
Care UK Health & Social Care Investments Limited

BUSINESS

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Overview

Care UK is a significant independent sector provider of health care services to the NHS in England and a leading provider of social care services in the United Kingdom. Care UK considers itself to be the most diversified provider in terms of the nature and variety of care services offered across both the social and the health care markets in the United Kingdom, which provides Care UK with multiple opportunities for growth not least in the potential to integrate services. Care UK believes that no other social and health care provider can match its breadth of services, which span residential and assisted home care, learning disabled and mental health support, secondary and primary health care, and urgent care services and which together provide Care UK multiple opportunities for growth.

In total, Care UK operates approximately 280 facilities across the United Kingdom. During the year ended September 2014 Care UK employed on average approximately 22,000 people including surgeons, GPs, nurses and care workers. Care UK’s principal sources of revenue are publicly funded entities in the United Kingdom, primarily Local Authorities and Clinical Commissioning Groups, on behalf of the NHS, as well as NHS England itself. In the year ended 30 September 2014, over 87 per cent. of Care UK’s revenue was derived from publicly funded entities, with the remainder derived from services delivered to self-paying individuals, almost wholly in Care UK’s social care business.

Care UK’s Social Care and Health Care businesses accounted for 47.6 per cent. and 50.8 per cent., respectively, of Care UK’s revenue in the year ended 30 September 2014, with the remainder coming from the provision of non-care related services.

Industry Background

Care UK believes that its health and social care services benefit from attractive and long term industry dynamics, in particular:

- **Sizeable market and growing public spending.** At c£137 billion, the United Kingdom is one of the largest health care markets in Europe according to the Clearwater UK Health & Social Care Report 2012 (“Clearwater”). Within this total, the social care market is valued at c£37 billion, according to both Clearwater and Laing & Buisson. The UK Government’s total spending on health services through the NHS as a percentage of GDP has more than doubled over the last decade, but total health spending as a percentage of GDP still remains behind comparable European countries such as France and Germany. Both the health and social care markets are predominantly publicly funded, with over 77 per cent. of the total UK health and social care market publicly funded, according to Clearwater. In the year ended 30 September 2014, over 87 per cent. of Care UK’s revenue was derived from publicly funded entities.
- **Growing demand for social care and health care services.** Growth in demand for health and social care services has been partly driven by the demographic trend of an ageing population. Growth in demand for the types of services that Care UK provides is also driven by the fact that an increasing proportion of the population is living longer but spending more years suffering from high dependency health conditions, such as dementia and other related conditions. In addition to the demographic trends, increasing consumer expectations for enhanced care and the availability of more and costlier treatment techniques have driven the growth in demand for health and social care services. Care UK expects that these trends will continue to drive the growth in demand for health and social care services, with the 85+ age population set to grow by one third over the next 10 years and double by 2030, according to the Office for National Statistics and Laing & Buisson. The number of older people with late-onset dementia in the UK is currently estimated at around 820,000 by the Alzheimer’s Research Trust, with an overall annual funding cost of approximately £23 billion. By 2038 this figure is predicted to increase to approximately 1.4 million people by the Department of Health, with an overall funding cost of around £50 billion according to the Alzheimer’s Society. As a consequence the Department of Health launched the National Dementia Strategy in 2011 with a five year roll-out plan covering three key themes: raising awareness and understanding; early diagnosis and support; and living well with dementia. Care UK is one of the five largest providers of dementia care within the UK with a clear strategy of developing high quality services focused around managing this increasingly prevalent

condition.

- **Social Care funding.** In July 2011 the Commission on Funding of Care and Support (“the Commission”), which had been established by the current Government in July 2010, submitted its report (“Fairer Care Funding”) to the UK Government and recommended that a lifetime cap of £35,000 be placed on individuals’ financial responsibility for funding their own care in older age. The conclusions of the Commission were based on the principle that affordable care should be equally available to all through an increase in the level of state support. The Commission also recommended further integration of health and social care.

In February 2013 the UK Government announced that, whilst supporting the proposals of the Commission, the lifetime funding cap would be set at £72,000 and would become applicable for older people in England from April 2016. This proposal is based on a new national system of eligibility for Local Authority funded social care, with the threshold for means tested support being raised from £23,250 to £118,000, above the level proposed by the Commission. The costs funded by Local Authorities will be those for the costs of care and will not include “daily living” costs such as food or accommodation, which will continue to be funded by individuals, usually through receipt of their state pension.

In setting a significantly higher cap than that proposed by the Commission the Government identified current macroeconomic pressures as not permitting a lower cap to apply. In addition, the Government has indicated that it expects pension and insurance providers to offer new products whereby people save for their social care needs in the same way that they save for their pension.

In addition, the UK Government has made clear that no individual should be required to sell their home in order to fund the costs of their residential care and has required all Local Authorities in England to introduce the ability for the costs of care to be deferred during a person’s lifetime, effective from April 2015.

The above proposals are being to be implemented through the Care Act, due to come into force in April 2015. Care UK believes that the growth of self-funding of residential and community care for older people to complement state funding is both inevitable and beneficial and Care UK is developing its services accordingly (see “-Strategy” later in this section).

- **Outsourcing trend.** Given the increasing demand for health and social care services and the funding pressures that are increasingly evident in the funding of publicly funded entities within the United Kingdom, there is an increasing focus on efficiency improvements. In comparison to other EU countries such as France and Germany, the UK health and social care systems have long been regarded as inefficient, in part due to the significant majority of services being provided by the public sector. Outsourcing to independent service providers in the United Kingdom social care market began in the 1980s, whereas health care services have only begun to be outsourced on any meaningful scale during the last ten years. Care UK believes that over time, the outsourcing in the UK health care market, where currently only around three per cent. of the market is outsourced, is set for further growth, with the competitive provisioning of services to the NHS now having become an established feature of the market.
- **Supportive political policies.** Public sentiment in the United Kingdom strongly supports the provision of health and social care services by the UK Government and all the major political parties have reacted to that support. Public spending on health care services increased by a compound annual average of eight per cent. over the decade to 2010. The leading political parties have all committed to increased funding for the NHS beyond the 2015 General Election.
- **Consolidation trends.** Most segments within the social care market remain relatively fragmented with a large number of small to medium sized operators. The business environment supports a trend towards larger groups, given it is more challenging for smaller providers both to meet increasingly stringent service quality requirements as well as to bid for, win and fulfil larger contract opportunities due particularly to financial and staffing constraints.

- NHS reforms.** Following the passing of the Health & Social Care Act in 2012 (“HSCA”), the commissioning of health care services in England has passed from Primary Care Trusts to the combination of Clinical Commissioning Groups, Local Area Teams and NHS England. The reforms introduced by the HSCA seek to promote competition between providers of NHS services to create a more efficient, innovative and productive healthcare system, and are expected to lead to increased business opportunities amongst independent sector providers such as Care UK.

