



CARE UK
plc



Interim Report 2003

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Highlights for the year

	Interim # 2003 £000	Interim # 2002 £000	Change %	2003 Total £000	2002 Total £000
Turnover	51,550	45,989	+12.1	51,550	45,989
Operating profit*	5,942	4,753	+25.0	3,790	3,180
Profit before tax*	4,196	3,316	+26.5	2,044	1,743
Profit before tax	3,899	3,062	+27.3	1,747	1,489
Undiluted earnings per share*	5.84p	4.45p	+31.2	2.78p	2.21p
Interim dividend per share	0.90p	0.85p	+5.9	0.90p	0.85p

* before goodwill amortisation of £297,000 (2002: £254,000)

results before revenue investment costs

Care UK has made excellent progress in both operational performance and business development during the past six months.

- Operating profit on a comparable basis up by 25% with improved operating margins;
- Revenue investment programme accelerated for completion in current year;
- Contract appointments announced worth £9m annualised turnover;
- Contracted turnover £565m plus £150m for active preferred provider appointments;
- Acquisition of Premiere Homecare in January 2003, adding 25% to homecare volumes;
- Shortlisted on 6 projects, from 9 bids submitted, in the first wave of new Diagnostic and Treatment Centres, out of a total of 17 announced projects.

John Nash, Chairman, commented:

"I am pleased to report such positive operational progress and encouraging development initiatives. Our aim is to continue to improve Group performance through the evolution of services that deliver even more value to our clients, repositioning Care UK as a more broadly based health and social care services provider."

John Nash
Chairman

Operations and finance review

Results

Care UK has made excellent progress in both operational performance and business development during the past six months, with operating profit on a comparable basis up by 25% and with improved operating margins in both Residential and Community Care Services.

The Group results, set out in the consolidated profit and loss account, show operating profit before revenue investment in development projects ("RIDP") and goodwill amortisation of £5.9m (2002: £4.8m). Profit before tax, RIDP and goodwill amortisation was £4.2m (2002: £3.3m) and associated earnings per share were 5.84p (2002: 4.45p). Overall profit before tax was £1.7m (2002: £1.5m) with associated earnings per share of 2.19p (2002: 1.69p).

Review of operations

Residential Care Services

Six months ended 31 March	2003 £000	2002 £000
Turnover	34,111	30,997
Operating profit *	5,353	4,416
Operating margin	15.7%	14.2%
* Before goodwill amortisation and RIDP		

Whilst turnover grew in this division by 10% against the previous year, operating profit rose by 21%, improving operating margin by 1.5%. Key contributory factors to this improvement were the Tariro House contract, which commenced in June 2002, the full impact of the Surrey contract, which commenced in February 2002 and reduced divisional overheads resulting from the simplification of the Group's operating structure during 2002.

The Woodside Resource Centre in Middlesbrough was opened in December 2002. This newly constructed facility includes a 60 bed unit for the elderly frail and a 20 bed unit for the adult mentally ill, the latter not yet having been opened. A total of 51 beds are contracted for periods up to 5 years.

As part of the Surrey contract, the total redevelopment of Whitebourne was completed in January 2003. Whitebourne is a residential home for the elderly mentally ill, with a total of 63 beds, of which 39 are contracted to

February 2003. In addition, there are 20 day care places, of which 10 are contracted.

Community Care Services

Six months ended 31 March	2003 £000	2002 £000
Turnover	17,439	14,992
Operating profit *	1,230	969
Operating margin	7.1%	6.5%
* Before goodwill amortisation		

Community Care showed turnover growth of 16% and improvement in operating profit of 27% over the previous year. These figures include almost three months trading from the Premiere Homecare acquisition completed in January 2003, with turnover of £273,000 and operating profit before goodwill amortisation of £111,000. Organic growth, excluding this contribution, was 14% in turnover and 15% in operating profit. Both learning disabilities and homecare have achieved growth in volume compared to the prior year and learning disabilities has achieved significant improvement in margin following the integration with homecare.

