



CARE UK

Care UK

Preliminary results to 30 September 2007

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November 2007

Key market trends and strategy



Care UK today



Social Care

Care homes

Community care

- 56 homes and 3,217 beds for older people
- 528 specialist care beds
- 115,000 hours pw homecare
- 464 supported living or foster care placements

Health Care

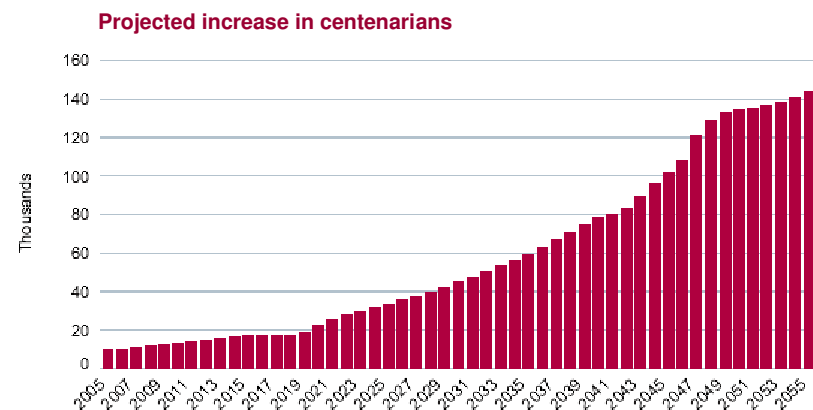
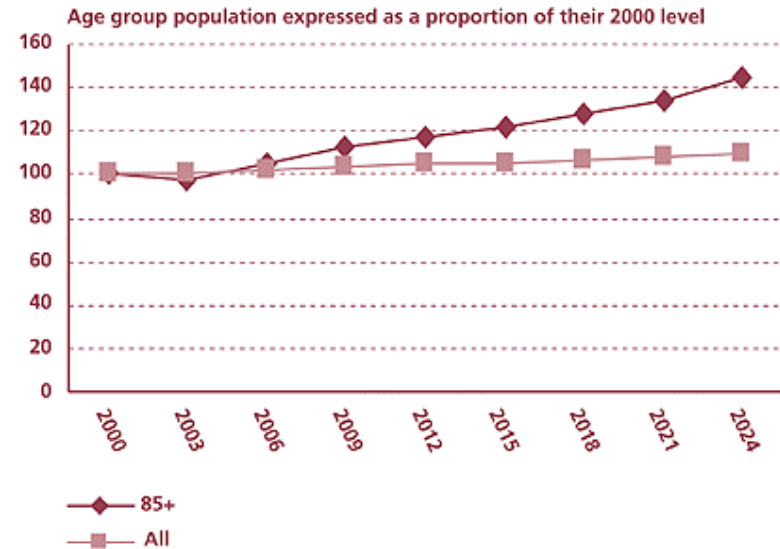
Treatment centres, diagnostics and primary care

- 8 Independent Sector Diagnostic and Treatment Centres
- 8 primary care centres plus out of hours care
- 1 urgent care centre
- 1 mobile diagnostics service across 50 sites – DoH voluntary termination effective February 2008

Key trends in care of older people



- Migration from hospital to care home and to homecare
- Rising levels of acuity in care homes and in homecare
- Continued migration of current bed stock to modern assets
- Homecare absolute growth but funding pressure
- Smarter procurement
 - Commissioning not providing
 - Focus on enablement, outcomes, personal budgets
 - Integration with health?



Source: Office of National Statistics

Strategy for older people



Residential Care Services

- Provide complex, value added solutions for the more highly dependent service users, focus on rehabilitation and respite to facilitate extended community care
- Grow organically by 12% - 15% per annum through extensions, contract wins and new home developments and to pursue selective acquisitions

Community Care Services

- Provide personal care and nursing support to the more dependent service users in their home environment
- Grow by over 20% per annum through a combination of organic development, contract wins and acquisitions in complementary geography or to gain new more complex service competencies

Key trends for specialist care



Mental Health

- New NHS acute capacity
- Focus on rehabilitation and assertive outreach
- Community mental health service focus

Children's Services

- Resistance to residential care benefiting foster care, but 'bounce-around' effect
- Funding pressure drives too little too late mindset
- Increasingly education led

Learning Disabilities

- Hospital re-provision to be continued
- Migration to supported living from residential care
- Focus on education and life opportunities

Strategy for Specialist Care



Target outsourcing of PCT provider services (with Health Care division)
Evolve a more focussed division

Mental Health

- Focus on therapy and rehabilitation enabling migration to less intensive services

