Care UK Health & Social Care Newco Limited

Quarterly Financial Report for the three months and nine months ended 30 June 2011

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

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SUMMARY

The quarter ended 30 June 2011 represents a further period of progress for Care UK with a good operating performance and continuing pipeline development across the group. The group's overall financial performance for the quarter is in line with management's expectations with continued good performance in Social Care and a considerably improved position in Health Care. All figures and percentages quoted below are quoted for the Care UK Limited group unless stated, for the third quarter or the first nine months of the 2011 financial year, where the context indicates, and excluding the effects of IFRIC 12.

- **Group Highlights**
  - Overall group performance in line with management expectations for the third quarter
  - LTM Adjusted EBITDA to net debt for the Newco group at 3.77x
  - At 30 June 2011, 64.9 per cent. (30 September 2010: 63.2 per cent.) of the Residential Care division's beds were operated under public sector block contracts, where payment is committed whether beds are occupied or not, a key competitive differentiator
  - High level of non-contracted occupancy, over 92%, maintained within the Residential Care division
  - Substantial new contract commissioned at the end of the period comprising the operation of three care homes with 150 beds and around 3,000 hours per week of domiciliary care
  - New 74-bed Residential Care home in Crowborough opened as planned after the period end
  - Integration of domiciliary care and learning disabilities into new Community Services division completed
  - Two new services commissioned in Health Care, including a substantial Offender Health contract;
  - Further proceeds from the ISTC Wave I transition programme received as planned in June; tender process commenced for the group's remaining Wave I ISTC in NE London.

This quarterly report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Newco Limited for the period ended 30 September 2010 (the "Annual Report 2010") and should be read in conjunction with that report. The Annual Report 2010 is available in pdf format only and can be found on our website, www.careuk.com or can be requested from investorrelations@careuk.com.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

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

Overview of Care UK	
Social Care	**Health Care**
• ***Residential Care:*** Care homes (64 homes with over 3,700 beds) for older people, particularly those suffering from dementia, plus 130 day care places • ***Community Care:*** Care worker visits to users' own homes to support daily living needs (approximately 119,000 hours of services delivered per week) • ***Specialist Care:*** Services for approximately 540 individuals with learning disabilities, 21 mental health facilities including independent hospitals, mental health homes and specialist facilities for eating disorders and self-harm	• Broad range of health care services, including 11 specialist hospitals, collectively known as ISTCs, 4 specialist diagnostic and treatment centres known as Clinical Assessment and Treatment Services (CATS), 13 general practitioner ("GP") practices, 5 out-of-hours or urgent care services, 14 walk-in centres and health services in 13 prisons • Approximately 800,000 patients p.a. treated or supported by the Health Care division

Key figures, in £ million for the Care UK Limited group	Q3 / 2010	YTD / 2010	Q3 / 2011	YTD / 2011
Revenue	111.5	332.5	114.0	332.4
Adjusted EBITDA [1)]	15.6	45.3	13.1	35.3
Adjusted operating profit [1)]	10.6	29.3	7.6	18.9
Net profit/(loss) for the period	3.1	9.4	(0.3)	(3.1)
Operating cash flow	(2.9)	20.0	6.4	23.3

[1)] See key definitions below

Financial Leverage	As of and for the 12 month period ended			
Amounts in £ million, for the Newco group	30 September 2010	31 December 2010	31 March 2011	30 June 2011
Adjusted EBITDA	62.0	57.7	54.5	52.0
Net debt	204.0	200.4	207.3	196.0
Net debt / Adjusted EBITDA	3.29x	3.47x	3.80x	3.77x

Non-IFRS Financial Measures

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

Adjusted operating profit is defined as Operating profit before net financing costs adjusted to exclude amortisation of IFRS 3 intangible assets, impairments of goodwill and intangible assets and non-recurring items and before giving effect to adjustments for IFRIC 12.

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation.

Net debt is defined as the Care UK Newco group's bonds, bank loans (net of unamortised arrangement fees), overdrafts and finance lease liabilities, less cash and cash equivalents.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

There are two sets of unaudited condensed consolidated financial statements presented in this interim report. The first is for Care UK Health & Social Care Newco Limited and its Subsidiaries (the "Newco group") and the second is for Care UK Limited and its Subsidiaries (the "Care UK Limited group"). In addition, a pro-forma set of financial statements is presented for the Care UK Limited group before giving effect to the application of IFRIC 12. For further information on the effect of the application of IFRIC 12 to the Care UK Limited group financial statements see the Annual Report 2010. The two sets of unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are presented in pounds sterling.

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

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

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

RISK FACTORS

Compared to the Risk Factors set out in Care UK's Annual Report 2010 there have been no material changes in Care UK's overall opportunity and risk position.

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

RECENT DEVELOPMENTS

Southern Cross

Over recent months the UK's largest provider of residential care services, Southern Cross Healthcare Group PLC, has announced that it intends to cease trading and that all of its care homes, numbering in excess of 750, will be transferred to its landlords. The difficult trading position that Southern Cross has found itself in does not, in our view, reflect a universal picture of the provision of residential care services to older people in the UK, nor of independent sector providers generally. Care UK has the highest regulatory ratings of any scale provider of social care services, including residential care, in England with around 96% of all social care services rated as Good or Excellent by the Care Quality Commission. Care UK's mix of homes includes 50 per cent. (32 homes) that are freehold or long leasehold homes, 47 per cent. (30 homes) that are operated under contract with Local Authorities and 3 per cent. (two homes) that are operated on a commercial leasehold basis. In the 2010 financial year the Residential Care division's total rent charge amounted to £1.8m compared with Adjusted EBITDA (after charging rent) of £24.4 million. The operational and financial performance within the Residential Care division has also continued to be very strong, with the non-contracted bed occupancy in the period ended 30 June 2011, excluding one new home opened in February 2011, averaging over 92%. As at 31 July 2011 this KPI was in excess of 94%. As at 30 June 2011, a total of 64.9 per cent. of all beds are being operated under block contracts with beds paid for whether occupied or not and with contractual annual price indexation terms.

Care UK is considering the potential to take over the operational responsibility of certain former Southern Cross homes. However, we will only do so if and where we believe that a home is capable of meeting Care UK's quality and service delivery standards as well as its financial performance targets on a sustainable basis; in addition, we will require the commercial lease terms for such homes to be restructured to reflect their current market position. These stringent criteria may result in no homes transferring to Care UK. We will report further on this in due course.

New residential care home and contracts

Following the reaching of financial close on a ten year contract with the London Borough of Croydon, on 27 June 2011 Care UK became responsible for the management and operation of three care homes with a total of 150 beds and also for the provision of around 3,000 hours per week of domiciliary care into sheltered housing units. The nature of this contract is expected to give rise to material one-off reorganisation costs in order to reposition the services for longer term economic viability.

On 1 August 2011 the group's Residential Care division opened Heather View, a state of the art 74-bed care home, in Crowborough in East Sussex. Heather View is targeted primarily at self-pay service users with a range of conditions, in particular dementia and related long-term conditions.

Health Care reforms

Following the listening process that the UK Government announced earlier in the year it has recently announced a number of ways in which the previously proposed reforms to the commissioning of health care services in England will be amended in their implementation. Despite the Government's commitment to increased funding for the NHS, demographic trends are driving great pressure for commissioners and providers to reform services to deliver better care at lower cost. Within this context, the role of the independent sector remains vitally important, both in promoting choice and competition within the provision of services to NHS patients and in supporting existing NHS providers to improve the efficiency of their own services. Care UK, therefore, remains optimistic over the longer term prospects for increasing the group's presence within this market and this is reflected in our current pipeline of opportunities.

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

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

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

The financial information in this interim report comprises three elements: (i) the unaudited condensed Consolidated financial statements of Care UK Health & Social Care Newco Limited and its subsidiaries (the "Newco group"); (ii) the unaudited condensed Consolidated financial statements of Care UK Limited and its subsidiaries (the "Care UK Limited group"); and (iii) the unaudited pro-forma condensed Consolidated financial statements for the Care UK Limited group before giving effect to the provisions of IFRIC 12. For further information refer to "Presentation of Financial Information". The commentary included within this section of the interim report primarily discusses the financial condition and results of operations of the Care UK Limited group before giving effect to the provisions of IFRIC 12 in order to provide investors with appropriate comparative information; short separate discussion and analyses are also provided dealing with (i) the results of the Care UK Limited group on a fully compliant IFRS basis, including the effects of IFRIC 12; and (ii) the Newco group and, in particular, the key differences between the Newco group condensed consolidated financial statements and the Care UK Limited group condensed consolidated financial statements. This latter part of the discussion and analysis only provides commentary in relation to the IFRS compliant financial statements after applying IFRIC 12.

Significant Factors Affecting Care UK's Results of Operations

For details regarding the significant factors affecting Care UK's Results of Operations refer to the Annual Report 2010.

Key Line Items in the Consolidated Statement of Comprehensive Performance

For details regarding the key line items in Care UK's Consolidated Statement of Comprehensive Performance refer to the Annual Report 2010.

Critical Accounting Policies and Estimates

For full details regarding Care UK's Critical Accounting Policies refer to the Annual Report 2010. The preparation of Care UK's unaudited financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management bases its estimates and associated assumptions on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Results of Operations

The following table sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance of the Care UK Limited group for the financial periods ended 30 June 2010 and 30 June 2011, both on a fully IFRS compliant basis and also stated before giving effect to the provisions of IFRIC 12.