Revenue Investment in Development Projects

In 2002 the Group moved to a more transparent accounting policy relating to the change and temporary excess operating costs associated with the Group's 3 Long Term Outsourcing Contracts (Hillingdon, Richmond and Surrey), such costs now being classified as RIDP in the Group's accounts. These costs are fully recovered over the life of the contracts. The Group has now initiated a series of actions to complete the change programme more quickly than initially planned to achieve certainty on the outcome of the projects and the level of revenue investment.

The change programme resulting from these contracts was originally planned to take up to a further 4 years to complete, after the current financial year. The actions that we have now taken will result in this change programme being completed during the current financial year and therefore there will be no further costs relating to this programme after the end of the current financial year.

Operations and finance review ... continued

Consequently, whilst we anticipate costs in 2003 to exceed previous expectations by up to £1.5m, the overall cost of the change programme is expected to be up to £2.4m lower than previously projected. The aggregate gross cost, over the 4 year period from 2000 to 2003, is estimated to be around £9.4m, reducing to a net cost of approximately £5.7m after offsetting proceeds from the sale of properties released by the redevelopment programme for these contracts. These proceeds are expected to arise partly in the next 6 to 9 months with the balance anticipated in 2 to 3 years time, following the completion of the building programme in Richmond.

Cash Flow and Net Debt

Net debt increased over the period by £1.2m to £60.7m. Cash inflow from operations, excluding RIDP costs, was £7.7m. As a ratio of 129% to operating profit before RIDP, this exceeds the Group target level of c120%. Net investment outflows amounted to £5.8m, comprising gross capital investment of £3.7m, RIDP costs of £2.1m, acquisition related flows of £0.8m less proceeds from asset disposals of £0.8m.

During the period a number of properties were identified for disposal, either as a result of contract expiry or under-performance of the related business. This comprises 4 mental health residential properties and 7 learning disabilities houses. The total net book value of these properties at 30 September 2002 was £2.9m; currently all of the residential properties have been sold with proceeds received in the first half amounting to £0.8m, and a further £1.0m due in the second half. Negotiations are well advanced for the sale of the majority of the 7 learning disabilities houses.

Net stakeholder payments, comprising interest, tax and dividends less proceeds from the issue of shares, amounted to £3.1m in the period.

Interest payable, including interest capitalised as part of the Group's construction programme, was covered 3.9 times at the level of EBITDA before RIDP, compared with 3.7 times in the prior year first half.

Dividend

The Board are recommending an interim dividend of 0.90p per share (2002: 0.85p), an increase of 6%. The interim dividend will be paid on 20 June 2003 to shareholders on the register as at 6 June 2003.

Borrowing Facilities

The Group has agreed terms with its principal lending banks for a further £25m 5 year revolving credit facility, to add to the existing loan facilities of £73.8m. Whilst the existing facilities are broadly sufficient to finance the completion of both ongoing and active preferred provider projects, the addition of this further tranche will allow for the funding of those projects currently in the development pipeline which proceed to contract signing, as well as the potential entry into other market opportunities outlined in the review of new business below.

The additional facilities are being provided on the basis of the same covenants as the current facilities.

Review of New Business

We are delighted to confirm that contracts have now been signed for 3 previously announced preferred provider projects as well as the award of several learning disabilities and homecare contracts.

Residential Care Services

For the London Borough of Islington we are to build 2 new resource centres with 111 beds and 40 day care places, delivering a mix of nursing, residential and respite care. The contract, for 99 beds and all of the day care places, is for 25 years and the expected capital investment is £7m. Commissioning of the first centre is expected to be in the spring of 2004, with the second centre in the spring of 2005.

The London Borough of Hillingdon has contracted with us to build a new nursing and residential care home with 66 beds. The home is to be built on land made available following the redevelopment of the Hillingdon portfolio of homes previously transferred to Care UK, and is planned to be operational in the Spring of 2004. The contract is for 8 years, for all of the beds, and the capital investment is expected to be £3.2m. Care UK has a 95 year

Operations and finance review ... continued

lease on the land on which this property will be built.

Berkshire Healthcare NHS Trust and Reading Borough Council have contracted with us to build a new high dependency nursing home with 12 beds for adults with mental health illness. The contract, for all 12 beds, is for 10 years and the capital investment is expected to be £1.3m.

