37.6 million respectively (excluding £5.0 million 2014 Second Lien Notes held in treasury by Care UK Health and Social Care Finance Limited, a company which is outside the restricted credit group).

Care UK has historically financed its capital investment and working capital requirements through a combination of cash flows from its operating activities, short and long-term bank borrowings and the issuance of Senior Secured Notes. Following the purchase of the 2014 Notes outlined above, Care UK expects that its key sources of liquidity for the foreseeable future will continue to be cash flows generated from operations together with drawings under Care UK's Revolving Credit Facility.

The following table sets out a summary of cash flows and change in net debt for the periods indicated, from both continuing and discontinued operations.

	Three months ended 31 December	
	2016	**2017**
	£m	**£m**
Adjusted operating profit	1.2	4.1
Depreciation and other non-cash movements	5.4	6.0
Change in working capital and non-recurring items	4.7	(3.4)
Cash flow from operations	**11.3**	**6.7**
Cash flows resulting from financing activities and taxation	(4.4)	(4.0)
Capital expenditure, net of disposal proceeds	(7.3)	(6.0)
Loans to parent & related party undertakings	(2.3)	(3.3)
Movement in net debt arising from cash flows	**(2.7)**	**(6.6)**
Other non-cash movements in net debt	(0.3)	(0.3)
Total movement in net debt	**(3.0)**	**(6.9)**
Net debt at 31 December	(264.3)	(264.3)

The net cash flow from operating activities for the three months ended 31 December 2017 was an inflow of £6.7 million compared with an inflow of £11.3 million for the three months ended 31 December 2016. Working capital has been tracking ahead of management expectations for several periods and the outflow in the current quarter is an expected unwinding. Cash flows resulting from financing expenses and taxation were a net outflow of £4.0 million in the three months ended 31 December 2017, broadly unchanged from the comparative period in the prior year. This reflects the largely unchanged GBP LIBOR interest rate that is applied to the Group’s Loan Notes and RCF facility.

Capital expenditure, net of disposal proceeds of £0.8 million, amounted to £6.0 million for the three months ended 31 December 2017 compared with £7.3 million for the three months ended 31 December 2016. Maintenance capital expenditure amounted to £4.6 million for the three months ended 31 December 2017 and is in line with the prior year of £4.2 million. Expansionary capital expenditure amounted to £2.2 million for the three months ended 31 December 2017 compared with £3.1 million for the three months ended 31 December 2016.

Care UK provided loans to related parties of £3.3 million in the three months ended 31 December 2017 compared with £2.3 million in the three months ended 31 December 2016 - see “Certain Relationships and Related Party Transactions” in the 2017 Annual report for further details.

RISK FACTORS

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

See the 2017 Annual report for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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Care UK Health & Social Care Investments Limited

Condensed consolidated financial statements (unaudited)

Three month period ended
31 December 2017

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month period ended 31 December 2017

	Notes	Three months to 31 December 2017	Three months to 31 December 2016
		£m	£m
Revenue		**169.5**	159.7
Cost of sales		**(152.8)**	(144.8)
Gross profit		**16.7**	14.9
Administrative expenses		**(15.8)**	(18.4)
Operating profit/(loss) before financing expense	7	**0.9**	(3.5)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**9.5**	6.2
Depreciation of tangible assets		**(5.8)**	(4.9)
Adjusted operating profit		**3.7**	1.3
Amortisation of intangible assets		**(2.0)**	(2.2)
Loss on disposal of tangible fixed assets		**(0.1)**	-
Non-recurring items	5	**(0.2)**	(2.5)
IAS 17 lease expense		**(0.5)**	(0.1)
Operating profit/(loss) before financing expense		**0.9**	(3.5)
Financial income	6	**0.9**	0.9
Financial expense	6	**(4.6)**	(4.7)
Net financing expense		**(3.7)**	(3.8)
Loss before taxation	7	**(2.8)**	(7.3)
Taxation		**-**	0.6
Loss for the period attributable to equity holders of the parent		**(2.8)**	(6.7)
Total comprehensive loss for the period attributable to the equity holders of the parent		**(2.8)**	(6.7)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 December 2017