As part of the changes engendered by the HSCA, Monitor (the body that has historically regulated NHS Foundation Trusts) has been given wider responsibility to act as economic and market regulator for all providers of health care services to the NHS, including independent sector providers. New licensing conditions for all providers of a range of healthcare services are being implemented in 2014, which Care UK will operate under where applicable. As a key player within the industry, Care UK is working directly with Monitor to provide input into the final structure of these license conditions.

History

Care UK Limited was incorporated on 29 September 1982 as Anglia Secure Homes Limited. In 1994 its name was changed to Care UK plc having been listed on the London Stock Exchange in 1988. It expanded into the provision of nursing homes, home care and learning disability and mental health services in the 1990s.

In 2004 Care UK entered the health care market, initially by winning tenders for the ISTC Wave I contracts and subsequently, by using the market position that this provided, by being contracted to deliver a number of general health care services. Care UK increased its position in the health care sector through the acquisitions of Mercury in 2007, the outstanding 50 per cent. of Partnership Health Group, originally a joint venture with Life Healthcare Group (Proprietary) Limited (“Life Healthcare”), from Life Healthcare, in 2008, HWH Group Limited in November 2012 and UK Specialist Hospitals Limited in February 2013.

Following the acceptance by the shareholders of Care UK plc of the offer made on behalf of funds managed by Bridgepoint Capital in March 2010, Care UK delisted from the London Stock Exchange on 27 April 2010, changing its legal form to Care UK Limited on the same date, and the acquisition closed on 11 May 2010.

The current executive team are CEO, Mike Parish (appointed 2001), and CFO, Phil Whitecross (appointed December 2014), supported by the senior management team as shown in the table below.

Name	Age	Title
Karen McCormick	58	Group HR Director
Jim Easton	50	Managing Director, Health Care
Andrew Knight	47	Managing Director, Residential Care Services
Belinda Moore	52	Group Marketing Director
Barry Nee	39	Change Programme Director
Nicola Grimes	40	Group Finance Director

For further details on the executive and senior management team see the 2014 Annual Report.

Social Care Services

Care UK is a leading provider of social care services in the United Kingdom. The social care services provided by Care UK consist of care homes for older people and community based services to a range of service user groups.

Residential Care Services

Care UK is the fifth largest operator of care homes in the United Kingdom, measured by the number of beds available in what is still a fragmented market. It provides care for older people with a strong focus on high dependency care, in particular dementia and related conditions. Care homes are

classified generally into nursing homes and residential homes. Nursing homes supply all of the services offered by residential homes, but also have qualified nurses as part of the care team to provide nursing care for those with medical conditions or more complex care needs. Care UK now operates 113 care homes across England and Scotland, which together provide around 7,000 beds. A substantial number of Care UK's care homes are dual registered, which allows Care UK to offer residential and nursing care within the same facility. Funding for Care UK's residents comes from a balance of Local Authority block contracted and spot rate beds plus a growing proportion of self-pay.

In November 2012 Care UK signed a long term contract with Suffolk County Council ("SCC") that initially saw the transfer to Care UK of 16 care homes with over 500 beds previously operated by SCC. These homes will progressively be entirely replaced by ten new build homes with a total of 690 planned beds. SCC will fund approximately 54 per cent. of the planned new beds under a 25 year block contract, with Care UK having the ability to sell the remaining beds either on a spot basis to SCC or other Local Authorities, to CCGs as continuing healthcare beds or to self-pay service users. Care UK is funding the development of the ten new build homes by introducing two independent blue chip institutional funding partners with Care UK entering into leases for the operation of the homes when completed. Of the ten new build sites, five are now fully open and five are currently in development.

Care UK specialises in care for residents living with dementia and other specialist services for residents with complex needs, such as convalescent or post-operative care, respite care and palliative and end of life care. As an operator, Care UK manages, recruits and trains the necessary care staff in order to provide a full range of services to support the group's residents in their daily activities. It operates both from a large number of freehold properties that it owns, properties under long term leasehold arrangements and a number of shorter term commercial leaseholds or managed contract homes.

Dementia is one of the most common health conditions amongst older people. According to the Alzheimer's Research Trust there are currently approximately 820,000 people in the UK with dementia with an aggregate funding cost of approximately £23.0 billion per annum. By 2038 this number is projected by the Department of Health to be approximately 1.4 million people with a total funding cost of approximately £50.0 billion, according to the Alzheimer's Society. People living with dementia are nonetheless an underserved segment of the care home population. Only one third of those individuals suffering from dementia are placed into a care home that specifically caters for dementia. The majority of Care UK's homes have specialist dementia care units with qualified and experienced staff and appropriate facilities for dementia care.

Older people living with dementia and related conditions exhibit various symptoms, including loss of memory, confusion and speech problems. Individuals suffering from these symptoms often require intense professional care and observation, which their relatives usually do not have the time or training to provide. Care UK believes that dementia sufferers requiring nursing care are amongst the least likely individuals to be moved out of residential care facilities and into home care as they have more intensive care needs. Dementia care services are typically provided at a price premium over non-dementia services.

Convalescent and post-operative care is short-term care for those recovering from an accident, illness or an operation. Through Care UK's provision of these services, Care UK's care homes act as an intermediate location for the provision of nursing care and focused rehabilitation for patients who no longer require a hospital bed for intensive care and monitoring, but are not yet ready to return home. These rehabilitation programmes are delivered by specially trained multi-disciplinary teams and provide support for the service user to progress towards optimal independence and assist with a safe return to the service user's home. Care UK also provides respite services designed to provide care for individuals whose regular carers are unavailable. This places Care UK well to meet the growing need for step up / step down services to the NHS.

Palliative and end of life care offers services for those with chronic or terminal illnesses. Palliative care focuses on the control of pain and symptoms to improve quality of life.

A number of Care UK's residential facilities have day centres, which allow them to provide a range of services to non-residents.

Community Services

Care UK's Community Services operations encompasses its home care and care for the learning disabled operations. Care UK is among the top five providers of community based home care services in the United Kingdom, measured by market share, with just over 2 per cent. of the publicly funded home care market. An increasing number of customers are now paying directly for their own services either by way of topping up Local Authority provision or by paying entirely for their own private care. We estimate from our experience that older people and people living with dementia are estimated to comprise approximately 70 per cent. of Care UK's home care service users, with the remaining 30 per cent. being individuals with a learning disability, substance abuse issues, physical disabilities and those who require post-hospital discharge rehabilitation.

