Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three months ended 31 December 2014

£325,000,000 Senior Secured First Lien Floating Rate Notes due 2019
£75,000,000 Second Lien Floating Rate Notes due 2020

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2014 (the "Annual report 2014") and should be read in conjunction with that report. The Annual report 2014 is available in pdf format only and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the first quarter of the year ending 30 September 2015 and exclude the effects of IFRIC 12.

- **Group Highlights and market context**
  - Results in the three months ended 31 December 2014 are in line with management expectations and consistent with the prior year.
  - The Residential Care Services division continues to improve financial and operational performance with strong compliance in an increasingly regulated market placing it, according to the Laing and Buisson January 2015 report, in the top three providers for care quality in the sector.
  - Health Care delivers a consistent financial result for the quarter supported by the initial impact of the organisational change programme that commenced in October to resize the overhead base. The pre-election political context continues to limit earnings progression and Urgent Care services remain challenging.
  - Public sector funding cuts and National Minimum Wage increases in the Care at Home sector continues to cause a drag on the Community Services financial result. The Learning Disability service, particularly the residential sector has made good progress offsetting some of the Care at Home decline.
  - Care UK's independent development group, Silver Sea, completed on the freehold sale of three care homes in January 2014. Net proceeds (after repayment of Silver Sea bank debt) of circa £20 million are expected to reduce net debt and leverage in the second quarter of 2015, either by way of reducing the RCF usage or the repurchase of bonds. The care homes continue to be operated by Care UK under the same leasehold arrangements.
  - We are undertaking a strategic review of the Mental Health, Learning Disability and Care at Home service streams with Rothschild appointed to consider potential options which may include the sale of any or all of these service lines.

- **Financial Highlights**
  - Revenue for the quarter increased by 2.1 per cent. to £186.9 million, reflecting the growth within the Residential Care Services division, driven by the progression of the new home opening programme, and forward momentum in Health Care elective surgery volume.
  - Adjusted EBITDA of £11.6 million (after taking account of new residential care home start-up losses of £1.0 million), broadly consistent with prior year.
  - Reorganisation expected to yield £5.0 million of savings in the 2015 financial year and in excess of £10.0 million on an annualised basis.
  - Net debt at 31 December 2014 was £393.9 million. Pro-forma[1] financial leverage was in line with management expectations at 7.01x. The reported leverage ratio was 7.50x and excludes the cash benefit from the property disposals outlined above.
  - Net financing costs reduced by £2.4 million in the quarter to £7.1 million as a result of the lower cost of debt arising from the July 2014 refinancing.

[1] adjusting for new care home start-up losses but excluding any pro-forma mature profit

- **Social Care**
  - Residential Care Services
    - The Residential Care Services division continues to deliver growth momentum from its greenfield development programme with a year on year increase in revenue of 10.2 per cent., to £60.5 million.
    - Adjusted EBITDA for the quarter of £6.1 million is £0.5 million (8.9 per cent.) ahead of prior year quarter, despite a reduced contribution from the Suffolk contract homes.
    - Labour costs as a percentage of revenue of 59.6 per cent. are marginally below the prior year quarter but remain an area of operational focus due to a challenging labour market driven by complex economic, demographic and regulatory factors affecting the sector.
    - A new 60 bed home in Stansted, Essex opened in the quarter focusing on the private-pay market offering and a wide range of care typical in our new homes.
    - The greenfield development programme momentum continues with five homes currently in construction and a further three having obtained planning permission. The ongoing investment programme supports the growth strategy of the group and underpins long term earnings progression; albeit that start-up losses impact short-term profitability.
    - During the quarter, two new Suffolk homes were opened allowing for the closure of three existing homes. These developments bring the Suffolk contract build programme to its half-way milestone with five homes open and eight of the existing homes closed at the quarter end. All five remaining new build homes are at various stages of construction.
    - The reduced 2015 profit contribution from the contract reflects the expected low point as we transition from old to new homes before returning to mature EBITDA in 2016 as private pay occupancy in the new homes increases.
    - All existing and new Suffolk care homes are accepting residents.
  - Community Services
    - Adjusted EBITDA for Community Services was £0.5 million lower than prior year at £1.8 million as result of the reduction in Care at Home profitability.
    - The residential learning disability service maintained strong occupancy rates across the quarter at an average of 96.0 per cent., up from 94.5 per cent. in the prior year.
    - Care at Home average weekly hours reduced by approximately 9.0 per cent. in the quarter compared to the prior year due to the continued local authority funding pressures as previously reported and the loss of contracts in Norfolk and Kent.
- **Health Care**
  - Marginal revenue growth of £0.5 million against prior year with organic growth in elective surgery and offender health offsetting a decline in urgent care.
  - Adjusted EBITDA in line with the prior year at £6.0 million supported by the organisational change programme that has progressed as planned over the quarter and continues to gather pace to remove overhead from the cost base.

