



fulfilling lives



Care UK

**Preliminary results for
the year ended 30 September 2008**

Mike Parish Chief Executive

Paul Humphreys Finance Director

November 2008

Care UK is well established in the stable social care market, is leader in the emerging health care market and is uniquely placed to integrate services



Social Care

Care homes

- 57 homes and 3,303 beds/daycare places for older people
- 507 specialist care beds
- 123,000 hours pw homecare
- 454 supported living or foster care placements

Community care

Health Care

Treatment centres and primary care

- 9 Independent Sector Treatment Centres, including diagnostics, with 10th centre operational Oct-08
- 7 primary care centres; 8th centre in mobilisation phase
- 1 urgent care centre plus 2 out of hours care services
- 4 prison health contracts
- Major new CATS service in mobilisation phase in Manchester



Care UK fundamentals

- **Excellent growth prospects**
 - Social Care stable with attractive demographics and acquisition potential
 - Health Care transformational opportunity very real, Care UK market leader
 - ISTCs fully expected to continue beyond contract periods

- **Well structured balance sheet, strong cash flow**
 - Syndicated facility committed to 2015, prudently hedged
 - Covenants comfortable with £80m of funding headroom
 - Substantial asset valuation upside, long term contracts, potential realisation of wave 1 ISTC residual values (£54m in total)
 - Operating cash flow £47m = EBITA cash conversion of 147%

- **Outstanding performance track record**
 - Three year growth in revenue of 26% pa (Social Care 15% pa) and EBITA 25% pa
 - Portfolio spread provides performance resilience



Key market trends



Market size and key trends



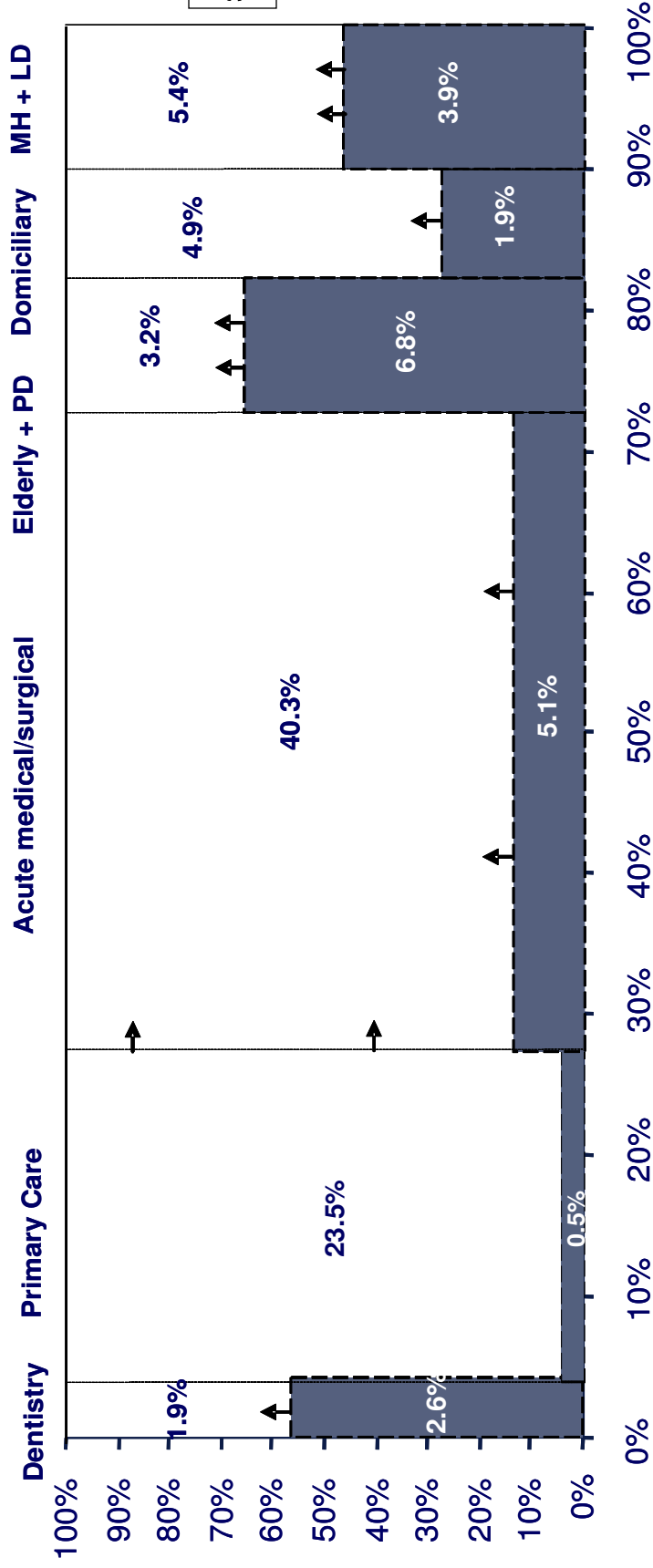
Primary care is planned to expand through substitution of current hospital based provision.

Primary care provision is private, but with restricted access. This market is expected to open up.