Care UK's community based services comprise a comprehensive range of flexible home support packages, tailored specifically to service users needs. Service users can be extremely dependent and usually require support with personal care and daily living tasks to enable them to continue to live independently in their own homes. Packages typically range in size from 15-30 minute daily pop-in calls to full time live-in care and allow service users to avoid care home or hospital admissions, in addition to exiting hospital care on an accelerated basis. Services also include re-ablement to assist service users in regaining confidence and skills at home following a stroke, accident, operation or any lengthy stay in hospital and assessment of support needs during a crisis, usually related to dementia.

Care UK has traditionally delivered service to users who are in some way funded by public money and have been subject to assessment under the relevant access criteria. Increasingly and in response to customer and market demands, Care UK has begun to deliver self pay services alongside those funded by public sector customers. If an individual fails to secure funding for all or part of their care needs from the Local Authority, or is reluctant to go through a means testing process, they may choose to self fund and approach Care UK directly as a potential customer.

In the year ended 30 September 2014, Care UK provided its community based services through a local branch and office network of more than 60 registered services, delivering on average approximately 150,000 hours of care each week. Each branch or office holds contractual arrangements to provide home based support and care to nominated individuals with one or more Local Authorities. In addition, many of these registered services, which span the UK (including Scotland, England and Wales), provided services to self-pay customers, who represent approximately 9 per cent. of the total number of hours of care provided each week by the Community Services division.

As well as approximately 5,900 community based care workers Care UK's Community Services division also employs around 1,600 individuals with professional qualifications and extensive practical experience in supporting individuals with a range of learning disabilities. These include autistic spectrum disorders, complex health needs, physical disabilities and sensory impairment.

Through this specialist team Care UK provides supported living services to more than 800 people with a learning disability, many of whom have been resettled out of long stay institutional hospitals. For these people challenging behaviour and complex conditions are a feature of their lives. In addition Care UK provides placements in 14 community based residential homes, with a total of 133 places, for individuals with learning disabilities or with physical disabilities, including those with spinal or brain injuries.

Health Care

Care UK's Health Care division is a significant independent sector provider of outsourced health care services to the NHS in England. Care UK's health care services are concentrated in the key service streams of Primary Care and Secondary Care (incorporating Mental Health).

The vast majority of services are currently operated entirely for NHS patients and are provided free of cost to the service user, although the potential for self pay options is being assessed

at a number of Care UK's elective surgery hospitals. Care UK is paid for its services primarily by Clinical Commissioning Groups ("CCGs") and works in close partnership with them and the wider NHS management bodies. The CCGs are statutory corporate bodies and comprise representation of the GP practices that operate within a specific geographical area, typically covering one or more Local Authority areas. Each CCG is allocated an amount of money annually to cover its commissioning and running costs, which reflects both the size of the population it serves and the particular health needs of the area covered.

Primary Care

The Primary Care service stream principally comprises GP Medical Practices, Offender Health services, Clinical Assessment and Treatment Services ("CATS"), Diagnostic Centres, Urgent Care Centres, Out-of-Hours Care and the NHS 111 service.

GP Medical Practices

Care UK operates eleven GP medical practices on behalf of the NHS with approximately 59,000 registered patients. Each GP medical practice employs a range of health care professionals including GPs and nurses and is dedicated to providing high quality GP diagnosis and services to its local communities. Care UK's GP medical practices are primarily located in low-income areas that have been historically underserved by the health care community and, in some cases; these include innovative services such as street doctors for the homeless and community facing sexual health services. A number of these GP medical practices also have a co-located walk-in centre that provides free care services, including health information, advice and treatment for a range of illnesses and minor injuries preventing the patient having to make an appointment. The walk-in centres operate between 8am and 8pm, 365 days a year and offer care for health issues such as emergency contraception, minor scalds and burns, coughs, colds and flu-like symptoms, strains and sprains and other common illnesses. During FY14 we received just under £1m of national funding from the Department of Health to pilot a wholly new model of primary care access, using the telephone and IT infrastructure of our 111 services to offer telephone and online appointments to patients for our own registered patients and, in future, as a marketable offering to other practices.

Urgent Care Centres

Care UK operates a number of urgent care centres. These facilities serve unregistered patients at times which are convenient or essential for the patient. These services are not designed to replace local GP or hospital services but instead complement them by providing a greater number of patients with convenient access to treatment for a range of minor illnesses and injuries. The urgent care centres operate on a first come, first served basis, unless someone is acutely unwell and needs immediate attention. The urgent care and minor injury centres deal with the entire range of injuries from the "walking wounded" to those who come in with immediate and urgent needs and are open twenty-four hours a day, seven days a week.

Out-of-Hours Care

Out of hours services are available overnight and through weekends and holiday periods. Out of hours care centres deal with all levels of patient needs and try to maintain patients in their own home where possible and only direct them into hospital based care when necessary. The acquisition of Harmoni significantly extended Care UK's provision of out-of-hours services.

NHS 111

The Harmoni business included a number of contracts for the provision of the NHS 111 non-emergency help line, which Care UK has subsequently implemented. Following the withdrawal of NHS Direct from the provision of NHS 111 services, Care UK is the market leader in the provision of these services and offers the only multi-site networked call centre solution providing resilience and efficiency advantages.

Care UK serves a population of more than 14,500,000 people through the operation of the NHS 111 service and delivery of out of hours care provision.

Offender Health

Care UK provides a full range of health care services to prisons on behalf of NHS England and is currently the largest independent sector provider of offender health care services, covering 21

prisons with a total prison population amounting to more than 15,000 individuals. Services include mental health inpatients through to GP services, nursing, dentistry, optometry, substance misuse and sexual health services. Care UK has gained significant experience in understanding prisoners' health needs and has the proven experience of delivering effective, quality care within the constraints of the prison environment.

Clinical Assessment and Treatment Services (“CATS”) & Diagnostic Centres

Care UK provides a number of Clinical Assessment and Treatment Services (“CATS”) in different regions across the United Kingdom. Health care services provided at these centres include gynaecology, ear, nose and throat, musculoskeletal, urology, audiology, ophthalmology and dermatology as well as physiotherapy and occupational therapy and some minor general surgery.

Care UK currently operates nine smaller CATS and direct access diagnostic services across the country as well as the much larger specialist mobile service in Greater Manchester, which it established as part of the ISTC Wave II programme. The Manchester CATS operates from seven locations across Manchester.

CATS are designed to give patients greater choice about when and where they are treated, providing convenient, easy access to diagnostics and assessment and treatment services for a range of conditions. CATS were intended to help maintain short NHS waiting times and offer convenient local services for patients in community settings closer to home. Many CATS treatment centres also offer extended opening hours during the week as well as weekend services, providing greater flexibility and accessibility to patients. Instead of going to local hospital outpatient service for tests or treatments or therapies, GPs may refer patients to their local CATS service.