- Good operational performance across the division's most challenging quarter of the year. The NHS 111 service's financial performance is impacted by seasonality and the expected increase in call volumes but remains a stable operation and is continuing to progress towards a positive contribution by the end of 2015.
- Offender health contracts mobilised in 2014 and early 2015 contribute increased revenue of £2.5m in the quarter. Previously reported contract closures take effect March 2015 and will therefore cause a drag on growth in second half of 2015.
- Elective surgery volume growth driven by NHS waiting list pressure has delivered year on year revenue growth of £2.0 million in the quarter. However, additional profit contribution is marginal due to the increasingly competitive labour market and shortage of health care professionals.
- There were no significant contract tenders or renewals in the quarter. The ISTC Wave II contracts are in the preliminary stages of tender negotiation. Similar to the Wave I contracts, our Wave II contracts are priced above NHS tariff and will therefore translate into a reduction in the Health Care margin from mid-2016 as previously outlined. On a group basis we expect that this will be offset by the full benefit of the maturing greenfield care home programme in our Residential Care division as well as the overhead cost reduction coming through following the group organisational changes.

- **Central costs**
  - The organisational change programme that commenced in October 2014 is progressing as planned. By the end of March 2015 most of the major central functions will have been devolved into divisional operating structures.
  - Underlying central function and management costs have reduced by £0.6 million in the first quarter of 2015 compared to the final quarter of 2014, in line with management expectations.

- **Non Recurring Items**
  - Adjusted EBITDA is stated before £5.0 million of non-recurring charges incurred in the quarter. £2.7 million relates to the organisational change programme, £0.7 million the Suffolk contract transition and £1.6 million in respect of an onerous lease charge in respect of the care home with subsidence that closed last year. Proposals to build a new and enlarged replacement care home on the site are being progressed through the planning system with our expectation of opening in early 2017.

- **Post reporting period developments**
  - Since 31 December 2014 Care UK has opened the sixth (out of ten to be built in total) new care home within the Residential Care Services division under the Suffolk contract. This new 80 bed care home is located in Ipswich. Two of the originally transferred homes will close over the coming months once the safe transfer of residents into this new home is complete. Good progress continues to be made in respect of the remaining four new homes that are at various stages of construction.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

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 operating from around 280 facilities across the United Kingdom. Care UK considers itself to be the most diversified provider in terms of 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.

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

Social Care	Health Care
• ***Residential Care:*** Care homes (113 homes with over 7,000 beds) providing both residential and nursing 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 150,000 care hours per week delivered to more than 10,000 people plus 133 residential learning disability places)	• Broad range of health care services centred around the key service streams: ○ Primary Care (e.g. prison healthcare, GP services, out of hours support and the NHS 111 service) ○ Secondary Care (e.g. hospital based elective surgery, "CATS" contracts and support for enduring mental health conditions) • Around 100 operating locations • Almost 16 million patients treated or supported annually by the Health Care division

Key figures, in £ million	Q1 / 2014	Q1 / 2015
Revenue	183.0	186.9
Adjusted EBITDA [1]	11.9	11.6
Adjusted operating profit [1]	4.6	3.8
Net loss for the period	(11.0)	(11.3)
Operating cash flow	5.2	(0.6)

[1]See Non-IFRS Financial Measures

Financial leverage	As of and for the 12 month period ended			
Amounts in £ million	31 March 2014	30 June 2014	30 September 2014	31 December 2014
Adjusted EBITDA	62.2	58.1	52.8	52.5
Net debt	338.2	341.0	378.9	393.9
Net debt / Pro-forma Adjusted EBITDA[2]	5.28x	5.58x	6.72x	7.01x
Net debt / Adjusted EBITDA	5.44x	5.87x	7.18x	7.50x

[2] Net debt / Pro-forma Adjusted EBITDA, excluding new home start-up losses in the Residential Care Services division.

FINANCIAL SUMMARY

Results of Operations

The table below sets out the key line items from the unaudited condensed Consolidated statement of comprehensive performance for the financial periods ended 31 December 2014 and 31 December 2013, both on a fully IFRS compliant basis and also before giving effect to the provisions of IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the Annual report 2014. For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, refer to Annual report 2014. For full details regarding Care UK's Accounting Policies refer to the Annual report 2014.

