Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three months ended 31 December 2012

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

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SUMMARY

Care UK's operational performance in the three months ended 31 December 2012 remains consistent with prior quarters with the reported financial performance in the period reflecting the changing mix of the Care UK business as well as some short term factors. Two significant growth steps were taken in the quarter with the acquisition of the Harmoni business in November 2012 and the commencement of the Suffolk care homes contract in December 2012. All figures and percentages quoted below are quoted for the first quarter of the year ending 30 September 2013 where relevant and excluding the effects of IFRIC 12.

- **Group Highlights**
  - Broadly consistent operational and financial performance in the period across all divisions
  - The Residential Care division continues to achieve strong growth momentum, particularly through the start of the Suffolk contract and the continued development of a good pipeline of greenfield developments. Currently, 13 homes are under development with more than 1,000 beds in total, all funded outside the Care UK group. Since September 2011 this division has grown total bed capacity by 65.7 per cent. from 3,660 beds to 6,066 beds as at 31 December 2012
    - At 31 December 2012 41 per cent. (30 September 2012: 39 per cent.) of all beds were operated under block contracts with public sector customers, a key competitive differentiator
    - Operational progress on the homes transferred from Southern Cross in the year ended 30 September 2012 is in line with initial expectations with occupancy having increased to 83 per cent. in the period (78 per cent. in the prior year comparative quarter), improvement in service quality including the lifting of all inherited admissions embargoes and investment made to improve home environments
  - In November 2012 the Health Care division made the strategically important acquisition of Harmoni, which will further strengthen Care UK's position as the leading outsourcing partner to the NHS, particularly in the sub-segments of Out of Hours primary care and Offender Health, as well as in the provision of the important emerging 111 services. Care UK is now the largest independent sector provider in each of these three sub-segments
    - Further, this division welcomed Jim Easton as Managing Director in February 2013. Jim Easton was previously National Director of Improvement and Efficiency at the Department of Health, member of the NHS National Commissioning Board with responsibility for Strategy and led the Quality, Innovation, Productivity and Prevention ("QIPP") project across the NHS to improve both quality and efficiency (see *Recent Developments* on page 7 for more details); and
    - In February 2013 it acquired UK Specialist Hospitals, a key provider of elective surgical procedures to NHS patients (see *Recent Developments* on page 7 for more details)
  - In December 2012 the Mental Health division entered into a 50/50 joint venture agreement with Sussex Partnership NHS Foundation Trust to create a joint venture entity with the initial intention of developing a complex care and rehabilitation mental health service in Sussex. The creation of a direct partnership with an NHS body is illustrative of Care UK's market position. The joint venture entity could also potentially become a vehicle for other developments in due course
  - Revenue for the quarter increased by 16.4 per cent. to £143.7 million compared with the first quarter of the previous financial year. Adjusted EBITDA of £7.6 million was reported compared with £11.7 million for the three months ended 31 December 2011. The Adjusted EBITDA reported for these two periods is not considered to be a like-for-like comparison, as it reflects the expected EBITDA impact from the last of the Wave I ISTC contracts to reach contract expiry. All former Wave I ISTC contracts are now trading under post-renewal terms, although LTM reported numbers will continue to be impacted until the third quarter of the current financial year by the pre-renewal trading terms
    - The first quarter's trading also reflects a lower level of occupancy in a small number of homes in the Residential Care division, fewer than ten per cent. of homes, mainly due to factors considered to be short-term in nature

- On a pro-forma basis, adjusting for the full year effect of the Harmoni acquisition including the full anticipated cost synergies, LTM Adjusted EBITDA to net debt as at 31 December 2012 was 4.64x. On an actual basis, reflecting the entire acquisition cost of Harmoni but including only two months worth of trading with limited cost synergies, this leverage ratio increases to 5.56x
- To fund the acquisition of Harmoni, Care UK issued £75.0 million of additional Senior Secured Notes in November 2012 and increased the group's Revolving Credit Facility from £80 million to £97.5 million. The Revolving Credit Facility was further increased to £115.0 million to support the acquisition of UK Specialist Hospitals Limited in February 2013 (see *Recent Developments* on page 7 for more details).

This quarterly report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2012 (the "Annual report 2012") and should be read in conjunction with that report. The Annual report 2012 is available in pdf format only and can be found on our website, www.careuk.com.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is a significant provider of outsourced health care services to the NHS in England and a leading provider of social care services in the United Kingdom. Care UK is the most diversified provider operating across both the health and social care markets in the United Kingdom, which are markets that provide multiple opportunities for growth. Unless stated, all figures and percentages quoted below exclude the effects of applying IFRIC 12.

Social Care	Health Care
• ***Residential Care:*** Care homes (105 care homes with over 6,000 beds) providing care for older people, particularly those suffering from dementia and related conditions • ***Community Services:*** Care worker visits and live-in support for people in their own homes, facilitating daily living needs and promoting independence (around 151,000 care hours per week delivered to more than 13,000 people, plus 132 residential learning disability places) • ***Mental Health:*** Providing care to individuals suffering from a range of enduring mental health conditions through a range of 16 facilities	• Broad range of health care services centred around the three key service streams of Elective Surgery, Urgent Care/Out of Hours and Primary Care • More than 70 operating locations, following the acquisitions of Harmoni and UK Specialist Hospitals • Important new position in the nascent provision of 111 services to NHS patients in England • Over 16 million patients treated or supported annually by the enlarged Health Care division

Key figures, in £ million	Q1 / 2012	Q1 / 2013
Revenue	123.5	143.7
Adjusted EBITDA [1)]	11.7	7.6
Adjusted operating profit [1)]	6.2	2.3
Net loss for the period	(5.8)	(10.7)
Operating cash flow	7.1	(1.5)

[1] See key definitions below

Financial leverage	As at and for the 12 month period ended			
Amounts in £ million	31 March 2012	30 June 2012	30 September 2012	31 December 2012
Adjusted EBITDA (Last Twelve Months)	54.6	53.2	52.6	48.5
Net debt	203.7	211.7	215.2	269.5
Net debt / Adjusted EBITDA	3.73x	3.98x	4.09x	5.56x [1]

[1] Pro-forma Net debt/Adjusted EBITDA, including the full year effect of the Harmoni acquisition, including all anticipated cost synergies, is 4.64x

Non-IFRS Financial Measures

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

Adjusted operating profit is defined as Operating profit before net financing expense adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items and before giving effect to adjustments arising from the application of IFRIC 12.

Adjusted EBITDA is defined as Adjusted operating profit plus depreciation and before giving effect to adjustments arising from the application of IFRIC 12.

Net debt is defined as the principal amount of the Senior Secured Notes, all bank or other loans (net of unamortised arrangement fees where relevant), overdrafts and finance lease liabilities, less cash and cash equivalents.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

The unaudited condensed consolidated financial statements presented in this interim report are for Care UK Health & Social Care Investments Limited and its subsidiaries. In addition, a pro-forma set of financial statements is presented before giving effect to the application of IFRIC 12. For further information on the effect of the application of IFRIC 12 see the Annual report 2012. The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are presented in pounds sterling.

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

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

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

RISK FACTORS

Compared to the Risk Factors set out in Care UK's Annual report 2012 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

Acquisition of UK Specialist Hospitals Limited

On 20 February 2013 Care UK acquired UK Specialist Hospitals Limited ("UKSH"), an independent sector provider of elective care services to the NHS. UKSH operates five elective surgery centres in the south-west of England, three of which operate under the terms of a single Wave II ISTC contract with the remaining two operating, in common with the majority of Care UK's existing centres, on the basis of "Payment by Results" with pricing at NHS Tariff. UKSH is highly complementary to Care UK's existing elective surgery units within the Health Care division and will enhance Care UK's already strong credentials as a provider of multiple procedures across a range of elective surgery modalities.