Learning Disabilities

- Develop new homes and win contracts
- Target acquisitions to complement existing services

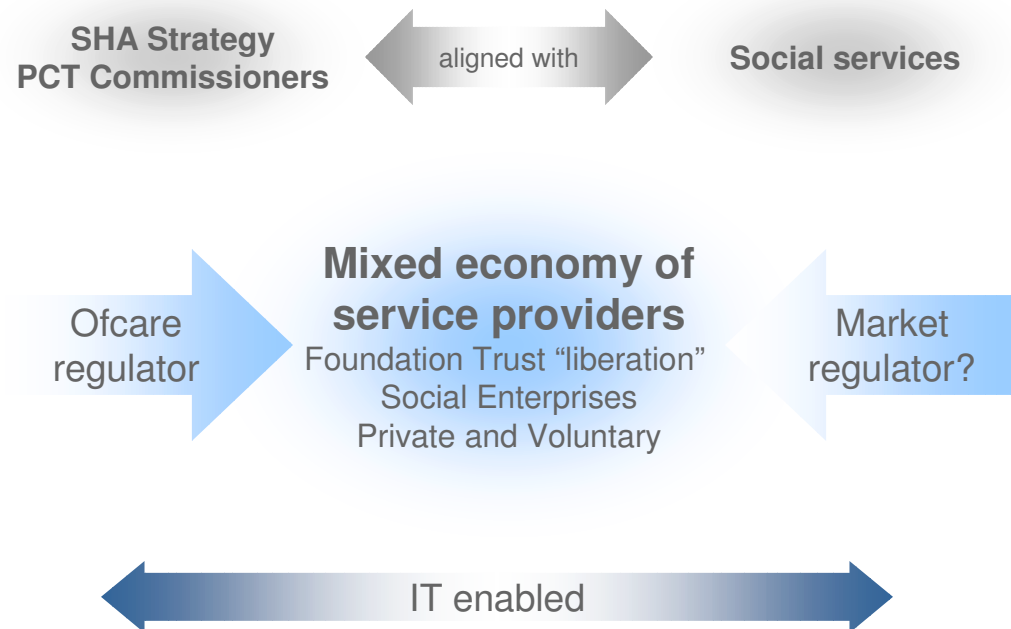
Children's Services

- Create clusters of residential, specialist foster care and education services

Key trends for health care



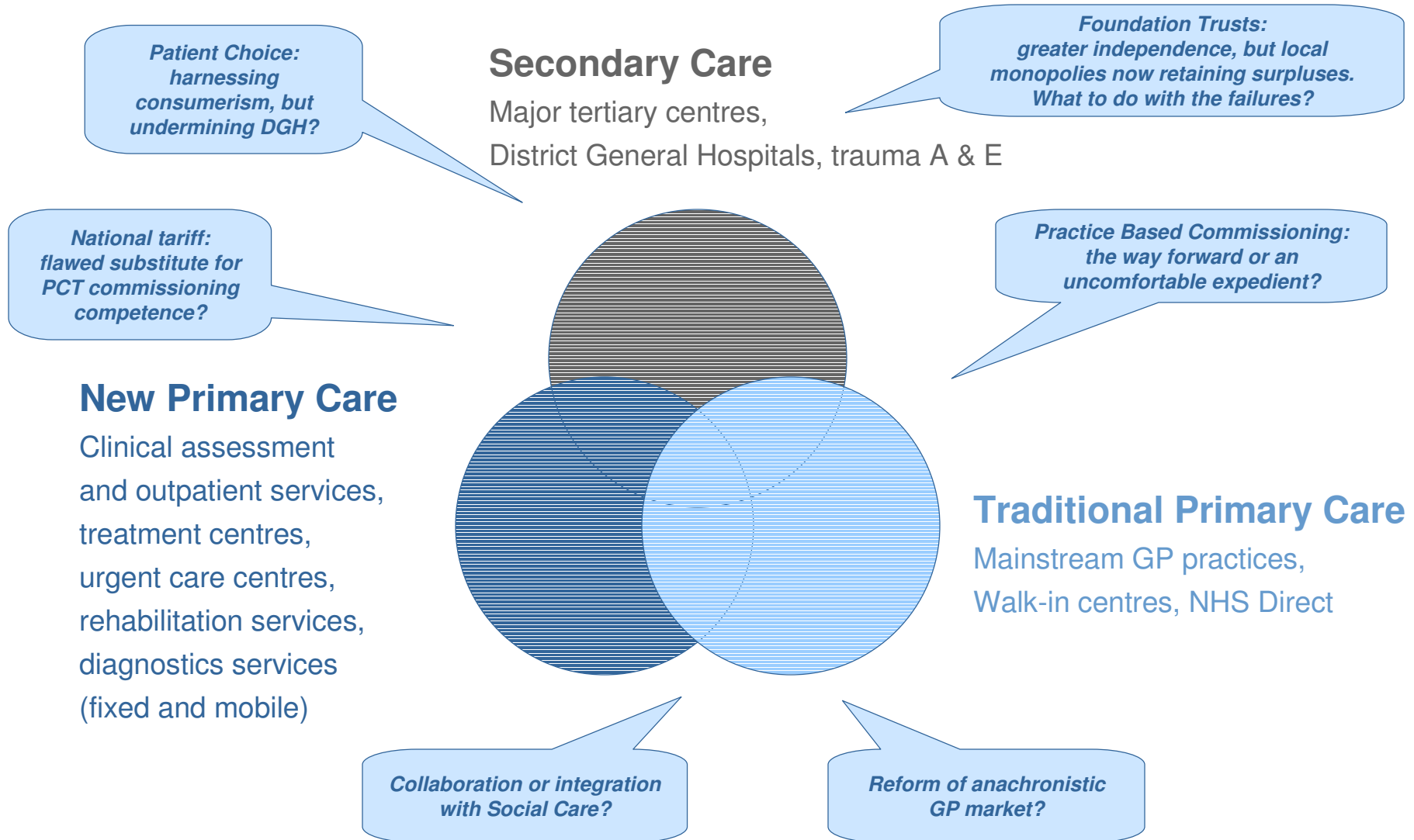
- Politics is for decentralisation and consumerism, with competition a pre-requisite
- Funding pressures leading to retreat to essential services?
- Health and social care coming closer: more means testing or less?
- Separation of commissioning and provider roles
- Less hospital dominance, more community or home based
- Core public sector competency must be “world class commissioning”