	Three months ended 31 December			
	Including IFRIC 12		Excluding IFRIC 12	
	2013 £m	2014 £m	2013 £m	2014 £m
Revenue	182.4	186.4	183.0	186.9
Cost of sales	(161.2)	(166.9)	(161.3)	(167.5)
Gross profit	**21.2**	**19.5**	**21.7**	**19.4**
Administrative expenses	(23.8)	(26.0)	(23.7)	(25.8)
Operating loss before financing expenses	**(2.6)**	**(6.5)**	**(2.0)**	**(6.4)**
Adjusted EBITDA	11.0	11.0	11.9	11.6
Depreciation of tangible assets	(6.9)	(7.2)	(7.3)	(7.8)
Adjusted operating profit	4.1	3.8	4.6	3.8
Amortisation of intangible assets	(5.6)	(5.0)	(5.5)	(4.9)
Non-recurring items	(1.1)	(5.0)	(1.1)	(5.0)
IAS 17 lease expense	-	(0.3)	-	(0.3)
Less: Share of joint venture EBITDA	-	-	-	-
Operating loss before financing expenses	(2.6)	(6.5)	(2.0)	(6.4)
Financial income	0.6	0.7	0.3	0.5
Financial expense	(9.8)	(7.6)	(9.8)	(7.6)
Net financing expense	**(9.2)**	**(6.9)**	**(9.5)**	**(7.1)**
Share of results of joint venture	-	(0.1)	-	(0.1)
Loss before taxation	**(11.8)**	**(13.5)**	**(11.5)**	**(13.6)**
Taxation	0.9	2.4	0.5	2.3
Loss for the period	**(10.9)**	**(11.1)**	**(11.0)**	**(11.3)**

Net Debt and Liquidity

The following table shows the comparative net debt position as at 31 December 2013 and 31 December 2014.

	As at 31 December	
	2013	**2014**
	(£ in millions)	
Senior Secured Notes[1]	325.0	400.0
Revolving Credit Facility and bank loans	72.0	35.0
Finance lease obligations	3.3	1.0
Cash and cash equivalents	(51.1)	(33.9)
Deferred financing costs	(9.5)	(8.2)
Total net debt	**339.7**	**393.9**

[1] Excluding premium on issue of nil (2013: £3.7 million).

Care UK expects, as set out in the Annual report 2014, that its key sources of liquidity for the foreseeable future will continue to be cash flows from operations and drawings under the Revolving Credit Facility.

Net debt increased £54.2 million compared to the prior year of which approximately £27.0 million was a result of the refinancing exercise executed in July 2014 and capital expenditure of £30.0 million over the respective twelve months to 31 December 2014.

The following table sets out a summary of cash flows and change in net debt for the periods indicated.

	Three months ended 31 December	
	2013	**2014**
	(£ in millions)	
Adjusted operating profit	4.6	3.8
Depreciation and other non-cash movements	7.3	7.5
Change in working capital and non-recurring items	(6.7)	(11.9)
Cash flow from operations	**5.2**	**(0.6)**
Cash flows resulting from financing activities and taxation	1.2	(6.5)
Capital expenditure	(8.3)	(5.9)
Proceeds from disposal of tangible fixed assets	0.1	-
Loans to related party undertakings & joint ventures	(1.5)	(1.8)
Interest received	0.1	0.2
Movement in net debt arising from cash flows	**(5.6)**	**(14.6)**
Other non-cash movements in net debt	0.8	(0.4)
Total movement in net debt	**(6.4)**	**(15.0)**
Net debt at 30 September	(339.7)	(393.9)
Cash conversion ratio (Cash flow from operations/Adjusted EBITDA)	43.7%	(5.2)%

The net cash flow from operating activities for the three months ended 31 December 2014 was an outflow of £0.6 million compared with an inflow of £5.2 million for the three months ended 31 December 2013. The cash flow in the three months ended 31 December 2014 was impacted by a combination of working capital timing differences and cash outflows in respect of non-recurring items. The underlying working capital position is in line with management expectations.

Cash flows resulting from financing expenses and taxation were a net outflow of £6.5 million in the three months ended 31 December 2014 compared with a net inflow of £1.2 million for the three months ended 31 December 2013. This change in cash flow reflects the quarterly interest payment cycle that applies to the 2014 Notes compared to the bi-annual payments under the 2010 Notes.