Patient choice for elective surgery is to be a legal right, embedding competition. Many hospitals are expected to go upstream creating opportunities to backfill routine procedures

Primary Care Trusts are being directed to be commissioners only. They currently directly provide £10bn pa of services across the full spectrum of services. These will be open to competition over the next 3 years

100% = £123bn



Source: Candesic



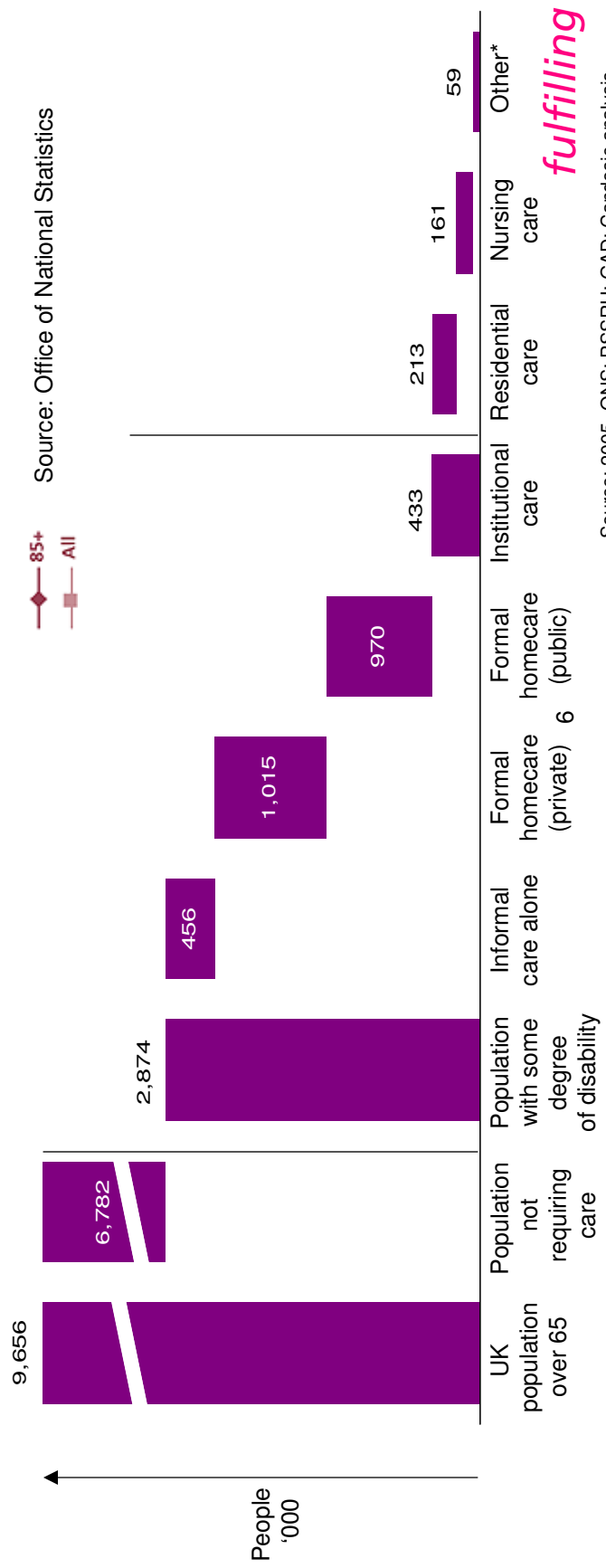
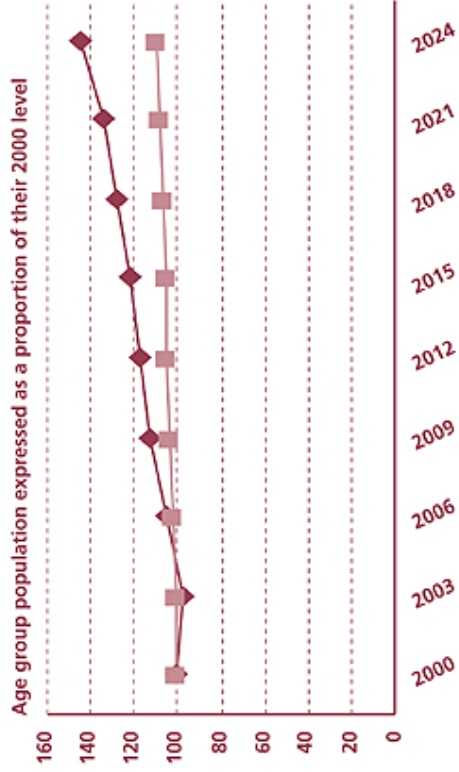
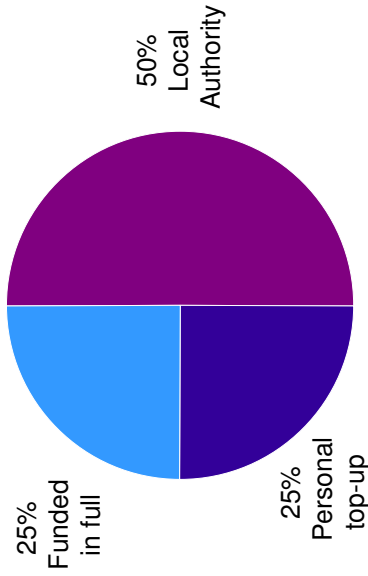
Key trends in Social Care