	Nine months ended 30 June			
	Adjusted for IFRIC 12		Excluding IFRIC 12	
	2010	2011	2010	2011
	£m	£m	£m	£m
Revenue	326.2	328.7	332.5	332.4
Cost of sales	(268.8)	(279.3)	(273.0)	(282.5)
Gross profit	**57.4**	**49.4**	**59.5**	**49.9**
Administrative expenses	(37.2)	(37.5)	(37.2)	(36.8)
Operating profit before net financing costs	**20.2**	**11.9**	**22.3**	**13.1**
Adjusted EBITDA	38.1	30.1	45.3	35.3
Depreciation	(10.5)	(11.7)	(16.0)	(16.4)
Adjusted operating profit	27.6	18.4	29.3	18.9
Amortisation of intangible assets	(6.5)	(6.2)	(6.1)	(5.8)
Non-recurring items	(0.9)	(0.3)	(0.9)	-
Operating profit before net financing costs	20.2	11.9	22.3	13.1
Financial income	2.4	1.6	0.2	0.1
Financial expenses	(8.5)	(17.5)	(8.5)	(17.5)
Net financing costs	**(6.1)**	**(15.9)**	**(8.3)**	**(17.4)**
Profit/(loss) before taxation	**14.1**	**(4.0)**	**14.0**	**(4.3)**
Taxation	(5.6)	0.7	(4.6)	1.2
Profit/(loss) for the period	**8.5**	**(3.3)**	**9.4**	**(3.1)**

Care UK Limited group: Three and nine months ended 30 June 2011 compared to three and nine months ended 30 June 2010 – excluding IFRIC 12

The comparisons presented within this section of the Management discussion and analysis use the financial information presented before giving effect to the provisions of IFRIC 12. The segmental information referred to below is set out in full in the pro-forma segmental reporting note to the unaudited pro-forma condensed consolidated financial statements of the Care UK Limited group on pages F-25 and F-26 of this interim report.

Revenue

Revenue increased by 2.2 per cent., or £2.5 million, from £111.5 million for the quarter ended 30 June 2010 to £114.0 million for the quarter ended 30 June 2011. Revenue for the year to date is materially unchanged from £332.5 million for the nine months ended 30 June 2010 to £332.4 million for the nine months ended 30 June 2011. The decrease in revenue that has previously been reported as being attributable to the expected reduction from the group's ISTC Wave I centres, together with the reduction arising from the group's disposal of its former children's services businesses, is now being more than offset by aggregate increases in revenue from other services. Aggregate revenue in the group's Social Care divisions, excluding the discontinued children's services business, increased by 1.4 per cent., or £0.9 million, from £62.5 million for the quarter ended 30 June 2010 to £63.4 million for the quarter ended 30 June 2011 and increased by 2.2 per cent. or £4.1 million, from £184.5 million for the nine months ended 30 June 2010 to £188.6 million for the nine months ended 30 June 2011.

Revenue for the Residential Care division increased by 5.9 per cent., or £1.7 million, from £29.0 million for the quarter ended 30 June 2010 to £30.7 million for the quarter ended 30 June 2011. Revenue for the Residential Care division for the year to date increased by 6.9 per cent., or £5.8 million, from £84.6 million for the nine months ended 30 June 2010 to £90.4 million for the nine months ended 30 June 2011. These increases in revenue are mainly attributable to the effect of improvements in occupancy and increases in average weekly fee rates with a small contribution from the opening of the new care home in Portsmouth in February 2011.

The total number of beds at the end of the quarter, excluding day care places, was 3,637 compared with 3,487 at the beginning of the quarter and 3,401 at the beginning of the year. The increase of 150 in the total number of beds available in the quarter was due to Care UK taking over operating responsibility for three care homes from the London Borough of Croydon under a ten year contract (the "Croydon contract"). The transfer of these care homes, which are all fully contracted, took place virtually at the end of the quarter and consequently had no impact on the trading results for the period. Other movements in the year to date include the opening of Harry Sotnick House in Portsmouth in February 2011, with 92 beds, and minor changes to available beds at existing homes. At 30 June 2011, a total of 64.9 per cent. of beds were operated under block contracts compared with 63.2 per cent. as at 30 September 2010. Fee rates in the nine months ended 30 June 2011 averaged £665 per week compared with £649 in the nine months ended 30 June 2010, an increase of 2.5 per cent. This level of increase reflects the increased occupancy in the group's two maturing homes and the fee rate increases achieved in April 2011. The level of physical occupancy achieved in the mature portfolio of homes increased from 91.2 per cent. in the nine months ended 30 June 2010 to 92.1 per cent. in the nine months ended 30 June 2011. Total physical occupancy, including maturing homes and the new Portsmouth home but excluding the three homes transferred under the Croydon contract, was 90.6 per cent. in the nine months ended 30 June 2011 compared with 90.2 per cent. in the nine months ended 30 June 2010. Total financial occupancy, which measures beds paid for, in the nine months ended 30 June 2011 was 97.2 per cent. compared with 95.7 per cent. in the nine months ended 30 June 2010. The high level of this measure of occupancy reflects the block contracted nature of a significant proportion of the beds within the Residential Care division.

Revenue for the Community Care division decreased by 0.5 per cent., or £0.1 million, from £20.1 million for the quarter ended 30 June 2010 to £20.0 million for the quarter ended 30 June 2011. Revenue for the Community Care division for the year to date decreased by 0.7 per cent., or £0.4 million, from £60.5 million for the nine months ended 30 June 2010 to £60.1 million for the nine months ended 30 June 2011. As has previously been reported, the group's focus during 2010 and into the current financial year has been on improving performance and the quality of business delivered in the Community Care division. This has resulted in the elimination of a number of areas of unprofitable business. Average fee rates in the Community Care division for the nine months ended 30 June 2011 were £13.17 per hour compared with £13.13 per hour in the nine months ended 30 June 2010, an increase of 0.3 per cent. Fee rates within this area of the group's business are subject to greater pressure from Local Authorities because of the more frequent re-tendering of services and there being no contractual indexation provisions on pricing, unlike the Residential Care division. The hours of care delivered averaged approximately 117,000 per week for the nine months ended 30 June 2011 compared with approximately 118,000 per week in the nine months ended 30 June 2010.

Revenue for the Specialist Care division decreased by 22.6 per cent., or £3.7 million, from £16.4 million for the quarter ended 30 June 2010 to £12.7 million for the quarter ended 30 June 2011. Revenue for the Specialist Care division for the year to date decreased by 13.7 per cent., or £6.6 million from £48.2 million for the nine months ended 30 June 2010 to £41.6 million for the nine months ended 30 June 2011. This decrease in revenue primarily reflects the effect of the group's exit from its former children's services business as well as the closure of a number of under-performing mental health homes. Excluding the revenue from the children's services business, revenue for the Specialist Care division decreased by 3.3 per cent., or £1.3 million, from £39.4 million for the nine months ended 30 June 2010 to

£38.1 million for the nine months ended 30 June 2011. Occupancy within the mental health portfolio, excluding closed or closing homes, averaged 90.8 per cent. in the nine months ended 30 June 2011 compared with 86.5 per cent. in the nine months ended 30 June 2010. The number of learning disability service users at 30 June 2011 was 545 compared with 534 at 30 September 2010.

Revenue for the Health Care division increased by 10.0 per cent., or £4.6 million, from £46.0 million for the quarter ended 30 June 2010 to £50.6 million for the quarter ended 30 June 2011. Revenue for the Health Care division for the year to date increased by 0.8 per cent., or £1.1 million, from £139.2 million for the nine months ended 30 June 2010 to £140.3 million for the nine months ended 30 June 2011. The previously reported expected reduction in revenue due to the transition of the group's Wave I ISTCs from the former contract structure to the environment of Payment by Results is now being more than offset by increased revenue from other new services. In particular, the new Offender Health service that provides health care services to eight prisons in the north-east of England, commenced during the quarter as did services at two new Urgent Care Centres in London, in the London Boroughs of Brent and Ealing.

Cost of Sales

Care UK's cost of sales increased by 5.5 per cent., or £5.0 million, from £91.3 million for the quarter ended 30 June 2010 to £96.3 million for the quarter ended 30 June 2011. Cost of sales for the year to date increased by 3.5 per cent., or £9.5 million, from £273.0 million for the nine months ended 30 June 2010 to £282.5 million for the nine months ended 30 June 2011. Measured as a percentage of revenue, cost of sales increased from 81.9 per cent. in the quarter ended 30 June 2010 to 84.5 per cent. in the quarter ended 30 June 2011. Cost of sales for the year to date increased as a percentage of revenue from 82.1 per cent. in the nine months ended 30 June 2010 to 85.0 per cent. in the nine months ended 30 June 2011. These increases in the cost of sales mainly reflect the effect of the transition of the group's ISTC Wave I centres as well as the change in the mix of services provided by Care UK.

Administrative Expenses

Care UK's administrative expenses increased by 10.7 per cent., or £1.3 million, from £12.2 million for the quarter ended 30 June 2010 to £13.5 million for the quarter ended 30 June 2011. For the year to date, administrative expenses decreased by 1.1 per cent., or £0.4 million, from £37.2 million for the nine months ended 30 June 2010 to £36.8 million for the nine months ended 30 June 2011. The primary reason for the changes in administrative expenses in these periods is the non-recurring gains and losses realised in the periods reported. Non-recurring items represented a charge of £1.5 million in the quarter ended 30 June 2011 compared with a charge of £0.6 million in the quarter ended 30 June 2010. Non-recurring items for the year to date total to £nil for the nine months ended 30 June 2011 compared with a loss of £0.9 million in the nine months ended 30 June 2010. Administrative expenses also include the amortisation of intangible assets, which amounted to £1.9 million in the quarter ended 30 June 2011 compared with £2.0 million in the quarter ended 30 June 2010. Amortisation amounted to £5.8 million for the nine months ended 30 June 2011 compared with £6.1 million for the nine months ended 30 June 2010. Excluding these two items, administrative expenses increased by 5.2 per cent., or £0.5 million from £9.6 million in the quarter ended 30 June 2010 to £10.1 million in the quarter ended 30 June 2011. For the year to date, excluding amortisation and non-recurring items, administrative expenses increased by 2.6 per cent., or £0.8 million, from £30.2 million for the nine months ended 30 June 2010 to £31.0 million for the nine months ended 30 June 2011. Administrative expenses, excluding amortisation and non-recurring items, measured as a percentage of the group's revenue have increased from 9.1 per cent. For the nine months ended 30 June 2010 to 9.3 per cent. For the nine months ended 30 June 2011. There is no particular underlying cause that has resulted in this small change.