We are making steady progress with contractual discussions with the London Borough of Hammersmith and Fulham for whom we are preferred provider to build 2 homes with 158 beds, 32 sheltered housing units and various day care facilities. A total of 130 beds, and all of the sheltered housing units, will be contracted. The homes will provide a range of nursing, residential, respite and day care services. The contract includes homecare services (around 700 hours per week) enabling an integrated care service to be provided. The capital investment will be c£11m.

We are also making good progress on discussions with Croydon Primary Care NHS Trust for the provision of a 15 bed forensic community hostel. A site has now been identified and agreed with the Trust, subject to planning permission. The contract is for 5 years for all of the beds, and the capital investment will be c£2m.

Community Care Services

We continue to grow our homecare business profitably and several contract extensions have been won together with new appointments for learning disabilities care in a supported living environment.

Improved contracts were awarded by Sheffield Social Services, for an extra 650 hours per week, an increase of 30%, and by Lambeth Social Services, for an extra 350 hours per week, an increase of 44%. We do not include such awards in the total annualised income from new contracts mentioned earlier.

We have commenced new contracts with Argyll & Bute Council for people with mental health problems, for approximately 650 hours per week, and with Aberdeen City Council and Uttlesford Primary Care Trust for the provision

of supported living services to a total of 37 people with learning disabilities. These contracts are all of 3 years duration.

Whilst relatively small in scale, we were particularly pleased to be selected to provide care training services to care workers directly employed by Hackney Borough Council and Great Yarmouth PCT. This represents a positive endorsement of Care UK's operational credibility and reputation.

In January 2003 we completed the acquisition of Premiere Homecare from the Match Group for total consideration of up to £2m, the initial consideration being £0.8m. The business provides around 10,000 hours per week in London and represents volume growth in homecare of some 25%. The integration of the business has gone well and we are on track to achieve the level of profit anticipated at the time of the acquisition.

New market opportunities

The Government's restructuring of UK health and social care services continues to present opportunities for Care UK to progress its evolution to a broad based health and social care services provider.

Integrated residential and homecare for the elderly

Demographic projections for the next 50 years suggest that the number of registered care facilities for the elderly would need to double unless care strategies are changed to more mixed residential and home based solutions. The Government's strategy, therefore, is to invest in new services involving specialist homecare combined with emergency short stay residential care.

Care UK is the only private sector provider to have substantial scale and expertise in both residential and homecare. The new contracts announced earlier include a high level of intermediate care and the integration of homecare with residential care. In addition, our homecare business is developing more value added services to support the Government's strategy to enable people to remain in their own home for longer.

Operations and finance review ... continued

Specialist mental health care services

NHS acute psychiatric capacity is stretched, yet many patients have been in acute units for too long and would benefit from transition to care in less acute settings. To facilitate this, many NHS Mental Health Trusts intend to create new step down, community based, facilities.

Care UK now provides several such facilities based upon partnership arrangements that enable them to operate as part of the overall NHS solution, with NHS clinical control. We are investing further in our development expertise to particularly focus on this opportunity.

Diagnostic and Treatment Centres

The Government has clearly articulated its intention to substantially increase the proportion of NHS funded and managed acute care to be delivered by private sector partners. The initial phase of this strategy is to commission the creation of a number of new Diagnostic and Treatment Centres ("DTC's").

DTC's will deliver a range of diagnostic services, outpatient treatments (for example, radiology) and planned elective day case surgery. The first wave of commissioning includes 9 specific projects and 8 chains of projects.

To respond to this opportunity, we have formed a joint venture with Afrox Healthcare, supported by Alliance Medical.

Afrox Healthcare is an established independent hospital operator in South Africa and is one of the world's largest providers of acute private healthcare. Afrox Healthcare operates over 7,500 acute care beds and 10,000 chronic care beds in 13 day case surgery centres and 50 acute hospitals.

Alliance Medical is Europe's leading provider of diagnostic imaging services and supports over 150 NHS and independent hospitals in the UK.

We have been shortlisted for 4 specific projects and for 2 chains covering a number of locations, from the total of 9 projects for which we submitted an initial bid. Preferred provider appointments are expected to be

made for most projects by September this year. Whilst for the time being, we remain circumspect on the planned programme timescales and our own prospects for success, we are delighted to be engaging so positively with Primary Care Trusts and the Department of Health in such an important project.