- Migration from health to social care
 - Rising levels of acuity in care homes and in domiciliary care
 - Migration to homecare, supported living and community outreach from traditional low acuity residential care
- Local Authorities commissioning not providing
 - Procurement and supplier consolidation
- Pressure on increasing public funding from demographic trends
 - Focus on minimum universal criteria for public funding, two tier funding accepted
 - Rising consumerism and personal budgets
 - Introduction of social care insurance funding – possibly compulsory
 - Focus on quality: enablement, outcomes
- Many private care companies have been highly leveraged and face refinancing challenges
 - Acquisition valuations expected to fall materially

UK Social Care demand



Funding sources



Source: Office of National Statistics

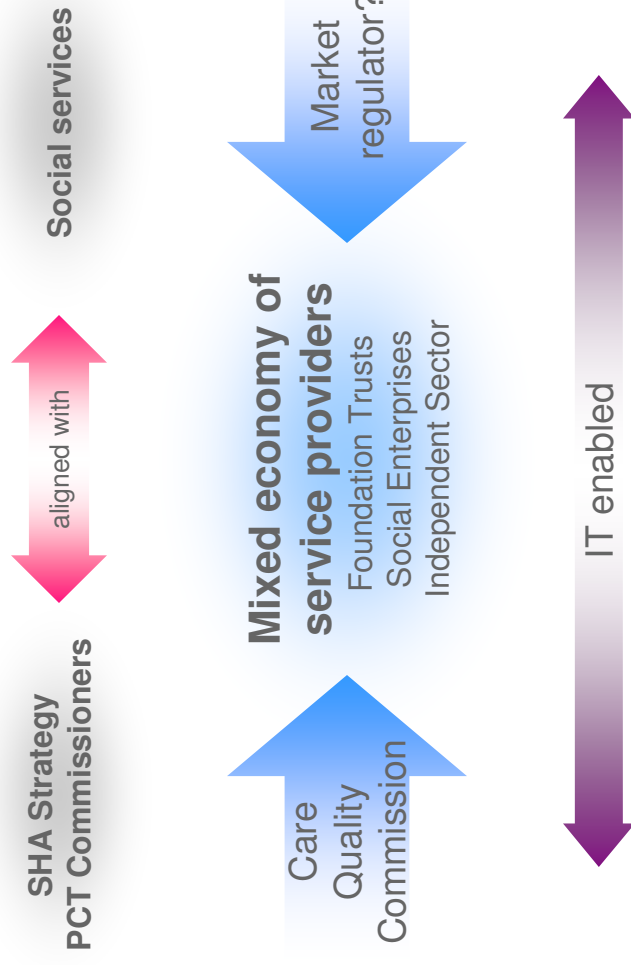
Source: 2005 -ONS; PSSRU; GAD; Candestic analysis

fulfilling lives

Key trends for Health Care policy and market structure



- Politics is toward decentralisation and consumerism, with competition a pre-requisite
- Funding pressures leading to retreat to essential services
- Health and social care commissioning coming closer with more integrated services
- Separation of commissioning and provider roles
- Outsourcing of PCT provider arms and compulsory market tendering
- Less hospital dominance, more community or home based
- Core NHS role to be public health and “world class commissioning”



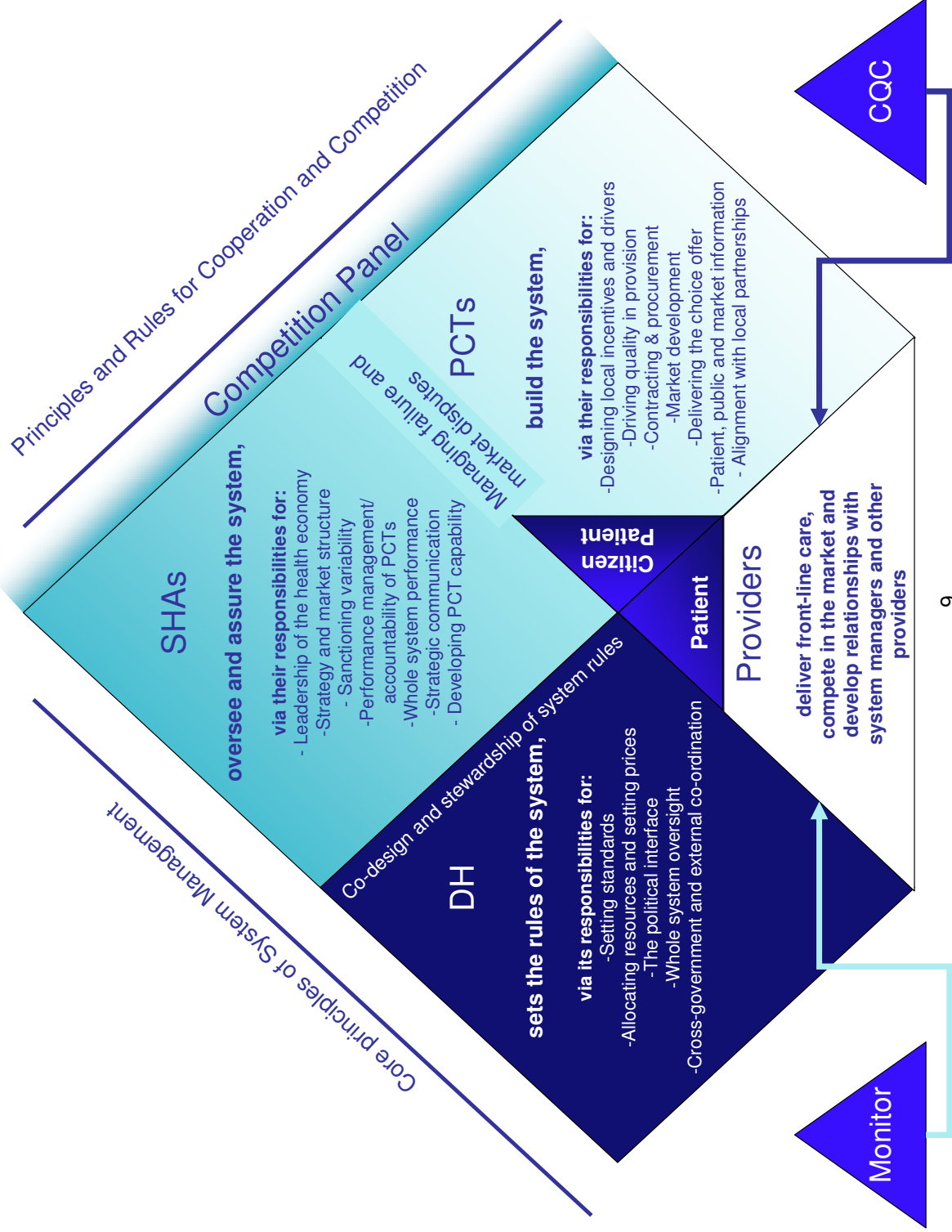
Market creation initiatives:

DoH and political commitment to ‘marketisation’

- Extensive ‘system management’ programme
- ISTCs
- Equitable Access
- Prison services and Alternative Provider Medical Services (APMS)
- Any Willing Provider (AWP) for elective surgery
- Extended AWP
 - Clinical assessment and outpatient services
 - Outpatient diagnostics and treatment
 - Urgent care and walk in services
 - Mainstream primary care (Conservative Party policy)
- Joint ventures or takeover of NHS hospitals
- PCT Provider Arms (£10bn annual spend)

Department of Health

Choice and competition policy roles of system managers



fulfilling lives



Care UK

**Preliminary results for
the year ended 30 September 2008**

Financial highlights



	2008	2007	% change
Revenue (£m)	341.6	275.7	+ 24%
Operating profit * (£m)	36.4	30.4	+ 20%
Operating margin (%)	10.6%	11.0%	
Profit before tax * (£m)	24.1	20.1	+ 20%
Earnings per share (p) *	27.92	26.26	+ 6%
Dividend per share (p)	4.43	4.02	+ 11%

- Another year of good progress: strong performance in Health Care
- Total forward contracted income increased to £1.5bn
- Acquisition of remaining 50% of PHG completed in August 2008
- ISTC Phase 2 contracts:
 - Southampton operational Oct 08
 - Manchester CATS on track to commence services early in 2009

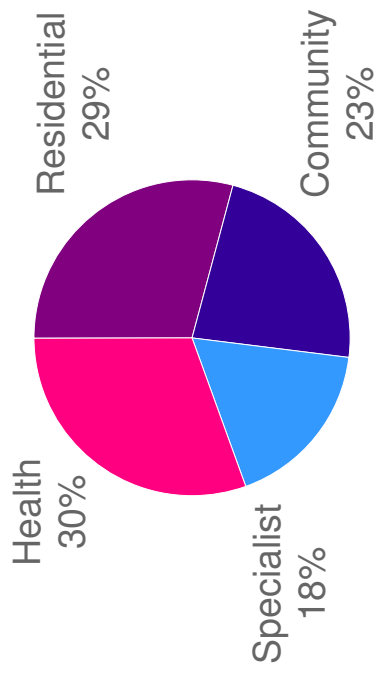
* Before amortisation, impairment charges and joint venture taxation and, for 2007, integration and restructuring costs; operating profit stated before joint venture net financing costs



Revenue and profit by division

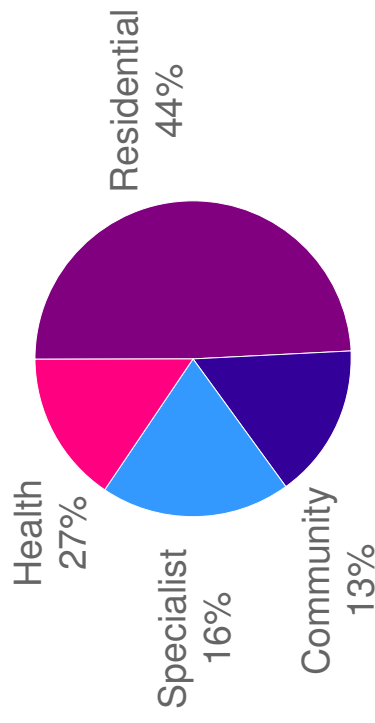
Revenue

Residential	£100.1m (2007: £93.8m)
Community	£77.3m (2007: £63.7m)
Specialist	£60.3m (2007: £58.7m)
Health	£103.9m (2007: £60.1m)



Operating profit

Residential	£17.5m (2007: £16.4m)
Community	£5.5m (2007: £5.3m)
Specialist	£6.4m (2007: £6.5m)
Health	£10.9m (2007: £5.2m)