Operating Profit before Financing Expenses

Care UK's operating profit before financing expenses decreased by 47.5 per cent., or £3.8 million, from £8.0 million for the quarter ended 30 June 2010 to £4.2 million for the quarter ended 30 June 2011. For the year to date, operating profit before financing expenses decreased by 41.3 per cent., or £9.2 million, from £22.3 million for the nine months ended 30 June 2010 to £13.1 million for the nine months ended 30 June 2011. This reduction reflects the expected reduction in the contribution from the group's ISTC Wave I centres.

Operating profit for Care UK's Residential Care division was unchanged from £5.1 million for the quarter ended 30 June 2010 to £5.1 million for the quarter ended 30 June 2011. For the year to date, operating profit for the Residential Care division increased by 12.0 per cent., or £1.5 million, from £12.5 million for the nine months ended 30 June 2010 to £14.0 million for the nine months ended 30 June 2011. The underlying performance improvement in the quarter arising from higher occupancy and fee rates has been balanced by a higher depreciation charge and an investment in additional resources both to operate the newly won Croydon contract as well as to support the group's greenfield growth strategy. The year to date position includes the non-recurring asset disposal gain of £0.7m recorded on the disposal of a surplus site in the first quarter.

Operating profit for Care UK's Community Care division was also unchanged at £0.8 million for the quarter ended 30 June 2011 compared with £0.8 million for the quarter ended 30 June 2010. For the year to date, operating profit for the Community Care division increased by 53.8 per cent., or £0.7 million, from £1.3 million for the nine months ended 30 June 2010 to £2.0 million for the nine months ended 30 June 2011. The improvement in this division has been achieved primarily as a result of the focus applied to improving performance during the 2010 financial year, following the appointment of a new divisional management team. This resulted in the elimination of unprofitable business and a focus on improving branch operating efficiency. As the improvement in the financial performance in this business took effect from the third quarter of 2010, the comparative position against which the quarterly results for 2011 are being measured is now significantly better than in the first half of the year.

Operating profit for the Specialist Care division decreased by 38.9 per cent., or £0.7 million, from £1.8 million for the quarter ended 30 June 2010 to £1.1 million for the quarter ended 30 June 2011. For the year to date, operating profit for the Specialist Care division decreased by 33.3 per cent., or £1.6 million, from £4.8 million for the nine months ended 30 June 2010 to £3.2 million for the nine months ended 30 June 2011. The reductions in Operating profit both for the quarter and the year to date are largely due to the reduced contribution from the group's children's services business and from the closure of a number of under-performing mental health homes. The contribution from the continuing mental health business was largely unchanged from the previous year. The learning disabilities business also made a lower contribution than in the previous year. As referred to in the quarterly report to bondholders for the quarter ended 31 March 2011 we have decided to merge the learning disabilities business with the Community Care Services division to create a larger Community Services division. This merger has now been completed and will result in improved organisational efficiency across the enlarged business. We will report the full year results for 2011, together with the comparatives for the 2010 financial year, in this new structure.

Operating profit for the Health Care division decreased by £3.7 million from £2.7 million for the quarter ended 30 June 2010 to a loss of £1.0 million for the quarter ended 30 June 2011. For the year to date, operating profit for the Health Care division decreased by £9.6 million from £8.5 million for the nine months ended 30 June 2010 to a loss of £1.1 million for the nine months ended 30 June 2011. Non-recurring charges amounting to a net figure of £1.5 million and amortisation of intangible assets of £1.6 million were reported in the quarter ended 30 June 2011 compared with £nil and £1.7 million respectively in the quarter ended 30 June 2010. For the year to date, non-recurring charges of £0.4 million and amortisation of intangible assets of £4.9 million were reported in the nine months ended 30 June 2011 compared with a gain of £0.3 million and a charge of £5.2 million respectively in the quarter ended 30 June 2010. The non-recurring charges incurred in the quarter ended 30 June 2011 comprise two principal items: first, a charge of £1.9 million in respect of contract change costs in relation to restructuring the service delivery inherited on a large offender health contract that commenced in April 2011; second, property related items including a property disposal gain and insurance recovery in relation to a prior year claim partly offset by a provision for the remaining lease costs for a general healthcare site where the underlying contract is not being renewed, amounting to a net gain of £0.4 million.

Apart from the non-recurring charges and amortisation, the reported operating profit in the quarter reflects the expected effects of the transition of the group's Wave I ISTCs to their planned post-contract commercial basis, partly offset by increased contributions from other new services. Performance of the group's two ISTC Wave II centres in Southampton and Manchester has further improved in the quarter and again exceeded performance in the comparative quarter in 2010.

The operating result classified as Other changed from a loss of £2.4 million for the quarter ended 30 June 2010 to a loss of £1.8 million for the quarter ended 30 June 2011 and from a loss of £4.8 million for the nine months ended 30 June 2010 to a loss of £5.0 million for the nine months ended 30 June 2011. This category primarily comprises the central management costs of the group. The decrease for the quarter reflects the non-recurring restructuring costs that were charged in 2010, amounting to £0.6 million in the quarter ended 30 June 2010. Other than this item, central costs in the quarter ended 30 June 2011 were unchanged compared with the quarter ended 30 June 2010. The year to date position reflects the strengthening of certain of the group's central support functions in anticipation of future growth. In addition, a charge of £0.3 million was incurred in the nine months ended 30 June 2011 relating to the disposal of the group's children's services business and a charge of £1.2 million was incurred in the nine months ended 30 June 2010 in relation to restructuring costs.

Adjusted Operating Profit

Care UK's adjusted operating profit for the quarter ended 30 June 2011 was £7.6 million compared with £10.6 million for the quarter ended 30 June 2010. For the year to date, Adjusted operating profit was £18.9 million for the nine months ended 30 June 2011 compared with £29.3 million for the nine months ended 30 June 2010. The outcome in Adjusted operating profit in the quarter effectively reflects the factors discussed above, particularly the transition of the group's Wave I ISTC's to their post-contract commercial basis.

The non-cash amortisation charge for the quarter ended 30 June 2011 amounted to £1.9 million, compared to £2.0 million for the quarter ended 30 June 2010, and for the nine months ended 30 June 2011 amounted to £5.8 million compared with £6.1 million for the nine months ended 30 June 2010. Non-recurring items in the quarter ended 30 June 2011 amounted to a charge of £1.5 million compared to a charge of £0.6 million for the quarter ended 30 June 2010, and for the nine months ended 30 June 2011 amounted to £nil compared with a charge of £0.9 million for the nine months ended 30 June 2010. The charge in the quarter ended 30 June 2011 reflects two principal items: first, a charge of £1.9 million in respect of contract change costs in relation to restructuring the service delivery inherited on a large offender health contract that commenced in April 2011; second, property related items including a property disposal gain and insurance recovery in relation to a prior year claim partly offset by a provision for the remaining lease costs for a general healthcare site where the underlying contract is not being renewed, amounting to a net gain of £0.4 million.

Adjusted operating profit for the Residential Care division was unchanged at £5.1 million for the quarter ended 30 June 2011 compared with £5.1 million for the quarter ended 30 June 2010. For the year to date, Adjusted operating profit for Residential Care increased by 6.4 per cent., or £0.8 million, from £12.5 million for the nine months ended 30 June 2010 to £13.3 million for the nine months ended 30 June 2011. The factors affecting the outcome of Adjusted operating profit in the Residential Care division are the same as those that affected Operating profit other than the asset disposal gain of £0.7 million reported in the nine months ended 30 June 2011.

Adjusted operating profit for the Community Care division was also unchanged at £1.1 million for the quarter ended 30 June 2011 compared with £1.1 million for the quarter ended 30 June 2010. For the year to date, Adjusted operating profit increased by 31.8 per cent., or £0.7 million, from £2.2 million for the nine months ended 30 June 2010 to £2.9 million for the nine months ended 30 June 2011. This outcome was driven by the same factors as for operating profit as the divisional non-cash amortisation charge remained the same, at £0.3 million, for the third quarter and £0.9 million for the year to date in both the 2010 and 2011 financial years. Consequently, this did not affect the comparative Adjusted operating profit performance.

Adjusted operating profit for the Specialist Care division decreased by 38.9 per cent., or £0.7 million, from £1.8 million for the quarter ended 30 June 2010 to £1.1 million for the quarter ended 30 June 2011. For the year to date, Adjusted operating profit for the Specialist Care division decreased by 33.3 per cent., or £1.6 million, from £4.8 million for the nine months ended 30 June 2010 to £3.2 million for the nine months ended 30 June 2011. This outcome was driven by the same factors as for operating profit as no adjustments were applied in arriving at Adjusted operating profit.

Adjusted operating profit for the Health Care division decreased by £2.3 million, from £4.4 million for the quarter ended 30 June 2010 to £2.1 million for the quarter ended 30 June 2011. For the year to date, Adjusted operating profit for the Health Care division decreased by £9.2 million from £13.4 million for the nine months ended 30 June 2010 to £4.2 million for the nine months ended 30 June 2011. This decrease was mainly due to the same factors as for operating profit with the exception that Adjusted operating profit does not reflect either the amortisation of intangible assets or non-recurring items. Under the latter heading, net non-recurring charges of £1.5 million were reported in the quarter ended 30 June 2011 compared with £nil in the quarter ended 30 June 2010. These are explained under the Operating profit section above. Similarly, net non-recurring charges of £0.4 million and gains of £0.3 million were reported in the nine months ended 30 June 2011 and the nine months ended 30 June 2010 respectively.

The Adjusted operating loss classified as Other remained unchanged at a loss of £1.8 million for the quarter ended 30 June 2011 compared with a loss of £1.8 million for the quarter ended 30 June 2010. For the year to date, the Adjusted operating loss increased by 30.6 per cent., or £1.1 million, from a loss of £3.6 million for the nine months ended 30 June 2010 to a loss of £4.7 million for the nine months ended 30 June 2011. This outcome was driven by the same factors as for Operating profit other than the disposal loss of £0.3 million incurred in the nine months ended 30 June 2011 and the restructuring costs of £1.2 million incurred in the nine months ended 30 June 2010.

