Care UK Health & Social Care Investments Limited

Quarterly Financial Report for the three months ended 31 December 2015

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

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Overview

This interim report refers to sections of the Annual report for Bondholders of Care UK Health & Social Care Investments Limited for the year ended 30 September 2015 (the "2015 Annual report") and should be read in conjunction with that report. The 2015 Annual report is available in pdf format only and can be found on our website, www.careukgroup.com.

All figures and percentages included below are quoted for the first quarter of the year ending 30 September 2016 and exclude the effects of IFRIC 12.

- **Group overview and financial highlights**
    - Results in the three months ended 31 December 2015 are in line with management expectations.
    - Continuing operations revenue has reduced by 5.3 per cent. to £141.5 million with Adjusted EBITDA £1.3 million lower at £6.3 million. The reductions are mainly a result of the previously reported and expected changes in pricing on the Wave 2 ISTC contracts (c. £1.5 million Adjusted EBITDA impact in the quarter).
    - Pro-forma Adjusted EBITDA (i.e. adjusted for start-up losses in the new residential care homes) of £7.5 million has reduced by £1.5 million compared to prior year.
    - Net debt at 31 December 2015 of £264.4 million and reported leverage of 6.7x (6.0x on a pro-forma basis) are in line with management expectations.
    - On 18 February 2016, Care UK disposed of its small IT business (Amicus) – see Post reporting period developments.
    - During the quarter, Bridgepoint and the Company have implemented a new management incentive plan resulting in the need to reorganise the capital structure above the Bond group, together with the issue of incentive shares in Care UK Clinical Services Limited and Care UK Community Partnerships Limited. For each relevant executive, the scheme triggers on the sale of the entity in which the executive is employed.
    - Adjusted EBITDA is stated before £1.7 million of non-recurring charges incurred in the quarter, and includes the following:
        - The optimisation of theatre capacity efficiency programme in Secondary Care of £1.5 million.
        - The transition of services from old to new residential care homes under the Suffolk contract incurred costs of £0.2 million.
    - Net financing costs of £4.6 million are £2.6 million lower than the prior year, principally due to the impact of the bond repurchases made during 2015.

- **Residential Care Services**
    - The Residential Care Services business continues to reflect the benefits of growth across its new build programme with revenue increasing by 6.9 per cent. to £64.7 million. Adjusted EBITDA was in line with prior year at £5.1 million for the quarter.
    - Start-up losses on new build and Suffolk homes of £1.2 million were incurred in the quarter (including the commissioning costs now expensed). Pro-forma Adjusted EBITDA decreased by £0.3 million in the quarter as a result of the expected reduced contribution from the Suffolk homes and labour cost pressures.
    - The complex Suffolk contract build programme has been successfully completed with operational focus on continuing to build occupancy. These homes are expected to reach fully mature Adjusted EBITDA run rate during FY18. These, together with the new build homes that are currently open, are expected to increase future reported Adjusted

EBITDA by up to a further £18 million per annum (Pro-forma Adjusted EBITDA by £13 million) once mature. In addition, there is a strong pipeline for the new build programme with potentially up to 18 more homes planned to open over the next three years.

- As reported in our 2015 Annual report, Care UK will have a clearer picture of the financial impact of the National Living Wage once the April 2016 annual fee increases are concluded.
- Occupancy across the portfolio has remained constant at c.86 per cent. with an underlying increase in occupancy in the core estate and in homes opened during the prior year offsetting the dilutive effect of the Suffolk home transitions in the quarter.
- Care UK continues to make good progress towards its strategic objective to build self-funded occupancy and achieved 36.3 per cent. in the quarter.
- Consistent with the sector, labour management has continued to be particularly challenging with higher than anticipated agency usage. Labour costs as a percentage of revenue for the quarter were 60.0 per cent., broadly consistent with prior year.
- Care UK's current CQC care home inspection ratings, based on the new CQC methodology and once adjusted to reflect the mix of nursing registered homes relative to the sector, is currently comparable with average sector ratings. Two homes in the quarter (out of 111 homes) were assessed as being 'inadequate' and have full service improvement plans in place.

- **Health Care**
  - As a result of the Wave 2 contract re-pricing and previously advised contract losses in mid-2015, revenue in the Health Care business has decreased by £12.1 million (13.6 per cent.), with Adjusted EBITDA down by £1.6 million to £2.5 million.
  - As previously reported, we are pleased to announce that during the quarter we were awarded (subject to contract) a significant number of new contracts to provide healthcare in prisons, totalling around £50 million of annualised revenue. The contracts commence on 1 April 2016 and this establishes Care UK as the clear market leader within this market.
  - Consistent with other independent sector operators, we are experiencing a short term reduction in NHS waiting list referral work, but volumes are expected to increase as NHS waiting lists continue to grow. The secondary care efficiency programme, based on optimising operating theatre usage across all secondary care facilities is progressing well and on track to deliver the anticipated benefits, albeit that a proportion of savings are contingent on volume increases.
  - Monitor's investigation into the procurement process for the existing NHS North East London Treatment Centre remains ongoing and is expected to be concluded during March 2016.