The enterprise value attributable to this acquisition was £24.0 million, including the assumption by Care UK of certain debt like items. UKSH reported revenues of £57.6 million and EBITDA of £4.2 million in its Report and financial statements for the year ended 31 March 2012. We believe this performance to be generally consistent with UKSH's subsequent and current run-rate EBITDA, although in future periods it may be affected by our ability to deliver planned cost savings, retain the right to operate the existing centres when their contracts expire or are re-tendered and continue to attract patients to these centres in sufficient numbers to sustain their profitable operation.

We expect to deliver approximately £3.1 million of annualised synergies. These synergies are subject to a defined delivery plan identified by Care UK management and reviewed by a major global accounting firm. We expect their full impact to be reflected in our results of operations within approximately fifteen months from the acquisition. The estimated related one-off costs and contingencies are £2.3 million.

The purchase price for UKSH has been funded from cash on Care UK's balance sheet. Care UK has also increased its existing Revolving Credit Facility from £97.5 million to £115 million effective December 31, 2012.

Management appointment

Jim Easton joined Care UK on 1 February 2013 as Managing Director of the Health Care division. Jim Easton was previously National Director of Improvement and Efficiency at the Department of Health and was a member of the NHS National Commissioning Board with responsibility for Strategy, reporting to Sir David Nicholson, and led the Quality, Innovation, Productivity and Prevention ("QIPP") project across the NHS to improve both quality and efficiency.

Jim was previously Chief Executive of the NHS South Central Strategic Health Authority, with oversight of the performance and development of all types of health care for four million people in the South of England. Prior to this he was the Chief Executive Officer of York Hospitals NHS Foundation Trust.

Jim has more than 20 years' experience as an executive in the NHS and has also worked in primary care, mental health, health care commissioning and policy development.

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

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

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

The financial information in this interim report comprises two elements: (i) the unaudited condensed Consolidated financial statements of Care UK Health & Social Care Investments Limited and its subsidiaries; and (ii) the unaudited pro-forma condensed Consolidated financial statements before giving effect to the provisions of IFRIC 12. For further information refer to the Annual report 2012. The commentary included within this section of the interim report primarily discusses the financial condition and results of operations before giving effect to the provisions of IFRIC 12. In addition, a short separate discussion and analysis is provided dealing with group results on a fully compliant IFRS basis, including the effects of applying IFRIC 12.

Significant Factors Affecting Care UK's Results of Operations

For details regarding the significant factors affecting Care UK's Results of Operations refer to the Annual report 2012.

Key Line Items in the Consolidated Statement of Comprehensive Performance

For details regarding the key line items in Care UK's Consolidated Statement of Comprehensive Performance refer to the Annual report 2012.

Critical Accounting Policies and Estimates

For full details regarding Care UK's Critical Accounting Policies refer to the Annual report 2012. The preparation of Care UK's unaudited financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management bases its estimates and associated assumptions on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Results of Operations

The following table sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance for the financial periods ended 31 December 2011 and 31 December 2012, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12.

	Three months ended 31 December			
	Including IFRIC 12		Excluding IFRIC 12	
	2011	2012	2011	2012
	£m	£m	£m	£m
Revenue	122.6	143.1	123.5	143.7
Cost of sales	(104.7)	(127.4)	(106.3)	(127.9)
Gross profit	**17.9**	**15.7**	**17.2**	**15.8**
Administrative expenses	(17.9)	(20.3)	(17.7)	(20.1)
Operating loss before financing expenses	**-**	**(4.6)**	**(0.5)**	**(4.3)**
Adjusted EBITDA	10.6	6.9	11.7	7.6
Depreciation of tangible assets	(3.9)	(4.8)	(5.5)	(5.3)
Adjusted operating profit	6.7	2.1	6.2	2.3
Amortisation of intangible assets	(4.7)	(4.1)	(4.7)	(4.0)
Non-recurring items	(2.0)	(2.6)	(2.0)	(2.6)
Operating loss before financing expenses	-	(4.6)	(0.5)	(4.3)
Financial income	0.6	0.6	0.2	0.3
Financial expenses	(7.2)	(8.2)	(7.2)	(8.2)
Net financing expense	**(6.6)**	**(7.6)**	**(7.0)**	**(7.9)**
Loss before taxation	**(6.6)**	**(12.2)**	**(7.5)**	**(12.2)**
Taxation	1.8	1.3	1.7	1.5
Loss for the period	**(4.8)**	**(10.9)**	**(5.8)**	**(10.7)**

Three months ended 31 December 2012 compared to three months ended 31 December 2011 – 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 on page F-19 of this interim report.

Revenue

Revenue increased by 16.4 per cent., or £20.2 million, from £123.5 million for the three months ended 31 December 2011 to £143.7 million for the three months ended 31 December 2012. This increase is principally attributable to organic growth across all four operating divisions, the acquisition of Harmoni in November 2012 and the increased revenue resulting from the addition of the former Southern Cross care homes in the Residential Care and Community Services divisions in the three months ended 31 December 2011, as these homes were transferred into Care UK at various dates during that quarter. This organic growth more than offset the reduction in revenue in the Health Care division from the ISTCs that were operated under Wave I contract terms in the three months ended 31 December 2011.

Revenue for the Residential Care division increased by 18.7 per cent., or £7.3 million, from £39.1 million for the three months ended 31 December 2011 to £46.4 million for the three months ended 31 December 2012 primarily reflecting organic growth and new services. Around half of the increase came from the care homes transferred into Care UK from Southern Cross in 2011, as these homes came into Care UK at various dates and did not all make a full contribution in the three months ended 31 December 2011. In December 2012 Care UK took over operating responsibility for 16 care homes previously operated by Suffolk County council, under the term of a 25 year contract that will see all of the existing homes be replaced by ten new build homes across the county. These homes accounted for an initial revenue contribution of £1.9 million in the three months ended 31 December 2012. The balance of revenue growth came from organic growth both in the mature Care UK portfolio as well as from new services opened in the year ended 30 September 2012.

At 31 December 2012 Care UK operated 6,066 beds in 105 care homes, following the transfer to Care UK of the 16 Suffolk care homes, compared with 5,542 beds at 30 September 2012 and 5,283 beds at 31 December 2011. At 31 December 2012 approximately 41 per cent. of all beds were operated under block contracts compared with approximately 39 per cent. as at 30 September 2012 and approximately 44 per cent. as at 31 December 2011.

Fee rates in the three months ended 31 December 2012 averaged £659 per week compared with £638 per week in the three months ended 31 December 2011, an increase of 3.3 per cent. The increase in fee rates reflects a number of factors, including the fee rate increases achieved in April 2012, the different fee rates achieved in the former Southern Cross homes compared with the mature Care UK portfolio, the higher fee rates being achieved in new homes and the fee rates in relation to the transferred Suffolk homes. Total occupancy was 85.8 per cent. in the three months ended 31 December 2012 compared with 86.8 per cent. in the three months ended 31 December 2011. Occupancy in the mature Care UK portfolio, excluding the former Southern Cross homes, was 90.5 per cent. in the three months ended 31 December 2012 compared with 92.4 per cent. in the three months ended 31 December 2011. This reduction in occupancy partly reflects the expected impact from the expiry of a significant block contract in April 2012, with almost 200 beds formerly funded by the previous contract customer becoming Care UK's responsibility to fill once they become vacant. In the longer term this type of migration of beds operated under older block contracts represents an opportunity for Care UK to actively manage bed yield and achieve higher revenue through attracting a different customer group for different care needs. In addition, the number of deaths and discharges in the early part of the winter has been higher than in previous years. The rate of new admissions is in line with expectations and we would therefore expect to see occupancy gradually recover as the seasonality from the winter period is normalised, although some impact on performance in the second quarter is expected. Occupancy in the former Southern Cross homes was 83.0 per cent. in the three months ended 31 December 2012 compared with 78.1 per cent. in the three months ended 31 December 2011.