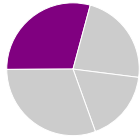




Residential Care



Financial performance



	2008	2007	% change
Revenue (£m)	100.1	93.8	+7%
EBITA (£m)	17.5	16.4	+7%
Margin (%)	17.5%	17.5%	

- Margin maintained after absorbing cost of additional holiday entitlements under WFA 2006
- Financial occupancy similar to previous year level of 97%
- Average fee rates up 3% to £621 pw

Business highlights

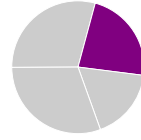
- Ellesmere House (new 60-bed facility in Kensington & Chelsea, 21-year contract for 30 beds) opened March 2008
- Good progress on new home in Slough (15-year contract for 90 beds in new 120-bed facility), due to open spring 2009
- Greenfield development of 120-bed facility in Chelmsford, targeted primarily at self-pay residents, on schedule to open late spring 2009
- Preferred bidder appointment for new care home in the South East under 25 year contract. Planned to open late summer 2010
- Development of new 74-bed greenfield home in Crowborough, East Sussex, approved subject to detailed planning application

fulfilling lives

Community Care



Financial performance



Revenue by division 23%

	2008	2007	% change
Revenue (£m)	77.3	63.7	+ 21%
EBITA (£m)*	5.5	5.3	+ 4%
Margin (%)	7.1%	8.3%	

* Before amortisation of intangible assets

- Community Care maintained its strong revenue growth record with a further increase of 21%
- Over 6.2 million hours of care delivered in 2008, an increase of 19% over 2007
- Weekly hours of care at end September 2008 at 123,000 v 115,000 at September 2007 (+7%)

Business highlights

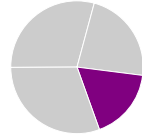
- Acquisitions of Badminton Healthcare (South Gloucestershire) and Robnet (Wolverhampton & Dudley); combined total of 3,500 hours pw
- New and renewed contracts in Cheshire, Surrey, St Helens, Southampton and Kensington & Chelsea. Net increase overall of c5,000 hours pw
- Operating margin dip reflects start-up difficulties with two new contracts (Hertfordshire & Harrow) (recovery expected) and the costs of additional holiday entitlements under the WFA 2006.
- Opportunities to extend community-based services, focus on links with Specialist Care and Health Care

fulfilling lives

Specialist Care



Financial performance



Revenue by division 18%

	2008	2007	% change
Revenue (£m)	60.3	58.7	+ 3%
EBITA (£m)	6.4	6.5	N/A
Margin (%)	10.5%	11.1%	

- Growth in revenue of 3%, all organic
- Focus on improving operational performance in each business and developing good market positions in mental health and learning disabilities supported living services

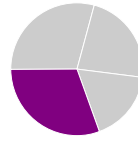
Business highlights

- Mental Health revenue growth of 4%, operating profit up by 17% due mainly to improved occupancy, particularly in eating disorders
- Learning Disabilities (LD) revenue growth of 5%. New and extended LD supported living contracts in both England (North West, North East and East Midlands) and Scotland (South Lanarkshire)
- Children's Services revenue reduction of 3%; operating margin still positive. Re-configuration of services to better match commissioners requirements
- Opportunity to combine Specialist skills (MH and LD) with Health Care division for PCT provider arms tendering

Health Care



Financial performance



Revenue by division 30%

	2008	2007	% change
Revenue (£m)	103.9	60.1	+ 73%
EBITA (£m)*	10.9	5.2	+ 112%
Margin (%)	10.5%	8.6%	

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

- Revenue growth 73%; EBITA growth 112%
- 35% of revenue from PHG, 13% from original Primary Care business, balance from GC8
- Phase 2 ISTC centre in Southampton commenced services in October; CATS project in Manchester in mobilisation for early 2009 service commencement
- Acquisition of 50% of PHG not previously owned in August 2008, now fully integrated

Business highlights

- Five additional Primary Care contracts started in the year for prison health, ophthalmology and GP services; new diagnostics service in Rotherham due to start early 2009
- Significant improvement in operational performance at SOTC at Haywards Heath
- Very strong financial performance from PHG; excellent levels of patient satisfaction and good clinical outcomes
- Bidding ongoing for the 'Equitable Access' procurement; two new small contracts awarded to date
- Encouraging progress with ISTC wave 1 centres continuity; possible leasehold arrangement to enable recovery of residual capital value
- Good progress on compensation negotiations

fulfilling lives



fulfilling lives



Financial review



Summarised group balance sheet

	30 September 2008	30 September 2007
£m		
Tangible fixed assets (all at historic NBV)	247.8	202.5
Intangible assets, investments & financial assets	93.8	103.2
Current assets excluding cash	56.2	35.8
Gross assets	397.8	341.5
Liabilities excluding net debt	(100.8)	(63.6)
Net assets before net debt	297.0	277.9
Net debt	(180.2)	(170.3)
Net assets	116.8	107.6
Gearing against tangible fixed assets	73%	84%
Gearing on net assets	154%	158%