- **Post reporting period developments**
  - On 18 February 2016 Care UK sold its small, non-core Amicus IT business, to the Amicus management team. Amicus was acquired as part of the Harmoni acquisition in 2013 and will continue to provide infrastructure and support services to Care UK's NHS 111 and out-of-hours services. The initial consideration was £1.9 million (being the cash balance at completion) with the potential for further deferred consideration contingent on future business performance and shareholder value generation.
  - Since 31 December 2015, the final remaining Suffolk care home has opened bringing the complex build and transition programme to a close. This is a significant milestone for the Residential Care Services division.

CARE UK SERVICES AND GROUP FIGURES AT A GLANCE

Care UK is one of the UK's leading independent providers of health and social care. The Care UK health and social care portfolio is focused on the continued development of residential care services, through its new home development programme, and on its market leading provision of primary and secondary NHS health services. It operates a balanced and diverse range of special clinical and social care services that are broader than any other provider. Care UK's portfolio is closely aligned with the growth in self-funded residents in Residential Care as well as providing high quality, innovative and efficient clinical services on behalf of the NHS that are aligned to commissioners' priorities and patient expectations and choice.

<table>
<tr><th>Social Care</th><th>Health Care</th></tr>
<tr><td>We manage 111 care homes with around 7,200 beds providing both residential and nursing care for older people, particularly those suffering from dementia and related conditions

We operate 30 day care centres and clubs</td><td>We provide a broad range of health care services centred around the key Primary and Secondary care service streams:
We provide over 50 NHS primary care services including GP and walk-in services
We deliver 12 NHS out of hours services, providing health advice and support for over 10 million people
We operate 9 hospitals that specialise in elective, planned surgery with exceptional clinical outcomes and no cases of hospital acquired MRSA
Our 13 NHS 111 services handle on average 210,000 calls a month covering a population of over 11.5 million people
We are the largest provider of health care services in prisons, delivered at 10 different sites
In the past year, our treatment centres and clinical assessment services delivered over 80,000 procedures for NHS patients</td></tr>
</table>

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

Key figures Amounts in £ million	**Continuing operations** Q1 2015[1]	 Q1 2016
Revenue	149.4	141.5
Adjusted EBITDA	7.6	6.3
Adjusted operating profit	0.5	0.1
Net loss for the period	(13.1)	(7.9)
Operating cash flow (before capital expenditure)	n/a	1.2

Segmental Reporting Amounts in £ million	**Revenue** Q1 2015	 Q1 2016	**Adjusted EBITDA** Q1 2015[1]	 Q1 2016
Residential Care Services	60.5	64.7	5.2	5.1
Health Care	88.9	76.8	4.1	2.5
Other	-	-	(1.7)	(1.3)
Continuing operations	149.4	141.5	7.6	6.3

Financial leverage	**Continuing and discontinued operations[3]**	**Continuing operations**		
As of and for the 12 month period ended	31 March 2015[1]	30 June 2015[1]	30 September 2015	31 December 2015
Adjusted EBITDA (£m)	51.4	41.2	40.8	39.5
Pro-forma Adjusted EBITDA (£m)[2]	55.8	46.0	45.8	44.3
Net debt (£m)	382.7	249.8	253.0[4]	264.4[4]
Net debt / Pro-forma Adjusted EBITDA	6.86x	5.43x	5.52x	5.97x
Net debt / Adjusted EBITDA	7.45x	6.06x	6.20x	6.69x

[1] Quarterly financial information has been represented to take account of a change in accounting estimate with respect to expensing residential care home commissioning costs.

[2] Pro-forma Adjusted EBITDA, excluding new home start-up losses (£4.8 million LTM 31 December 2015 (LTM 31 December 2014: £4.0 million)) in the Residential Care Services division.

[3] Consists of the aggregated results of continuing operations for last twelve months and discontinued operations up to the date of disposal.

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

FINANCIAL SUMMARY

Results of Operations

The tables below sets out the key line items from the unaudited condensed consolidated statement of comprehensive performance for the three months ended 31 December 2015 and 31 December 2014 excluding the effect of applying IFRIC 12. For further information, including the effects of applying IFRIC 12, refer to the 2015 Annual report. For the unaudited condensed consolidated statement of comprehensive performance including the effects of IFRIC 12 see the financial statements on pages F-3 to F-15 that accompany this financial summary.

For the definition of non-IFRS financial measures used by Care UK, including amongst others Adjusted EBITDA, refer to the 2015 Annual report. For full details regarding Care UK's Accounting Policies refer to the 2015 Annual report.

	Three months ended 31 December	
	2014	**2015**
Continuing operations	**£m**	**£m**
Revenue	149.4	141.5
Cost of sales	(135.2)	(127.9)
Gross profit	**14.2**	**13.6**
Administrative expenses	(22.7)	(18.8)
Operating loss before financing expenses	**(8.5)**	**(5.2)**
Adjusted EBITDA	7.6	6.3
Depreciation of tangible assets	(7.1)	(6.2)
Adjusted operating profit	0.5	0.1
Amortisation of intangible assets	(3.7)	(2.8)
Loss on disposal of tangible fixed assets	-	(0.5)
Non-recurring items	(5.0)	(1.7)
IAS 17 lease expense	(0.3)	(0.3)
Operating loss before financing expenses	(8.5)	(5.2)
Financial income	0.4	0.5
Financial expense	(7.6)	(5.1)
Net financing expense[1]	**(7.2)**	**(4.6)**
Loss before taxation	**(15.7)**	**(9.8)**
Taxation	2.6	1.9
Loss for the period	**(13.1)**	**(7.9)**