The Residential Care division currently has thirteen homes in development, seven through the Silver Sea development entity referred to in the 2012 Annual Report and six by independent developers. These homes will add slightly more than 1,000 beds in aggregate once operational. The first three of these new homes, with 264 beds in aggregate, are planned to open between March and May 2013. In addition, the contract with Suffolk County Council will ultimately result in a further ten new homes being developed, which will add approximately 150 net new beds once the closure of the 16 homes initially transferred is taken into account. Funding agreements have been signed with an institutional property funder for the funding of the initial five of the new Suffolk homes, with similar agreements expected to be put in place during 2013 for the latter five homes that will be developed.

Revenue for the Community Services division increased by 9.1 per cent., or £2.5 million, from £27.4 million for the three months ended 31 December 2011 to £29.9 million for the three months ended 31 December 2012. This increase reflects the contribution from the two acquisitions completed in February and July 2012 as well as the two learning disabilities residential care facilities transferred into the division from Southern Cross in the three months ended 31 December 2011, with a reduction of approximately 3 per cent. in revenue from all services excluding those acquired or transferred in the prior year. This reduction reflects both the elimination of certain domiciliary care contracts that were not considered to be profitable as well as pressure from Local Authorities on fee rates. Average fee rates in the Community Services division for the three months ended 31 December 2012 were £13.56 per hour compared with £13.53 per hour in the three months ended 31 December 2011, an increase of 0.2 per cent., reflecting the mix of hours delivered between domiciliary care and learning disabilities provision, the rates achievable on new and re-tendered contracts and the fee rate changes achieved in April 2012. Hours of care delivered averaged approximately 151,000 per week for the three months ended 31 December 2012 compared with approximately 147,000 per week in the three months ended 31 December 2011. This increase, of 2.7 per cent., reflects the impact of the Housecall business, acquired in February 2012, and organic changes. As at 31 December 2012 a total of 132 residential learning disability beds were operated with average occupancy of 93.1 per cent. for the three months ended 31 December 2012 and average fee rates of £1,796 per week compared with 84 beds operated as at 31 December 2011 with average occupancy of 94.2 per cent. in the three months ended 31 December 2011 and average fee rates of £1,376 per week. The increase in fee rates in the three months ended 31 December 2012 compared with the three months ended 31 December 2011 reflects the effect of the acquisition of Whitwood Care in July 2012, where the higher service acuity results in higher fees than the previously existing Care UK business.

Revenue for the Health Care division increased by 14.9 per cent., or £7.8 million, from £52.3 million for the three months ended 31 December 2011 to £60.1 million for the three months ended 31 December 2012. The Harmoni business, acquired in November 2012, contributed £15.0 million in the three months ended 31 December 2012. In the three months ended 31 December 2011 there were still three ISTCs being operated under Wave I contract terms, for some or all of the period, and these three centres accounted for a reduction in revenue of £9.7 million in the three months ended 31 December 2012 compared with the three months ended 31 December 2011. Excluding these centres and the Harmoni business, the remaining Health Care business contributed revenue of £42.2 million in the three months ended 31 December 2012 compared with £39.7 million in the three months ended 31 December 2011 with the two new services that commenced in October 2012 accounting for this increase, more than offsetting some volume reductions in certain elective services centres that saw a dip in patient bookings over the Christmas period.

Revenue within the Other segment increased by 55.3 per cent., or £2.6 million, from £4.7 million for the three months ended 31 December 2011 to £7.3 million for the three months ended 31 December 2012. The Other category comprises the Mental Health division as well as another small business acquired as part of the Harmoni acquisition in November 2012. In the three months ended 31 December 2012 the Mental Health division contributed revenue of £4.8 million compared with £4.7 million for the three months ended 31 December 2011, an increase of 2.1 per cent. This increase reflects organic growth in the Mental Health business more than offsetting the reduced contribution from the home closure programme previously reported. This programme is now complete with the final two homes having closed in the three months ended 31 December 2012.

Cost of Sales

Care UK's cost of sales increased by 20.3 per cent., or £21.6 million, from £106.3 million for the three months ended 31 December 2011 to £127.9 million for the three months ended 31 December 2012. Measured as a percentage of revenue, cost of sales increased from 86.1 per cent. in the three months ended 31 December 2011 to 89.0 per cent. in the three months ended 31 December 2012. The increase in the absolute value of cost of sales reflects the increase in scale of the group's activities, particularly the addition of Harmoni, the full contribution from the former Southern Cross homes in the Residential Care and Community Services divisions and the addition of the Suffolk contract in the Residential Care division. The increase in cost of sales as a ratio measured against revenue particularly reflects the impact of the final three ISTCs being operated under contractual terms for the three months ended 31 December 2011. Excluding the three centres concerned, the ratio of cost of sales measured against revenue was broadly consistent in the three months ended 31 December 2012 compared with the three months ended 31 December 2011.

Administrative Expenses

Care UK's administrative expenses increased by 13.6 per cent., or £2.4 million, from £17.7 million for the three months ended 31 December 2011 to £20.1 million for the three months ended 31 December 2012. This increase in administrative expenses mainly reflects the growth in scale of the group's activities. Measured against revenue, administrative expenses were 14.0 per cent. in the three months ended 31 December 2012 compared with 14.3 per cent. in the three months ended 31 December 2011. Administrative expenses for the three months ended 31 December 2012 included amortisation of intangible assets of £4.0 million and non-recurring charges of £2.6 million. Administrative expenses for the three months ended 31 December 2011 included amortisation of intangible assets of £4.7 million and non-recurring charges of £2.0 million. The non-recurring charges in the three months ended 31 December 2012 included a charge of £0.3 million in relation to the transfer of the Suffolk homes to the Residential Care division and transaction and integration costs of £2.3 million relating to the acquisition and subsequent integration of the Harmoni business. The non-recurring charges incurred in the three months ended 31 December 2011 related to the transfer of the former Southern Cross care homes into the Residential Care and Community Services divisions. Excluding these items, administrative expenses increased by £2.5 million, or 22.7 per cent., from £11.0 million in the three months ended 31 December 2011 to £13.5 million in the three months ended 31 December 2012 as a result of the increased scale of the Care UK business. As a percentage of revenue, this represented 8.9 per cent. in the three months ended 31 December 2011 and 9.4 per cent. in the three months ended 31 December 2012.

Operating Profit/Loss before Financing Expenses

Care UK's operating loss before financing expenses increased by £3.8 million from £0.5 million for the three months ended 31 December 2011 to £4.3 million for the three months ended 31 December 2012. This change reflects organic growth across the group and the contribution from the businesses acquired in the year ended 30 September 2012 being more than offset by the expected change in contribution from the three ISTCs operated under Wave I contract terms in the three months ended 31 December 2011 and the higher level of non-recurring charges in the period.

Operating profit for Care UK's Residential Care division decreased by £0.2 million from £2.0 million for the three months ended 31 December 2011 to £1.8 million for the three months ended 31 December 2012. This change reflects the expected and previously highlighted increase in rental costs on certain of the former Southern Cross homes, an increased depreciation charge arising from the two new freehold homes opened during the year ended 30 September 2012 and increased investment in support costs in anticipation of the commencement of the Suffolk care homes contract in December 2012 and the new home opening programme that will begin to ramp up from March 2013. In addition, non-recurring charges in the three months ended 31 December 2012 amounted to £0.3 million compared with £1.2 million for the three months ended 31 December 2011. The expected increase in rental costs for the former Southern Cross homes reflects the expiry of certain rent free periods negotiated at the time of the initial transfer of homes to Care UK. The overall programme for the improvement of these homes is in line with original expectations with all inherited embargoes on admissions having been lifted, investment having been made to improve the standard of home environments and occupancy having improved to around 83 per cent. in the three months ended 31 December 2012 from approximately 76 per cent. when first transferred to Care UK. The Suffolk homes made a small initial contribution in the quarter ended 31 December 2012 following their transfer on 1 December 2012.