	Notes	31 December 2017	31 December 2016	30 September 2017
		£m	**£m**	**£m**
Assets				
Property, plant and equipment	8	**191.2**	190.1	190.9
Intangible assets	9	**136.2**	145.5	138.2
Other financial assets	10	**17.3**	20.0	17.5
Amounts due from parent undertakings		**1.4**	-	-
Amounts due from related party undertakings		**30.4**	30.7	27.7
Other receivables		**7.9**	8.2	8.0
Deferred tax assets		**7.7**	8.2	7.7
Total non-current assets		**392.1**	402.7	390.0
Other financial assets	10	**1.3**	1.2	1.3
Inventories		**2.1**	4.1	2.0
Trade and other receivables		**54.0**	52.6	57.6
Cash and cash equivalents		**18.4**	14.1	12.0
Assets held for sale		**3.5**	2.9	4.4
Total current assets		**79.3**	74.9	77.3
Total assets		**471.4**	477.6	467.3
Liabilities				
Trade and other payables		**(148.3)**	(147.3)	(154.4)
Current tax liabilities		**(1.5)**	(1.7)	(1.5)
Provisions for liabilities and charges		**(1.2)**	(1.0)	(1.0)
Total current liabilities		**(151.0)**	(150.0)	(156.9)
Financial liabilities	11	**(282.7)**	(278.4)	(269.4)
Other non-current liabilities		**(14.9)**	(19.2)	(15.1)
Amounts due to parent undertakings		**(6.0)**	(5.6)	(5.9)
Provisions for liabilities and charges		**(25.7)**	(23.4)	(26.1)
Total non-current liabilities		**(329.3)**	(326.6)	(316.5)
Total liabilities		**(480.3)**	(476.6)	(473.4)
Net assets/(liabilities)		**(8.9)**	1.0	(6.1)
Equity				
Issued share capital		**210.7**	210.7	210.7
Capital contribution reserve		**15.7**	15.7	15.7
Retained earnings		**(235.3)**	(225.4)	(232.5)
Total equity attributable to equity holders of the parent		**(8.9)**	1.0	(6.1)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three month period ended 31 December 2017

	Attributable to equity holders of the parent			
Group	**Issued Share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity**
	£m	**£m**	**£m**	**£m**
At 30 September 2017	210.7	15.7	(232.5)	(6.1)
Total comprehensive loss for the period	-	-	(2.8)	(2.8)
At 31 December 2017	**210.7**	**15.7**	**(235.3)**	**(8.9)**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2017

	Three months to 31 December 2017	**Three months to 31 December 2016**
	£m	**£m**
Cash flows from operating activities		
Loss for the period before taxation	**(2.8)**	(7.3)
Financial income	**(0.9)**	(0.9)
Financial expense	**4.6**	4.7
Depreciation of tangible assets	**5.8**	4.9
Amortisation of intangible assets	**2.0**	2.2
Loss on disposal of tangible fixed assets	**0.1**	-
Decrease in IFRIC 12 financial asset	**0.4**	0.5
(Increase) in inventory	**-**	(0.4)
Decrease/(increase) in trade and other receivables	**3.8**	(2.3)
(decrease)/increase in trade and other payables	**(6.9)**	9.9
Net cash flows from operating activities	**6.1**	11.3
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(6.2)**	(7.3)
Net proceeds from the sale of property, plant and equipment	**0.8**	-
Loans to related party undertakings	**(3.3)**	(2.3)
Net cash flows from investing activities	**(8.7)**	(9.6)
Cash flows from financing activities		
Proceeds from new loans	**53.0**	43.0
Repayment of amounts borrowed	**(40.0)**	(39.0)
Interest paid	**(4.0)**	(4.4)
Payment of capital element of finance lease payments	**-**	-
Net cash flows from financing activities	**9.0**	(0.4)
Net increase in cash and cash equivalents	**6.4**	1.3
Cash and cash equivalents at the beginning of the period	**12.0**	12.8
Cash and cash equivalents at the end of the period	**18.4**	14.1

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three months ended 31 December 2017 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months ended 31 December 2017, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the group for the year ended 30 September 2017, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG LLP gave an unqualified opinion. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2017 set out within this report have been extracted from the 2017 Annual report and accounts published on 5 December 2017.