Capital expenditure amounted to £5.9 million for the three months ended 31 December 2014 compared with £8.3 million for the three months ended 31 December 2013. Maintenance capital expenditure amounted to £3.4 million for the three months ended 31 December 2014 compared with £0.5 million for the three months ended 31 December 2013. Expansionary capital expenditure amounted to £2.5 million for the three months ended 31 December 2014 compared with £7.8 million for the three months ended 31 December 2013.

Care UK provided loans to related parties of £1.8 million in the three months ended 31 December 2014 compared with £1.5 million in the three months ended 31 December 2013 - see “Certain Relationships and Related Party Transactions” in the Annual report 2014 for further details.

RISK FACTORS

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

See Annual report 2014 for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three month period ended
31 December 2014

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month period ended 31 December 2014

	Notes	Three months to 31 December 2014	Three months to 31 December 2013
		£m	£m
Revenue	3	**186.4**	182.4
Cost of sales		**(166.9)**	(161.2)
Gross profit		**19.5**	21.2
Administrative expenses		**(26.0)**	(23.8)
Operating loss before financing expense	3, 6	**(6.5)**	(2.6)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**11.0**	11.0
Depreciation of tangible assets		**(7.2)**	(6.9)
Adjusted operating profit		**3.8**	4.1
Amortisation of intangible assets		**(5.0)**	(5.6)
Non-recurring items	4	**(5.0)**	(1.1)
IAS 17 lease expense		**(0.3)**	-
Operating loss before financing expense		**(6.5)**	(2.6)
Financial income	5	**0.7**	0.6
Financial expense	5	**(7.6)**	(9.8)
Net financing expense		**(6.9)**	(9.2)
Share of results of joint venture		**(0.1)**	-
Loss before taxation		**(13.5)**	(11.8)
Taxation		**2.4**	0.9
Loss for the period attributable to equity holders of the parent		**(11.1)**	(10.9)
Total comprehensive loss for the period attributable to equity holders of the parent		**(11.1)**	(10.9)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 December 2014

	Notes	31 December 2014	31 December 2013	30 September 2014
		£m	£m	£m
Assets				
Property, plant and equipment	8	**273.3**	279.6	277.6
Intangible assets	9	**206.0**	226.8	211.0
Other financial assets	10	**21.4**	21.9	21.7
Amounts due from related party undertakings		**20.2**	16.9	18.0
Equity-accounted investments		**5.4**	5.4	5.5
Other receivables		**8.8**	-	8.9
Total non-current assets		**535.1**	550.6	542.7
Inventories		**4.6**	3.4	4.1
Trade and other receivables		**88.5**	94.6	86.9
Other financial assets	10	**0.8**	1.0	1.1
Cash and cash equivalents		**33.9**	51.1	20.9
Assets held for sale		**0.4**	-	0.4
Total current assets		**128.2**	150.1	113.4
Total assets		**663.3**	700.7	656.1
Liabilities				
Financial liabilities	11	**(4.0)**	(2.3)	(1.3)
Trade and other payables		**(158.9)**	(162.1)	(166.2)
Total current liabilities		**(162.9)**	(164.4)	(167.5)
Financial liabilities	11	**(423.8)**	(392.2)	(398.5)
Other non-current liabilities		**(14.5)**	(4.3)	(14.6)
Deferred tax liabilities		**(2.5)**	(16.3)	(4.8)
Total non-current liabilities		**(440.8)**	(412.8)	(417.9)
Total liabilities		**(603.7)**	(577.2)	(585.4)
Net assets		**59.6**	123.5	70.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Retained earnings		**(151.1)**	(87.2)	(140.0)
Total equity attributable to equity holders of the parent		**59.6**	123.5	70.7

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three month period ended 31 December 2014

	Attributable to equity holders of the parent		
Group	**Issued Share capital**	**Retained earnings**	**Total equity**
	£m	**£m**	**£m**
At 30 September 2014	210.7	(140.0)	70.7
Total comprehensive loss for the period	-	(11.1)	(11.1)
At 31 December 2014	**210.7**	**(151.1)**	**59.6**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2014