The Residential Care division has also experienced two property related issues that have had a small impact in the period, but which will also have a further impact in the short term. One home has suffered from some subsidence resulting in a number of beds not being able to be utilised: whilst rectification work is in hand this will take some months to be completed in order to bring the current unutilised beds back into service. A second home experienced quite considerable flooding resulting in a full evacuation. All residents were safely transferred to another nearby recently opened home, which resulted in the first home being unavailable pending repair works and also meant that we have been unable to admit any further residents into the second home as the transferred residents occupied all available beds in that home. The pipework in the first home has now been fully repaired and tested and the home is due to re-open shortly.

Operating profit for the Community Services division increased from a break-even result for the three months ended 31 December 2011 to a profit of £0.1 million for the three months ended 31 December 2012. This improvement was principally attributable to the contribution from the two businesses acquired in the year ended 30 September 2012 more than offsetting the impact of reduced fee rates in the domiciliary care business referred to under the Revenue section above.

Operating profit for the Health Care division changed from a loss of £0.3 million for the three months ended 31 December 2011 to a loss of £4.3 million for the three months ended 31 December 2012. A major factor in this change was the non-recurring charge of £2.3 million incurred in the three months ended 31 December 2012 in relation to the acquisition and initial integration of Harmoni. No non-recurring charges were incurred in the three months ended 31 December 2011. The other principal change related to the three ISTCs that in the three months ended 31 December 2011 were still operated under Wave 1 contract terms for part or all of that period, being the NE London Treatment Centre and centres in Sussex and Maidstone, both subsequently absorbed by the NHS. The change in contribution from these centres amounted to £3.9 million. The charge for amortisation of intangible assets reduced by £0.8 million from £1.9 million for the three months ended 31 December 2011 to £1.1 million for the three months ended 31 December 2012, due mainly to the amortisation profile adopted on the acquisition of Care UK Plc in 2010, which reflected the various contract expiry dates of the former Wave 1 ISTCs. The Harmoni business delivered an initial contribution in line with expectations and after absorbing expected start-up losses of approximately £0.3 million on the new 111 services, which are yet to become fully operational. The underlying contribution from the remainder of the previous Care UK business as broadly consistent between the three months ended 31 December 2011 and the three months ended 31 December 2012.

The operating result in the Other segment improved from a loss of £2.2 million for the three months ended 31 December 2011 to a loss of £1.9 million for the three months ended 31 December 2012. The contribution from the Mental Health division increased by £0.2 million in the three months ended 31 December 2012 compared with the three months ended 31 December 2011. The group's underlying central management costs increased in the three months ended 31 December 2012 compared with the three months ended 31 December 2011 as a result of increased investment in a number of areas to support the continued growth of the group and, in particular, the recent significant transactions in the Health Care division and the substantial growth within the Residential Care division, which has added approximately two thirds to the previous total bed capacity between September 2011 and December 2012. No non-recurring charges were incurred within the Other segment in the three months ended 31 December 2012 whilst non-recurring charges of £0.8 million were incurred in the three months ended 31 December 2011, in relation to the transfer of the former Southern Cross care homes.

Adjusted Operating Profit

Adjusted operating profit for the three months ended 31 December 2012 decreased by £3.9 million from £6.2 million for the three months ended 31 December 2011 to £2.3 million for the three months ended 31 December 2012. This decrease in adjusted operating profit reflects the factors discussed above, other than the movement in amortisation charges and non-recurring items.

The non-cash amortisation charge for the three months ended 31 December 2012 amounted to £4.0 million compared to £4.7 million for the three months ended 31 December 2011. The reduction in the amortisation charge primarily reflects the amortisation profile adopted on the acquisition of Care UK Plc in 2010, particularly the profile that was adopted in relation to intangible assets recognised in relation to the group's former Wave I ISTC contracts. Non-recurring items in the three months ended 31 December 2011 amounted to a loss of £2.0 million in relation to the transaction and integration costs associated with the lease assignments of the former Southern Cross care homes. Non-recurring items in the three months ended 31 December 2012 amounted to a loss of £2.6 million comprising transaction and integration costs of £0.3 million relating to the Residential Care division's Suffolk care homes contract and transaction and integration costs of £2.3 million relating to the Health Care division's acquisition of Harmoni.

Adjusted operating profit for the Residential Care division decreased by £1.0 million from £4.7 million for the three months ended 31 December 2011 to £3.7 million for the three months ended 31 December 2012. This decrease in adjusted operating profit was principally due to the same factors as drove the change in operating profit other than the non-recurring charge of £1.2 million in the three months ended 31 December 2011 relating to the former Southern Cross homes and the non-recurring charge of £0.3 million in the three months ended 31 December 2012 relating to the Suffolk contract.

Adjusted operating profit for the Community Services division increased by £0.1 million from £1.3 million for the three months ended 31 December 2011 to £1.4 million for the three months ended 31 December 2012. This outcome was driven by the same factors as for operating profit.

Adjusted operating profit for the Health Care division decreased by £2.5 million from a profit of £1.6 million for the three months ended 31 December 2011 to a loss of £0.9 million for the three months ended 31 December 2012. This decrease was mainly due to the same factors as for operating profit, particularly the changed contribution from former Wave I ISTCs, with the difference that Adjusted operating profit does not reflect the transaction and integration costs of £2.3 million relating to the Harmoni acquisition reported as a non-recurring item in the three months ended 31 December 2012. There were no non-recurring items reported in the Health Care division in the three months ended 31 December 2011.

The adjusted operating loss in the Other segment changed from a loss of £1.4 million for the three months ended 31 December 2011 to a loss of £1.9 million for the three months ended 31 December 2012. This outcome was driven by the same factors as for operating profit with the exception that Adjusted operating profit does not reflect the non-recurring charge of £0.8 million reported in the three months ended 31 December 2011. There were no non-recurring items reported in the Other segment in the three months ended 31 December 2012.

Adjusted EBITDA

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

Care UK's Adjusted EBITDA changed from £11.7 million for the three months ended 31 December 2011 to £7.6 million for the three months ended 31 December 2012. The change in Adjusted EBITDA was 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.

Financing Expenses

Net financing expenses for the three months ended 31 December 2012 were £7.9 million compared with £7.0 million for the three months ended 31 December 2011. Net financing costs mostly comprises the interest payable on the group's Senior Secured Notes as well as performance bond commission and commitment fees payable on the group's Revolving Credit Facility, with the increase compared to the previous year resulting from the additional Senior Secured Notes issued in November 2012.

Taxation

In the three months ended 31 December 2012 Care UK recorded a taxation credit of £1.5 million compared with a taxation credit of £1.7 million for the three months ended 31 December 2011. This change reflects the underlying change in taxable group profits in the period.

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.

Loss for the Period

As a result of the factors discussed above, Care UK reported a loss for the three months ended 31

December 2012 of £10.7 million compared with a loss of £5.8 million for the three months ended 31 December 2011.

Three months ended 31 December 2012 – IFRS compliant basis

The comparisons presented within this section of the Management discussion and analysis use financial information presented on an IFRS compliant basis, including the effects of applying the provisions of IFRIC 12. For further information on the impact of IFRIC 12, see the Annual report 2012.