2. ACCOUNTING POLICIES

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

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

Accounting policies specific to interim financial statements

The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2017 Annual report.

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

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

Provisions for liabilities and other charges: The group has provided for onerous lease contracts in respect of residential care homes to the extent that the unavoidable costs of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the care home. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate the present value. Care UK updates these forecast assumptions on an annual basis together with other variable assumptions typically applied in a discounted cash flow method. Care UK does not recalculate the provision at each interim reporting date and therefore does not account for any unwinding or utilisation of the provision within the interim financial statements. The carrying amount of the provision as at 31 December 2017 was £15.0m.

3. NON-IFRS FINANCIAL MEASURES

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

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

Adjusted EBITDA is defined as adjusted operating profit plus depreciation. For further detail on the definition of these performance measures and the items that have been excluded see the 2017 Annual report – Presentation of Financial Information on page 39.

4. 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.

Business Segments

The group's 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: comprises the group's central support functions.

Three months to 31 December 2017	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	79.2	90.3	-	**169.5**
Adjusted EBITDA	7.1	3.8	(1.4)	**9.5**
Depreciation of tangible assets	(3.3)	(2.2)	(0.3)	**(5.8)**
Adjusted operating profit/(loss)	3.8	1.6	(1.7)	**3.7**
Amortisation of intangible assets	(1.0)	(1.0)	-	**(2.0)**
Loss on disposal of tangible assets	(0.1)	-	-	**(0.1)**
Non-recurring items	-	(0.2)	-	**(0.2)**
IAS 17 lease expense	(0.5)	-	-	**(0.5)**
Profit/(loss) before financing expense and taxation	2.2	0.4	(1.7)	**0.9**
Net financing expense				**(3.7)**
Taxation				**-**
Loss for the year				**(2.8)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(8.1)	(2.9)	(0.1)	**(11.1)**

Three months to 31 December 2016	**Residential Care Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**
Group revenue	72.6	87.1	-	**159.7**
Adjusted EBITDA	7.3	0.2	(1.3)	**6.2**
Depreciation of tangible assets	(2.6)	(2.0)	(0.3)	**(4.9)**
Adjusted operating profit/(loss)	4.7	(1.8)	(1.6)	**1.3**
Amortisation of intangible assets	(1.0)	(1.2)	-	**(2.2)**
Non-recurring items	-	(2.5)	-	**(2.5)**
IAS 17 lease expense	(0.1)	-	-	**(0.1)**
Profit/(loss) before financing expense and taxation	3.6	(5.5)	(1.6)	**(3.5)**
Net financing expense				**(3.8)**
Taxation				**0.6**
Loss for the year				**(6.7)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(7.3)	(2.8)	(0.1)	**(10.2)**

5. NON-RECURRING ITEMS

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

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

	Note	**Three months to 31 December 2017**	**Three months to 31 December 2016**
		£m	**£m**
Non-recurring items:			
— Procurement programme	*(a)*	**(0.2)**	(0.2)
— Restructuring	*(b)*	**-**	(1.3)
— Contract exit and transition	*(c)*	**-**	(1.0)
		(0.2)	(2.5)

Non-recurring items in the three months to 31 December 2017 amounted to a charge of £0.2m in aggregate (three months to 31 December 2016: charge £2.5m). The key elements of the charges for both periods are set out below. Segmental analyses of non-recurring items are shown in note 4.

(a) Procurement programme

During the 2017 financial 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 is delivering significant commercial benefit to the business. Implementation costs of £0.2m were incurred in the three months to 31 December 2017 (three months to 31 December 2016 £0.2m).