Secondary Care

Care UK delivers a wide range of elective surgery procedures through its ten elective surgery hospitals. All of these hospitals were originally established under the ISTC Programme, a programme initiated by the previous Government that was designed to reduce hospital waiting lists, expand total capacity in the health care system and give patients a choice as to when and where to receive treatment. The ISTC Programme was procured in two waves, Wave I and Wave II. All of the initial Wave I contracts have expired and the six hospitals originally established under this part of the overall programme now operate under Payment by Results, alongside NHS hospitals and other independent sector providers. The remaining five hospitals were established under Wave II of the ISTC Programme and currently operate under the terms of the Wave II contracts. Care UK is the market leader in the provision of elective care to the NHS.

Care UK's elective surgery hospitals have an excellent track record and patient satisfaction ratings, short waiting times and excellent clinical outcomes. Care UK's hospitals, measured by regular patient satisfaction surveys, have consistently outperformed the top quintile of NHS hospitals. Pressures on waiting times for surgery in public sector NHS providers are leading to increased requests for Care UK ISTCs to provide additional volumes.

Mental Health

Care UK supplies a range of mental health services through its 19 independent mental health hospitals and homes, including specialist facilities for young people with eating disorders and/or self-harm. It serves NHS England as well as over 70 Clinical Commissioning Groups and Local Authorities. The Mental Health division owns 50 per cent of Recovery & Rehabilitation Partnership Limited, a joint venture company with an NHS Mental Health Foundation Trust. The joint venture company has recently opened a new complex care facility in Sussex and operates a similar unit in Hampshire.

Care UK's independent hospitals and mental health homes provide service user-led residential services, delivered across a progressive pathway, including community based outreach programmes. These services provide 24-hour support to enable individuals to understand and cope with their mental illness and ultimately to recover and develop day-to-day skills, including shopping, personal care, personal hygiene, preparation of meals and social skills in order to move out into as independent living as possible. The core treatments focus on cognitive skills, relapse prevention, symptom reduction and living with mental illness. Individuals are encouraged to access and

participate in local community life through local facilities. The service has a unique all-encompassing approach to promoting Recovery for those it supports. Care UK's mental health homes and independent hospitals have approximately 320 beds and treat patients detained under the Mental Health Act 2007 in addition to voluntary patients. See "*Business—Regulation—Mental Health Act 2007*" for further information regarding the Mental Health Act 2007.

Some of the group's hospitals are registered as "Locked Rehabilitation" step-down services for adults with a mental illness, personality disorders and a history of criminal behaviour. They provide continuing treatment and rehabilitation in a safe, secure and therapeutic environment. The provision of these services presents an intensive treatment and support option for mentally disordered offenders and those with high-risk behaviour who no longer require costly psychiatric intensive care, intense or higher security environments. The group has recently developed a connected care pathway across residential and supported living services tailoring the support package to individual need and offering financial savings to the health and social care economy.

Within its mental health business, Care UK operates five specialist facilities, with a total of 52 beds that offer a residential alternative to a hospital for adolescents and young adult diagnosed with eating disorders or with extreme self-harm tendencies that have had previous treatment in a hospital or specialist service. This includes the acute eating disorder service for young people between the age of 8 and 18 years, Rhodes Farm, that was acquired in February 2011. Care UK's programmes in these facilities are specifically designed to help service users make life changes and include Ofsted registered education services.

Quality of Care

Care UK is focused on providing services that achieve high quality and service user experience rankings. We measure our achievement of quality and patient experience through a range of outcome and key performance indicators, which we benchmark against other providers where there is published information to enable us to do this. Care UK has consistently maintained high quality ratings across its services as a result of the focus placed on service quality by both the operational managers and the clinical audit and compliance functions within each of Care UK's operating divisions. The monitoring of quality and the robustness of clinical governance processes is reviewed at service level quality and governance meetings, at divisional level through divisional quality and governance meetings and at the Group Executive and Board meetings. At each level through the organisation appropriate reports are provided to operational and senior management teams so that data on outcomes, incidents, patient and service user feedback, risk and compliance are recorded, reviewed and any required actions are taken to improve service quality.

In England, Care UK services are monitored and regulated by the CQC, which inspects and rates all of the health and social care providers and facilities. The Care Inspectorate (Scotland) and the CSSIW (Wales) perform similar functions in respect to Care UK services in these countries.

Clinical Governance

Clinical governance is central to Care UK's delivery of high quality care. Care UK's various clinical governance teams implement a framework of clinical governance by focusing on protecting patient and resident safety and improving the quality of care. An example of this is the prevention of infections that are easily spread in hospitals and similar settings. It also looks to minimise service user accidents while aspiring to ensure that patients and service users of Care UK's services are treated with compassion, dignity and respect through an individualised system that communicates effectively with, and responds to, individuals' needs in a timely and effective manner.

Through its integrated governance reporting structure, Care UK directs and controls the health and safety performance of its various business segments and subcontractors, in order to achieve Care UK's organisational objectives and safely deliver continuously improving high quality services. Care UK's clinical governance teams conduct periodic audits and site visits of Care UK's various facilities and maintain a robust index of key performance indicators. Additionally, the clinical governance team interacts with outside organisations such as the Royal College of Nursing. Care UK regularly surveys its service users and their relatives to monitor their experience of the care provided.

The heads of clinical governance in each business segment meet regularly with representatives from the CQC to demonstrate Care UK's governance infrastructure and assurances of quality and safety.

Regulation by the CQC, Care Inspectorate and CSSIW

The CQC, in England, the Care Inspectorate (CI) in Scotland and the CSSIW in Wales regulate all health and social care services in the UK, ranging from treatment centres to home care services, whether provided by the NHS, Local Authorities, private companies or voluntary organisations. The CQC, CI and CSSIW inspect all services and determine compliance with the regulations appropriate to their geographical location. Due to their location, the CQC inspects the large majority of Care UK services and is currently replacing the preceding 16 regulations 'Essential Standards' with the new 11 regulations 'Fundamental Standards', along with 2 additional regulations (the 'Fit & proper person requirement for directors' and the 'Duty of candour'), which will come into force for Care UK in April 2015.

CQC inspections are typically based on a range of patient outcome-based measures that attempts to cover all such measures. Those outcomes that are inspected are assessed as either being fully compliant or non-compliant and when a service is assessed as non-compliant against a particular standard an action plan is developed to rectify the shortcoming as quickly as possible. This plan and progress against the plan is shared with the CQC. Management monitors the results of CQC inspections across the group on a monthly basis, with overall compliance varying across the Group.