Adjusted EBITDA

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

Care UK’s Adjusted EBITDA decreased by 16.0 per cent., or £2.5 million, from £15.6 million for the quarter ended 30 June 2010 to £13.1 million for the quarter ended 30 June 2011. For the year to date, Adjusted EBITDA decreased by 22.1 per cent., or £10.0 million, from £45.3 million for the nine months ended 30 June 2010 to £35.3 million for the nine months ended 30 June 2011. These expected decreases in Adjusted EBITDA were driven by the factors discussed above in relation to Operating profit and Adjusted operating profit, particularly the effects discussed in relation to the Health Care division. Measured on a Last Twelve Months basis Adjusted EBITDA decreased by 16.1 per cent., or £10.0 million, from £62.0 million for the twelve months ended 30 September 2010 to £52.0 million for the twelve months ended 30 June 2011. The resulting key measure of gearing, comparing Net debt to Adjusted EBITDA, showed a multiple of 3.77 times for the twelve months ended 30 June 2011.

Net Financing Costs

Care UK’s net financing costs for the quarter ended 30 June 2011 were £4.0 million compared with £3.4 million for the quarter ended 30 June 2010. Net financing costs for the nine months ended 30 June 2011 were £17.4 million compared with £8.3 million for the nine months ended 30 June 2010. The increase in net financing costs for both the quarter and, in particular, the year to date reflects the change in the group’s financing structure that occurred during the 2010 financial year. Until July 2010 the Care UK Limited group was primarily financed by its former bank facilities, which were rolled over at completion of its acquisition by Care UK Health & Social Care Plc in May 2010. Care UK Limited's debt financing is now provided almost entirely by intra-group loans from Care UK Health & Social Care Plc, financed by the Senior Secured Notes. The net financing charges resulting from the intra-group loans amounts to £3.7 million for the quarter ended 30 June 2011 and £17.0 million for the nine months ended 30 June 2011. Within the Newco group financial statements these intra-group charges are eliminated.

Taxation

In the quarter ended 30 June 2011 Care UK recorded a taxation charge of £0.5 million compared with a taxation charge of £1.5 million for the quarter ended 30 June 2010. For the year to date, Care UK recorded a taxation credit of £1.2 million for the nine months ended 30 June 2011 compared with a charge of £4.6 million for the nine months ended 30 June 2010. These changes reflect the underlying decrease in taxable group profit. The underlying tax rate on Care UK's profit before taxation is higher than the statutory tax rate, mainly as a result of the proportion of Care UK's capital expenditure that is non-qualifying for tax purposes.

Profit for the Period

As a result of the factors discussed above, Care UK reported a loss for the quarter ended 30 June 2011 of £0.3 million compared with a profit of £3.1 million for the quarter ended 30 June 2010. For the year to date, Care UK reported a loss of £3.1 million for the nine months ended 30 June 2011 compared with a profit of £9.4 million for the nine months ended 30 June 2010.

Care UK Limited group: Three and nine months ended 30 June 2011 compared to three and nine months ended 30 June 2010 – IFRS compliant basis

The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, including the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12, see the Annual Report 2010.

The table below shows the effects of IFRIC 12 on the Care UK Limited group condensed Consolidated statement of comprehensive performance.

	Nine months ended 30 June 2011		
	Pre-IFRIC 12 adoption	**IFRIC 12 adjustments**	**Post IFRIC 12 adjustments**
	£m	**£m**	**£m**
Revenue	332.4	(3.7)	328.7
Cost of sales	(282.5)	3.2	(279.3)
Gross profit/(loss)	**49.9**	**(0.5)**	**49.4**
Administrative expenses	(36.8)	(0.7)	(37.5)
Operating profit/(loss) before net financing costs	**13.1**	**(1.2)**	**11.9**
Adjusted operating profit/(loss)	18.9	(0.5)	18.4
Amortisation of intangible assets	(5.8)	(0.4)	(6.2)
Non-recurring items	-	(0.3)	(0.3)
Operating profit/(loss) before net financing costs	13.1	(1.2)	11.9
Financial income	0.1	1.5	1.6
Financial expenses	(17.5)	-	(17.5)
Net financing costs	**(17.4)**	**1.5**	**(15.9)**
(Loss)/profit before taxation	**(4.3)**	**0.3**	**(4.0)**
Taxation	1.2	(0.5)	0.7
Loss for the period	**(3.1)**	**(0.2)**	**(3.3)**

The application of IFRIC 12 does not change the overall profit or loss recorded on a contract accounted for in accordance with its provisions. However, both the disposition of income and operating costs change within the Consolidated statement of comprehensive performance and the timing of recognition of both revenue and profit also changes. The net effect of these changes in the first nine months of the 2011 financial year is to increase the loss for the period by £0.2 million.

The table below shows the effects of IFRIC 12 on the Care UK Limited group consolidated Balance sheet.

	As at 30 June 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Property, plant and equipment	188.2	(52.0)	136.2
Intangible assets	69.8	11.8	81.6
Other financial assets	-	24.1	24.1
Total non-current assets	258.0	(16.1)	241.9
Other financial assets	-	19.4	19.4
Total current assets	105.3	19.4	124.7
Trade and other payables	(66.2)	(11.3)	(77.5)
Total current liabilities	(241.1)	(11.3)	(252.4)
Deferred tax liabilities	(11.2)	2.3	(8.9)
Total non-current liabilities	(21.4)	2.3	(19.1)
Net assets	**100.8**	**(5.7)**	**95.1**

The principal effect of IFRIC 12 on the group's consolidated Balance sheets is to de-recognise amounts formerly accounted for as Property, plant and equipment and to recognise amounts as either Intangible assets or Other financial assets. The net impact on the consolidated Balance sheet reflects the aggregate timing differences regarding the recognition of profits or losses on IFRIC 12 related contracts.

The table below shows the effects of IFRIC 12 on the Care UK Limited group condensed consolidated cash flow statement.

	Nine months ended 30 June 2011		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Net cash from operating activities	23.3	(1.4)	21.9
Net cash from investing activities	6.5	1.4	7.9
Net cash from financing activities	(13.0)	-	(13.0)
Net increase in cash and cash equivalents	16.8	-	16.8
Cash and cash equivalents carried forward	43.0	-	43.0

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

Care UK Health & Social Care Newco Limited group: three and nine months ended 30 June 2011 compared to the results of the Care UK Limited group for the three and nine months ended 30 June 2011 – IFRS compliant basis

The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, for the three and nine months ended 30 June 2011. In both cases the results discussed include the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12 see the Annual Report 2010.

Profit for the Period

The table below provides a reconciliation of the loss for the period between the two groups.

	Three months ended 30 June 2011	Nine months ended 30 June 2011
	£m	£m
Care UK Limited: Loss for the period	**(0.3)**	**(3.3)**
Add: Amortisation charged in the Care UK Limited group	2.1	6.2
Less: Amortisation of other intangible assets within the Newco group	(6.2)	(19.7)
Less: Depreciation effect of fair value adjustments	(0.2)	(0.6)
Add: Goodwill effect of disposal of children's services businesses	-	2.1
Add: Intra-group financing costs	3.7	17.0
Less: Financing costs incurred by the Newco group	(6.6)	(20.3)
Add: Taxation credit in relation to above items	2.9	7.1
Care UK Health & Social Care Newco Limited: Loss for the period	**(4.6)**	**(11.5)**

The key reconciling items in the above table can be explained as follows:

- *Amortisation:* the amortisation charged within the Care UK Limited group financial statements relates to intangible assets that are largely de-recognised within the Newco group such that the related amortisation is also required to be de-recognised. Newco has recognised intangible assets relating to the acquisition of Care UK Limited in May 2010 within its own consolidated balance sheet and the charge shown in the above table is the amortisation in relation to those intangible assets.
- *Depreciation effect of fair value adjustments:* the acquisition of Care UK Limited by Care UK Health & Social Care Plc in May 2010 resulted in a number of fair value adjustments being recognised within the financial statements of the Newco group, particularly in relation to the carrying value of tangible fixed assets. The effect of the recognition of these adjusted asset values is to increase the depreciation charge within the Newco group.
- *Goodwill effect of disposal of children's services business:* within the Care UK Limited group the total net asset value of the group's former children's services businesses was written down to its estimated recoverable value as at 30 September 2010; the estimated recoverable value included an element of goodwill, which in the financial statements of the Newco group was fully de-recognised on its acquisition of Care UK Limited. As none of the goodwill that arose on the acquisition of Care UK Limited by Care UK Health & Social Care Plc was attributed to the former children's services business, an accounting gain arose on the final disposal of the children's services business in the financial statements of the Newco group that did not arise in the financial statements of the Care UK Limited group.

- *Intra-group financing costs:* following the issue of the Senior Secured Notes in July 2010 the financing costs of Care UK Limited are largely comprised of interest on intra-group loans provided by its immediate parent company, Care UK Health & Social Care Plc. These costs are netted out within the financial statements of the Newco group.
- *Financing costs incurred by the Newco group:* In connection with the above adjustment, the Newco group financial statements include interest payable on both the Senior Secured Notes and the Revolving Credit Facility.
- *Taxation:* This heading reflects the aggregate taxation effects arising as a consequence of the above adjustments.

Net Debt and Liquidity

The following table shows the comparative net debt position for the Newco group and the Care UK Limited group as at 30 June 2011.

	As at 30 June 2011	
	Newco group	**Care UK Limited group**
	£m	**£m**
Senior Secured Notes	250.0	-
Intra-group indebtedness	-	171.7
Finance lease obligations	0.1	0.1
Deferred financing costs	(10.8)	-
Cash and cash equivalents	(43.3)	(43.0)
Total net debt	**196.0**	**128.8**

Liquidity and Capital Resources

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

Care UK expects, as set out in the Annual Report 2010, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations together with the receipt of proceeds in respect of the buyback by the NHS of Care UK's ISTC Wave I sites plus, if required, drawings under Care UK's Revolving Credit Facility. In December 2010 Care UK received £10.5 million of proceeds from the NHS in relation to the ISTC Wave I buyback programme and in June 2011 a further amount of £11.7 million was received. A further total of approximately £15.5 million is due to be received in two amounts in October and December 2011, which will conclude the Wave I ISTC buyback programme in respect of Care UK.