Movement in net debt



	2008	2007
Adjusted operating profit (group only)	31.8	25.4
Depreciation and other non-cash charges	15.6	10.0
Working capital movements	(0.5)	(0.8)
Integration & restructuring costs	-	(2.1)
Operating cash flow	46.9	32.5
Capital expenditure (net)	(14.9)	(16.4)
Acquisitions and investments (including JV funding)	1.5	(27.0)
Investment cash flow	(13.4)	(43.4)
Stakeholder cash flows (interest, tax dividends, shares issued)	(17.8)	(11.7)
Movement in net debt arising from cash flows	15.7	(22.6)
Net debt acquired with acquired businesses	(25.1)	(31.0)
Other non-cash movements in net debt	(0.5)	(1.4)
Total movement in net debt	(9.9)	(55.0)
Net debt at 30 September	(180.2)	(170.3)
Operating cash flow conversion ratio v adjusted operating profit	147%	128%

Funding structure (1)

- At 30-Sep-08, total funding headroom of £80m+, including £22.9m of cash held (after taking account of PBs). Group syndicated facility committed to Feb-15.

Net debt and hedging position at 30-Sep-08 (£m)	Total	Fixed rate	Collars	Floating rate
Total available facilities (including £3m non-committed)	273.7	-	-	-
Group facility utilisation (excl performance bonds)	154.0	81.7	61.0	11.3
GC8 non-recourse facility	20.5	20.5	-	-
PHG non-recourse facilities	29.2	29.2	-	-
Gross debt (= total drawn facilities)	203.7	131.4	61.0	11.3
% of gross debt	100%	65%	30%	5%
Finance leases/arrangement fees/other	(0.6)	(0.6)	-	-
Cash & cash equivalents	(22.9)	-	-	(22.9)
Net debt	180.2	130.8	61.0	(11.6)
% of net debt	100%	73%	34%	(7%)



Funding structure (2)

- **Debt facilities:** group syndicated facility £221.0m fully committed to Feb-15 (subject to partial repayment profile); non-recourse PHG/GC8 debt of £49.7m partly repayable out of cash flows with balance of £38m linked to Wave 1 buybacks (total buyback value = £54m); overdraft facility £3m
- **Key bank covenants** (on main facility): Net Debt/EBITDA required 6.25¹x (Sep-08 4.2x), EBITDA/ interest cover required 3.0x (Sep-08 3.7x)
- **Hedging:** at 30-Sep-08, 95% of gross debt effectively hedged; if LIBOR floating rate is 5.5% hedging benefit is c£0.6m: LIBOR +1% = total cost impact of c£0.2m, LIBOR -1% = benefit of c£0.6m
- **EBITDA:** reported in FY08 was £51.7m; pro-forma total, including 100% of PHG for the full year, was £59.5m = 3.4x gross debt & 3.0x net debt
- **Property values:** surplus v NBV c£120m when last valued in 2006; current estimate similar with higher yield balancing higher EBITDAR