The percentage compliance for each Care UK division, being the proportion of all sites inspected that have been assessed as 'fully compliant', according to the latest assessment data is as follows:

- Residential Care Service: 84%
- Health Care: 96% (including Mental Health: 94%)
- Community Care Services: Care at Home 87%, Learning Disabilities 100%

The majority of the non-compliances that have been identified within Care UK's services are rated as Minor or moderate, with a small minority being classified as Major. There is a high degree of attention focused by divisional Clinical Governance and Quality teams on any areas of non-compliance that are identified and action plans are put in place to rectify them as quickly as possible. In the majority of cases these issues are signed off by the CQC as compliant in their subsequent visit.

Health Care Service Quality

Whilst the CQC regulates health and social care services, there is no central agency that publicly publishes ratings regarding the quality of the health care services that Care UK and its competitors provide. Contractually, CCGs and NHS England do monitor the quality of services provided by the various independent sector operated treatment centres and primary care services and compare them against the hospitals and other primary care services that the NHS continues to manage directly or commission. However, there are a number of industry benchmarks with which Care UK's healthcare services can be compared, as noted below.

- The Joint Advisory Group for Endoscopy ("JAG") provides independent inspection and accreditation of endoscopy services; all assessed Care UK services have been awarded JAG accreditation and many have been rated "A", the highest possible rating;
- The National Health Service Litigation Authority re-assessed the risk management procedures at Care UK's Treatment Centres during 2014 and assessed them as being compliant with the required standards;
- Infection control—Care UK has reported zero cases in the last twelve months of the three main hospital acquired infections, MRSA, MSSA and Clostridium Difficile; and
- The Department of Health introduced the national "Friends and Family" test for inpatient and emergency services this year. Care UK's inpatient facilities are ranked very highly on

this measure. All of Care UK's services consistently score above the NHS average "net promoter" score benchmark and also compare favourably with the private hospitals average score .

Customers and Contracts

Social Care

Care UK provides its social care services primarily through outsourcing contracts with publicly funded entities, mainly Local Authorities. In addition to the Local Authorities, Care UK contracts with Clinical Commissioning Groups for a small portion of its social care services as well as an increasing number of self-pay service users.

Residential Care Home Contracts

Care UK provides its residential care home services under two general types of contracts, block and spot contracts.

In a block contract, the relevant publicly funded entity commits to pay a fixed rate per bed with a pre-agreed mechanism for determining that rate for a certain number of beds for a fixed term, regardless of whether or not these beds are physically occupied. Block contracts for care home services typically have a term of 10 to 25 years, which gives Care UK substantial visibility over the future revenue that those contracts will provide. The current average maturity of Care UK's outstanding care home block contracts is more than ten years. As at 30 September 2014, approximately 33 per cent. of Care UK's care home beds were operated under block contracts.

The remaining beds in a care home which are not subject to block contracts are sold either on a spot purchase basis to publicly funded entities (where their needs exceed the number of beds for which that publicly funded entity has block contracted) or to self-paying individuals. Spot contracts are linked to a specific individual and are therefore typically much shorter in duration terms and are more bespoke than block contracts. Spot contracts also typically have higher average weekly fee rates than block contracts.

The average weekly fee rate for both block and spot contracts is determined based on an assessment of the level of a resident's needs made by the service purchaser (if the purchaser is a publicly funded entity) or Care UK (in those cases where the purchaser is a self-pay individual). Payment is then scaled according to the level of care required by the service user. In the case of a block contract, the assessment will normally form part of the overall agreement with the relevant Local Authority as the particular individuals to whom care will be provided will not usually have been identified at the point that the contract is entered into. In the case of spot contracts either with Local Authorities or for self-pay users, the assessment is carried out as part of the admission procedures to the care home. In circumstances where Care UK believes that a service user requires a different level of care than that for which they were initially admitted, the resident's required level of care is reassessed and weekly fee rates are adjusted appropriately. In addition to adjusting fees based on the level of care each service user requires, fees for block contracted beds are normally linked to one or more contractually specified inflation indices, which are subject to annual adjustment.

The termination provisions of block contracts vary depending on the contract, and, in some cases, include some of (i) voluntary termination by the purchaser of the contract (by giving notice to Care UK), (ii) where Care UK fails to meet its obligations by committing a material breach which is capable of being remedied but remains uncured for a specified time period, (iii) where Care UK commits a fundamental breach of the contract which is not capable of being remedied, (iv) where Care UK commits a prohibited act in relation to the making of a corrupt gift or fraud, or (v) where there is a winding up, liquidation or taking possession of the facility where the services are intended to be delivered. In the case of voluntary termination of a contract, compensation will normally be payable to Care UK.

Community Services Contracts

Care UK's community services are provided largely under framework contracts that generally set out the service requirement, but do not commit either party to provide or purchase care until a

specific individual in need of that care is identified. Contracts set performance standards for the provision of care as well as qualification and service requirements for care workers.

One substantive difference in the contracts for community services, as opposed to residential care home services, is that payment is dependent on the duration of the service visits that are delivered to service users. The majority of community services for older people are delivered in 15, 30, 45, 60 or 120 minute blocks in accordance with an agreed price schedule, which may vary depending on the location where the care is provided. A number of learning disabilities services are provided on a 24/7 basis to more dependent people. As monitoring technology has improved over time, an increasing number of purchasers of home care services have imposed tighter conditions on providers such as electronic call monitoring and “minute by minute” billing. Using this technology, providers are only paid for the time actually spent by its care workers delivering services, or their contact time. In the light of this increasingly prevalent approach being taken by customers, particularly Local Authorities, Care UK recently invested in GPS technology that enables the live recording of the time a care worker has spent with a service user. In addition, Care UK recruits almost all of its care workers on zero hour contracts and only pays care workers for the hours worked, together with appropriate training, holiday time and incidental costs, allowing revenue received to be matched with the quantum of direct costs. The current typical duration of Care UK’s contracts for community services is for three years.

Care UK also has more than 2,000 individual customers, who choose to part fund their care by topping up their Local Authority care provision with additional services contracted directly with Care UK, or completely fund their care with a private contract with Care UK. Contracts range from a minimum one hour to 24 hour live-in care per week.

Health Care

General Health Care Contracts

Following the passing of the Health and Social Care Act and the consequent implementation of the related reforms within the NHS in England, Care UK contracts with Clinical Commissioning Groups for the provision of most of its general health care services and with NHS England for primary care services and offender health services. These are primarily under contracts based on NHS Standard Alternative Provider of Medical Services (“APMS”) Contract requirements and NHS Standard Services Contracts, which set out certain standard terms, such as the list of patients who can be treated, performance monitoring provisions and termination provisions. In addition to national terms under these contracts, where applicable, for price, subcontracting or dispute resolution terms, terms are also negotiated individually for each contract and adapted as necessary to reflect the particular requirements of the services provided under the contract.