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

	For the three months ended 30 June		For the nine months ended 30 June	
	2010	**2011**	**2010**	**2011**
Net cash from operating activities	(2.9)	6.4	20.0	23.3
Net cash from investing activities	6.7	5.5	8.8	6.5
Net cash from financing activities	(31.5)	-	(46.7)	(13.0)
Net (decrease)/increase in cash & cash equivalents	(27.7)	11.9	(17.9)	16.8
Cash & cash equivalents carried forward	27.9	43.0	27.9	43.0

Three and nine months ended 30 June 2011 compared to three and nine months ended 30 June 2010

The net increase in cash and cash equivalents in the quarter ended 30 June 2011 was £11.9 million compared with the net (decrease) of £27.7 million in the quarter ended 30 June 2010. The net increase in cash and cash equivalents in the nine months ended 30 June 2011 was £16.8 million compared with a net decrease of £17.9 million in the nine months ended 30 June 2010. The total net debt of the Newco group has decreased by £8.0 million in the nine months ended 30 June 2011.

The net cash inflow from operating activities for the quarter ended 30 June 2011 was £6.4 million compared with a net cash outflow of £2.9 million in the quarter ended 30 June 2010. The net cash inflow from operating activities for the nine months ended 30 June 2011 was £23.3 million compared with a net cash inflow of £20.0 million for the nine months ended 30 June 2010. For the year to date, the net cash inflow from operating activities as a percentage of Adjusted EBITDA was 66.0 per cent. for the nine months ended 30 June 2011 compared with 44.2 per cent. for the nine months ended 30 June 2010.

The net cash flow from investing activities for the quarter ended 30 June 2011 was an inflow of £5.5 million compared with an inflow of £6.7 million for the quarter ended 30 June 2010. The year to date net cash flow from investing activities was an inflow of £6.5 million for the nine months ended 30 June 2011 compared with £8.8 million for the nine months ended 30 June 2010. In the quarter ended 30 June 2011, capital expenditure of £5.7m (2010: £0.9m) and acquisition payments of £0.5m (2010: £nil) were incurred, offset by disposal proceeds of £11.7m (2010: £7.6m). During the quarter the buyback of the Wave I ISTC in Haywards Heath in Sussex was completed as planned, resulting in disposal proceeds of £11.7m being received. Care UK continues to run this centre on a leasehold basis. The disposal proceeds in the quarter ended 30 June 2010 primarily related to the buyback of the group's Wave I ISTC in Barlborough, which Care UK also continues to operate on a leasehold basis.

The net cash flow from financing activities amounted to £nil in the quarter ended 30 June 2011 compared with an outflow of £31.5 million in the quarter ended 30 June 2010. The year to date net cash flow from financing activities was an outflow of £13.0 million for the nine months ended 30 June 2011 compared with an outflow of £46.7 million for the nine months ended 30 June 2010. The cash outflow in the 2011 financial year mainly represents interest paid in relation to the Senior Secured Notes in February 2011; the second half-yearly payment of interest on the Senior Secured Notes was made on 1 August 2011. In the 2010 financial year the composition of the group's cash flow from financing activities was substantively different as they relate to the group's previous ownership and financing structure and the non-recurring financing costs arising from the group's refinancing during this period.

Cash and Cash Equivalents

Care UK's cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, net of related bank overdrafts. As at 30 June 2011, the Care UK group held net cash and cash equivalents of £43.0 million, compared to £27.9 million as at 30 June 2010, with the Newco group holding further cash and cash equivalents of £0.3 million at this date.

Qualitative and Quantitative Disclosures about Market Risk

Care UK's activities and debt financing expose it to a variety of financial risks, the most significant of which are market risk (cash flow interest rate risk and price risk), credit risk and liquidity risk (changes in the debt market). Care UK's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Care UK's financial performance. Care UK may use derivative financial instruments to hedge certain risk exposures: no such instruments are currently employed.

Cash Flow Interest Rate Risk

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

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

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

Price Risk

Care UK is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. Contracts with Local Authorities, Primary Care Trusts and other NHS Trusts are also subject to annual price review. For the year ended 30 September 2010, a 1 per cent. increase in salary costs would have decreased profit before tax by £2.4 million.

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

Credit Risk

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

Liquidity Risk

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

INDEX TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 JUNE 2011

Care UK Health & Social Care Newco Limited

Group condensed financial information (unaudited)

Three months and nine months ended 30 June 2011

CARE UK HEALTH & SOCIAL CARE NEWCO LIMITED GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Notes	Three months to 30 June 2011	Nine months to 30 June 2011	Period to 30 June 2010 *
		£m	£m	£m
Revenue	3	**112.7**	**328.7**	73.2
Cost of sales		**(95.2)**	**(279.9)**	(58.5)
Gross profit		**17.5**	**48.8**	14.7
Administrative expenses		**(18.0)**	**(48.9)**	(17.8)
Operating loss before financing expenses	3	**(0.5)**	**(0.1)**	(3.1)
Adjusted operating profit		**7.5**	**17.8**	5.4
Amortisation of intangible assets		**(6.2)**	**(19.7)**	(4.5)
Non-recurring items		**(1.8)**	**1.8**	(4.0)
Operating loss before financing expenses		**(0.5)**	**(0.1)**	(3.1)
Financial income	4	**0.5**	**1.6**	0.7
Financial expenses	4	**(6.9)**	**(20.8)**	(6.1)
Net financing costs		**(6.4)**	**(19.2)**	(5.4)
Loss before taxation	5	**(6.9)**	**(19.3)**	(8.5)
Taxation		**2.3**	**7.8**	0.5
Loss for the period		**(4.6)**	**(11.5)**	(8.0)
Other comprehensive income				
Cash flow hedge reserve movement		**—**	**—**	(0.6)
Deferred taxation on cash flow hedge reserve movement		**—**	**—**	0.2
Other comprehensive loss for the period, net of taxation		—	—	(0.4)
Total comprehensive loss for the period		**(4.6)**	**(11.5)**	(8.4)
Loss attributable to				
Equity holders of the parent		**(4.6)**	**(11.5)**	(8.0)
Total comprehensive loss attributable to				
Equity holders of the parent		**(4.6)**	**(11.5)**	(8.4)

* The comparative data is for the period from the acquisition of the Care UK group on 11 May 2010 to 30 June 2010.

CARE UK HEALTH & SOCIAL CARE NEWCO LIMITED GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2011

	Notes	30 June 2011	30 June 2010	30 September 2010
		£m	£m	£m
Assets				
Property, plant and equipment	6	**217.9**	221.8	216.8
Intangible assets	7	**188.2**	204.7	197.9
Other financial assets	8	**24.1**	54.2	43.8
Total non-current assets		**430.2**	480.7	458.5
Inventories		**2.6**	3.4	2.6
Trade and other receivables		**56.6**	68.7	55.6
Other financial assets	8	**19.4**	11.7	22.2
Cash and cash equivalents	9	**43.3**	27.9	34.0
Properties classified as held for sale		**3.1**	0.7	4.5
Total current assets		**125.0**	112.4	118.9
Total assets		**555.2**	593.1	577.4
Liabilities				
Financial liabilities — borrowings	9	**(0.1)**	(177.5)	(0.1)
Trade and other payables		**(88.7)**	(86.6)	(96.3)
Current tax liabilities		**(2.0)**	(4.8)	(2.0)
Total current liabilities		**(90.8)**	(268.9)	(98.4)
Financial liabilities — borrowings	9	**(239.2)**	(167.3)	(237.9)
Other non-current liabilities		**(10.2)**	(5.0)	(8.2)
Deferred tax liabilities		**(35.4)**	(40.7)	(41.8)
Total non-current liabilities		**(284.8)**	(213.0)	(287.9)
Total liabilities		**(375.6)**	(481.9)	(386.3)
Net assets		**179.6**	111.2	191.1
Equity				
Issued share capital		**210.7**	119.6	210.7
Retained earnings		**(31.1)**	(8.4)	(19.6)
Total equity attributable to equity holders of the parent		**179.6**	111.2	191.1

CARE UK HEALTH & SOCIAL CARE NEWCO LIMITED GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
As at 30 June 2011

	Attributable to equity holders of the parent		
Group	**Share capital**	**Retained earnings**	**Total**
	£m	**£m**	**£m**
At 30 September 2010	210.7	(19.6)	191.1
Total comprehensive loss for the period			
Loss for the period	—	(11.5)	(11.5)
Other comprehensive income			
Movement in relation to defined benefit pension scheme (net of deferred taxation)	—	—	—
Total other comprehensive income	—	—	—
Total comprehensive loss for the period	—	(11.5)	(11.5)
Transactions with owners, recorded directly in equity			
Issue of shares	—	—	—
Total contributions by and distributions to owners	—	—	—
At 30 June 2011	**210.7**	**(31.1)**	**179.6**
Brought forward	—	—	—
Total comprehensive loss for the period			
Loss for the period	—	(8.0)	(8.0)
Other comprehensive income			
Movement in cash flow hedges (net of deferred taxation)	—	(0.4)	(0.4)
Total other comprehensive loss	—	(0.4)	(0.4)
Total comprehensive loss for the period	—	(8.4)	(8.4)
Transactions with owners, recorded directly in equity			
Issue of shares	119.6	—	119.6
Total contributions by and distributions to owners	119.6	—	119.6
At 30 June 2010	**119.6**	**(8.4)**	**111.2**