Continuing and discontinued operations	Three months ended 31 December 2014 £m	2015 £m
Revenue	186.9	143.5
Cost of sales	(167.6)	(129.5)
Gross profit	**19.3**	**14.0**
Administrative expenses	(26.0)	(19.1)
Operating loss before financing expenses	**(6.7)**	**(5.1)**
Adjusted EBITDA	11.3	6.4
Depreciation of tangible assets	(7.8)	(6.2)
Adjusted operating profit	3.5	0.2
Amortisation of intangible assets	(4.9)	(2.8)
Loss on disposal of tangible assets	-	(0.5)
Non-recurring items	(5.0)	(1.7)
IAS 17 lease expense	(0.3)	(0.3)
Operating loss before financing expenses	(6.7)	(5.1)
Financial income	0.5	0.5
Financial expense	(7.6)	(5.1)
Net financing expense[1]	**(7.1)**	**(4.6)**
Share of results of joint venture	(0.1)	-
Loss before taxation	**(13.9)**	**(9.7)**
Taxation	2.3	1.9
Loss for the period	**(11.6)**	**(7.8)**

[1] Net financing expense of discontinued operations relates to amounts incurred directly by the disposal groups. The financing of the group is managed on a centralised basis and as such no allocation of finance income or expense has been made to the disposal groups.

Net Debt and Liquidity

The following table shows the comparative net debt position as at 31 December 2014 and 31 December 2015.

	As at 31 December	
	2014	**2015**
	(£ in millions)	
Senior Secured Notes	400.0	267.6
Revolving Credit Facility and bank loans	35.0	26.0
Finance lease obligations	1.0	-
Cash and cash equivalents	(33.9)	(24.7)
Deferred financing costs	(8.2)	(4.5)
Total net debt	**393.9**	**264.4**

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

Net debt decreased by £129.5 million compared to the prior year as a result of the Loan Note repurchases outlined below offset by the proportional reduction in the carrying value of deferred financing costs.

Second Lien Notes Repurchases
During the period ended 30 June 2015, in line with the group's strategy to reduce debt, Care UK has purchased through multiple transactions a total of £32.4 million of 2014 Second Lien Notes for a total consideration of £31.1 million. Some of the Second Lien Notes were purchased by Care UK Health and Social Care Finance Limited, a company which is outside the restricted credit group, and were subsequently contributed into the restricted group. In addition, Care UK Health and Social Care Finance Limited purchased £5.0 million 2014 Second Lien Notes in July 2015 which are being held in treasury with the intention that they will be cancelled in due course. All other purchased Second Lien Notes have already been cancelled.

First Lien Notes Repurchases
In July 2015, Care UK Health & Social Care Plc commenced an asset sale offer (the "Offer") to repurchase for cash up to £95.0 million aggregate principal amount of its outstanding £325.0 million 2014 Senior Secured Notes. Under the terms of the Offer, Care UK Health & Social Care Plc will pay a purchase price of an amount equal to 100 per cent. of the principal amount of the First Lien Notes tendered, plus accrued and unpaid interest thereon, up to but not including the settlement date of the Offer. The Offer was fully subscribed and completed on 14 August 2015. Care UK Health & Social Care Plc has repurchased the First Lien Notes using a portion of the proceeds from the sale by Care UK Health & Social Care Investments Limited of its domiciliary care, mental health and learning disability service lines to various purchasers (the "Business Sale").

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

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

	Three months ended 31 December	
	2014	**2015**
	(£ in millions)	
Adjusted operating profit	3.8	0.2
Depreciation and other non-cash movements	7.5	5.9
Change in working capital and non-recurring items	(11.9)	(4.9)
Cash flow from operations	**(0.6)**	**1.2**
Cash flows resulting from financing activities and taxation	(6.3)	(4.4)
Capital expenditure, net of disposal proceeds	(5.9)	(5.7)
Loans to related party undertakings & joint ventures	(1.8)	(2.2)
Movement in net debt arising from cash flows	**(14.6)**	**(11.1)**
Other non-cash movements in net debt	(0.4)	(0.3)
Total movement in net debt	**(15.0)**	**(11.4)**
Net debt at 31 December	(393.9)	(264.4)

The net cash flow from operating activities for the three months ended 31 December 2015 was an inflow of £1.2 million compared with an outflow of £0.6 million for the three months ended 31 December 2014. Cash flows resulting from financing expenses and taxation were a net outflow of £4.4 million in the three months ended 31 December 2015 compared with an outflow of £6.3 million for the three months ended 31 December 2014. This decrease reflects the reduction in interest payments as a result of the Loan Note repurchases outlined above.

Capital expenditure, net of disposal proceeds of £0.3 million, amounted to £5.7 million for the three months ended 31 December 2015 compared with £5.9 million for the three months ended 31 December 2014. Maintenance capital expenditure amounted to £4.1 million for the three months ended 31 December 2015 compared with £3.4 million for the three months ended 31 December 2014. Expansionary capital expenditure amounted to £1.9 million for the three months ended 31 December 2015 compared with £2.5 million for the three months ended 31 December 2014.

Care UK provided loans to related parties of £2.2 million in the three months ended 31 December 2015 compared with £1.8 million in the three months ended 31 December 2014 - see “Certain Relationships and Related Party Transactions” in the 2015 Annual report for further details.