The terms of the general health care contracts set out required standards that Care UK must maintain in certain areas including the training of medical staff, prescription of drugs, infection control and vaccine storage and the treatment of patients and patients’ records. Care UK must also maintain an effective system of clinical governance. In many cases, Care UK must meet key performance indicators (“KPIs”) as set out in the relevant general health care contract. Failure to meet a KPI may lead to a deduction in payment or, in extreme circumstances, the termination of a contract. Other termination events may include breach of any term of the agreement such that a material financial loss would occur or the safety of a patient is at serious risk. The contracting Clinical Commissioning Group makes its payments according to a monthly fixed sum plus additional payments tied to a variety of relevant metrics, such as the number of patients seen during the month for walk-in clinics.

Elective Surgery Contracts

Care UK originally provided its treatment centre services through ISTCs commissioned by the Department of Health under two programmes: the ISTC Wave I contracts and the ISTC Wave II contracts. The ISTC Wave I contracts were signed with the NHS as part of a government programme to increase the capacity of the health care system and reduce waiting lists in certain areas. Likewise, the ISTC Wave II contracts, although they are subject to different arrangements with regard to pricing and guaranteed revenue levels, were designed to increase the capacity of the health care system in certain specific areas and at the same time provide an intermediate step towards the full competition between secondary health care service providers that was envisioned once the ISTC Wave I

contracts expired. The Wave I contracts have all now expired and these Treatment Centres are now contracted on an Any Qualified Provider (“AQP”) basis at NHS Tariff prices on NHS Standard Acute Contracts.

Care UK currently operates a total of eleven elective surgery hospitals including the Greater Manchester CATS contract. Five centres operate under ISTC Wave II contracts with the remainder being operated on NHS Standard Acute Contracts, other than two small centres that provide only diagnostic services. The ISTC Wave II contracts are structured with the intention that a contractual level of guaranteed revenue should cover the fixed costs of establishing and maintaining the facility with Care UK being incentivised through the pricing structure to achieve higher activity levels than the guaranteed minimum.

The hospitals contracted on the NHS Standard Acute Contract have no volume guarantees. The CCGs expect Care UK to be able to provide the number of procedures that they forecast will be demanded by service users and which are included as the “Activity Plan” within the overall contractual arrangements. Care UK is required to provide at least this number of procedures if patients choose Care UK’s centres but the actual volume will depend on local demand. Following a transitional period Care UK has re-established volumes at these ISTCs by increasing marketing activity and attracting service users under “Patient Choice” in competition with other secondary health care service providers, including NHS hospitals.

Care UK’s mental health services and residential learning disabilities services are predominantly provided through contracts with Clinical Commissioning Groups, NHS England and Local Authorities.

Facilities

Care UK owns, leases or operates under certain PFI Handback arrangements (described below) the facilities out of which it provides its services. It now has 113 residential care facilities. Approximately 40 per cent. of these are held as either freehold or long leasehold facilities with the remainder being held on short term leasehold arrangements or under Managed Contracts (described below). In addition, Care UK also leases and runs its community services business out of over 60 locations and has around 100 operational services in the Health Care division including Mental Health facilities.

Social Care

Care UK’s primary need for facilities in the provision of social care services is in its residential care home services. Property is held within Care UK’s Residential Care Services division on three different bases: Freehold & Long Leasehold, Short Leasehold & Managed Contracts and “PFI Handback”.

For the Short Leasehold & Managed Contract properties, Care UK pays rent to the property owner although in a number of cases the property owner is the Local Authority for whom Care UK will provide beds in the care home. As a result, the rent and the fee rates charged for the provision of care beds are negotiated in tandem. Under a PFI Handback, the sites at which the facilities are based are also usually owned by the contracting Local Authority with Care UK operating the relevant facility under a licence to occupy, with full ownership of the building also reverting to the Local Authority upon expiry of the underlying service contract. Frequently, the PFI Handback properties are structured so that Care UK is charged either low or negligible rent and in return Care UK charges lower fees on the underlying block contracts for these homes. The underlying service contracts for the PFI Handback facilities are typically for periods of up to 25 years.

The Freehold and Long Leasehold properties benefit from negligible rental costs, improving profitability. In February 2010, Knight Frank valued Care UK’s then 31 residential care freehold and long leasehold properties as well as 15 freehold mental health properties at a combined total of £170 million on a trading basis, which was approximately double their recorded book value at the time of the valuation. Care UK currently owns 70 freehold and long leasehold properties across its Residential Care Services, Community Services and Mental Health divisions.

Care UK provides community services without relying on substantial investments in facilities as almost all of the relevant care takes place in the service user's home. The branches and offices from which Care UK provides these services are leased at a relatively low cost and there is no critical physical infrastructure on which these services are dependent.

Health Care

Care UK provides general health care services out of around 80 sites including prisons. It operates these facilities under a range of rental agreements, the terms of which vary depending on the service provided and the individual terms of the agreements.

Care UK also operates eleven ISTC facilities, including two diagnostic-only centres. All but two of these facilities are operated under short leasehold tenure and all facilities are on leases that are synchronous with the service contracts in place.

Care UK operates 19 facilities predominantly that are owned (including those operated through joint venture arrangements). Services include independent hospitals, mental health homes and specialist facilities for eating disorders and those with self-harming tendencies.

Greenfield Developments

Care UK is establishing a significant number of new residential care homes targeted at service users suffering from dementia and other conditions requiring long term care. Bridgepoint, the controlling shareholder of Care UK, and management have established an independent, separately financed property development company to finance the development of new residential care homes and lease them to Care UK. Care UK will continue to consider building and owning its own residential care homes and other facilities as well as leasing them from third parties. For further information regarding the separately funded property vehicle, see "*Certain Relationships and Related Party Transactions*".

Care UK has agreed the sale of three such Greenfield Developments whilst retaining long term lease agreements with the purchaser on similar terms.

Competitors

Care UK competes in several fragmented markets with a variety of for-profit and not-for-profit groups in each of the markets it operates in. While some of its competitors compete with it in a range of services, no other competitor is active in as many areas as Care UK. Moreover, most competition is local, based on relevant catchment areas and local procurement initiatives.

Care UK does not compete directly with public entities to provide social care, although it does so indirectly in that Care UK needs to demonstrate better quality services (usually judged on the basis of patient benefit) at lower cost than the applicable public entity, to justify the decision to outsource the relevant service. In health care the group's elective surgery hospitals may compete with NHS service providers to attract patients to these centres and receive the same national tariffs for procedures undertaken. These hospitals may also undertake transferred work from within the NHS, particularly where an NHS hospital is unable to maintain its "referral to treatment pathway" target of a maximum 18 week period.