	Three months to 31 December 2014	Three months to 31 December 2013
	£m	£m
Cash flows from operating activities		
Loss for the period before taxation	**(13.5)**	(11.8)
Share of results of joint venture	**0.1**	-
Financial income	**(0.7)**	(0.6)
Financial expense	**7.6**	9.8
Depreciation of tangible assets	**7.2**	6.9
Amortisation of intangible assets	**5.0**	5.6
Decrease in IFRIC 12 financial asset	**0.5**	0.6
Increase in inventory	**(0.5)**	-
Increase in trade and other receivables	**(1.4)**	(7.0)
(Decrease)/increase in trade and other payables	**(5.0)**	1.4
Cash flows from operations	**(0.7)**	4.9
Income tax paid	**-**	-
Net cash flows from operating activities	**(0.7)**	4.9
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(5.8)**	(8.0)
Net proceeds from the sale of property, plant and equipment	**-**	0.1
Loans to related party undertakings	**(1.8)**	(1.5)
Interest received	**0.2**	0.1
Net cash flows used investing activities	**(7.4)**	(9.3)
Cash flows from financing activities		
Proceeds from new loans	**96.0**	82.5
Repayment of amounts borrowed	**(68.0)**	(60.0)
Interest paid	**(6.5)**	(1.2)
Payment of capital element of finance lease payments	**(0.4)**	(0.4)
Net cash flows from financing activities	**21.1**	20.9
Net increase in cash and cash equivalents	**13.0**	16.5
Cash and cash equivalents at the beginning of the period	**20.9**	34.6
Cash and cash equivalents at the end of the period	**33.9**	51.1

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Care UK Health & Social Care Investments Limited (the "company") is a company domiciled in England and Wales. The condensed consolidated interim financial statements of the company for the three months ended 31 December 2014 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months ended 31 December 2014, 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 2014, 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. 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 2014 set out within this report have been extracted from the 2014 annual report and accounts published on 16 December 2014.

2. ACCOUNTING POLICIES

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

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

Accounting policies specific to interim financial statements

The same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the group's 2014 annual report.

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

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

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

***Leased assets*:** Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is classified as a finance lease. The asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Future instalments under such leases, net of finance charges, are included within creditors. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are accounted for as operating leases. Payments made under operating leases are recognised in the statement of comprehensive performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive performance as an integral part of the total lease expense. The alternative performance measure 'adjusted operating profit' defined in non-IFRS measures below applies a cash rent basis to accounting for operating lease incentives.

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

3. NON-IFRS FINANCIAL MEASURES

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

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

Care UK enters into various lease arrangements with third parties within the normal course of business which can be subject to various types of incentive. Lease incentives on operating units typically take the form of rent free periods as they reflect the economic contribution profile of the unit during the early stages of occupancy, however under the terms of the lease cash rent does not become payable until the expiry of the rent free period. Other lease incentives may take the form of a cash premium received at inception or renewal of the lease with annual cash rent payable from commencement of the lease. Under IAS 17 'Leases', lease incentives are allocated on a straight line basis over the life of the lease. The non-IFRS financial measure adjusted operating profit is presented on a cash rent basis as it excludes the effect of applying the straight line method to lease incentives in order to reflect the underlying commercial arrangement and provide underlying operational performance and cash generation of the business.

Adjusted EBITDA is defined as adjusted operating profit plus depreciation.

4. SEGMENT REPORTING

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

During the year ended 30 September 2014 the group carried out an organisational restructuring programme. This resulted in the Mental Health division, which was previously reported within the 'Other' segment, being absorbed into the group's Health Care segment. The segmental analysis provided below incorporates this change in structure and prior year information has been restated accordingly.

Three months to 31 December 2014	**Residential Care Services**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	60.0	29.7	94.5	2.2	**186.4**
Adjusted EBITDA	5.5	1.8	6.0	(2.3)	**11.0**
Depreciation of tangible assets	(3.0)	(0.4)	(3.3)	(0.5)	**(7.2)**
Adjusted operating profit/(loss)	2.5	1.4	2.7	(2.8)	**3.8**
Amortisation of intangible assets	(1.4)	(1.2)	(2.4)	-	**(5.0)**
Non-recurring items	(2.2)	-	-	(2.8)	**(5.0)**
IAS 17 lease expense	(0.3)	-	-	-	**(0.3)**
Operating (loss)/profit before financing expenses and taxation	(1.4)	0.2	0.3	(5.6)	**(6.5)**
Net financing expense					**(6.9)**
Share of results of joint venture					**(0.1)**
Taxation					**2.4**
Loss for the period					**(11.1)**
Operating lease charges: Land and buildings (excluding IAS 17 lease expense)	(5.4)	(0.5)	(3.7)	(0.2)	**(9.8)**