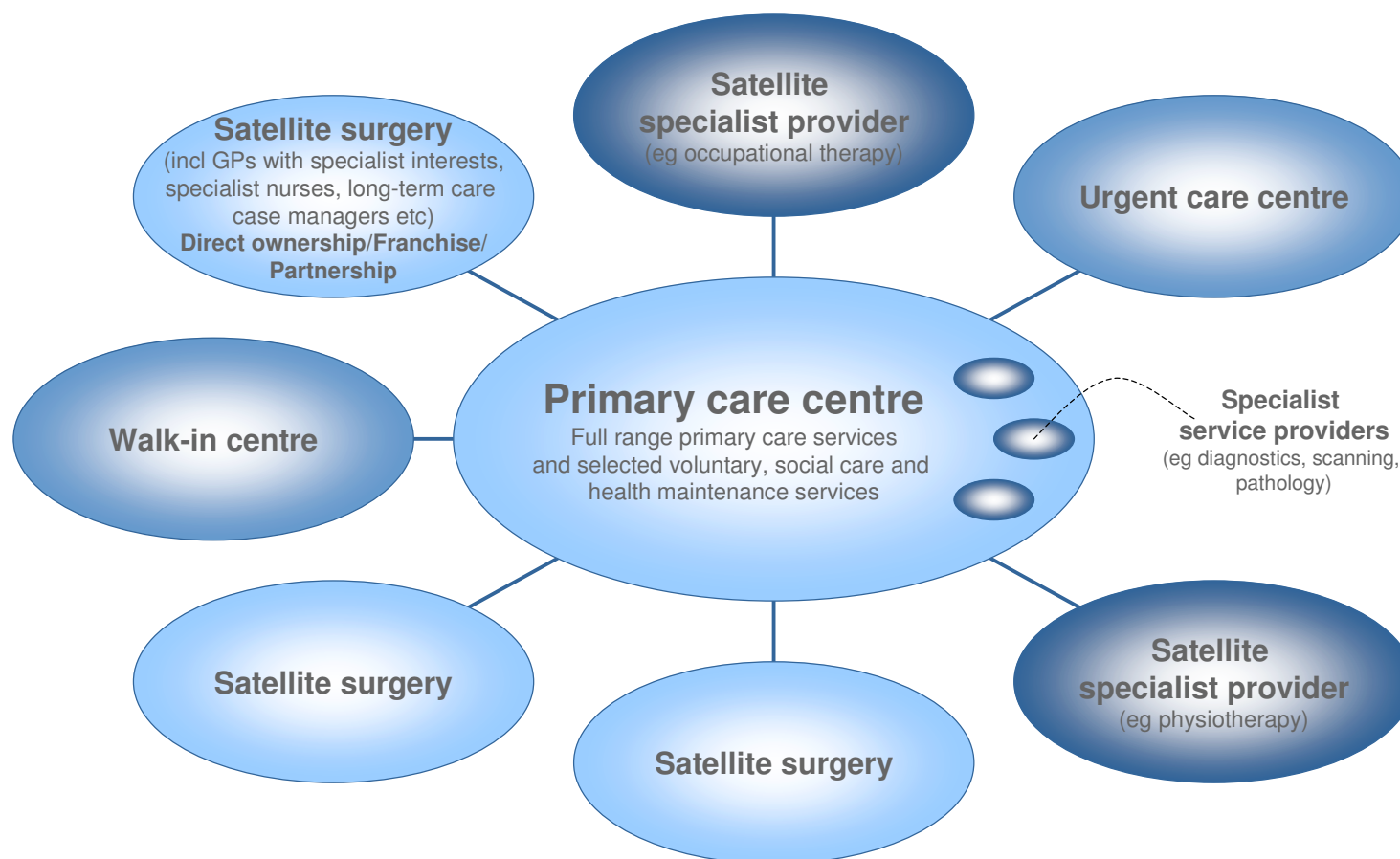
Reform challenges and emergence of new primary care models