Social Care

Care UK's major competitors in the provision of care homes are BUPA Care Homes, Four Seasons Health Care Limited, Barchester Healthcare Limited and HC-One Limited. In addition, a number of voluntary providers serve approximately 14 per cent. of the total care home market. The major voluntary providers include Shaw Healthcare (Group) Limited, Anchor Trust, Orders of St John Care Trust, MHA Care Group and Abbeyfield Society Limited.

The ten year period 2002-2011 saw active consolidation in the for-profit care home market, although this trend has slowed in recent years following the exit of the former Southern Cross group from the UK market in 2011. The residential care sector remains relatively fragmented with a large number of independent providers who own fewer than three homes apiece. In the residential care sector, operators compete on both service quality and price with regard to the placement of

Business

individuals both funded by public sector bodies as well as those making their own purchasing decisions.

Care UK's primary competitors in the provision of home care are Saga Group, Mears Group PLC, Carewatch and Housing 21. Secondary level competitors based on volumes include Mitie and City and County Healthcare. However, the market in the UK remains highly fragmented where Care UK competes on the basis of price and quality in order to win contracts from Local Authorities. Whilst Local Authority contracts currently represent approximately 90 per cent. of the homecare business, an emerging trend within the market is towards private pay opportunities particularly with regard to Local Authority service users being given personal budgets to directly purchase services and allowing those services to be personalised.

Care UK's major competitors in the provision of mental health services and care for individuals with learning disabilities include Lifeways Holdings, Voyage Group, the Priory Group and Four Seasons Health Care Limited.

Health Care

Care UK's major competitors in the provision of health care services through outsourcing contracts from the NHS include Ramsay Healthcare UK, Circle Health, and Virgin Health.

Sales and Marketing

Within the health and social care industry generally, marketing remains under- developed, and the concept of market segmentation is rarely recognised. Care UK has focused on attractive segments such as dementia within broader markets such as residential care. The same approach allows Care UK to build a presence in higher value markets with high barriers to entry. Strategically, Care UK intends increasingly to target self pay service users as an additional primary market rather than as an ancillary market to its traditional core public sector funded service user base. This will require both high quality services and purpose built properly equipped premises.

Market research has helped to develop the industry's understanding of consumer preferences in the residential sector. Basic housekeeping and quality of life issues are consumer concerns and are highly visible to both the service user and the service user's relatives who will often be directly involved in the choice of care home for their relative to live. Other factors that service users and their relatives have ranked as valuable to them in their choice of facilities include the staff and the standard of personal care, the supervision of staff by the management and the accessibility of the home to wheelchair and walking aid users. Care UK intends to use its understanding of these dynamics as well as its consistently high quality scores to expand its provision of services to self pay customers who have greater involvement in the choice of facility and care provider. Generally there is considered to be an increasing public expectation of high levels of service quality to be provided.

Regulation

Care UK is subject to regulation by the UK Government and is particularly impacted by laws relating to the provision of health care as well as the regulations of the Department of Health. Discussed in more detail below are some of the key laws and regulations under which Care UK operates.

HSCA and the CQC

The Health and Social Care Act 2008 (the "HSCA") established a new, independent registration and regulatory body for health and adult social care services in England, called the Care Quality Commission (the "CQC"). The CQC is empowered to (i) register all health and social care providers to ensure they are meeting essential common quality standards, (ii) monitor and inspect all health and adult social care, (iii) utilise enforcement powers, such as public warnings, fines or temporary or permanent closures, if standards are not being met, (iv) undertake regular reviews of how well those who arrange and provide services locally are performing and special reviews of particular care services, pathways of care or themes where there are particular concerns about quality and (v) report the outcomes of the CQC's work so that people who use the services have information about the quality of their local health and adult social care services.

The Care Quality Commission (Registration) Regulations 2009 (the “Regulations”) are the explicit standards enacted under the HSCA and published by the CQC. The Regulations detail the principles, and the requisite outcomes that are expected to result from the application of those principles, that apply to any facility that registers with the CQC. The Regulations impact the manner in which each division operates, and if an operator fails to comply with them it could result in a number of adverse consequences including, but not limited to, warnings, an embargo on new admissions, orders to implement changes, fines and, in extreme cases, revocation of operating permits.

As a result of criticism over their handling of well publicised problems at Winterbourne View and Mid Staffordshire Hospitals, CQC have been taking a much more robust stance in relation to inspection and enforcement in recent months. This has seen an increase in action to impose conditions on registration, prosecute or close units.

Scotland and Wales

The Public Services Reform (Scotland) Act 2010 has created the Care Inspectorate in order to ensure that the following functions are undertaken: (a) that the safety and wellbeing of all persons who use, or are eligible to use, any social service are protected and enhanced; (b) that the independence of those persons is promoted; (c) that diversity in the provision of social services is promoted; and (d) good practice in the provision of social services is to be identified, promoted and shared. If Care UK fails to comply with these it could result in warnings, fines or even revocation of operating permits.

The Care Standards Act 2000 provided for the registration and regulatory structure of all non-NHS health care services in Wales. The Care and Social Services Inspectorate Wales is the regulatory body tasked with registering and monitoring health and social care in Wales.

Adult Safeguarding

The Care Act 2014 requires local authorities to set up a Safeguarding Adults Board, giving these Boards a clear basis in law and, for the first time, creating a legal framework so key organisations and individuals with responsibilities for adult safeguarding can agree on working arrangements required to keep adults at risk safe. A consultation on draft regulations and guidance encompassed by the Act has taken place during 2014 and final regulations and guidance will come into force in April 2015.

Local Authority investigations are therefore likely to increase in the sector given the number of vulnerable adults receiving care and the wide approach to intervention adopted by some public sector bodies. This may on occasion impact on Local Authority contracting and could, in more extreme cases, even lead to an embargo on new admissions to a care home.

Mental Capacity Act 2005

The Mental Capacity Act 2005 (the “MCA”) sets out the process by which the determination that a person no longer has the capacity to reason or make decisions for him or herself is conducted. Additionally, once this determination is made, the MCA sets out the legal framework to assist in deciding appropriate courses of action for that individual. This is particularly relevant to Care UK’s residential care services, where it cares for a number of individuals who lack capacity to reason or make appropriate decisions. For example, some individuals refuse necessary medication. Increasingly individuals have appointed attorneys to make decisions for them when they lack capacity. On occasion this can lead to disputes that have to be decided by the Court of Protection and there has been a steady increase in the need to involve the Court.