People

To support our strategy, we have made further significant management appointments during the year.

Dr Sushil Jathanna has been appointed Director, Clinical Services. Sushil was previously Director of Public Health for two Primary Care Trusts and brings substantial clinical integrity as well as insight into the needs of Primary Care Trusts.

To support our plans to develop new and integrated care solutions, we are now reinvesting some of the benefits from the management reorganisation implemented in the previous financial year in the recruitment of new key business development executives from senior positions within the NHS and the independent sector.

We acknowledge and greatly appreciate the dedication of all of our staff. Care UK enables many people to enjoy a better quality of life and this is only achieved through the hard work and compassion of our people.

Outlook

The changes in the management team and organisation introduced last year have impacted positively on operational performance and we anticipate maintaining this improvement in the second half.

The health and social care market offers continuing good opportunities for high quality service providers such as Care UK. We are investing in enhanced skills and developing innovative services to enable the Group to benefit from these opportunities during the coming years.

Mike Parish
Chief Executive
20 May 2003

Paul Humphreys
Finance Director

Unaudited interim results

for the six months ended 31 March 2003

	6 months to 31 March 2003			6 months to 31 March 2002			Year to 30 Sept 2002
	Results before revenue investment costs £000	Revenue in develop- ment projects £000	Total £000	Results before revenue investment costs £000	Revenue in develop- ment projects £000	Total (as restated) (Note 1) £000	
Turnover							
Continuing operations	51,277	—	51,277	45,989	—	45,989	97,794
Acquisitions	273	—	273	—	—	—	—
	51,550	—	51,550	45,989	—	45,989	97,794
Cost of sales	(38,618)	(2,152)	(40,770)	(36,243)	(1,573)	(37,816)	(77,695)
Gross profit	12,932	(2,152)	10,780	9,746	(1,573)	8,173	20,099
Administrative expenses	(7,287)	—	(7,287)	(5,247)	—	(5,247)	(12,170)
Operating profit before goodwill amortisation							
Continuing operations	5,831	(2,152)	3,679	4,753	(1,573)	3,180	8,429
Acquisitions	111	—	111	—	—	—	—
Goodwill amortisation							
Continuing operations	(271)	—	(271)	(254)	—	(254)	(500)
Acquisitions	(26)	—	(26)	—	—	—	—
Operating profit							
Continuing operations	5,560	(2,152)	3,408	4,499	(1,573)	2,926	7,929
Acquisitions	85	—	85	—	—	—	—
	5,645	(2,152)	3,493	4,499	(1,573)	2,926	7,929
Net interest payable	(1,746)	—	(1,746)	(1,437)	—	(1,437)	(3,053)
Profit on ordinary activities before taxation	3,899	(2,152)	1,747	3,062	(1,573)	1,489	4,876
Taxation	(1,319)	646	(673)	(1,132)	472	(660)	(1,921)
Profit on ordinary activities after taxation	2,580	(1,506)	1,074	1,930	(1,101)	829	2,955
Dividends			(442)			(418)	(1,252)
Retained profit			632			411	1,703
Earnings per share							
Basic	5.25p		2.19p	3.93p		1.69p	6.02p
Diluted	5.23p		2.18p	3.88p		1.67p	5.96p
Basic(before goodwill amortisation)	5.84p		2.78p	4.45p		2.21p	7.04p
Diluted (before goodwill amortisation)	5.81p		2.76p	4.39p		2.18p	6.97p

Unaudited group balance sheet

as at 31 March 2003

	6 months to 31 March 2003	6 months to 31 March 2002 (as restated) (Note 1)	Year to 30 Sept 2002
	£000	£000	£000
Fixed assets			
Intangible assets	11,031	9,538	9,288
Tangible assets	92,021	84,915	90,400
Investments	40	25	40
	103,092	94,478	99,728
Current assets			
Stocks	274	1,939	828
Debtors	15,698	10,676	13,157
Cash at bank and in hand	1,711	3,276	2,877
	17,683	15,891	16,862
Creditors			
Amounts falling due within one year	(18,051)	(16,812)	(15,456)
Net current (liabilities)/assets	(368)	(921)	1,406
Total assets less current liabilities	102,724	93,557	101,134
Creditors			
Amounts falling due after more than one year	(60,925)	(54,508)	(60,388)
Provisions for liabilities and charges	(4,525)	(3,878)	(4,254)
Net assets	37,274	35,171	36,492
Capital reserves			
Called up share capital	4,925	4,906	4,909
Share premium account	3,339	3,179	3,205
Revaluation reserve	95	95	95
Profit and loss account	28,915	26,991	28,283
Shareholders' funds - equity	37,274	35,171	36,492