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Darzi's polyclinic bringing it together, from commissioning individual services to integrated solutions



Strategy for Health Care



- Sign current wave 2 contracts, extend services and drive efficiency at existing centres, develop post-contract plans
- Focus on out of hospital, innovative primary care
 - Target key relationships, win contracts, create new services for 'patient choice'
- Target PCT provider services outsourcing (with Social Care division)



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Preliminary results to 30 September 2007

Financial highlights



	2007	2006	% change
Revenue (£m)	275.6	199.4	+ 38%
Operating profit * (£m)	30.4	22.5	+ 35%
Operating margin (%)	11.0%	11.3%	
Profit before tax * (£m)	20.1	15.7	+ 28%
Earnings per share (p) *	26.26	21.47	+ 22%
Dividend per share (p)	4.02	3.65	+ 10%

- Another year of strong progress with continued growth in all four divisions
- Total forward contracted income at £1.2bn excluding preferred bidder revenues
- Acquisition of Mercury Health in April 2007
- Four “Wave 2” projects proceeding, including additional CATS project in Manchester
- Termination of West Midlands diagnostics contract from February 2008

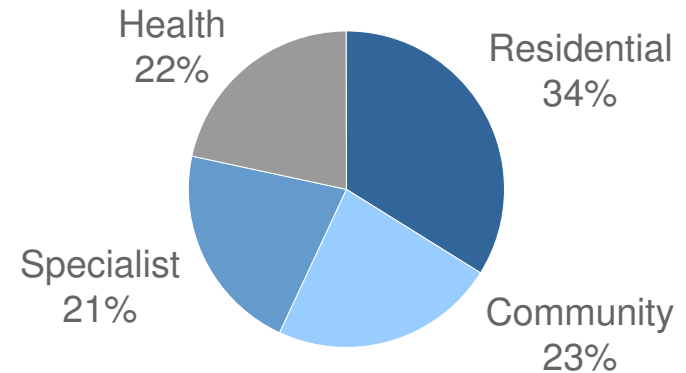
* Adjusted to exclude integration and restructuring costs, amortisation and (for 2006) Richmond property disposal profit and goodwill impairment charge

Revenue and profit by division



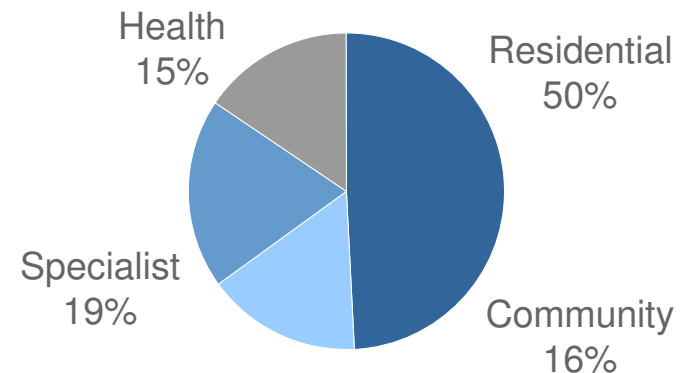
Revenue

Residential	£93.8m (£81.3m)
Community	£63.7m (£49.7m)
Specialist	£58.7m (£50.0m)
Health	£60.1m (£18.3m)



Operating profit

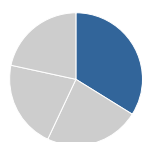
Residential	£16.4m (£14.5m)
Community	£5.3m (£4.1m)
Specialist	£6.5m (£5.6m)
Health	£5.2m (£0.3m)