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

	Period ended 31 December 2012		
	Pre-IFRIC 12 adoption	**IFRIC 12 adjustments**	**Post IFRIC 12 adjustments**
	£m	**£m**	**£m**
Revenue	143.7	(0.6)	143.1
Cost of sales	(127.9)	0.5	(127.4)
Gross profit	**15.8**	**(0.1)**	**15.7**
Administrative expenses	(20.1)	(0.2)	(20.3)
Operating loss before financing expenses	**(4.3)**	**(0.3)**	**(4.6)**
Adjusted EBITDA	7.6	(0.7)	6.9
Depreciation of tangible assets	(5.3)	0.5	(4.8)
Adjusted operating profit	2.3	(0.2)	2.1
Amortisation of intangible assets	(4.0)	(0.1)	(4.1)
Non-recurring items	(2.6)	-	(2.6)
Operating loss before financing expenses	(4.3)	(0.3)	(4.6)
Financial income	0.3	0.3	0.6
Financial expenses	(8.2)	-	(8.2)
Net financing expense	**(7.9)**	**0.3**	**(7.6)**
Loss before taxation	**(12.2)**	**-**	**(12.2)**
Taxation	1.5	(0.2)	1.3
Loss for the period	**(10.7)**	**(0.2)**	**(10.9)**

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 three months ended 31 December 2012 is to increase the loss for the period by £0.2 million.

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

	As at 31 December 2012		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Property, plant and equipment	291.9	(32.2)	259.7
Intangible assets	211.6	9.5	221.1
Other financial assets	-	23.0	23.0
Total non-current assets	515.4	0.3	515.7
Other financial assets	-	0.9	0.9
Total current assets	123.4	0.9	124.3
Trade and other payables	(131.7)	(9.8)	(141.5)
Total current liabilities	(132.3)	(9.8)	(142.1)
Deferred tax liabilities	(24.1)	2.0	(22.1)
Total non-current liabilities	(347.4)	2.0	(345.4)
Net assets	**159.1**	**(6.6)**	**152.5**

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 following table shows the effects of IFRIC 12 on the condensed consolidated cash flow statement.

	Three months ended 31 December 2012		
	Pre-IFRIC 12 adoption	IFRIC 12 adjustments	Post IFRIC 12 adjustments
	£m	£m	£m
Net cash from operating activities	(1.5)	(0.1)	(1.6)
Net cash from investing activities	(59.8)	0.1	(59.7)
Net cash from financing activities	66.9	-	66.9
Net increase in cash and cash equivalents	5.6	-	5.6
Cash and cash equivalents carried forward	43.9	-	43.9

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

Net Debt and Liquidity

The following table shows the comparative net debt position as at 31 December 2011 and 31 December 2012.

	As at 31 December	
	2011	2012
	(£ in millions)	
Senior Secured Notes	250.0	325.0 [1]
Cash and cash equivalents	(52.6)	(43.9)
Finance lease obligations	0.1	0.9
Deferred financing costs	(9.9)	(12.5)
Total net debt	**187.6**	**269.5**

[1] Excluding premium on issue of £4.6 million.

Liquidity and Capital Resources

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

Care UK expects, as set out in the Annual report 2012, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations plus, if required, drawings under Care UK's Revolving Credit Facility.

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

	For the three months ended 31 December	
	2011	**2012**
Net cash flow from operating activities	7.1	(1.5)
Net cash flow from investing activities	5.3	(59.8)
Net cash flow from financing activities	-	66.9
Net increase in cash and cash equivalents	12.4	5.6
Cash and cash equivalents carried forward	52.6	43.9

Three months ended 31 December 2012 compared to three months ended 31 December 2011

The net increase in cash and cash equivalents in the three months ended 31 December 2012 was £5.6 million compared with a net increase of £12.4 million in the three months ended 31 December 2011. The total reported group net debt increased by £54.3 million in the three months ended 31 December 2012 from £215.2 million as at 30 September 2012 to £269.5 million as at 31 December 2012.

The net cash flow from operating activities for the three months ended 31 December 2012 was an outflow of £1.5 million compared with an inflow of £7.1 million for the three months ended 31 December 2011. As reported in the Annual report 2012, the year ended 30 September 2012 benefited from certain timing differences on working capital items amounting to approximately £6.5 million and this was expected to result in a commensurate outflow of working capital in the year ending 30 September 2013. Most of this timing difference crystallised in the three months ended 31 December 2012, which has resulted in the cash outflow from operating activities in the period. The underlying working capital position is in line with management expectations and reflects the continued growth of the group.

The net cash flow from investing activities for the three months ended 31 December 2012 was an outflow of £59.8 million compared with an inflow of £5.3 million for the three months ended 31 December 2011. In the three months ended 31 December 2011, proceeds of disposal of property, plant and equipment of £15.2 million were received from the final stages of the Wave I ISTC buyback programme, more than outweighing capital expenditure of £9.8 million and loans of £0.1 million made to the independent development company, Silver Sea, referred to in the Annual report 2012. In the three months ended 31 December 2012 capital expenditure of £10.1 million was incurred, acquisition consideration of £46.6 million was paid and loans of £3.1 million were made, of which £2.2 million was to Silver Sea and £0.9 million was to the joint venture company that the group's Mental Health division has formed with the Sussex Partnership NHS Foundation Trust in order to develop a new facility. No disposal proceeds were received in this period. The acquisition consideration paid all related to the acquisition of Harmoni, which was completed on 5 November 2012. The most significant individual capital expenditure items incurred in the period were £1.7 million in relation to the implementation of 111 services within the Harmoni business and £0.5 million in relation to the planned new mental health service in Walsall. The balance of capital expenditure reflected a number of smaller expansionary items and ongoing maintenance capital spend.

The net cash flow from financing activities was an inflow of £66.9 million for the three months ended 31 December 2012 compared to a nil cash flow from financing activities for the three months ended 31 December 2011. In the three months ended 31 December 2012, Care UK issued additional Senior Secured Notes that resulted in a net cash inflow of £80.9 million, repaid amounts previously drawn down under the Revolving Credit Facility of £11.9 million, made interest and finance lease payments amounting to £0.5 million and paid costs of £2.6 million relating to the issue of the additional Senior Secured Notes and the increase in the group's Revolving Credit Facility. In addition, Care UK drew down £37.5 million from the Revolving Credit Facility in the period to finance the Harmoni acquisition, as well as to pay related loan arrangement fees, and repaid the whole of this amount from the proceeds received from the issue of the additional Senior Secured Notes in November 2012.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, net of related bank overdrafts. As at 31 December 2012, Care UK had net cash and cash equivalents of £43.9 million, compared to £52.6 million as at 31 December 2011.

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

Following the initial issuance of the Senior Secured Notes by Care UK Health & Social Care Plc in July 2010 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 certain 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 would, however, expect to mitigate this risk by the use of appropriate derivative financial instruments, such as interest rate caps, swaps and collars, to hedge any exposure to floating rates, dependent *inter alia* on the expected duration of such underlying borrowings.

Price Risk

Care UK is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. Contracts with Local Authorities, Primary Care Trusts and other NHS Trusts are also subject to annual price review. For the year ended 30 September 2012, a 1 per cent. increase in salary costs would have decreased profit before tax by £3.1 million.

In common with the majority of government-funded providers, most of Care UK's price changes take effect annually on 1 April. Around 26 per cent. of Care UK's revenue is linked to general inflation indices.

Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Credit exposures in relation to customers is limited given that the majority of Care UK's revenue is attributable to publicly funded entities such as Local Authorities, Primary Care Trusts and other NHS Trusts. Care UK has no significant concentrations of credit risk. For banks and financial institutions, only parties with a minimum rating of A are accepted. For an analysis of trade receivables which are past due but not impaired and trade receivables which are past due and impaired, see note 12 of the Annual report 2012.