Three months to 31 December 2013	**Residential Care Services**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	54.3	30.8	94.0	3.3	**182.4**
Adjusted EBITDA	4.7	2.3	5.9	(1.9)	**11.0**
Depreciation of tangible assets	(2.3)	(0.5)	(3.7)	(0.4)	**(6.9)**
Adjusted operating profit/(loss)	2.4	1.8	2.2	(2.3)	**4.1**
Amortisation of intangible assets	(1.8)	(1.6)	(2.2)	-	**(5.6)**
Non-recurring items	(0.7)	(0.2)	-	(0.2)	**(1.1)**
Operating (loss)/profit before financing expenses and taxation	(0.1)	-	-	(2.5)	**(2.6)**
Net financing expense					**(9.2)**
Taxation					**0.9**
Loss for the period					**(10.9)**
Operating lease charges: Land and buildings (excluding IAS 17 lease expense)	(3.5)	(0.4)	(3.7)	(0.2)	**(7.8)**

5. NON-RECURRING ITEMS

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

	Note	Three months to 31 December 2014	Three months to 31 December 2013
		£m	£m
Non-recurring items:			
— Contract transfer and integration costs	*(a)*	**(0.7)**	(0.8)
— Restructuring	*(b)*	**(2.7)**	(0.2)
— Property related costs	*(c)*	**(1.6)**	(0.1)
		(5.0)	(1.1)

Non-recurring items in the three months to 31 December 2014 amounted to a charge of £5.0m in aggregate (three months to 31 December 2013: charge £1.1m). The key elements of the charges for both periods are set out below. Segmental analyses of non-recurring items are shown in note 4.

(a) Contract transfer and integration costs

During the 2013 financial year Care UK's Residential Care division transferred 16 existing care homes from Suffolk County Council as the initial stage of a long term contract and the Community Services division commenced the operation of a significant learning disabilities supported living contract in Doncaster. In the three months to 31 December 2014 aggregate employee transition and service optimisation costs of £0.7m (three months to 31 December 2013: £0.8m) were incurred in relation to the transfer of these contracts to Care UK.

(b) Restructuring

In October 2014 an organisational change programme commenced across the Care UK Group to both reflect the operating divisions becoming increasingly self-sufficient and to implement a cost reduction programme. In the three months to 31 December 2014 aggregate implementation costs of £2.7m were incurred in delivering these organisational changes. Non-recurring charges of £0.2m incurred in the three months to 31 December 2013 relate to a restructuring programme that was initiated in final quarter of the 2013 financial year aimed at reducing operating costs through various business efficiency initiatives.

(c) Property related costs

A residential care home operated by Care UK under a long-term operating lease closed in March 2014 after suffering from subsidence. Care UK has agreed, subject to planning approval, a long-term solution with the owners of the property to build a new care home on the existing site. In the three months ended 31 December 2014 a non-recurring charge of £1.6m was recognised in respect of the onerous lease on the property. In the three months ended 31 December 2013 losses of £0.1m were incurred in respect of the same property.

6. NET FINANCING EXPENSE

	Three months to 31 December 2014	Three months to 31 December 2013
	£m	£m
Financial income:		
Interest receivable	**0.5**	0.3
IFRIC-12 interest receivable	**0.2**	0.3
Financial income	**0.7**	0.6
Financial expense:		
- Interest payable on bank overdrafts and loans	**(7.3)**	(9.8)
- Fair value movement in interest rate cap	**(0.3)**	-
Financial expense	**(7.6)**	(9.8)
Net financing expense	**(6.9)**	(9.2)

7. LOSS BEFORE TAXATION

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

	Three months to 31 December 2014	Three months to 31 December 2013
	£m	£m
Depreciation of tangible assets	**7.2**	6.9
Amortisation of intangible assets	**5.0**	5.6
Operating lease charges: Land and buildings	**10.1**	7.8
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.3

8. PROPERTY, PLANT AND EQUIPMENT

	31 December 2014	31 December 2013	30 September 2014
	£m	£m	£m
Opening net book value	**277.6**	276.2	276.2
Additions	**2.9**	10.4	35.6
Disposal and transfers to current assets	**-**	(0.1)	(4.1)
Depreciation charge for the period	**(7.2)**	(6.9)	(30.1)
Closing net book value	**273.3**	279.6	277.6

9. INTANGIBLE ASSETS

	31 December 2014	31 December 2013	30 September 2014
	£m	£m	£m
Opening net book value	**211.0**	232.1	232.1
Adjustment	**-**	0.3	0.2
Amortisation charge for the period	**(5.0)**	(5.6)	(21.3)
Closing net book value	**206.0**	226.8	211.0