(b) Restructuring

During the final quarter of the 2016 financial year Care UK's Health Care business commenced an overhead reduction programme in order to address substantial market challenges within Urgent Care and other healthcare service lines. A redundancy programme was initiated and incurred a non-recurring charge of £1.3m in the three months ended 31 December 2016 in respect of the expected related costs.

(c) Contract exit and transition

The former Manchester CATS service that was operated under a Wave 2 contract up 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 Wave 2 terms, and an underlying reduction in patient volumes, the service became loss making. A non-recurring charge of £1.0m was incurred in the three months ended 31 December 2016 comprising transaction costs and contract losses from 1 October 2016 to completion.

6. NET FINANCING EXPENSE

	Three months to 31 December 2017	Three months to 31 December 2016
	£m	**£m**
Financial income:		
Interest receivable	**0.7**	0.7
IFRIC-12 interest receivable	**0.2**	0.2
Financial income	**0.9**	0.9
Financial expense:		
Interest payable on borrowings	**(4.2)**	(4.2)
Amortisation of deferred financing costs	**(0.3)**	(0.3)
Interest payable on loans with parent undertaking	**(0.1)**	(0.1)
Other interest expense	**-**	(0.1)
Financial expense	**(4.6)**	(4.7)
Net financing expense	**(3.7)**	(3.8)

7. LOSS BEFORE TAXATION

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

	Three months to 31 December 2017	Three months to 31 December 2016
	£m	**£m**
Depreciation of tangible assets	**5.8**	4.9
Amortisation of intangible assets	**2.0**	2.2
Loss on disposal of tangible fixed assets	**0.1**	-
Operating lease charges: Land and buildings	**11.1**	10.2
IFRIC 12 infrastructure costs expensed in the period	**0.2**	0.2

8. PROPERTY, PLANT AND EQUIPMENT

	31 December 2017	31 December 2016	30 September 2017
	£m	**£m**	**£m**
Opening net book value	**190.9**	190.0	190.0
Additions and acquisitions	**6.1**	5.0	25.3
Disposal and transfers to current assets	**-**	-	(2.1)
Depreciation charge for the period	**(5.8)**	(4.9)	(22.3)
Closing net book value	**191.2**	190.1	190.9

9. INTANGIBLE ASSETS

	31 December 2017	31 December 2016	30 September 2017
	£m	£m	£m
Opening net book value	**138.2**	147.7	147.7
Disposal	**-**	-	-
Amortisation charge for the period	**(2.0)**	(2.2)	(9.5)
Closing net book value	**136.2**	145.5	138.2

10. OTHER FINANCIAL ASSETS

	31 December 2017	31 December 2016	30 September 2017
	£m	£m	£m
Non-current			
IFRIC-12 financial asset	**17.3**	18.8	17.5
Financial asset measured at amortised cost	**-**	0.6	-
Financial asset measured at fair value through profit and loss	**-**	0.6	-
	17.3	20.0	17.5
Current			
IFRIC-12 financial asset	**1.3**	1.0	1.3
Financial asset measured at fair value through profit and loss	**-**	0.2	-
	18.6	21.2	18.8

IFRIC-12 financial asset	31 December 2017	31 December 2016	30 September 2017
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**18.8**	20.0	20.0
Released in the period	**(0.2)**	(0.2)	(1.2)
IFRIC-12 financial asset: carried forward	**18.6**	19.8	18.8

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

11. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total Financial Liabilities
	£m	£m	£m
At 1 October 2016	-	(274.1)	(274.1)
Cash flow	-	6.0	6.0
Other non-cash changes	-	(1.3)	(1.3)
At 30 September 2017	-	(269.4)	(269.4)
Cash flow	-	(13.0)	(13.0)
Other non-cash changes	-	(0.3)	(0.3)
At 31 December 2017	**-**	**(282.7)**	**(282.7)**

As at 31 December 2017 there was accrued interest of £3.4m (31 December 2016: £3.3m; 30 September 2017: £3.3m) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

Terms and conditions

i) Senior Secured Notes

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

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. As a result of these transactions the total of Second Lien Notes remaining in issue at 31 December 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 31 December 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.