CARE UK HEALTH & SOCIAL CARE NEWCO LIMITED GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Notes	Three months to 30 June 2011	Nine months to 30 June 2011	Period to 30 June 2010
		£m	£m	£m
Cash flows from operating activities				
Loss for the period		**(4.6)**	**(11.5)**	(8.0)
Depreciation		**4.1**	**12.3**	2.0
Amortisation of intangible assets		**6.2**	**19.7**	4.5
Loss/(profit) on disposal of fixed assets		**0.3**	**(1.5)**	—
Decrease in IFRIC 12 financial asset		**1.3**	**3.7**	0.9
Decrease/(increase) in inventory		**0.1**	**—**	(0.4)
(Increase)/decrease in receivables		**(3.8)**	**(1.7)**	1.0
Decrease in payables		**(1.4)**	**(18.3)**	(3.7)
Financial income		**(0.5)**	**(1.6)**	(0.7)
Financial expense		**6.9**	**20.8**	6.1
Tax credit		**(2.3)**	**(7.8)**	(0.5)
Cash inflow from operations		**6.3**	**14.1**	1.2
Income taxes (paid)/received		**(0.2)**	**1.4**	—
Net cash from operating activities		**6.1**	**15.5**	1.2
Cash flows from investing activities				
Decrease in IFRIC 12 financial asset		**11.7**	**22.3**	—
Payments to acquire property, plant and equipment		**(5.5)**	**(14.5)**	(4.5)
Net proceeds from sales of property, plant and equipment		**—**	**0.7**	—
Proceeds from sales of subsidiary undertakings and businesses		**—**	**4.7**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)		**(0.5)**	**(5.3)**	(253.3)
Net cash from investing activities		**5.7**	**7.9**	(257.8)
Cash flows from financing activities				
Proceeds from issue of share capital		**—**	**—**	119.6
Proceeds from new loans		**—**	**—**	167.3
Interest paid		**—**	**(14.0)**	(2.4)
Payment of capital element of finance lease payments		**—**	**(0.1)**	—
Net cash from financing activities		**—**	**(14.1)**	284.5
Net increase in cash and cash equivalents		**11.8**	**9.3**	27.9
Cash and cash equivalents brought forward		**31.5**	**34.0**	—
Cash and cash equivalents carried forward	9	**43.3**	**43.3**	27.9

* The comparative data is for the period from the acquisition of the Care UK group on 11 May 2010 to 30 June 2010.

CARE UK HEALTH & SOCIAL CARE NEWCO LIMITED GROUP
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Newco Limited (the "company") is a company domiciled in the United Kingdom. The condensed consolidated quarterly financial statements of the company for the three months and nine months ended 30 June 2011 comprise the company and its subsidiaries (together referred to as the "group").

This quarterly report, for the three months and nine months ended 30 June 2011, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the group for the year ended 30 September 2010, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), on which KPMG Audit Plc gave an unqualified opinion, have been delivered to the Registrar of Companies. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2010 set out within this report have been extracted from the 2010 annual report and accounts published on 26 January 2011.

Care UK Health & Social Care Newco Ltd was established on 16 February 2010 as a private limited company. The company is the 100% direct owner of Care UK Health & Social Care Plc ("Plc"), which was established on 6 November 2009 for the purposes of the acquisition of Care UK Plc by Funds managed by Bridgepoint Advisers Limited ("Bridgepoint"). Care UK Plc was de-listed from the London Stock Exchange on 27 April 2010 and re-registered as a private limited company, Care UK Limited, on the same date. Plc completed its acquisition of all of the issued and outstanding shares of Care UK Limited ("Care UK") on 11 May 2010.

2. ACCOUNTING POLICIES

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

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

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

The same accounting policies and methods of computation are followed in these condensed financial statements as were applied in the group's 2010 annual report.

a) Accounting policies specific to interim financial statements

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

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

3. SEGMENT REPORTING

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

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

Business segments

The group comprises the following main segments:

- Residential Care operates care homes for older people.
- Community Care provides support for people in their own homes, including older people and others with specialist needs.
- Specialist Care includes the provision of care for individuals with learning disabilities or enduring mental health conditions.
- Health Care provides a range of primary and secondary care services.

	Social Care					
Three months to 30 June 2011	**Residential Care**	**Community Care**	**Specialist Care**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	30.0	20.0	12.7	50.0	—	**112.7**
Adjusted EBITDA	6.0	1.1	1.3	4.6	(1.4)	**11.6**
Depreciation	(1.4)	—	(0.3)	(2.0)	(0.4)	**(4.1)**
Adjusted operating profit/(loss)	4.6	1.1	1.0	2.6	(1.8)	**7.5**
Amortisation of intangible assets	(1.7)	(0.9)	(0.4)	(3.2)	—	**(6.2)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	—	—	—	0.1	—	**0.1**
Operating profit/(loss)	2.9	0.2	0.6	(2.4)	(1.8)	**(0.5)**
Net financing costs						**(6.4)**
Taxation						**2.3**
Loss for the period						**(4.6)**

Nine months to 30 June 2011	Social Care Residential Care	 Community Care	 Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	88.4	60.1	41.6	138.6	—	**328.7**
Adjusted EBITDA	16.1	3.1	3.9	10.7	(3.7)	**30.1**
Depreciation	(4.2)	(0.2)	(0.9)	(6.0)	(1.0)	**(12.3)**
Adjusted operating profit/(loss)	11.9	2.9	3.0	4.7	(4.7)	**17.8**
Amortisation of intangible assets	(5.1)	(3.2)	(1.3)	(10.1)	—	**(19.7)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	0.7	—	—	1.2	—	**1.9**
— profit on disposal of subsidiary undertakings	—	—	—	—	1.8	**1.8**
Operating profit/(loss)	7.5	(0.3)	1.7	(6.1)	(2.9)	**(0.1)**
Net financing costs						**(19.2)**
Taxation						**7.8**
Loss for the period						**(11.5)**

Period to 30 June 2010	Social Care Residential Care	 Community Care	 Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	18.9	13.5	11.0	29.8	—	**73.2**
Adjusted EBITDA	2.8	0.8	1.2	3.0	(0.4)	**7.4**
Depreciation	(0.6)	(0.1)	(0.3)	(1.0)	—	**(2.0)**
Adjusted operating profit/(loss)	2.2	0.7	0.9	2.0	(0.4)	**5.4**
Amortisation of intangible assets	(1.2)	(0.7)	(0.3)	(2.3)	—	**(4.5)**
Non-recurring items:						
— restructuring costs	—	—	—	—	(4.0)	**(4.0)**
Operating profit/(loss)	1.0	—	0.6	(0.3)	(4.4)	**(3.1)**
Net financing costs						**(5.4)**
Taxation						**0.5**
Loss for the period						**(8.0)**

4. NET FINANCING COSTS

	Three months to 30 June 2011	Nine months to 30 June 2011	Period to 30 June 2010
	£m	£m	£m
Financial income:			
Interest receivable	**—**	**0.1**	0.2
IFRIC-12 interest receivable	**0.5**	**1.5**	0.5
Financial income	**0.5**	**1.6**	0.7
Financial expenses — interest payable on bank overdrafts and loans	**(6.9)**	**(20.8)**	(6.1)
Net financing costs	**(6.4)**	**(19.2)**	(5.4)

5. LOSS BEFORE TAXATION

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

	Three months to 30 June 2011	Nine months to 30 June 2011	Period to 30 June 2010
	£m	£m	£m
Depreciation	**4.1**	**12.3**	2.0
Amortisation of intangible assets	**6.2**	**19.7**	4.5
IFRIC 12 infrastructure costs expensed in the period	**0.2**	**1.4**	—

6. PROPERTY, PLANT AND EQUIPMENT

	30 June 2011	30 June 2010	30 September 2010
	£m	£m	£m
Opening book value	**216.8**	—	—
Acquired	**2.2**	221.9	221.9
Additions	**14.3**	4.5	4.9
Disposal and transfers to current assets	**(3.1)**	(2.6)	(3.8)
Depreciation	**(12.3)**	(2.0)	(6.2)
Closing book value	**217.9**	221.8	216.8

7. INTANGIBLE ASSETS

	30 June 2011	30 June 2010	30 September 2010
	£m	**£m**	**£m**
Opening book value	**197.9**	—	—
Acquired	**10.0**	209.2	209.2
Amortisation	**(19.7)**	(4.5)	(11.3)
Closing book value	**188.2**	204.7	197.9

8. OTHER FINANCIAL ASSETS

	30 June 2011	30 June 2010	30 September 2010
	£m	**£m**	**£m**
IFRIC-12 financial asset: brought forward	**66.0**	—	—
Acquired in the period	**—**	68.1	68.1
Released in the period	**(22.5)**	(2.2)	(2.1)
IFRIC-12 financial asset: carried forward	**43.5**	65.9	66.0
Disclosed as:			
Non-current assets: IFRIC-12 financial asset	**24.1**	54.2	43.8
Current assets: IFRIC-12 financial asset	**19.4**	11.7	22.2
	43.5	65.9	66.0

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.

9. NET DEBT

(a) Current liabilities

	Cash at bank and in hand	Overdrafts	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Net debt
	£m	£m	£m	£m	£m	£m
At 1 October 2009	—	—	—	—	—	—
Cash flow	27.9	—	27.9	—	—	27.9
Debt issued in period (net of arrangement fees)	—	—	—	(177.5)	(167.3)	(344.8)
At 30 June 2010	27.9	—	27.9	(177.5)	(167.3)	(316.9)
Cash flow	6.1	—	6.1	—	—	6.1
Debt redeemed/(issued) in period (net of arrangement fees)	—	—	—	177.4	(70.6)	106.8
At 30 September 2010	34.0	—	34.0	(0.1)	(237.9)	(204.0)
Cash flow	9.3	—	9.3	—	—	9.3
Other non-cash changes	—	—	—	—	(1.3)	(1.3)
At 30 June 2011	**43.3**	**—**	**43.3**	**(0.1)**	**(239.2)**	**(196.0)**

As at 30 June 2011 there was accrued interest of £10.1m (30 June 2010 £5.8m; 30 September 2010 £5.0m) included in 'Trade and other payables' disclosed within current liabilities in the balance sheet.

(b) Terms and conditions

i) Senior Secured Notes

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 9¾% Senior Secured Notes. Interest is payable semi-annually in arrears on 1 February and 1 August with the first payment having been made on 1 February 2011.