¹ Reduces to 5.75x by Mar-10



fulfilling lives



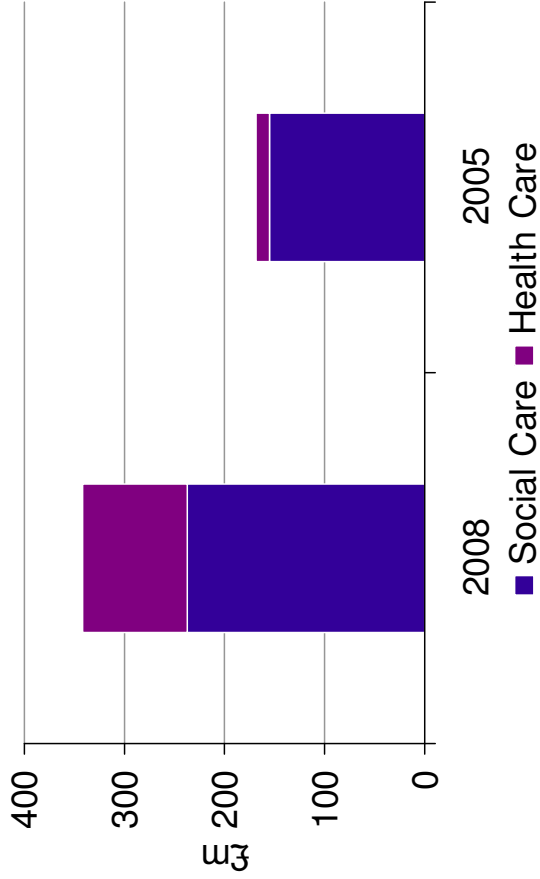
Strategic progress



Financial track record



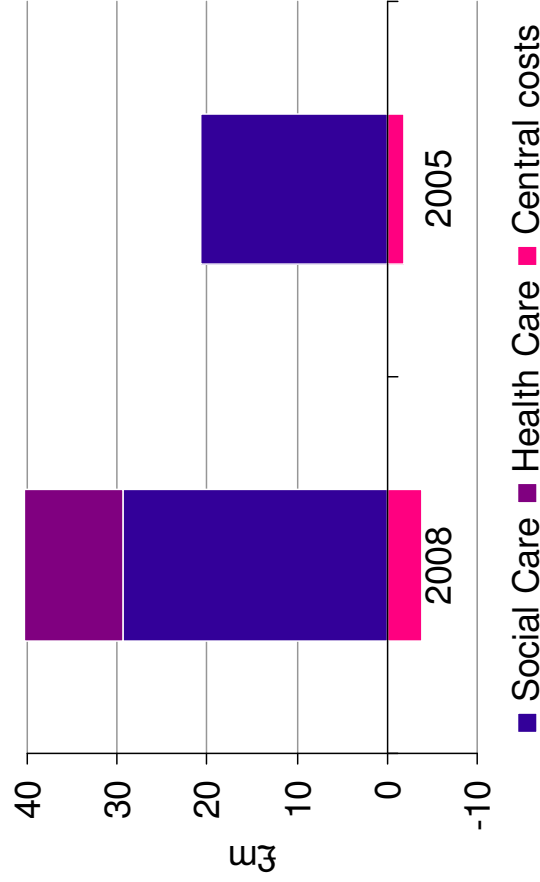
Revenue 2008 v 2005



Revenue growth rates 2005 - 2008

Social Care	15.2% pa
Health Care	96.9% pa
Group total	26.4% pa

EBITA 2008 v 2005



EBITA growth rates 2005 - 2008

Social Care	12.1% pa
Health Care	N/A
Group total	24.5% pa

Largest 10 Independent Sector providers, by value, of ISTCs and extended choice volume

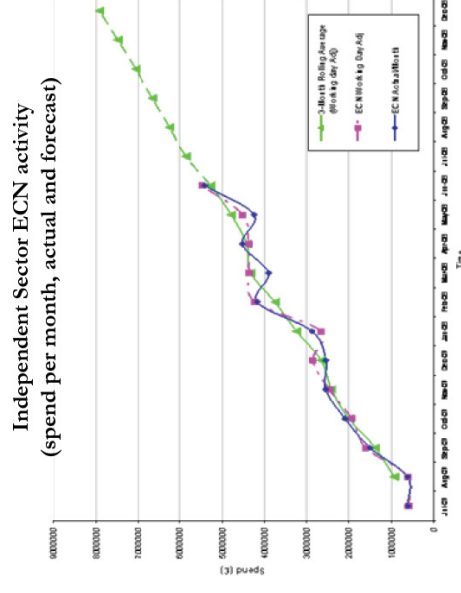
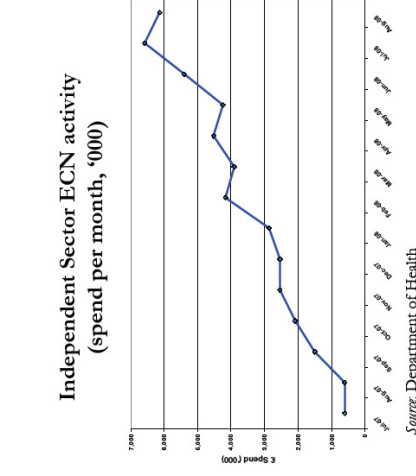


£ rank	Provider	Patient throughput
1	Care UK	170,864
2	Ramsay Health Care	19,828
3	Interhealth Care	7,831
4	UK Specialist Hospitals	9,782
5	Nations Healthcare	35,498
6	Netcare	7,882
7	Spire Healthcare	33,507
8	Alliance Medical	80,368
9	Nuffield Hospitals	1,988
10	The Horder Centre	486

A large and rising level of services have been procured through the extended choice network

The Extended Choice Network (ECN) is an example of an AWP model as applied to elective services and supplied exclusively by the independent sector. It has shown steady growth from its early stages in July 2007, and is forecast to continue growing significantly into the future.

The figures below indicate the strong growth in ECN since July 2007 and forecast of continuing growth.



Source: Department of Health

41 Frontier Economics | October 2008 |

Source: Department of Health

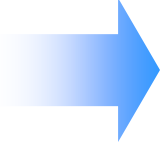
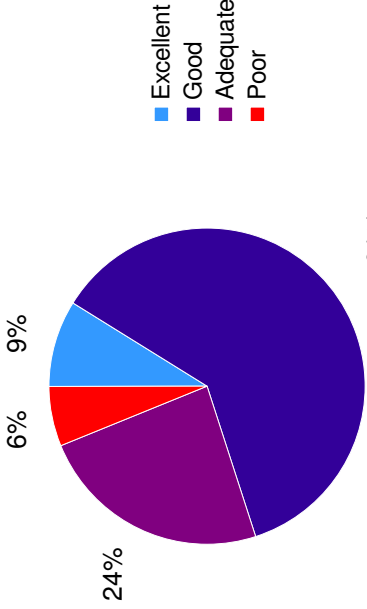


Progress on quality

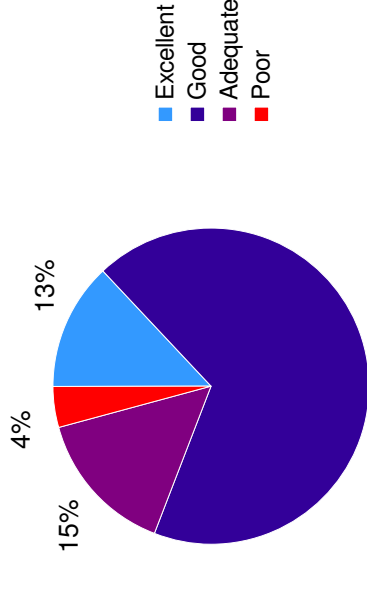


- Zero MRSA and *Clostridium difficile* hospital acquired infections at all Care UK treatment centres