10. OTHER FINANCIAL ASSETS

	31 December 2014	31 December 2013	30 September 2014
	£m	£m	£m
Non-current			
IFRIC-12 financial asset	**21.2**	21.9	21.1
Fair value of interest rate cap	**0.2**	-	0.6
	21.4	21.9	21.7
Current			
IFRIC-12 financial asset	**0.8**	1.0	1.1
	22.2	22.9	22.8

IFRIC-12 financial asset	31 December 2014	31 December 2013	30 September 2014
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**22.2**	23.2	23.2
Released in the period	**(0.2)**	(0.3)	(1.0)
IFRIC-12 financial asset: carried forward	**22.0**	22.9	22.2

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 2013	(1.9)	(370.0)	(371.9)
Cash flow	2.3	(32.5)	(30.2)
Other non-cash changes	(1.7)	4.0	2.3
At 30 September 2014	(1.3)	(398.5)	(399.8)
Cash flow	0.4	(28.0)	(27.6)
Other non-cash changes	(0.1)	(0.3)	(0.4)
At 31 December 2014	**(1.0)**	**(426.8)**	**(427.8)**

As at 31 December 2014 there was accrued interest of £8.5m (31 December 2013: £16.0m; 30 September 2014: £5.2m) 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

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

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

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

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum. Prior to 15 July 2015, the Issuer may redeem all or part of the 2014 Notes by paying a 'make whole' premium as set out in the Offering Memorandum.

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

ii) Senior Revolving Credit Facility

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

As at 31 December 2014, £32.0m (31 December 2013: £69.0m, 30 September 2014: £4.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £10.1m (31 December 2013: £10.1m, 30 September 2014: £10.1m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division and £nil (31 December 2013: £0.5m, 30 September 2014: £nil) in relation to other ancillary utilisations.

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

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the Group for the 12 months ending on that quarter end). “Consolidated EBITDA” for the purposes of the covenants under the Amended and Restated Senior Revolving Facility Agreement allows for certain adjustments and therefore is not exactly equivalent to the definition of Adjusted EBITDA as outlined in the Accounting Policies - Non-GAAP Performance Measures in the 2014 annual report.

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 2014

BASIS OF PREPARATION

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

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

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

Definition

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

Accounting policies

The preparation of the group 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 2014:

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)
For the three month period ended 31 December 2014

	Three months to 31 December 2014	Three months to 31 December 2013
	£m	£m
Revenue	**186.9**	183.0
Cost of sales	**(167.5)**	(161.3)
Gross profit	**19.4**	21.7
Administrative expenses	**(25.8)**	(23.7)
Operating loss before financing expense	**(6.4)**	(2.0)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**11.6**	11.9
Depreciation of tangible assets	**(7.8)**	(7.3)
Adjusted operating profit	**3.8**	4.6
Amortisation of intangible assets	**(4.9)**	(5.5)
Non-recurring items	**(5.0)**	(1.1)
IAS 17 lease expense	**(0.3)**	-
Operating loss before financing expense	**(6.4)**	(2.0)
Financial income	**0.5**	0.3
Financial expense	**(7.6)**	(9.8)
Net financing expense	**(7.1)**	(9.5)
Share of results of joint venture	**(0.1)**	-
Loss before taxation	**(13.6)**	(11.5)
Taxation	**2.3**	0.5
Loss for the period attributable to equity holders of the parent	**(11.3)**	(11.0)
Total comprehensive loss for the period attributable to equity holders of the parent	**(11.3)**	(11.0)

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 December 2014

	31 December 2014	31 December 2013	30 September 2014
	£m	£m	£m
Assets			
Property, plant and equipment	**304.0**	310.2	308.8
Intangible assets	**197.5**	217.8	202.3
Other financial assets	**0.2**	-	0.6
Amounts due from related party undertakings	**20.2**	16.9	18.0
Equity-accounted investments	**5.4**	5.4	5.5
Other receivables	**8.8**	-	8.9
Total non-current assets	**536.1**	550.3	544.1
Inventories	**4.6**	3.4	4.1
Trade and other receivables	**88.5**	94.6	86.9
Cash and cash equivalents	**33.9**	51.1	20.9
Assets held for sale	**0.4**	-	0.4
Total current assets	**127.4**	149.1	112.3
Total assets	**663.5**	699.4	656.4
Liabilities			
Financial liabilities	**(4.0)**	(2.3)	(1.3)
Trade and other payables	**(148.6)**	(151.9)	(155.8)
Total current liabilities	**(152.6)**	(154.2)	(157.1)
Financial liabilities	**(423.8)**	(392.2)	(398.5)
Other non-current liabilities	**(14.5)**	(4.3)	(14.6)
Deferred tax liabilities	**(4.9)**	(18.5)	(7.2)
Total non-current liabilities	**(443.2)**	(415.0)	(420.3)
Total liabilities	**(595.8)**	(569.2)	(577.4)
Net assets	**67.7**	130.2	79.0
Equity			
Issued share capital	**210.7**	210.7	210.7
Retained earnings	**(143.0)**	(80.5)	(131.7)
Total equity attributable to equity holders of the parent	**67.7**	130.2	79.0