RISK FACTORS

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

See the 2015 Annual report for a summary of the risk factors affecting Care UK and a detailed explanation of each of Care UK's risk factors can be accessed on the Care UK website www.careukgroup.com.

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Care UK Health & Social Care Investments Limited

Group condensed consolidated financial statements (unaudited)

Three month period ended
31 December 2015

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month period ended 31 December 2015

	Notes	Three months to 31 December 2015	Three months to 31 December 2014[1]
		£m	£m
Revenue		**141.0**	148.9
Cost of sales		**(127.5)**	(134.6)
Gross profit		**13.5**	14.3
Administrative expenses		**(19.0)**	(22.9)
Operating loss before financing expense	7	**(5.5)**	(8.6)
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**5.6**	7.0
Depreciation of tangible assets		**(5.6)**	(6.5)
Adjusted operating profit		**-**	0.5
Amortisation of intangible assets		**(3.0)**	(3.8)
Loss on disposal of tangible fixed assets		**(0.5)**	**-**
Non-recurring items	5	**(1.7)**	(5.0)
IAS 17 lease expense		**(0.3)**	(0.3)
Operating loss before financing expense		**(5.5)**	(8.6)
Financial income	6	**0.7**	0.6
Financial expense	6	**(5.1)**	(7.6)
Net financing expense		**(4.4)**	(7.0)
Loss before taxation	7	**(9.9)**	(15.6)
Taxation		**1.9**	2.7
Loss for the period from continuing operations		**(8.0)**	(12.9)
Profit for the year from discontinued operations	8	**0.1**	1.5
Total comprehensive loss for the period attributable to equity holders of the parent		**(7.9)**	(11.4)

[1] Represented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs – see the 2015 Annual report .

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 December 2015

	Notes	31 December 2015	31 December 2014[1]	30 September 2015
		£m	£m	£m
Assets				
Property, plant and equipment	9	**187.0**	272.9	190.2
Intangible assets	10	**159.9**	206.0	162.9
Other financial assets	11	**20.3**	21.4	20.7
Amounts due from related party undertakings		**23.9**	20.2	21.3
Equity-accounted investments		**-**	5.4	-
Other receivables		**8.5**	8.8	8.6
Deferred tax assets		**12.5**	-	10.6
Total non-current assets		**412.1**	534.7	414.3
Inventories		**4.1**	4.6	4.0
Trade and other receivables		**56.9**	88.6	59.6
Other financial assets	11	**0.5**	0.8	0.5
Cash and cash equivalents		**24.7**	33.9	19.9
Assets held for sale		**0.4**	0.4	0.6
Total current assets		**86.6**	128.3	84.6
Total assets		**498.7**	663.0	498.9
Liabilities				
Financial liabilities	12	**-**	(4.0)	(0.1)
Trade and other payables		**(139.9)**	(158.9)	(148.6)
Current tax liabilities		**(0.4)**	-	(0.4)
Provisions for liabilities and charges		**(1.0)**	-	(1.0)
Total current liabilities		**(141.3)**	(162.9)	(150.1)
Financial liabilities	12	**(289.1)**	(423.8)	(272.8)
Other non-current liabilities		**(13.1)**	(14.5)	(13.1)
Amounts due to related party undertakings		**(5.2)**	-	(5.0)
Provisions for liabilities and charges		**(13.2)**	-	(13.2)
Deferred tax liabilities		**-**	(2.5)	-
Total non-current liabilities		**(320.6)**	(440.8)	(304.1)
Total liabilities		**(461.9)**	(603.7)	(454.2)
Net assets		**36.8**	59.3	44.7
Equity				
Issued share capital		**210.7**	210.7	210.7
Capital contribution reserve		**15.7**	-	15.7
Retained earnings		**(189.6)**	(151.4)	(181.7)
Total equity attributable to equity holders of the parent		**36.8**	59.3	44.7

[1] Represented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs – see the 2015 Annual report .

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three month period ended 31 December 2015

	Attributable to equity holders of the parent			
Group	**Issued Share capital**	**Capital contribution reserve**	**Retained earnings**	**Total parent equity**
	£m	**£m**	**£m**	**£m**
At 30 September 2015	210.7	15.7	(181.7)	44.7
Total comprehensive loss for the period	-	-	(7.9)	(7.9)
At 31 December 2015	**210.7**	**15.7**	**(189.6)**	**36.8**

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2015

	Three months to 31 December 2015	Three months to 31 December 2014
	£m	£m
Cash flows from operating activities		
Loss for the period before taxation	**(9.8)**	(13.8)
Share of results of joint venture	**-**	0.1
Financial income	**(0.7)**	(0.7)
Financial expense	**5.1**	7.6
Depreciation of tangible assets	**5.6**	7.2
Amortisation of intangible assets	**3.0**	5.0
Loss on disposal of tangible fixed assets	**0.5**	-
Decrease in IFRIC 12 financial asset	**0.5**	0.5
(Increase)/decrease in inventory	**0.1**	(0.5)
(Increase)/decrease in trade and other receivables	**2.7**	(1.4)
(Decrease)/increase in trade and other payables	**(5.9)**	(5.0)
Net cash flows from operating activities	**1.1**	(1.0)
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(5.9)**	(5.5)
Net proceeds from the sale of property, plant and equipment	**0.3**	-
Loans to related party undertakings	**(2.2)**	(1.8)
Interest received	**-**	0.2
Net cash flows from investing activities	**(7.8)**	(7.1)
Cash flows from financing activities		
Proceeds from new loans	**29.0**	96.0
Repayment of amounts borrowed	**(13.0)**	(68.0)
Interest paid	**(4.4)**	(6.5)
Payment of capital element of finance lease payments	**(0.1)**	(0.4)
Net cash flows from financing activities	**11.5**	21.1
Net increase in cash and cash equivalents	**4.8**	13.0
Cash and cash equivalents at the beginning of the period	**19.9**	20.9
Cash and cash equivalents at the end of the period	**24.7**	33.9