In addition, the Deprivation of Liberty Safeguards were inserted into the MCA by the Mental Health Act, 2007. Where these particular regulations apply, Care UK must meet substantial requirements and assessment by the Local Authority demonstrating that the deprivation is in the best interests of the individual and that the individual’s care and life needs are still met.

Mental Health Act 2007

The Mental Health Act 2007 (the “Mental Health Act”), which amended the Mental Health Act 1983, introduced significant changes in the area of mental health care. In addition, the Mental Capacity Act 2005 also introduced new protections for individuals with diminished mental capacity

(see above). These changes included the introduction of supervised community treatment, the broadening of the range of mental health professionals responsible for the treatment of patients without their consent, the introduction of a new definition of mental disorder, and the redefinition of the procedures for involuntary commitment.

Critically, the Mental Health Act regulates the manner in which an individual can be committed or detained and treated against his or her will. In particular, it places the burden on the entity detaining a person to prove that the entity has the right to hold the detainee. This places a substantial regulatory burden on Care UK as it maintains rigorous procedures to ensure compliance with the law. There is also the risk of litigation if this is not dealt with properly.

Corporate Manslaughter Act 2007

The majority of the provisions of the Corporate Manslaughter Act 2007 (the “Corporate Manslaughter Act”) came in to force on 6 April 2008. The provisions relating to deaths in custody came in to force on 1 September 2011.

Under the Corporate Manslaughter Act, Care UK would be guilty of an offence if the way in which Care UK’s activities are managed or organised causes a person’s death, and amounts to a gross breach of a relevant duty of care owed by Care UK to the deceased. As from 1 September 2011 the Act extends to the offender health services provided by Care UK. Offences under this Act could lead to a fine, which may be determined on a percentage of revenue, potentially of the whole group.

Prevention of Illegal Working

Given the shortage of indigenous qualified and willing workers in the industries in which Care UK is active, which varies from time to time depending on general economic conditions and the condition of local labour markets in the locations where Care UK operates, Care UK relies to a limited extent on foreign workers to deliver its services. In such cases, close attention has to be paid to relevant immigration laws. In particular, the Immigration, Asylum and Nationality Act 2006 (the “IANA”) imposes civil and/or criminal penalties on employers who employ adults (over the age of 16) who are subject to immigration controls and have not been granted leave to enter or remain in the United Kingdom or whose leave is invalid, ineffective or subject to conditions preventing them accepting employment (“illegal workers”). Under this legislation, an employer is subject to civil fines of up to a maximum of £10,000 per worker if it employs an immigrant in a job for which he or she is not authorised. Changes to the law made as of February 2008 created a criminal offence of knowingly employing an illegal worker. Employers prosecuted under the IANA can establish a defence by proving that they checked specific types of documents as specified by the UK Government prior to the commencement of employment.

Health & Safety and Environmental Legislation

Care UK is subject to numerous separate laws and regulations relating to both occupational health and safety and environmental issues, though many of them only affect it tangentially. These laws and regulations are enforced either at national level (health and safety), or at local level: fire safety laws are enforced by local fire inspectors and environmental laws reinforced by local environmental health officers.

The most significant occupational health and safety law is the Health & Safety at Work etc Act 1974 (“Health & Safety Act”). The Health & Safety Act imposes a duty of care upon Care UK not only to its employees but also to its service users and to any visitors to its facilities. Care UK is required to take care to prevent serious accidents and remove from its facilities conditions that could lead to such accidents. This is an area of special concern in services like residential care and mental health care where the service users are residents in Care UK’s facilities. To ensure that Care UK remains in compliance with these laws, it employs health and safety specialists in each of its divisions, who also maintain divisional health and safety committees. Furthermore, Care UK employs two outside consultancies, Santia Health & Safety and Faithful & Gould, to test its compliance with, and improve its policies concerning, health and safety laws.

The Health & Safety Executive do seem to be taking a closer interest in healthcare facilities generally and prosecuting in respect of poor practice or breaches of the legislation.

With regards to environmental legislation, the most significant law is the Environmental Protection Act 1990—Part II as amended (“Environmental Protection Act”). The Environmental Protection Act mandates that all waste is disposed of through a licensed waste disposal agent and that all hazardous and non-hazardous waste disposal should be supported by approved documentation. The Waste Electrical and Electronic Equipment Directive 2009 as amended (“WEEE Directive”) imposes a duty to ensure that electrical and electronic equipment is disposed of through a registered hazardous waste disposal merchant. Care UK ensures that it only uses approved and licensed waste carriers and recyclers.

The Bribery Act 2010

The Bribery Act 2010 (the “Bribery Act”) came in to force on 1 July 2011. The Bribery Act creates four criminal offences, which are:

- Bribing another person: offering, promising or giving a financial or other advantage to another person;
- Being bribed: requesting, agreeing to receive or accepting a financial or other advantage;
- Bribery of foreign public officials (not considered relevant to Care UK); and
- A corporate offence of failure to prevent bribery.

Care UK would commit an offence if any person associated with it bribes another person intending to obtain or retain business or some other business advantage for Care UK. Care UK would have a defence to this corporate offence if it had in place adequate procedures to prevent persons associated with it from undertaking such conduct. In view of this, Care UK has assessed the risks that it faces, revised its anti-corruption policy, appointed a compliance officer and amended its standard agreements to include reference to the Bribery Act.

It is Care UK’s policy to conduct all its business in an honest and ethical way. Care UK takes a zero tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever Care UK operates and implementing and enforcing effective systems to prevent and stop bribery.

Insurance

Care UK carries a variety of insurance policies including, among others, property and material damage, business interruption, employers liability, public liability, directors and officers liability and medical malpractice. Care UK maintains insurance coverage that is of the type that is customary for a business of the nature and size of Care UK.

Legal Proceedings

In the normal course of its business, Care UK Health & Social Care Investments Limited and its subsidiaries may be involved in legal, arbitration or administrative proceedings. Additionally, Care UK operates in a closely regulated industry. As such, in the ordinary course of business, Care UK is subject to national and local regulatory scrutiny, supervision and control. Such regulatory scrutiny often includes inquiries, investigations, examinations, audits, site visits and surveys, some of which are non- routine.

As a result of several well publicised failings of care on a large scale, the level of public interest in ensuring the proper regulation of healthcare facilities has been increasing. This has in turn meant that inquests into the death of residents have become increasingly complex and contentious, with in turn an increase in claims for compensation. The government has in turn publicly stated that they would like to bring in a corporate offence of neglect to enable the directors of companies responsible for poor care to be prosecuted (in addition to the healthcare professionals on the front line delivering that sub standard care).