Residential Care



Financial performance



Revenue by division 34%

	2007	2006	% change
Revenue (£m)	93.8	81.3	+15%
EBITA (£m)*	16.4	14.5	+13%
Margin (%)	17.5%	17.8%	

* Excluding Richmond property disposal profit in 2006

- Underlying margin up by 0.3%; change in overall margin reflecting management contracts
- Financial occupancy at c97%, H2 increase v H1
- Average fee rates up 4% to £602 pw

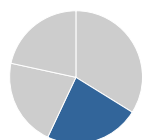
Business highlights

- Birchwoods (new 60-bed facility in Newbury, 10-year contract) opened April 2007
- Lennox House (new 87-bed facility in Islington, 25-year contract) opened June 2007
- Slough 15-year contract signed Sep-07 for new 120-bed facility, due to open summer 2009
- Kensington & Chelsea 21-year contract to be signed for 60-bed facility to open spring 2008
- First greenfield development, for 120-bed facility in Chelmsford, under construction targeted at self-pay and publicly funded residents. Due to open summer 2009
- Second surplus site in Richmond expected to be sold in 2008

Community Care



Financial performance



Revenue by division 23%

	2007	2006	% change
Revenue (£m)	63.7	49.7	+ 28%
EBITA (£m)*	5.3	4.1	+ 30%
Margin (%)	8.3%	8.2%	

* Before amortisation of intangible assets and (in 2006) goodwill impairment

- Over 5.2 million hours of care delivered in 2007, an increase of 30% over 2006
- Weekly hours of care at end September 2007 at 115,000 v 85,000 at September 2006 (+35%)
- Average revenue growth of 24% pa over past four years with 1.8% increase in margin

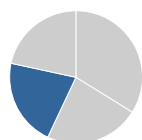
Business highlights

- Acquisition of Homecare Services (Kent) in June 2007, 7,500 hours per week
- Acquisitions of Access Homecare (Greater Manchester) and St Andrews Villa (Staffordshire) announced at half-year, 13,500 hours per week
- New and renewed contracts in Bradford, Sheffield, Bracknell, Liverpool, Ealing, Oldham, Harrow and Stoke-on-Trent
 - Harrow contract (minimum 3 years, 5,000 hours pw) is the division's largest ever contract win
- Outcome-based services in Peterborough and Lancashire firmly established, good models for replication

Specialist Care



Financial performance



Revenue by division 21%

	2007	2006	% change
Revenue (£m)	58.7	50.0	+ 17%
EBITA (£m)	6.5	5.6	+ 17%
Margin (%)	11.1%	11.1%	

- Organic growth in revenue of 4% with 13% from acquisitions made in prior year
- Operating profit increase in Children's Services in H2 was 26% v H2 2006
- New management team appointed

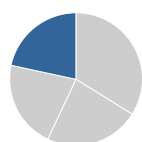
Business highlights

- Mental Health revenue growth of 12%, operating profit up by 13% mainly from independent hospitals acquired in 2006
- Specialist eating disorders service re-configured with consequent occupancy improvement
- Learning Disabilities (LD) revenue growth of 9%, operating profit up by over 20%
- New LD contracts in Cheshire and Stirling, Essex contract renewed and extended
- Children's Services revenue growth of 45%, service provision reorganised following two acquisitions late in FY 2006

Health Care



Financial performance



Revenue by division 22%

	2007	2006	% change
Revenue (£m)	60.1	18.3	+ 228%
EBITA (£m)*	5.2	0.3	+ 1,657%
Margin (%)	8.6%	1.6%	

* Before amortisation of intangible assets and joint venture net financing costs & taxation

- Acquisition of Mercury Health in April 2007, now operationally integrated
- Four Wave 2 ISTC contracts proceeding, including second CATS project in Manchester

Business highlights

- Four additional Primary Care contracts including prison health, ophthalmology and drug treatment
- Luton urgent care centre financial performance now stable, good model for replication
- Secondary Care ISTCs in Portsmouth, Wycombe and Medway all performing well; planned efficiency improvements at Haywards Heath
- Very strong financial performance from PHG with continuing high levels of patient satisfaction and good clinical outcomes
- West Midlands Diagnostics contract termination for specific, local reasons. Innovative mobile solution replicable

Summarised group balance sheet



£m	30 September 2007	30 September 2006
Tangible fixed assets (at historic NBV)	202.5	141.5
Intangible assets, investments & financial assets	103.2	46.8
Current assets excluding cash	35.8	26.9
Gross assets	341.5	215.2
Liabilities excluding net debt	(63.6)	(36.9)
Net assets before net debt	277.9	178.3
Net debt	(170.3)	(115.3)
Net assets	107.6	63.0
Gearing against tangible fixed assets	84%	81%
Gearing on net assets	158%	183%
Interest cover (group EBITDA)	3.9	4.5