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP

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 2015 comprise the company and its subsidiaries (together referred to as the "group").

This interim report, for the three months ended 31 December 2015, 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 2015, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), including International Financial Reporting Interpretations Committee ("IFRIC") interpretations, on which KPMG LLP gave an unqualified opinion. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 30 September 2015 set out within this report have been extracted from the 2015 Annual report and accounts published on 18 January 2016.

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 2015 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 balance sheet date. For interim reporting purposes, reliable measurement has been obtained by extrapolation from the latest full actuarial valuations.

Provisions for liabilities and other charges: The group has provided for onerous lease contracts in respect of residential care homes to the extent that the unavoidable costs of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the care home. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. Care UK updates these forecast assumptions on an annual basis together with other variable assumptions typically applied in a discounted cash flow method. Care UK does not recalculate the provision at each interim reporting date and therefore does not account for any unwinding or utilisation of the provision within the interim financial statements. The carrying amount of the provision as at 31 December 2015 was £14.2m.

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 Adjusted 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.

Adjusted EBITDA is defined as adjusted operating profit plus depreciation. For further detail on the definition of these performance measures and the items that have been excluded see the 2015 Annual report – Presentation of Financial Information on page 44.

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 net finance income and expense, and taxation.

During the year ended 30 September 2015, the Care at Home and Learning Disability service lines, that combined made up the Community Services division, a previously reported segment, and the Mental Health service line that formed part of the Health Care segment, were disposed of. In February 2016 the Amicus ITS business, that was originally acquired as part of a larger acquisition during the year ended 30 September 2013, was sold. The Amicus business was formerly included in the 'Other' segment. All prior year comparative information has been restated to reflect the classification of the service lines and business units as discontinued operations.

In October 2014 the group commenced an organisational change programme to devolve central support functions into operating divisions. These functions were previously reported in the "Other" segment as a component part of the group's central functions. The prior year comparative segmental information reported below has been restated to reflect the change in structure.

Continuing Business Segments

As a result of the classification of certain disposal groups as discontinued operations outlined above the group's continuing operating segments are as follows:

- Residential Care Services: operates care homes for older people;
- Health Care: provides a range of primary and secondary care services; and
- Other: comprises the group's central support functions.

	Continuing Operations					
Three months to 31 December 2015	**Residential Care Services**	**Health Care**	**Other**	**Total**	**Discontinued Operations**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	64.2	76.8	-	**141.0**	2.0	**143.0**
Adjusted EBITDA	4.4	2.5	(1.3)	**5.6**	0.1	**5.7**
Depreciation of tangible assets	(3.1)	(2.0)	(0.5)	**(5.6)**	-	**(5.6)**
Adjusted operating profit/(loss)	1.3	0.5	(1.8)	**-**	0.1	**0.1**
Amortisation of intangible assets	(1.2)	(1.8)	-	**(3.0)**	-	**(3.0)**
Loss on disposal of tangible assets	-	-	(0.5)	**(0.5)**	-	**(0.5)**
Non-recurring items	(0.2)	(1.5)	-	**(1.7)**	-	**(1.7)**
IAS 17 lease expense	(0.3)	-	-	**(0.3)**	-	**(0.3)**
(Loss)/profit before financing expense and taxation	(0.4)	(2.8)	(2.3)	**(5.5)**	0.1	**(5.4)**
Net financing expense						**(4.4)**
Taxation						**1.9**
Loss for the year						**(7.9)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.5)	(3.0)	(0.1)	(9.6)	-	(9.6)

Three months to 31 December 2014	Continuing Operations: Residential Care Services	Continuing Operations: Health Care	Continuing Operations: Other	Continuing Operations: Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	60.0	88.9	-	**148.9**	37.5	**186.4**
Adjusted EBITDA	4.6	4.1	(1.7)	**7.0**	3.7	**10.7**
Depreciation of tangible assets	(3.0)	(3.0)	(0.5)	**(6.5)**	(0.7)	**(7.2)**
Adjusted operating profit/(loss)	1.6	1.1	(2.2)	**0.5**	3.0	**3.5**
Amortisation of intangible assets	(1.4)	(2.4)	-	**(3.8)**	(1.2)	**(5.0)**
Non-recurring items	(2.2)	-	(2.8)	**(5.0)**	-	**(5.0)**
IAS 17 lease expense	(0.3)	-	-	**(0.3)**	-	**(0.3)**
(Loss)/profit before financing expense and taxation	(2.3)	(1.3)	(5.0)	**(8.6)**	1.8	**(6.8)**
Net financing expense						**(6.9)**
Share of results of joint venture[1]						**(0.1)**
Taxation						**2.4**
Loss for the year						**(11.4)**