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

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

ii) Super Senior Revolving Credit Facility

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

The facility remains undrawn with the exception of £17.0m as at 30 June 2011 (30 June 2010 £22.2m; 30 September 2010 £22.0m) in relation to performance bonds.

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

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

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

Care UK Limited

Group condensed financial information (unaudited)

Three months and nine months ended
30 June 2011

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Three months to 30 June 2011	Three months to 30 June 2010	Nine months to 30 June 2011	Nine months to 30 June 2010
	£m	£m	£m	£m
Revenue	**112.7**	109.6	**328.7**	326.2
Cost of sales	**(95.0)**	(89.8)	**(279.3)**	(268.8)
Gross profit	**17.7**	19.8	**49.4**	57.4
Administrative expenses	**(13.9)**	(12.2)	**(37.5)**	(37.2)
Operating profit before financing expenses	**3.8**	7.6	**11.9**	20.2

Adjusted operating profit	**7.7**	10.3	**18.4**	27.6
Amortisation of intangible assets	**(2.1)**	(2.1)	**(6.2)**	(6.5)
Non-recurring items	**(1.8)**	(0.6)	**(0.3)**	(0.9)
Operating profit before financing expenses	**3.8**	7.6	**11.9**	20.2

Financial income	**0.5**	0.7	**1.6**	2.4
Financial expenses	**(4.0)**	(3.4)	**(17.5)**	(8.5)
Net financing costs	**(3.5)**	(2.7)	**(15.9)**	(6.1)
Profit/(loss) before taxation	**0.3**	4.9	**(4.0)**	14.1
Taxation	**(0.6)**	(2.1)	**0.7**	(5.6)
(Loss)/profit for the period	**(0.3)**	2.8	**(3.3)**	8.5
Total comprehensive (loss)/income for the period	**(0.3)**	2.8	**(3.3)**	8.5
(Loss)/profit attributable to				
Equity holders of the parent	**(0.3)**	2.8	**(3.3)**	8.5
Total comprehensive (loss)/income attributable to				
Equity holders of the parent	**(0.3)**	2.8	**(3.3)**	8.5

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2011

	30 June 2011	30 June 2010	30 September 2010
	£m	£m	£m
Assets			
Property, plant and equipment	**136.2**	139.4	134.6
Intangible assets	**81.6**	92.1	79.9
Other financial assets	**24.1**	54.2	43.8
Total non-current assets	**241.9**	285.7	258.3
Inventories	**2.6**	3.4	2.6
Trade and other receivables	**56.6**	68.6	55.6
Other financial assets	**19.4**	11.7	22.2
Cash and cash equivalents	**43.0**	27.9	26.2
Properties classified as held for sale	**3.1**	0.7	4.5
Total current assets	**124.7**	112.3	111.1
Total assets	**366.6**	398.0	369.4
Liabilities			
Financial liabilities — borrowings	**(168.9)**	(165.6)	(155.4)
Financial liabilities — derivative financial instruments	**—**	(11.9)	—
Trade and other payables	**(77.5)**	(82.5)	(94.4)
Current tax liabilities	**(6.0)**	(6.6)	(3.1)
Total current liabilities	**(252.4)**	(266.6)	(252.9)
Financial liabilities — borrowings	**—**	—	—
Other non-current liabilities	**(10.2)**	(5.0)	(7.2)
Deferred tax liabilities	**(8.9)**	(8.5)	(10.9)
Total non-current liabilities	**(19.1)**	(13.5)	(18.1)
Total liabilities	**(271.5)**	(280.1)	(271.0)
Net assets	**95.1**	117.9	98.4
Equity			
Issued share capital	**6.2**	6.2	6.2
Share premium	**56.6**	55.8	56.6
Hedging reserve	**—**	(8.9)	—
Retained earnings	**32.3**	64.8	35.6
Total equity attributable to equity holders of the parent	**95.1**	117.9	98.4

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Three months to 30 June 2011	Three months to 30 June 2010	Nine months to 30 June 2011	Nine months to 30 June 2010
	£m	£m	£m	£m
Cash flows from operating activities				
(Loss)/profit for the period	**(0.3)**	2.8	**(3.3)**	8.5
Depreciation	**3.9**	3.6	**11.7**	10.5
Amortisation of intangible assets	**2.1**	2.1	**6.2**	6.5
Loss/(profit) on disposal of fixed assets	**0.3**	—	**(1.5)**	—
Decrease in IFRIC 12 financial asset	**1.3**	2.0	**3.7**	6.3
Decrease/(increase) in inventory	**0.1**	(0.5)	**—**	(0.9)
Increase in receivables	**(3.8)**	(15.2)	**(1.7)**	(17.9)
(Decrease)/increase in payables	**(1.3)**	(0.4)	**(9.8)**	0.8
Equity-settled share-based payments	**—**	0.2	**—**	0.6
Financial income	**(0.5)**	(0.7)	**(1.6)**	(2.4)
Financial expense	**4.0**	3.4	**17.5**	8.5
Tax expense/(credit)	**0.6**	2.1	**(0.7)**	5.6
Cash inflow/(outflow) from operations	**6.4**	(0.6)	**20.5**	26.1
Income taxes (paid)/received	**(0.2)**	(2.1)	**1.4**	(7.0)
Net cash from operating activities	**6.2**	(2.7)	**21.9**	19.1
Cash flows from investing activities				
Decrease in IFRIC 12 financial asset	**11.7**	7.7	**22.3**	16.3
Payments to acquire property, plant and equipment	**(5.5)**	(1.2)	**(14.5)**	(6.8)
Net proceeds from sales of property, plant and equipment	**—**	—	**0.7**	0.1
Interest received	**—**	—	**—**	0.1
Proceeds from sales of subsidiary undertakings and businesses	**—**	—	**4.7**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(0.5)**	—	**(5.3)**	—
Net cash from investing activities	**5.7**	6.5	**7.9**	9.7
Cash flows from financing activities				
Proceeds from issue of share capital	**—**	—	**—**	0.1
Proceeds from new secured loans	**—**	—	**—**	4.0
Repayments of amounts borrowed	**—**	(28.7)	**—**	(40.8)
Interest paid	**—**	(2.2)	**(12.9)**	(7.1)
Payment of capital element of finance lease payments	**—**	(0.6)	**(0.1)**	(0.8)
Dividends paid	**—**	—	**—**	(2.1)
Net cash from financing activities	**—**	(31.5)	**(13.0)**	(46.7)
Net increase/(decrease) in cash and cash equivalents	**11.9**	(27.7)	**16.8**	(17.9)
Cash and cash equivalents brought forward	**31.1**	55.6	**26.2**	45.8
Cash and cash equivalents carried forward	**43.0**	27.9	**43.0**	27.9

CARE UK LIMITED GROUP
CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED)

Three months to 30 June 2011	Social Care Residential Care	Social Care Community Care	Social Care Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	30.0	20.0	12.7	50.0	—	**112.7**
Adjusted EBITDA	6.0	1.1	1.3	4.6	(1.4)	**11.6**
Depreciation	(1.2)	—	(0.2)	(2.1)	(0.4)	**(3.9)**
Adjusted operating profit/(loss)	4.8	1.1	1.1	2.5	(1.8)	**7.7**
Amortisation of intangible assets	(0.2)	(0.3)	—	(1.6)	—	**(2.1)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	—	—	—	0.1	—	**0.1**
Operating profit/(loss)	4.6	0.8	1.1	(0.9)	(1.8)	**3.8**
Net financing costs						**(3.5)**
Taxation						**(0.6)**
Loss for the period						**(0.3)**

Three months to 30 June 2010	Social Care Residential Care	Social Care Community Care	Social Care Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	28.3	20.1	16.4	44.8	—	**109.6**
Adjusted EBITDA	5.8	1.2	2.1	5.5	(0.7)	**13.9**
Depreciation	(1.0)	(0.1)	(0.3)	(2.0)	(0.2)	**(3.6)**
Adjusted operating profit/(loss)	4.8	1.1	1.8	3.5	(0.9)	**10.3**
Amortisation of intangible assets	(0.1)	(0.3)	—	(1.7)	—	**(2.1)**
Non-recurring items:						
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	4.7	0.8	1.8	1.8	(1.5)	**7.6**
Net financing costs						**(2.7)**
Taxation						**(2.1)**
Profit for the period						**2.8**

Nine months to 30 June 2011	Social Care Residential Care	 Community Care	 Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	**£m**
Group revenue	88.4	60.1	41.6	138.6	—	**328.7**
Adjusted EBITDA	16.1	3.1	3.9	10.7	(3.7)	**30.1**
Depreciation	(3.5)	(0.2)	(0.7)	(6.3)	(1.0)	**(11.7)**
Adjusted operating profit/(loss)	12.6	2.9	3.2	4.4	(4.7)	**18.4**
Amortisation of intangible assets	(0.4)	(0.9)	—	(4.9)	—	**(6.2)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	0.7	—	—	1.2	—	**1.9**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	12.9	2.0	3.2	(1.2)	(5.0)	**11.9**
Net financing costs						**(15.9)**
Taxation						**0.7**
Loss for the period						**(3.3)**

Nine months to 30 June 2010	Social Care Residential Care	 Community Care	 Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	**£m**
Group revenue	82.5	60.5	48.2	135.0	—	**326.2**
Adjusted EBITDA	14.9	2.5	5.7	17.6	(2.6)	**38.1**
Depreciation	(3.0)	(0.3)	(0.9)	(5.7)	(0.6)	**(10.5)**
Adjusted operating profit/(loss)	11.9	2.2	4.8	11.9	(3.2)	**27.6**
Amortisation of intangible assets	(0.4)	(0.9)	—	(5.2)	—	**(6.5)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(1.2)	**(1.2)**
Operating profit/(loss)	11.5	1.3	4.8	7.0	(4.4)	**20.2**
Net financing costs						**(6.1)**
Taxation						**(5.6)**
Profit for the period						**8.5**

Care UK Limited

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

Three months and nine months ended 30 June 2011

BASIS OF PREPARATION

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

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

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

Definition

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

Accounting policies

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

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

Except as described below, the same accounting policies and methods of computation are followed in this group proforma pre-IFRIC 12 non-statutory condensed financial information (unaudited) as were applied in the group's condensed financial information for the three months and nine months ended 30 June 2011:

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

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

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

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Three months to 30 June 2011	Three months to 30 June 2010	Nine months to 30 June 2011	Nine months to 30 June 2010
	£m	£m	£m	£m
Revenue	**114.0**	111.5	**332.4**	332.5
Cost of sales	**(96.3)**	(91.3)	**(282.5)**	(273.0)
Gross profit	**17.7**	20.2	**49.9**	59.5
Administrative expenses	**(13.5)**	(12.2)	**(36.8)**	(37.2)
Operating profit before financing expenses	**4.2**	8.0	**13.1**	22.3
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**13.1**	15.6	**35.3**	45.3
Depreciation of tangible assets	**(5.5)**	(5.0)	**(16.4)**	(16.0)
Adjusted operating profit	**7.6**	10.6	**18.9**	29.3
Amortisation of intangible assets	**(1.9)**	(2.0)	**(5.8)**	(6.1)
Non-recurring items	**(1.5)**	(0.6)	**—**	(0.9)
Operating profit before financing expenses	**4.2**	8.0	**13.1**	22.3
Financial income	**—**	—	**0.1**	0.2
Financial expenses	**(4.0)**	(3.4)	**(17.5)**	(8.5)
Net financing costs	**(4.0)**	(3.4)	**(17.4)**	(8.3)
Profit/(loss) before taxation	**0.2**	4.6	**(4.3)**	14.0
Taxation	**(0.5)**	(1.5)	**1.2**	(4.6)
(Loss)/profit for the period	**(0.3)**	3.1	**(3.1)**	9.4
Total comprehensive (loss)/income for the period	**(0.3)**	3.1	**(3.1)**	9.4
(Loss)/profit attributable to				
Equity holders of the parent	**(0.3)**	3.1	**(3.1)**	9.4
Total comprehensive (loss)/income attributable to				
Equity holders of the parent	**(0.3)**	3.1	**(3.1)**	9.4

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)
As at 30 June 2011

	30 June 2011	30 June 2010	30 September 2010
	£m	£m	£m
Assets			
Property, plant and equipment	**188.2**	217.3	209.9
Intangible assets	**69.8**	79.0	67.7
Total non-current assets	**258.0**	296.3	277.6
Inventories	**2.6**	3.4	2.6
Trade and other receivables	**56.6**	68.6	55.6
Cash and cash equivalents	**43.0**	27.9	26.2
Properties classified as held for sale	**3.1**	0.7	4.5
Total current assets	**105.3**	100.6	88.9
Total assets	**363.3**	396.9	366.5
Liabilities			
Financial liabilities — borrowings	**(168.9)**	(165.6)	(155.4)
Financial liabilities — derivative financial instruments	**—**	(11.9)	—
Trade and other payables	**(66.2)**	(72.5)	(82.2)
Current tax liabilities	**(6.0)**	(6.6)	(3.1)
Total current liabilities	**(241.1)**	(256.6)	(240.7)
Financial liabilities — borrowings	**—**	—	—
Other non-current liabilities	**(10.2)**	(5.0)	(8.2)
Deferred tax liabilities	**(11.2)**	(11.6)	(13.7)
Total non-current liabilities	**(21.4)**	(16.6)	(21.9)
Total liabilities	**(262.5)**	(273.2)	(262.6)
Net assets	**100.8**	123.7	103.9
Equity			
Issued share capital	**6.2**	6.2	6.2
Share premium	**56.6**	56.6	56.6
Hedging reserve	**—**	(8.9)	—
Retained earnings	**38.0**	69.8	41.1
Total equity attributable to equity holders of the parent	**100.8**	123.7	103.9

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three months and nine months ended 30 June 2011

	Three months to 30 June 2011	Three months to 30 June 2010	Nine months to 30 June 2011	Nine months to 30 June 2010
	£m	£m	£m	£m
Cash flows from operating activities				
(Loss)/profit for the period	**(0.3)**	3.1	**(3.1)**	9.4
Depreciation	**5.5**	5.0	**16.4**	16.0
Amortisation of intangible assets	**1.9**	2.0	**5.8**	6.1
Profit on disposal of fixed assets	**—**	—	**(1.8)**	—
Decrease/(increase) in inventory	**0.1**	(0.5)	**—**	(0.9)
Increase in receivables	**(3.8)**	(15.2)	**(1.7)**	(17.9)
(Decrease)/increase in payables	**(1.3)**	(0.3)	**(9.9)**	0.8
Equity-settled share-based payments	**—**	0.2	**—**	0.6
Financial income	**—**	—	**(0.1)**	(0.2)
Financial expense	**4.0**	3.4	**17.5**	8.5
Tax expense/(credit)	**0.5**	1.5	**(1.2)**	4.6
Cash inflow from operations	**6.6**	(0.8)	**21.9**	27.0
Income taxes (paid)/received	**(0.2)**	(2.1)	**1.4**	(7.0)
Net cash from operating activities	**6.4**	(2.9)	**23.3**	20.0
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(5.7)**	(0.9)	**(15.9)**	(7.6)
Net proceeds from sales of property, plant and equipment	**11.7**	7.6	**23.0**	16.3
Interest received	**—**	—	**—**	0.1
Proceeds from sales of subsidiary undertakings and businesses	**—**	—	**4.7**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(0.5)**	—	**(5.3)**	—
Net cash from investing activities	**5.5**	6.7	**6.5**	8.8
Cash flows from financing activities				
Proceeds from issue of share capital	**—**	—	**—**	0.1
Proceeds from new secured loans	**—**	—	**—**	4.0
Repayments of amounts borrowed	**—**	(28.7)	**—**	(40.8)
Interest paid	**—**	(2.2)	**(12.9)**	(7.1)
Payment of capital element of finance lease payments	**—**	(0.6)	**(0.1)**	(0.8)
Dividends paid	**—**	—	**—**	(2.1)
Net cash from financing activities	**—**	(31.5)	**(13.0)**	(46.7)
Net increase/(decrease) in cash and cash equivalents	**11.9**	(27.7)	**16.8**	(17.9)
Cash and cash equivalents brought forward	**31.1**	55.6	**26.2**	45.8
Cash and cash equivalents carried forward	**43.0**	27.9	**43.0**	27.9

CARE UK LIMITED GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED)

Three months to 30 June 2011	Social Care: Residential Care	Social Care: Community Care	Social Care: Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	30.7	20.0	12.7	50.6	—	**114.0**
Adjusted EBITDA	6.8	1.1	1.3	5.3	(1.4)	**13.1**
Depreciation	(1.7)	—	(0.2)	(3.2)	(0.4)	**(5.5)**
Adjusted operating profit/(loss)	5.1	1.1	1.1	2.1	(1.8)	**7.6**
Amortisation of intangible assets	—	(0.3)	—	(1.6)	—	**(1.9)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	—	—	—	0.4	—	**0.4**
Operating profit/(loss)	5.1	0.8	1.1	(1.0)	(1.8)	**4.2**
Net financing costs						**(4.0)**
Taxation						**(0.5)**
Loss for the period						**(0.3)**

Three months to 30 June 2010	Social Care: Residential Care	Social Care: Community Care	Social Care: Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	29.0	20.1	16.4	46.0	—	**111.5**
Adjusted EBITDA	6.7	1.2	2.1	7.2	(1.6)	**15.6**
Depreciation	(1.6)	(0.1)	(0.3)	(2.8)	(0.2)	**(5.0)**
Adjusted operating profit/(loss)	5.1	1.1	1.8	4.4	(1.8)	**10.6**
Amortisation of intangible assets	—	(0.3)	—	(1.7)	—	**(2.0)**
Non-recurring items:						
— restructuring costs	—	—	—	—	(0.6)	**(0.6)**
Operating profit/(loss)	5.1	0.8	1.8	2.7	(2.4)	**8.0**
Net financing costs						**(3.4)**
Taxation						**(1.5)**
Profit for the period						**3.1**

Nine months to 30 June 2011	Social Care					
	Residential Care	Community Care	Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	90.4	60.1	41.6	140.3	—	**332.4**
Adjusted EBITDA	18.5	3.1	3.9	13.5	(3.7)	**35.3**
Depreciation	(5.2)	(0.2)	(0.7)	(9.3)	(1.0)	**(16.4)**
Adjusted operating profit/(loss)	13.3	2.9	3.2	4.2	(4.7)	**18.9**
Amortisation of intangible assets	—	(0.9)	—	(4.9)	—	**(5.8)**
Non-recurring items:						
— contract change costs	—	—	—	(1.9)	—	**(1.9)**
— property related gains and losses	0.7	—	—	1.5	—	**2.2**
— loss on disposal of subsidiary undertakings	—	—	—	—	(0.3)	**(0.3)**
Operating profit/(loss)	14.0	2.0	3.2	(1.1)	(5.0)	**13.1**
Net financing costs						**(17.4)**
Taxation						**1.2**
Loss for the period						**(3.1)**

Nine months to 30 June 2010	Social Care					
	Residential Care	Community Care	Specialist Care	Health Care	Other	Group
	£m	£m	£m	£m	£m	£m
Group revenue	84.6	60.5	48.2	139.2	—	**332.5**
Adjusted EBITDA	17.2	2.5	5.7	22.9	(3.0)	**45.3**
Depreciation	(4.7)	(0.3)	(0.9)	(9.5)	(0.6)	**(16.0)**
Adjusted operating profit/(loss)	12.5	2.2	4.8	13.4	(3.6)	**29.3**
Amortisation of intangible assets	—	(0.9)	—	(5.2)	—	**(6.1)**
Non-recurring items:						
— profit on disposal of assets	—	—	—	0.3	—	**0.3**
— restructuring costs	—	—	—	—	(1.2)	**(1.2)**
Operating profit/(loss)	12.5	1.3	4.8	8.5	(4.8)	**22.3**
Net financing costs						**(8.3)**
Taxation						**(4.6)**
Profit for the period						**9.4**