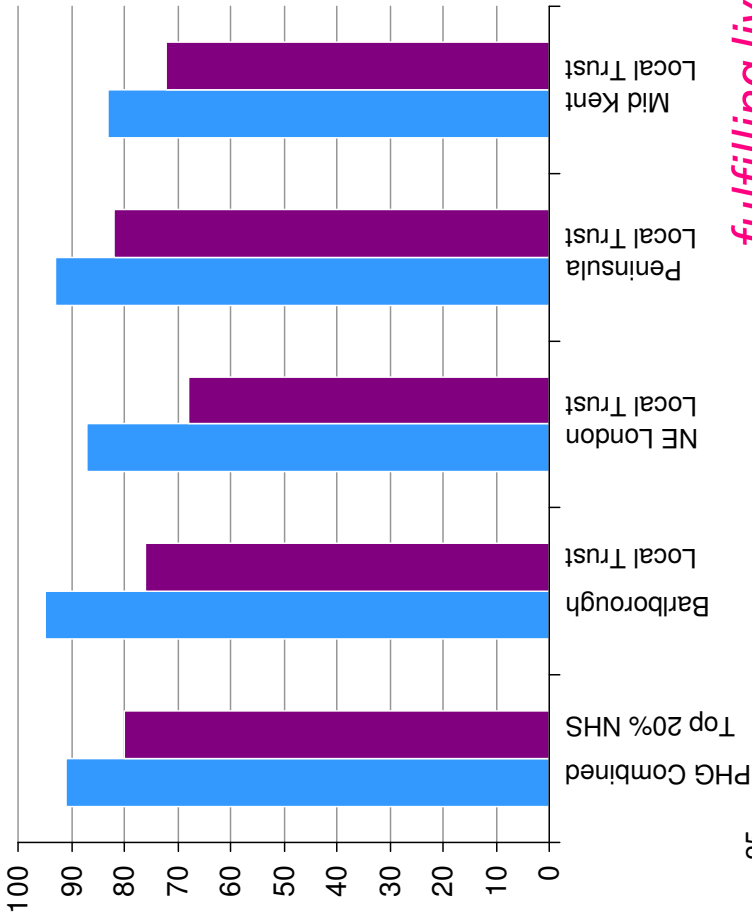
Care UK CSCI ratings as at September 2007



Care UK CSCI ratings as at September 2008



Overall how would you rate the care you received?



fulfilling lives



Strategic objectives

To be the provider of choice for health and care

- Enabling people to live fulfilling lives
- Shaping the future
- Improving and innovating
- Culture of excellence

Social Care

- Continue to win contracts and develop services focused on self funded consumers
- As valuations fall, acquire good quality care homes and community care providers

Health Care

- Agree property solutions to continue to operate wave 1 ISTCs
- Win contracts for primary care services and for PCT provider arms outsourcing through AWP (also an opportunity for Specialist Care)
- Consider acquisition and partnership opportunities



fulfilling lives



Appendix

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
- Of all beds Care UK is at # 8 with 1% market share
 - Public sector provides 8%
 - Top 8 have 20% market share
 - 52% of the market operates less than 3 homes
- 3,303 beds/daycare places across 57 homes, average weekly fee level £621
 - Dementia nursing 36%
 - Frail nursing 30%
 - Frail elderly 34%
- 68% of beds contracted for an average of 9.5 years
- Financial occupancy typically around 97%
- 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
- Care UK is at # 3 with 5% market share (excluding informal care market)
 - Public sector provides 17%
 - Top 6 have 20% market share
 - Balance highly fragmented
- Main competitors include Nestor, Allied, Careforce (Mears), Supporta and Claimar
- Total homecare hours of c123,000 pw, 92% funded by Social Services, average weekly spend per service user £99 (around 7.5 – 8.0 hours of care per week)
 - Frail elderly 70%
 - Dementia 15%
 - Other specialist 15%
- Average price c£12.50 - £13.00 per hour
- Around 70% of hours contracted, average remaining term around 2 years

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.
- Care UK is at # 10 with 1% market share
 - Public sector provides 30%
 - Top 10 have 20% market share
- c1,000 places across 175 homes (plus fostering), average fees c£1,200 pw
 - Learning disabilities 45%
 - Mental health 32%
 - Children 23%
- 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

- Primary Care, providing an increasing range of primary care services currently across 14 sites, plus major CATS contracts in Manchester in mobilisation for service commencement in early 2009. Will also include 3 former GC8 sites (Portsmouth, Havant & Wycombe) as from 1 January 2009.
- Secondary Care, operating 9 ISTCs with 10th centre in Southampton operational from Oct-08; 3 centres transfer to Primary Care as from 1 January 2009.
- ISTC contracts for initial 5 to 7 years with minimum case-mix volumes and guaranteed asset buyback at residual value (on Wave 1 schemes).
- Care UK is the leading independent sector provider of services to the NHS; independent sector share c5%

As from 1 January 2009:

Secondary Care MD: Dr Grant Rex

Primary Care MD: Dr Mark Hunt

Director of Strategic Service Development:

Dr Sushil Jathanna

fulfilling lives

care
UK



fulfilling lives