1 Joint venture disposed of during the year

Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(5.4)	(3.7)	(0.2)	(9.3)	(0.5)	(9.8)

5. NON-RECURRING ITEMS

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

The following table details non-recurring items that have been incurred in the reporting periods presented including the amounts relating to continuing and discontinued operations:

	Note	Three months to 31 December 2015	Three months to 31 December 2014
		£m	£m
Non-recurring items:			
— Secondary care productivity improvement costs	*(a)*	**(1.5)**	-
— Contract transfer and integration costs	*(b)*	**(0.2)**	(0.7)
— Restructuring	*(c)*	**-**	(2.7)
— Property related costs	*(d)*	**-**	(1.6)
		(1.7)	(5.0)

Non-recurring items in the three months to 31 December 2015 amounted to a charge of £1.7m in aggregate (three months to 31 December 2014: charge £5.0m). 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) Secondary care productivity improvement costs

During the year ended 30 September 2015 Care UK's Health Care division initiated an efficiency programme across eight of its treatment centres. The programme focuses on optimising operating theatre usage whilst also maximising patient satisfaction through the delivery of a high quality end-to-end procedure experience and service. Implementation costs of £1.5m were incurred in the three months to 31 December 2015 (three months to 31 December 2014 £nil). The programme is expected to generate significant annual financial benefit and the implementation costs are contingent on benefit realisation on a recurring annual basis.

(b) 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 under a contract to replace all these homes with 10 new purpose built care homes and to operate these under a long-term contract together with an element of self-funded residents. The build and transition programme successfully completed with the opening of the tenth and final home in January 2016. In the three months to 31 December 2015 aggregate employee transition and service optimisation costs of £0.2m (three months to 31 December 2014: £0.7m) were incurred.

(c) 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. All the organisational changes took place in the 2015 financial year with related costs of £2.7m being incurred in the three months to 31 December 2014.

(d) 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.

6. NET FINANCING EXPENSE

	Three months to 31 December 2015	**Three months to 31 December 2014**
	£m	**£m**
Financial income:		
Interest receivable	**0.5**	0.4
IFRIC-12 interest receivable	**0.2**	0.2
Financial income	**0.7**	0.6
Financial expense:		
Interest payable on borrowings	**(4.4)**	(6.7)
Amortisation of deferred financing costs	**(0.4)**	(0.4)
Interest payable on loans with parent undertaking	**(0.1)**	-
Fair value movement in interest rate cap	**-**	(0.3)
Other interest expense	**(0.2)**	(0.2)
Financial expense	**(5.1)**	(7.6)
Net financing expense	**(4.4)**	(7.0)

7. LOSS BEFORE TAXATION

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

	Three months to 31 December 2015	Three months to 31 December 2014
	£m	**£m**
Depreciation of tangible assets	**5.6**	7.2
Amortisation of intangible assets	**3.0**	5.0
Loss on disposal of tangible fixed assets	**0.5**	-
Operating lease charges: Land and buildings	**9.6**	9.8
IFRIC 12 infrastructure costs expensed in the period	**0.1**	0.1

8. DISCONTINUED OPERATIONS

In May 2015 the Care at Home and Learning Disability service lines that together made up the Community Services business segment, and in June 2015 the Mental Health service line that was formerly part of the Health Care business segment, were sold. In February 2016 the Amicus ITS business was sold. The Amicus business was formerly included in the 'Other' segment.

The aggregated results of discontinued service lines and business units that have been included in the consolidated statement of comprehensive performance are as follows:

	Three months to 31 December 2015	Three months to 31 December 2014
	£m	£m
Revenue	**2.0**	37.5
Cost of sales	**(1.6)**	(32.5)
Gross profit	**0.4**	5.0
Administrative expenses	**(0.3)**	(3.2)
Operating profit before financing expenses	**0.1**	1.8
Net financing income/(expense)	**-**	0.1
Share of results of joint venture	**-**	(0.1)
Profit before taxation	**0.1**	1.8
Taxation on ordinary activities	**-**	(0.3)
Profit for the period from discontinued operations	**0.1**	1.5

In order to determine the results for the discontinued operations, revenues and costs have been allocated to the disposal groups only to the extent that the group is no longer entitled to receive revenues or incur expenses.

The effect of discontinued operations on segmental results is disclosed in note 4.

9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2015	31 December 2014	30 September 2015
	£m	£m	£m
Opening net book value	**190.2**	277.6	277.6
Additions	**3.1**	2.5	41.2
Disposal and transfers to current assets	**(0.7)**	-	(79.6)
Impairment	**-**	-	(21.1)
Depreciation charge for the period	**(5.6)**	(7.2)	(27.9)
Closing net book value	**187.0**	272.9	190.2

10. INTANGIBLE ASSETS

	31 December 2015	31 December 2014	30 September 2015
	£m	£m	£m
Opening net book value	**162.9**	211.0	211.0
Disposal	**-**	-	(16.0)
Impairment	**-**	-	(15.6)
Amortisation charge for the period	**(3.0)**	(5.0)	(16.5)
Closing net book value	**159.9**	206.0	162.9

11. OTHER FINANCIAL ASSETS

	31 December 2015	31 December 2014	30 September 2015
	£m	£m	£m
Non-current			
IFRIC-12 financial asset	**20.3**	21.2	20.7
Fair value of interest rate cap	**-**	0.2	-
	20.3	21.4	20.7
Current			
IFRIC-12 financial asset	**0.5**	0.8	0.5
	20.8	22.2	21.2

IFRIC-12 financial asset	31 December 2015	31 December 2014	30 September 2015
	£m	£m	£m
IFRIC-12 financial asset: brought forward	**21.2**	22.2	22.2
Released in the period	**(0.4)**	(0.2)	(1.0)
IFRIC-12 financial asset: carried forward	**20.8**	22.0	21.2

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.