CARE UK HEALTH & SOCIAL CARE INVESTMENTS LIMITED
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2014

	Three months to 31 December 2014	Three months to 31 December 2013
	£m	£m
Cash flows from operating activities		
Loss for the period before taxation	**(13.6)**	(11.5)
Share of results of joint venture	**0.1**	-
Financial income	**(0.5)**	(0.3)
Financial expense	**7.6**	9.8
Depreciation of tangible assets	**7.8**	7.3
Amortisation of intangible assets	**4.9**	5.5
Increase in inventory	**(0.5)**	-
Increase in trade and other receivables	**(1.4)**	(7.0)
(Decrease)/increase in trade and other payables	**(5.0)**	1.4
Cash flows from operations	**(0.6)**	5.2
Income tax paid	**-**	-
Net cash flows from operating activities	**(0.6)**	5.2
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(5.9)**	(8.3)
Net proceeds from sales of property, plant and equipment	**-**	0.1
Loans to related party undertakings	**(1.8)**	(1.5)
Interest received	**0.2**	0.1
Net cash flows used investing activities	**(7.5)**	(9.6)
Cash flows from financing activities		
Proceeds from new loans	**96.0**	82.5
Repayment of amounts borrowed	**(68.0)**	(60.0)
Interest paid	**(6.5)**	(1.2)
Payment of capital element of finance lease payments	**(0.4)**	(0.4)
Net cash flows from financing activities	**21.1**	20.9
Net increase in cash and cash equivalents	**13.0**	16.5
Cash and cash equivalents at the beginning of the period	**20.9**	34.6
Cash and cash equivalents at the end of the period	**33.9**	51.1

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

Three months to 31 December 2014	**Residential Care Services**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	60.5	29.7	94.5	2.2	**186.9**
Adjusted EBITDA	6.1	1.8	6.0	(2.3)	**11.6**
Depreciation of tangible assets	(3.6)	(0.4)	(3.3)	(0.5)	**(7.8)**
Adjusted operating profit/(loss)	2.5	1.4	2.7	(2.8)	**3.8**
Amortisation of intangible assets	(1.3)	(1.2)	(2.4)	-	**(4.9)**
Non-recurring items	(2.2)	-	-	(2.8)	**(5.0)**
IAS 17 lease expense	(0.3)	-	-	-	**(0.3)**
Operating (loss)/profit before financing expenses and taxation	(1.3)	0.2	0.3	(5.6)	**(6.4)**
Net financing expense					**(7.1)**
Share of results of joint venture					**(0.1)**
Taxation					**2.3**
Loss for the period					**(11.3)**
Operating lease charges: Land and buildings (excluding IAS 17 lease expense)	(5.4)	(0.5)	(3.7)	(0.2)	**(9.8)**

Three months to 31 December 2013	**Residential Care Services**	**Community Services**	**Health Care**	**Other**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	54.9	30.8	94.0	3.3	**183.0**
Adjusted EBITDA	5.6	2.3	5.9	(1.9)	**11.9**
Depreciation of tangible assets	(2.7)	(0.5)	(3.7)	(0.4)	**(7.3)**
Adjusted operating profit/(loss)	2.9	1.8	2.2	(2.3)	**4.6**
Amortisation of intangible assets	(1.7)	(1.6)	(2.2)	-	**(5.5)**
Non-recurring items	(0.7)	(0.2)	-	(0.2)	**(1.1)**
Operating profit/(loss) before financing expenses and taxation	0.5	-	-	(2.5)	**(2.0)**
Net financing expense					**(9.5)**
Taxation					**0.5**
Loss for the period					**(11.0)**
Operating lease charges: Land and buildings	(3.5)	(0.4)	(3.7)	(0.2)	**(7.8)**