Liquidity Risk

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

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CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED – GROUP PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED FINANCIAL INFORMATION (UNAUDITED)

Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three month period ended
31 December 2012

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) – FIRST QUARTER
For the three month period ended 31 December 2012

	Notes	Three months to 31 December 2012	Three months to 31 December 2011
		£m	£m
Revenue	3	**143.1**	122.6
Cost of sales		**(127.4)**	(104.7)
Gross profit		**15.7**	17.9
Administrative expenses		**(20.3)**	(17.9)
Operating loss before financing expenses	3, 6	**(4.6)**	—
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**6.9**	10.6
Depreciation of tangible assets		**(4.8)**	(3.9)
Adjusted operating profit		**2.1**	6.7
Amortisation of intangible assets		**(4.1)**	(4.7)
Non-recurring items	4	**(2.6)**	(2.0)
Operating loss before financing expenses		**(4.6)**	—
Financial income	5	**0.6**	0.6
Financial expense	5	**(8.2)**	(7.2)
Net financing expense		**(7.6)**	(6.6)
Loss before taxation		**(12.2)**	(6.6)
Taxation		**1.3**	1.8
Loss for the period		**(10.9)**	(4.8)
Total comprehensive loss for the period		**(10.9)**	(4.8)
Loss attributable to			
Equity holders of the parent		**(10.9)**	(4.8)
Total comprehensive loss attributable to			
Equity holders of the parent		**(10.9)**	(4.8)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 December 2012

	Notes	31 December 2012	31 December 2011	30 September 2012
		£m	£m	£m
Assets				
Property, plant and equipment	7	**259.7**	224.1	252.1
Intangible assets	8	**221.1**	178.1	170.7
Other financial assets	10	**23.0**	23.9	23.2
Amounts due from related party undertakings		**10.9**	3.7	8.7
Other investments		**1.0**	0.1	0.1
Total non-current assets		**515.7**	429.9	454.8
Inventories		**2.2**	2.9	1.8
Trade and other receivables		**75.9**	61.4	53.0
Other financial assets	10	**0.9**	0.9	1.0
Cash and cash equivalents		**43.9**	52.6	38.3
Assets classified as held for sale		**1.4**	3.0	2.0
Total current assets		**124.3**	120.8	96.1
Total assets		**640.0**	550.7	550.9
Liabilities				
Financial liabilities — borrowings	11	**(0.4)**	(0.1)	(0.2)
Trade and other payables		**(141.5)**	(107.4)	(102.2)
Current tax liabilities		**(0.2)**	(3.2)	(1.1)
Total current liabilities		**(142.1)**	(110.7)	(103.5)
Financial liabilities — borrowings	11	**(317.6)**	(240.1)	(253.3)
Other non-current liabilities		**(5.7)**	(5.3)	(7.4)
Deferred tax liabilities		**(22.1)**	(30.7)	(23.3)
Total non-current liabilities		**(345.4)**	(276.1)	(284.0)
Total liabilities		**(487.5)**	(386.8)	(387.5)
Net assets		**152.5**	163.9	163.4
Equity				
Issued share capital		**210.7**	210.7	210.7
Retained earnings		**(58.2)**	(46.9)	(47.3)
Total equity attributable to equity holders of the parent		**152.5**	163.8	163.4
Non-controlling interest		**—**	0.1	—
Total equity		**152.5**	163.9	163.4

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) – FIRST QUARTER
For the three month period ended 31 December 2012

	Attributable to equity holders of the parent				
Group	**Issued Share capital**	**Retained earnings**	**Total parent equity**	**Non-controlling interest**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**
At 30 September 2012	210.7	(47.3)	163.4	—	163.4
Total comprehensive income for the period					
Loss for the period and Total comprehensive loss for the period	—	(10.9)	(10.9)	—	(10.9)
At 31 December 2012	**210.7**	**(58.2)**	**152.5**	—	**152.5**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) – FIRST QUARTER
For the three month period ended 31 December 2012

	Notes	Three months to 31 December 2012	Three months to 31 December 2011
		£m	£m
Cash flows from operating activities			
Loss for the period before tax		**(12.2)**	(6.6)
Financial income		**(0.6)**	(0.6)
Financial expense		**8.2**	7.2
Depreciation		**4.8**	3.8
Amortisation of intangible assets		**4.1**	4.8
Profit on disposal of fixed assets		**—**	—
Decrease in IFRIC 12 financial asset		**0.6**	0.9
(Increase)/decrease in inventory		**(0.1)**	0.2
Increase in trade and other receivables		**(13.4)**	(10.7)
Decrease in trade and other payables		**7.3**	7.9
Cash flows from operations		**(1.3)**	6.9
Income tax (paid)/received		**(0.3)**	0.1
Net cash flows from operating activities		**(1.6)**	7.0
Cash flows from investing activities			
Decrease in IFRIC 12 financial asset		**—**	15.2
Payments to acquire property, plant and equipment		**(10.0)**	(9.7)
Loans to related party undertakings		**(2.2)**	(0.1)
Loans to joint venture		**(0.9)**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)		**(46.6)**	—
Net cash flows (used)/from investing activities		**(59.7)**	5.4
Cash flows from financing activities			
Proceeds from new loans		**119.4**	—
Repayment of amounts borrowed		**(49.4)**	—
Interest paid		**(0.4)**	—
Finance costs		**(2.6)**	—
Payment of capital element of finance lease payments		**(0.1)**	—
Net cash flows from financing activities		**66.9**	—
Net increase in cash and cash equivalents		**5.6**	12.4
Cash and cash equivalents at the beginning of the period		**38.3**	40.2
Cash and cash equivalents at the end of the period		**43.9**	52.6

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in the England and Wales. The condensed consolidated quarterly financial statements of the company for the three months ended 31 December 2012 comprise the company and its subsidiaries (together referred to as the "group").

This quarterly report, for the three months ended 31 December 2012, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the group for the year ended 30 September 2012, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG Audit Plc gave an unqualified opinion, have been delivered to the Registrar of Companies. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2012 set out within this report have been extracted from the 2012 annual report and accounts published on 14 November 2012.

2. ACCOUNTING POLICIES

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

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

Adjusted operating profit is defined as Operating profit before net financing costs adjusted to exclude amortisation of IFRS 3 intangible assets, impairment charges and non-recurring items. Adjusted EBITDA is defined as adjusted operating profit plus depreciation. The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2012 annual report.

a) Accounting policies specific to interim financial statements

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

Defined benefit plans: As permitted by adopted IAS 34, an interim actuarial valuation has not been obtained as at the end of the first 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. The primary format, business segments, is based on the group's management and internal reporting structure. Care UK Health & Social Care Investments Limited operates solely within the UK hence no geographical segment disclosures are presented.

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

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

Business segments

The group comprises the following main business segments:

- Residential Care operates care homes for older people;
- Community Services supports people in their own homes, including older people and others with specialist needs;
- Health Care provides a range of primary and secondary care services; and
- Other includes the central functions and smaller trading operations.

	Social Care				
Three months to 31 December 2012	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	45.8	29.9	60.1	7.3	143.1
Adjusted EBITDA	5.3	1.8	1.0	(1.2)	**6.9**
Depreciation of tangible assets	(1.8)	(0.4)	(1.9)	(0.7)	**(4.8)**
Adjusted operating profit/(loss)	3.5	1.4	(0.9)	(1.9)	**2.1**
Amortisation of intangible assets	(1.7)	(1.3)	(1.1)	—	**(4.1)**
Non-recurring items	(0.3)	—	(2.3)	—	**(2.6)**
Operating profit/(loss) before financing expenses and taxation	1.5	0.1	(4.3)	(1.9)	**(4.6)**
Net financing expense					**(7.6)**
Taxation					**1.3**
Loss for the period					**(10.9)**

	Social Care				
Three months to 31 December 2011	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	38.5	27.4	52.0	4.7	**122.6**
Adjusted EBITDA	6.0	1.6	3.6	(0.6)	**10.6**
Depreciation of tangible assets	(1.5)	(0.3)	(1.3)	(0.8)	**(3.9)**
Adjusted operating profit/(loss)	4.5	1.3	2.3	(1.4)	**6.7**
Amortisation of intangible assets	(1.5)	(1.3)	(1.9)	—	**(4.7)**
Non-recurring items	(1.2)	—	—	(0.8)	**(2.0)**
Operating profit/(loss) before financing expenses and taxation	1.8	—	0.4	(2.2)	**—**
Net financing expense					**(6.6)**
Taxation					**1.8**
Loss for the period					**(4.8)**

4. NON-RECURRING ITEMS

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

	Three months to 31 December 2012	Three months to 31 December 2011
	£m	**£m**
Non-recurring items:		
— Costs in relation to the purchase and integration of Harmoni	**(2.3)**	—
— Transfer and integration of Suffolk care homes.....................................	**(0.3)**	—
— Transfer and integration of former Southern Cross care homes	—	(2.0)
	(2.6)	(2.0)

Non-recurring items in the three months to 31 December 2012 amounted to a charge of £2.6m in aggregate. The non-recurring charges in the three months to 31 December 2011 amounted to £2.0m in aggregate. The key elements of the charges for both years are set out below.