Movement in net debt



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£m	Year ended September 2007	Year ended September 2006
Adjusted operating profit (group only)	25.4	21.0
Depreciation and other non-cash charges	10.0	5.8
Working capital movements	(0.8)	3.1
Operating cash flow	34.6	29.9
Integration & restructuring costs	(2.1)	-
Capital expenditure (net)	(16.4)	(16.1)
Acquisitions and investments (including JV funding)	(58.0)	(16.6)
Investment cash flow	(74.4)	(32.7)
Share issues (net of own shares purchased)	3.1	(0.5)
Taxation paid	(4.7)	(4.1)
Interest paid	(8.1)	(6.0)
Dividends paid	(2.0)	(1.8)
Stakeholder cash flow	(11.7)	(12.4)
Other non-cash movements in net debt	(1.4)	-
Total movement in net debt	(55.0)	(15.2)
Operating cash flow conversion ratio v adjusted operating profit	136%	142%

Funding structure



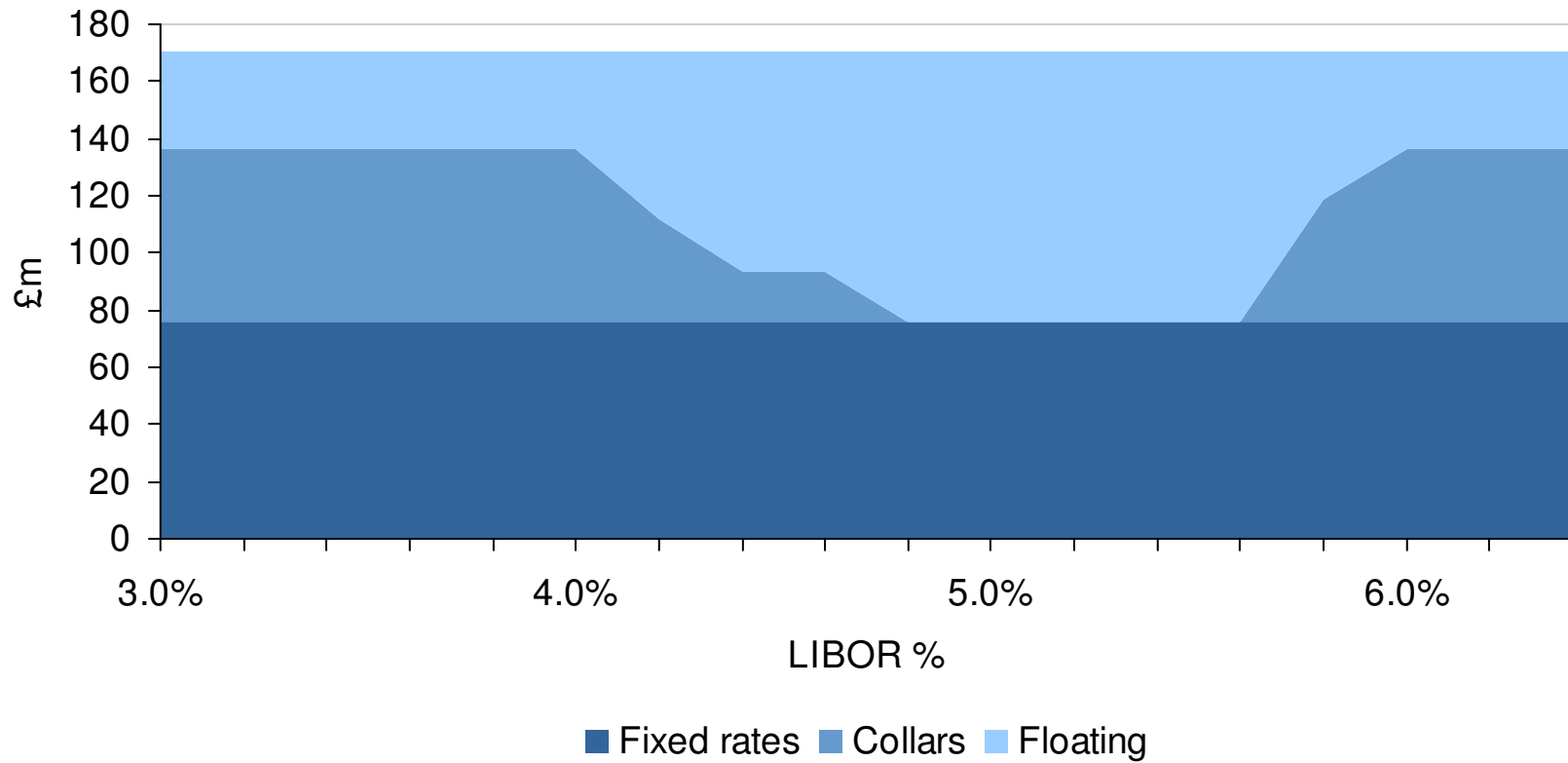
- At Sep-07, 80% of net debt subject to effective hedging
- If LIBOR rate is 6%: + 1% cost impact c£0.4m, - 1% benefit of c£1.1m
- Current facilities sufficient to fund all existing projects, including all projects at preferred bidder stage (capex + performance bonds)
- Key bank covenants on main facility: Net Debt/EBITDA 6.25x (Sep-07 5.5x), EBITDA/ interest cover 3.0x (3.5x), Net Cash Flow/Debt Service 1.0x (1.2x)