12. FINANCIAL LIABILITIES

	Borrowings due within one year	Borrowings due after one year	Total Financial Liabilities
	£m	£m	£m
At 1 October 2014	(1.3)	(398.5)	(399.8)
Cash flow	1.4	107.9	109.3
Other non-cash changes	(0.2)	17.8	17.6
At 30 September 2015	(0.1)	(272.8)	(272.9)
Cash flow	0.1	(16.0)	(15.9)
Other non-cash changes	-	(0.3)	(0.3)
At 31 December 2015	**-**	**(289.1)**	**(289.1)**

As at 31 December 2015 there was accrued interest of £3.3m (31 December 2014: £8.5m; 30 September 2015: £3.4m) 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.

During the three month period ended 30 June 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased in aggregate £16.2m of 2014 Second Lien Notes and subsequently transferred these to the Issuer for cancellation. In addition, the Issuer purchased and cancelled £16.2m of 2014 Second Lien Notes during the year. As a result of these transactions the total of Second Lien Notes remaining in issue at 30 December 2015 was £37.6m (excluding those Notes held in treasury as outlined below).

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. As at 31 December 2015 these Notes are still held by Care UK Health & Social Care Finance Limited and are presented as 'amounts due to related party undertakings' in the consolidated statement of financial position.

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. As a result of this transaction the total of Senior Secured Notes remaining in issue at 31 December 2015 was £230.0m.

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

ii) Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the “original RCF”) was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF"). 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 2015, £26.0m (31 December 2014: £32.0m, 30 September 2015: £10.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £9.4m (31 December 2014: £10.1m, 30 September 2015: £9.4m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division.

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 2015 Annual report.

13. EVENTS AFTER THE REPORTING DATE

On 18 February 2016 the group completed the sale of the Amicus ITS business by way of management buy-out. An initial cash consideration of £1.9m was received with the potential for further deferred consideration, contingent on future business performance and shareholder value generation.

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 2015

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 to all periods presented in the financial statements and throughout the group. Certain comparative segmental information has been restated to be on a consistent basis with the current period's presentation (refer to note 4 of the condensed consolidated financial statements (unaudited).

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 GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE PERFORMANCE (UNAUDITED)
For the three month period ended 31 December 2015

	Three months to 31 December 2015	Three months to 31 December 2014[1]
	£m	£m
Revenue	**141.5**	149.4
Cost of sales	**(127.9)**	(135.2)
Gross profit	**13.6**	14.2
Administrative expenses	**(18.8)**	(22.7)
Operating loss before financing expense	**(5.2)**	(8.5)

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)	**6.3**	7.6
Depreciation of tangible assets	**(6.2)**	(7.1)
Adjusted operating profit	**0.1**	0.5
Amortisation of intangible assets	**(2.8)**	(3.7)
Loss on disposal of tangible fixed assets	**(0.5)**	-
Non-recurring items	**(1.7)**	(5.0)
IAS 17 lease expense	**(0.3)**	(0.3)
Operating loss before financing expense	**(5.2)**	(8.5)

Financial income	**0.5**	0.4
Financial expense	**(5.1)**	(7.6)
Net financing expense	**(4.6)**	(7.2)
Loss before taxation	**(9.8)**	(15.7)
Taxation	**1.9**	2.6
Loss for the period from continuing operations	**(7.9)**	(13.1)
Profit for the year from discontinued operations	**0.1**	1.5
Total comprehensive loss for the period attributable to equity holders of the parent	**(7.8)**	(11.6)

[1] Represented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION SHEET (UNAUDITED)
As at 31 December 2015

	31 December 2015	31 December 2014[1]	30 September 2015
	£m	£m	£m
Assets			
Property, plant and equipment	**217.1**	303.6	220.7
Intangible assets	**151.9**	197.5	154.7
Other financial assets	**-**	0.2	-
Amounts due from related party undertakings	**23.9**	20.2	21.3
Equity-accounted investments	**-**	5.4	-
Other receivables	**8.5**	8.8	8.6
Deferred tax asset	**9.9**	-	8.0
Total non-current assets	**411.3**	535.7	413.3
Inventories	**4.1**	4.6	4.0
Trade and other receivables	**56.9**	88.5	59.7
Cash and cash equivalents	**24.7**	33.9	19.9
Assets held for sale	**0.4**	0.4	0.6
Total current assets	**86.1**	127.4	84.2
Total assets	**497.4**	663.1	497.5
Liabilities			
Financial liabilities	**-**	(4.0)	(0.1)
Trade and other payables	**(129.5)**	(148.5)	(138.1)
Current tax liabilities	**(0.4)**	-	(0.4)
Provisions for other liabilities and charges	**(1.0)**	-	(1.0)
Total current liabilities	**(130.9)**	(152.5)	(139.6)
Financial liabilities	**(289.1)**	(423.8)	(272.8)
Other non-current liabilities	**(13.1)**	(14.5)	(13.1)
Amounts due to related party undertakings	**(5.2)**	-	(5.0)
Deferred tax liabilities	**-**	(4.9)	-
Provisions for other liabilities and charges	**(13.2)**	-	(13.2)
Total non-current liabilities	**(320.6)**	(443.2)	(304.1)
Total liabilities	**(451.5)**	(595.7)	(443.7)
Net assets	**45.9**	67.4	53.8
Equity			
Issued share capital	**210.7**	210.7	210.7
Capital contribution reserve	**15.7**	-	15.7
Retained earnings	**(180.5)**	(143.3)	(172.6)
Total equity attributable to equity holders of the parent	**45.9**	67.4	53.8