Costs in relation to the purchase and integration of Harmoni. During the period Care UK incurred costs in relation to the acquisition of Harmoni (note 9). In accordance with IFRS 3, such costs cannot be included in the cost of the business combination and therefore cannot be capitalised. Total transaction and integration costs of £2.3 million were incurred in relation to the acquisition and subsequent integration into the Care UK group.

Transfer and integration of Suffolk care homes. During the period the Care UK Residential Care division transferred in 16 existing care homes from Suffolk County Council as the initial stage of a long term contract. Preliminary integration costs of £0.3 million were incurred in the period in relation to the transfer of these homes.

Transfer and integration of former Southern Cross care homes. During the 2012 financial year Care UK transferred in 29 care homes formerly operated by Southern Cross, 27 being transferred into the Residential Care division and two into the Community Services division. Total transaction and integration costs of £2.0 million were incurred in the three months to 31 December 2011 (£3.5 million in total in the 2012 financial year) in relation to the transfer of these homes and their subsequent integration into the Care UK group.

5. NET FINANCING COSTS

	Three months to 31 December 2012	Three months to 31 December 2011
	£m	**£m**
Financial income:		
Interest receivable..	**0.3**	0.2
IFRIC-12 interest receivable	**0.3**	0.4
Financial income	**0.6**	0.6
Financial expense — interest payable on bank overdrafts and loans	**(8.2)**	(7.2)
Net financing expense..	**(7.6)**	(6.6)

6. LOSS BEFORE TAXATION

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

	Three months to 31 December 2012	Three months to 31 December 2011
	£m	**£m**
Depreciation of tangible assets	**4.8**	3.9
Amortisation of intangible assets	**4.1**	4.7
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.1

7. PROPERTY, PLANT AND EQUIPMENT

	31 December 2012	31 December 2011	30 September 2012
	£m	**£m**	**£m**
Opening net book value	**252.1**	218.1	218.1
Acquired	**3.3**	—	9.6
Additions	**8.5**	10.4	43.5
Transfers from current assets	**0.6**	—	—
Disposal and transfers to current assets	**—**	(0.5)	(1.7)
Depreciation charge for the period	**(4.8)**	(3.9)	(17.4)
Closing net book value	**259.7**	224.1	252.1

8. INTANGIBLE ASSETS

	31 December 2012	31 December 2011	30 September 2012
	£m	**£m**	**£m**
Opening net book value	**170.7**	182.8	182.8
Acquired	**54.2**	—	5.7
Adjustment	**0.3**	—	(0.1)
Disposal	—	—	(0.5)
Amortisation charge for the period	**(4.1)**	(4.7)	(17.2)
Closing net book value	**221.1**	178.1	170.7

9. BUSINESS COMBINATIONS

During the three months ended 31 December 2012, the Group acquired 100% of the issued share capital of HWH Group Limited ("Harmoni") for a cash consideration of £47.8m. The acquisition is in line with the strategic growth plans of the group.

Company name	Date of acquisition	Nature of business
HWH Group Limited	5 November 2012	The provision of healthcare services.

Due to the timing of its acquisition, the initial fair value/acquisition accounting for Harmoni has currently only been determined on a provisional basis. In accordance with IFRS 3, adjustments to the fair value of assets acquired and liabilities assumed can be made during the first twelve months from the date of acquisition. The difference between the fair value of the consideration paid and the fair value of the identifiable net assets acquired is recognised as goodwill. Included within the provisional goodwill value are certain intangible assets that the group considers likely to be separately identified but where the assessment of their fair value has not yet been finalised. These items include customer contracts and relationships. Also included in goodwill are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include an assembled workforce and anticipated future operating synergies from the combination. None of the goodwill is expected to be deductible for income tax purposes.

	HWH Group Limited		
2013	**Book value**	**Provisional fair value adjustments**	**Fair value**
	£m	**£m**	**£m**
Property, plant and equipment	3.3	—	3.3
Current assets:			
— Inventories	0.3	—	0.3
— Trade and other receivables	10.6	(0.9)	9.7
— Cash and cash equivalents	1.2	—	1.2
— Deferred tax	0.4	—	0.4
Total assets	15.8	(0.9)	14.9
Liabilities:			
— Trade and other payables	(18.1)	(3.1)	(21.2)
— Corporation tax	(0.1)	—	(0.1)
Total liabilities	(18.2)	(3.1)	(21.3)
Net liabilities	(2.4)	(4.0)	(6.4)
Goodwill on acquisition			54.2
Total consideration			47.8
Satisfied by:			
Cash paid on acquisition			47.8

10. OTHER FINANCIAL ASSETS

	31 December 2012	31 December 2011	30 September 2012
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**24.2**	43.8	43.8
Released in the period	**(0.3)**	(19.0)	(19.6)
IFRIC-12 financial asset: carried forward	**23.9**	24.8	24.2
Disclosed as:			
Non-current assets: IFRIC-12 financial asset	**23.0**	23.9	23.2
Current assets: IFRIC-12 financial asset	**0.9**	0.9	1.0
	23.9	24.8	24.2

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

11. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total Financial Liabilities
	£m	£m	£m
At 1 October 2011	(0.1)	(239.6)	(239.7)
Cash flow	0.1	(11.9)	(11.8)
Other non-cash changes	(0.2)	(1.8)	(2.0)
At 30 September 2012	(0.2)	(253.3)	(253.5)
Cash flow	0.1	(65.2)	(65.1)
Other non-cash changes	(0.3)	0.9	0.6
At 31 December 2012	**(0.4)**	**(317.6)**	**(318.0)**

As at 31 December 2012 there was accrued interest of £14.2m (31 December 2011: £10.2m; 30 September 2012: £4.1m) included in 'Trade and Other payables' disclosed within current liabilities in the balance sheet but excluded from this note.

Terms and conditions

i) Senior Secured Notes

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 9¾% Senior Secured Notes. In November 2012 Care UK Health & Social Care Plc issued an additional £75 million 9¾% Senior Secured Notes bringing the total in issue to £325 million. The proceeds of this additional issue were partially used to repay Super Senior Revolving Credit Facility (RCF) borrowings of £49.4m with the balance behind held in the group for future investment requirements.

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

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

ii) Super Senior Revolving Credit Facility

In November 2012 the Super Senior Revolving Credit Facility (the "RCF") was increased from £80.0m to £97.5m in anticipation of the acquisition of Harmoni (see note 9). A total of £37.5m was drawn to fund the acquisition of Harmoni and to settle the fees associated with the extension of the RCF. The cash drawings were repaid in full from the proceeds of the additional Senior Secured Notes issue and as at 31 December 2012, £nil (2011: £nil) of the RCF has been utilised as cash drawings. The remainder of the facility was undrawn, with the exception of £9.4m (2011: £16.9m) utilised in relation to performance bonds provided in relation to certain contracts in the Health Care division and £0.5m (2011: £0.5m) in relation to other ancillary utilisations.

A further extension to the RCF occurred with effect from 31 December 2012 and is outlined in note 13.

The RCF expires on 13 July 2016. The margin payable on the outstanding loan is in the range of 2.5% to 4.0% above LIBOR plus any mandatory costs depending on the total net leverage of the group. Each utilisation under the facility is repayable and redrawable at the end of each interest period. The final repayment date is 13 July 2016.