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. As a result of this transaction the total of Senior Secured Notes remaining in issue at 31 December 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").

As at 31 December 2017, £17.0m (31 December 2016: £14.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn (31 December 2016: £4.0m utilised in relation to performance bonds).

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

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the Group for the 12 months ending on that quarter end). "Consolidated EBITDA" for the purposes of the covenants under the Amended and Restated Senior Revolving Facility Agreement allows for certain adjustments and therefore is not exactly equivalent to the definition of Adjusted EBITDA as outlined in the Accounting Policies - Non-GAAP Performance Measures in the 2017 Annual report.

Care UK Health & Social Care Investments Limited

Pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited)

Three month period ended
31 December 2017

BASIS OF PREPARATION

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

The group pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) has been prepared by the directors pursuant to the requirements detailed on page 204 of the offering memorandum and on the basis of the recognition and measurement principles contained in applicable IFRSs as adopted by the EU, with the exception of accounting interpretation IFRIC 12 Service Concession Arrangements as detailed below, and in accordance with the group accounting policies which have been applied consistently in dealing with items which are considered material in relation to the group pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited).

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

Definition

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

Accounting policies

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

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

Except as described below, the same accounting policies and methods of computation are followed in this group pro-forma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) as were applied to all periods presented in the financial statements and throughout the group.

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

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

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

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month period ended 31 December 2017

	Three months to 31 December 2017	Three months to 31 December 2016
	£m	£m
Revenue	**169.9**	160.1
Cost of sales	**(152.8)**	(145.4)
Gross profit	**17.1**	14.7
Administrative expenses	**(15.7)**	(18.2)
Operating profit/(loss) before financing expense	**1.4**	(3.5)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**10.6**	6.7
Depreciation of tangible assets	**(6.5)**	(5.5)
Adjusted operating profit	**4.1**	1.2
Amortisation of intangible assets	**(1.9)**	(2.1)
Loss on disposal of tangible fixed assets	**(0.1)**	-
Non-recurring items	**(0.2)**	(2.5)
IAS 17 lease expense	**(0.5)**	(0.1)
Operating profit/(loss) before financing expense	**1.4**	(3.5)
Financial income	**0.7**	0.7
Financial expense	**(4.6)**	(4.7)
Net financing expense	**(3.9)**	(4.0)
Loss before taxation	**(2.5)**	(7.5)
Taxation	**-**	0.6
Loss for the period attributable to equity holders of the parent	**(2.5)**	(6.9)
Total comprehensive loss for the period attributable to the equity holders of the parent	**(2.5)**	(6.9)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION SHEET (UNAUDITED)
As at 31 December 2017

	31 December 2017	31 December 2016	30 September 2017
	£m	£m	£m
Assets			
Property, plant and equipment	**219.3**	218.7	219.1
Intangible assets	**129.2**	138.0	131.1
Other financial assets	**-**	1.3	-
Amounts due from parent undertakings	**1.4**	-	-
Amounts due from related party undertakings	**30.4**	30.7	27.7
Other receivables	**7.9**	8.2	8.0
Deferred tax asset	**5.3**	6.0	5.3
Total non-current assets	**393.5**	402.9	391.2
Other financial assets	**-**	0.2	-
Inventories	**2.1**	4.1	2.0
Trade and other receivables	**54.0**	52.6	57.6
Cash and cash equivalents	**18.4**	14.1	12.0
Assets held for sale	**3.5**	2.9	4.4
Total current assets	**78.0**	73.9	76.0
Total assets	**471.5**	476.8	467.2
Liabilities			
Trade and other payables	**(138.0)**	(137.1)	(144.2)
Current tax liabilities	**(1.5)**	(1.7)	(1.5)
Provisions for other liabilities and charges	**(1.2)**	(1.0)	(1.0)
Total current liabilities	**(140.7)**	(139.8)	(146.7)
Financial liabilities	**(282.7)**	(278.4)	(269.4)
Other non-current liabilities	**(14.9)**	(19.2)	(15.1)
Amounts due to parent undertakings	**(6.0)**	(5.6)	(5.9)
Provisions for other liabilities and charges	**(25.7)**	(23.4)	(26.1)
Total non-current liabilities	**(329.3)**	(326.6)	(316.5)
Total liabilities	**(470.0)**	(466.4)	(463.2)
Net assets	**1.5**	10.4	4.0
Equity			
Issued share capital	**210.7**	210.7	210.7
Capital contribution reserve	**15.7**	15.7	15.7
Retained earnings	**(224.9)**	(216.0)	(222.4)
Total equity attributable to equity holders of the parent	**1.5**	10.4	4.0