[1] Represented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

CARE UK HEALTH & SOCIAL CARE INVESTMENTS GROUP
PROFORMA PRE-IFRIC 12 NON-STATUTORY CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the three month period ended 31 December 2015

	Three months to 31 December 2015	Three months to 31 December 2014
	£m	£m
Cash flows from operating activities		
Loss for the period before taxation	**(9.7)**	(13.9)
Share of results of joint venture	**-**	0.1
Financial income	**(0.5)**	(0.5)
Financial expense	**5.1**	7.6
Depreciation of tangible assets	**6.2**	7.8
Amortisation of intangible assets	**2.8**	4.9
Loss on disposal of tangible fixed assets	**0.5**	-
(Increase)/decrease in inventory	**0.1**	(0.5)
(Increase)/decrease in trade and other receivables	**2.7**	(1.4)
(Decrease)/increase in trade and other payables	**(6.0)**	(5.0)
Net cash flows from operating activities	**1.2**	(0.9)
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(6.0)**	(5.6)
Net proceeds from sales of property, plant and equipment	**0.3**	-
Loans to related party undertakings	**(2.2)**	(1.8)
Interest received	**-**	0.2
Net cash flows used investing activities	**(7.9)**	(7.2)
Cash flows from financing activities		
Proceeds from new loans	**29.0**	96.0
Repayment of amounts borrowed	**(13.0)**	(68.0)
Interest paid	**(4.4)**	(6.5)
Payment of capital element of finance lease payments	**(0.1)**	(0.4)
Net cash flows from financing activities	**11.5**	21.1
Net increase in cash and cash equivalents	**4.8**	13.0
Cash and cash equivalents at the beginning of the period	**19.9**	20.9
Cash and cash equivalents at the end of the period	**24.7**	33.9

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

Three months to 31 December 2015	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	64.7	76.8	-	**141.5**	2.0	**143.5**
Adjusted EBITDA	5.1	2.5	(1.3)	**6.3**	0.1	**6.4**
Depreciation of tangible assets	(3.7)	(2.0)	(0.5)	**(6.2)**	-	**(6.2)**
Adjusted operating profit/(loss)	1.4	0.5	(1.8)	**0.1**	0.1	**0.2**
Amortisation of intangible assets	(1.0)	(1.8)	-	**(2.8)**	-	**(2.8)**
Loss on disposal of tangible assets	-	-	(0.5)	**(0.5)**	-	**(0.5)**
Non-recurring items	(0.2)	(1.5)	-	**(1.7)**	-	**(1.7)**
IAS 17 lease expense	(0.3)	-	-	**(0.3)**	-	**(0.3)**
(Loss)/profit before financing expense and taxation	(0.1)	(2.8)	(2.3)	**(5.2)**	0.1	**(5.1)**
Net financing expense						**(4.6)**
Taxation						**1.9**
Loss for the year						**(7.8)**
Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(6.5)	(3.0)	(0.1)	(9.6)	-	(9.6)

Three months to 31 December 2014	Continuing Operations					
	Residential Care Services	Health Care	Other	Total	Discontinued Operations	Group
	£m	£m	£m	£m	£m	£m
Group revenue	60.5	88.9	-	**149.4**	37.5	**186.9**
Adjusted EBITDA	5.2	4.1	(1.7)	**7.6**	3.7	**11.3**
Depreciation of tangible assets	(3.6)	(3.0)	(0.5)	**(7.1)**	(0.7)	**(7.8)**
Adjusted operating profit/(loss)	1.6	1.1	(2.2)	**0.5**	3.0	**3.5**
Amortisation of intangible assets	(1.3)	(2.4)	-	**(3.7)**	(1.2)	**(4.9)**
Non-recurring items	(2.2)	-	(2.8)	**(5.0)**	-	**(5.0)**
IAS 17 lease expense	(0.3)	-	-	**(0.3)**	-	**(0.3)**
(Loss)/profit before financing expense and taxation	(2.2)	(1.3)	(5.0)	**(8.5)**	1.8	**(6.7)**
Net financing expense						**(7.1)**
Share of results of joint venture[1]						**(0.1)**
Taxation						**2.3**
Loss for the year						**(11.6)**

[1] Joint venture disposed of during the year

Operating lease charges: Land & buildings (excluding IAS 17 lease expense)	(5.4)	(3.7)	(0.2)	(9.3)	(0.5)	(9.8)