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

- Super senior gross leverage (calculated as the ratio of total super senior gross debt at each 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.

12. POST BALANCE SHEET EVENTS

Acquisition of UK Specialist Hospitals Limited

On 20 February 2013 Care UK acquired the entire issued ordinary share capital of UK Specialist Hospitals Limited ("UKSH"), for a total enterprise value of £24.0m. UKSH is an elective surgery provider that operates five surgery centres in the south-west of England. UKSH is highly complementary to Care UK's existing elective surgery units within the Health Care division. Care UK financed the transaction from existing cash resources.

Financial Liabilities

With effect from 31 December 2012 the Revolving Credit Facility ("RCF") increased by £17.5m, from £97.5m to £115.0m. The terms and conditions outlined in note 11(ii) were not affected by the increased facility.

A total of £16.0m was drawn on the RCF after 31 December 2012 to fund the settlement of loan notes taken in by Care UK as deferred consideration for an acquisition made in February 2011 and to fund ongoing development capital projects within the business.

Care UK Health & Social Care Investments Limited

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

Three month period ended
31 December 2012

BASIS OF PREPARATION

This group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (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 hundred thousand and have been prepared under the historic cost convention.

The group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (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 consolidated financial statements (unaudited).

Definition

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

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

Except as described below, the same accounting policies and methods of computation are followed in this group proforma pre-IFRIC 12 non-statutory condensed consolidated financial statements (unaudited) as were applied in the group's condensed financial information for the three months ended 31 December 2012:

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

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

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

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED) – FIRST QUARTER
For the three month period ended 31 December 2012

	Three months to 31 December 2012	**Three months to 31 December 2011**
	£m	**£m**
Revenue	**143.7**	123.5
Cost of sales	**(127.9)**	(106.3)
Gross profit	**15.8**	17.2
Administrative expenses	**(20.1)**	(17.7)
Operating loss before financing expenses	**(4.3)**	(0.5)

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**7.6**	11.7
Depreciation of tangible assets	**(5.3)**	(5.5)
Adjusted operating profit	**2.3**	6.2
Amortisation of intangible assets	**(4.0)**	(4.7)
Non-recurring items	**(2.6)**	(2.0)
Operating loss before financing expenses	**(4.3)**	(0.5)

Financial income	**0.3**	0.2
Financial expense	**(8.2)**	(7.2)
Net financing expense	**(7.9)**	(7.0)
Loss before taxation	**(12.2)**	(7.5)
Taxation	**1.5**	1.7
Loss for the period	**(10.7)**	(5.8)
Total comprehensive loss for the period	**(10.7)**	(5.8)
Loss attributable to		
Equity holders of the parent	**(10.7)**	(5.8)
Total comprehensive loss attributable to		
Equity holders of the parent	**(10.7)**	(5.8)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 December 2012

	31 December 2012	31 December 2011	30 September 2012
	£m	£m	£m
Assets			
Property, plant and equipment	**291.9**	258.1	284.8
Intangible assets	**211.6**	168.1	161.3
Amounts due from related party undertakings	**10.9**	3.7	8.7
Other investments	**1.0**	0.1	0.1
Total non-current assets	**515.4**	430.0	454.9
Inventories	**2.2**	2.9	1.8
Trade and other receivables	**75.9**	61.4	53.0
Cash and cash equivalents	**43.9**	52.6	38.3
Assets classified as held for sale	**1.4**	3.0	2.0
Total current assets	**123.4**	119.9	95.1
Total assets	**638.8**	549.9	550.0
Liabilities			
Financial liabilities — borrowings	**(0.4)**	(0.1)	(0.2)
Trade and other payables	**(131.7)**	(97.8)	(92.4)
Current tax liabilities	**(0.2)**	(3.2)	(1.1)
Total current liabilities	**(132.3)**	(101.1)	(93.7)
Financial liabilities — borrowings	**(317.6)**	(240.1)	(253.3)
Other non-current liabilities	**(5.7)**	(5.3)	(7.4)
Deferred tax liabilities	**(24.1)**	(32.9)	(25.2)
Total non-current liabilities	**(347.4)**	(278.3)	(285.9)
Total liabilities	**(479.7)**	(379.4)	(379.6)
Net assets	**159.1**	170.5	170.4
Equity			
Issued share capital	**210.7**	210.7	210.7
Retained earnings	**(51.6)**	(40.3)	(40.3)
Total equity attributable to equity holders of the parent	**159.1**	170.4	170.4
Non-controlling interest	—	0.1	—
Total equity	**159.1**	170.5	170.4

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) – FIRST QUARTER
For the three month period ended 31 December 2012

	Three months to 31 December 2012	Three months to 31 December 2011
	£m	£m
Cash flows from operating activities		
Loss for the period before tax	**(12.2)**	(7.5)
Financial income	**(0.3)**	(0.2)
Financial expense	**8.2**	7.2
Depreciation	**5.3**	5.5
Amortisation of intangible assets	**4.0**	4.7
Profit on disposal of fixed assets	—	—
(Increase)/decrease in inventory	**(0.1)**	0.2
(Increase) in trade and other receivables	**(13.4)**	(10.7)
Decrease in trade and other payables	**7.3**	7.8
Cash flows from operations	**(1.2)**	7.0
Income tax (paid)/received	**(0.3)**	0.1
Net cash flows from operating activities	**(1.5)**	7.1
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(10.1)**	(9.8)
Net proceeds from sales of property, plant and equipment	—	15.2
Loans to related party undertakings	**(2.2)**	(0.1)
Loans to joint venture	**(0.9)**	—
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	**(46.6)**	—
Net cash flows (used)/from investing activities	**(59.8)**	5.3
Cash flows from financing activities		
Proceeds from new loans	**119.4**	—
Repayment of amounts borrowed	**(49.4)**	—
Interest paid	**(0.4)**	—
Finance costs	**(2.6)**	—
Payment of capital element of finance lease payments	**(0.1)**	—
Net cash flows from financing activities	**66.9**	—
Net increase in cash and cash equivalents	**5.6**	12.4
Cash and cash equivalents at the beginning of the period	**38.3**	40.2
Cash and cash equivalents at the end of the period	**43.9**	52.6

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED SEGMENTAL REPORTING NOTE (UNAUDITED) – FIRST QUARTER

	Social Care				
Three months to 31 December 2012	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	46.4	29.9	60.1	7.3	**143.7**
Adjusted EBITDA	6.0	1.8	1.0	(1.2)	**7.6**
Depreciation of tangible assets	(2.3)	(0.4)	(1.9)	(0.7)	**(5.3)**
Adjusted operating profit/(loss)	3.7	1.4	(0.9)	(1.9)	**2.3**
Amortisation of intangible assets	(1.6)	(1.3)	(1.1)	—	**(4.0)**
Non-recurring items	(0.3)	—	(2.3)	—	**(2.6)**
Operating profit/(loss) before financing expenses and taxation	1.8	0.1	(4.3)	(1.9)	**(4.3)**
Net financing expense					**(7.9)**
Taxation					**1.5**
Loss for the period					**(10.7)**

	Social Care				
Three months to 31 December 2011	**Residential Care**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Group revenue	39.1	27.4	52.3	4.7	**123.5**
Adjusted EBITDA	6.7	1.6	4.0	(0.6)	**11.7**
Depreciation of tangible assets	(2.0)	(0.3)	(2.4)	(0.8)	**(5.5)**
Adjusted operating profit/(loss)	4.7	1.3	1.6	(1.4)	**6.2**
Amortisation of intangible assets	(1.5)	(1.3)	(1.9)	—	**(4.7)**
Non-recurring items	(1.2)	—	—	(0.8)	**(2.0)**
Operating profit/(loss) before financing expenses and taxation	2.0	—	(0.3)	(2.2)	**(0.5)**
Net financing expense					**(7.0)**
Taxation					**1.7**
Loss for the period					**(5.8)**