Net debt at 30-Sep-07 (£m)	Total	Fixed	Collars	Floating
Group facility (excl performance bonds)	157.5	45.0	61.0	51.5
GC8 non-recourse facility	30.5	30.5	-	-
Finance leases/other	2.1	2.1	-	-
Arrangement/other fees	(2.1)	(2.1)	-	-
Gross debt	188.0	75.5	61.0	51.5
Cash & cash equivalents	(17.7)	-	-	(17.7)
Net debt	170.3	75.5	61.0	33.8
% of net debt	100%	44%	36%	20%

Interest rate hedging (1)



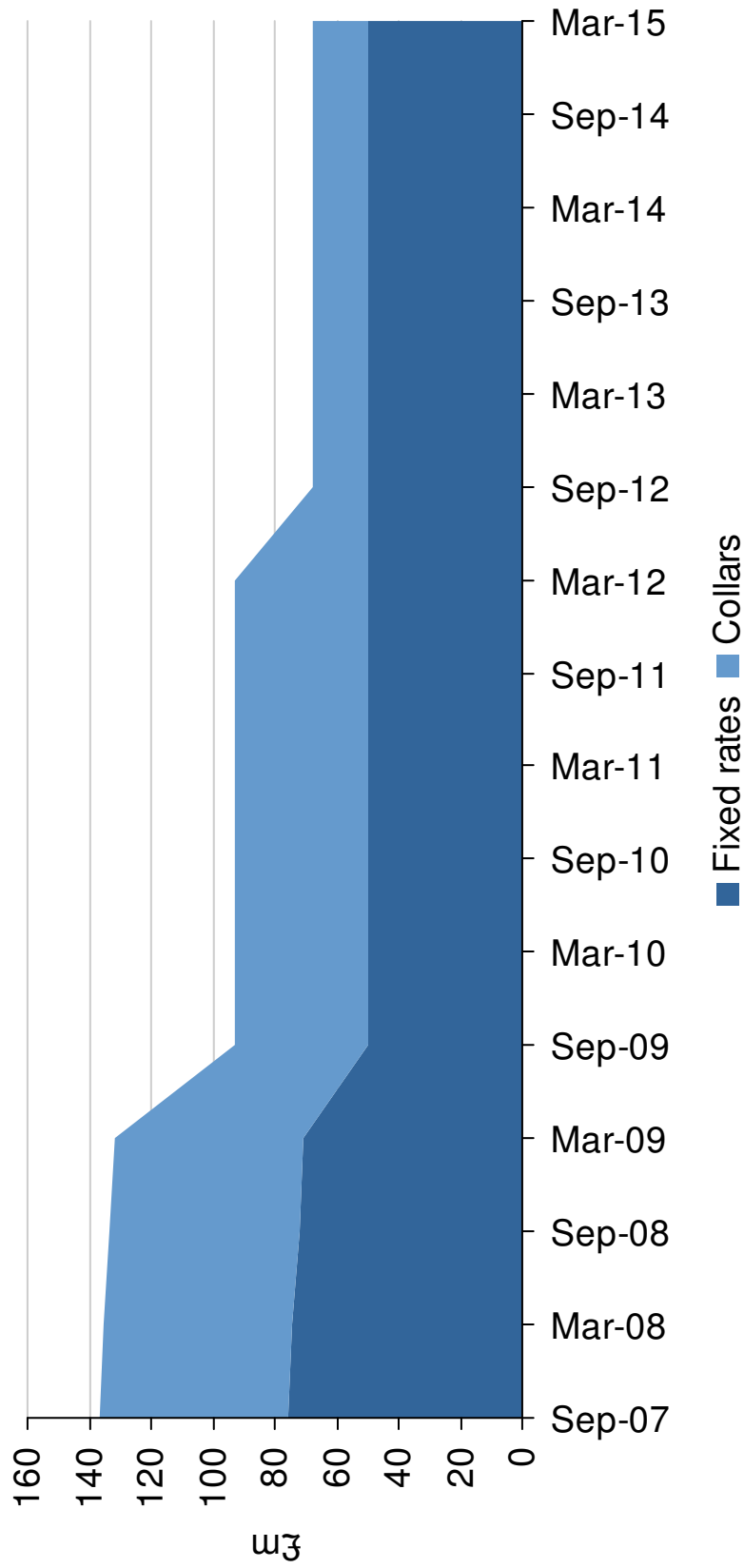
Hedging profile for net debt v LIBOR



Interest rate hedging (2)



Future hedging profile



Summary strategy and targeted growth

To be the UK's leading provider of a range of health and social care solutions to the NHS and Social Services



Residential Care

Total market size £10.4bn

Local Authority in-house £0.8bn

- Grow organically by 12% to 15% annually from new contract awards, extensions and new home developments
- Make selective acquisitions to complement existing geographic coverage

Community Care

Total market size £5.4bn

Homecare £1.2bn, incl. Local Authority in-house £0.3bn

- Maintain growth rate of over 20% per annum through a combination of organic growth and acquisitions
- Develop services to support higher acuity needs and enhanced service user independence

Specialist Care

Total market size £11.7bn

Mental Health £4.0bn, Learning Disabilities £4.0bn,

Children £3.7bn

- Evolve more focussed division
- Target outsourcing of PCT provider services
- Focus on Mental Health therapy and rehabilitation
- Develop new Learning Disabilities homes, win contracts, target acquisitions
- In Children's Services, create clusters of residential, specialist foster care and education services

Health Care

Market size for secondary acute care £35bn

Primary Care c£10bn

- Close current wave 2 contracts, extend existing centres
 - Focus on out of hospital, innovative primary care services, develop key solution sets
 - Target outsourcing of PCT provider services
-



CARE UK

Appendices – business profiles

Business profiles



Residential Care

- Care UK is the largest UK operator of long term contracted nursing homes, often involving transfers of Local Authority homes and staff
- Main competitors include BUPA, Shaw Homes and other 'not for profits'
- 3,217 beds/daycare places across 56 homes, average weekly fee level £602