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PRO-FORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2017

	Three months to 31 December 2017	Three months to 31 December 2016
	£m	£m
Cash flows from operating activities		
Loss for the period before taxation	**(2.5)**	(7.5)
Financial income	**(0.7)**	(0.7)
Financial expense	**4.6**	4.7
Depreciation of tangible assets	**6.5**	5.5
Amortisation of intangible assets	**1.9**	2.1
Loss on disposal of tangible fixed assets	**0.1**	-
(Increase) in inventory	**-**	(0.4)
Decrease/(increase) in trade and other receivables	**3.8**	(2.3)
(Decrease)/increase in trade and other payables	**(7.0)**	9.9
Net cash flows from operating activities	**6.7**	11.3
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(6.8)**	(7.3)
Net proceeds from sales of property, plant and equipment	**0.8**	-
Loans to related party undertakings	**(3.3)**	(2.3)
Net cash flows used investing activities	**(9.3)**	(9.6)
Cash flows from financing activities		
Proceeds from new loans	**53.0**	43.0
Repayment of amounts borrowed	**(40.0)**	(39.0)
Interest paid	**(4.0)**	(4.4)
Payment of capital element of finance lease payments	**-**	-
Net cash flows from financing activities	**9.0**	(0.4)
Net increase in cash and cash equivalents	**6.4**	1.3
Cash and cash equivalents at the beginning of the period	**12.0**	12.8
Cash and cash equivalents at the end of the period	**18.4**	14.1

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

Three months to 31 December 2017	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	79.6	90.3	-	**169.9**
Adjusted EBITDA	8.2	3.8	(1.4)	**10.6**
Depreciation of tangible assets	(4.0)	(2.2)	(0.3)	**(6.5)**
Adjusted operating profit/(loss)	4.2	1.6	(1.7)	**4.1**
Amortisation of intangible assets	(0.9)	(1.0)	-	**(1.9)**
Loss on disposal of tangible assets	(0.1)	-	-	**(0.1)**
Non-recurring items	-	(0.2)	-	**(0.2)**
IAS 17 lease expense	(0.5)	-	-	**(0.5)**
Profit/(loss) before financing expense and taxation	2.7	0.4	(1.7)	**1.4**
Net financing expense				**(3.9)**
Taxation				**-**
Loss for the year				**(2.5)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(8.1)	(2.9)	(0.1)	**(11.1)**

Three months to 31 December 2016	Residential Care Services	Health Care	Other	Group
	£m	£m	£m	£m
Group revenue	73.0	87.1	-	**160.1**
Adjusted EBITDA	7.8	0.2	(1.3)	**6.7**
Depreciation of tangible assets	(3.2)	(2.0)	(0.3)	**(5.5)**
Adjusted operating profit/(loss)	4.6	(1.8)	(1.6)	**1.2**
Amortisation of intangible assets	(0.9)	(1.2)	-	**(2.1)**
Non-recurring items	-	(2.5)	-	**(2.5)**
IAS 17 lease expense	(0.1)	-	-	**(0.1)**
Profit/(loss) before financing expense and taxation	3.6	(5.5)	(1.6)	**(3.5)**
Net financing expense				**(4.0)**
Taxation				**0.6**
Loss for the year				**(6.9)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(7.3)	(2.8)	(0.1)	**(10.2)**