 - Dementia nursing 36%
 - Frail nursing 30%
 - Frail elderly 34%
- 74% of beds contracted for an average of 9.5 years
- Financial occupancy typically 97% - 98%
- Annual price indexation and regular case mix review
- Potential for increased fees for greater case complexity

Managing Director Tony Hosking

Community Care

- Care UK Homecare service, funded by Social Services, providing personal and domiciliary care to service users in their own home
- Total homecare hours of c115,000 pw, 93% funded by Social Services, average weekly spend per service user £90
 - Frail elderly 70%
 - Dementia 15%
 - Other specialist 15%
- Close to 70% of hours contracted, average remaining term 2.1 years
- Main competitors include Nestor, Allied, Careforce, Supporta and Claimar

Managing Director Roger Booker

Business profiles



Specialist Care

- The Specialist Care division provides residential and community care for adults and young people with mental health issues, learning disabilities and a range of social, educational and behavioural challenges.
- c1,000 places across 172 homes (plus FSG), average fees c£1,200 pw
 - Learning disabilities 44%
 - Mental health 32%
 - Children 24%
- Focus on stability, rehabilitation, therapy and education to achieve positive outcomes
- Diverse competitors include private equity owned, private and not for profits

Managing Director Richard Jackson

Health Care

- Secondary Care, operating four ISTCs and preferred bidder for 1 further ISTC with a 2 site solution
- Diagnostics, operating a mobile solution across 50 sites in the West Midlands for endoscopies, X-ray, CAT and MRI scans and audiology services. Contract terminated from February 2008
- Primary Care, providing an increasing range of primary care services across 11 sites, plus preferred bidder for 2 CATS contracts in Manchester
- PHG (Partnership Health Group), the group's 50:50 joint venture with Life Healthcare, operating 4 ISTCs and preferred bidder for 1 further ISTC
- ISTC contracts for initial 5 to 7 years with minimum case-mix volumes and guaranteed asset buyback at residual value

Secondary Care MD - Dr Sushil Jathanna

Diagnostics MD - Geoff Benn

Primary Care MD - Dr Mark Hunt

PHG MD - Dr Grant Rex



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