Unaudited group cash flow statement

for the six months ended 31 March 2003

	6 months to 31 March 2003	6 months to 31 March 2002 (as restated) (Note1)	Year to 30 Sept 2002
	£000	£000	£000
Cash inflow from operating activities	5,535	3,163	9,933
Returns on investments and servicing of finance			
Interest paid	(1,742)	(873)	(3,754)
Interest received	9	9	17
Net cash outflow from returns on investments and servicing of finance	(1,733)	(864)	(3,731)
Taxation			
UK Corporation Tax paid	(686)	(765)	(2,384)
Capital expenditure			
Purchase of tangible fixed assets	(3,701)	(4,592)	(11,950)
Sale of tangible fixed assets	836	565	1,224
Net cash outflow from capital expenditure	(2,865)	(4,027)	(10,726)
Net cash outflow from acquisitions	(800)	(525)	(915)
Equity dividends paid	(834)	(736)	(1,154)
Cash outflow before financing	(1,383)	(3,754)	(8,983)
Financing			
Issue of ordinary share capital	150	14	43
New secured loans	606	6,749	12,349
Repayments of amounts borrowed	(1,095)	(250)	(1,122)
Capital element of finance lease payments	—	(23)	(25)
Net cash inflow from financing	(339)	6,490	11,245
(Decrease)/increase in net cash in the period	(1,722)	2,736	2,262

Reconciliation of net cash flow to movement in net debt

Net debt at start of period	59,475	50,535	50,535
Decrease/(increase) in net cash for the period	1,722	(2,736)	(2,262)
New secured loans	606	6,749	12,349
Repayment of amounts borrowed	(1,095)	(250)	(1,122)
Capital element of finance lease payments	—	(23)	(25)
Increase in net debt during period	1,233	3,740	8,940
Net debt at end of period	60,708	54,275	59,475

Other consolidated primary statements for the six months ended 31 March 2003

Statement of total recognised gains and losses

	6 months to 31 March 2003	6 months to 31 March 2002 (as restated) (Note 1)	Year to 30 Sept 2002
	£000	£000	£000
Retained profit for the financial period	632	411	1,703
Total gains and losses recognised for the financial period	632	411	1,703

Reconciliation of movement in shareholders' funds

	6 months to 31 March 2003	6 months to 31 March 2002 (as restated) (Note1)	Year to 30 Sept 2002
	£000	£000	£000
Opening shareholders' funds	36,492	34,746	34,746
Retained profit for the period	632	411	1,703
Issue of shares	150	14	43
Closing shareholders' funds	37,274	35,171	36,492

Notes

1. Accounting Policies

The results for the six months to 31 March 2003 have been prepared on the basis of the accounting policies set out on page 30 of the 2002 Annual Report. During the second half of 2002 the Group changed its accounting policy in respect of revenue investment in development projects. These costs are now taken directly to the profit and loss account as incurred rather than being spread evenly over the life of the contracts to which they relate. The adjustment to the prior year interim results in respect of these costs is £1,573,000 with a corresponding tax credit of £472,000, which has been reflected in the prior year interim comparative figures.

2. Segmental analysis

Analysis by class of business:	Turnover			Operating profit		
	6 mths to 31 March 2003	6 mths to 31 March 2002	Year to 30 Sept 2002	6 mths to 31 March 2003	6 mths to 31 March 2002 (as restated)	Year to 30 Sept 2002
	£000	£000	£000	£000	£000	£000
Residential Care						
Services	34,111	30,997	65,674	5,353	4,416	10,264
Community Care						
Services	17,439	14,992	32,120	1,230	969	2,626
Central costs	—	—	—	(641)	(632)	(1,499)
Total before goodwill amortisation and revenue investment in development projects	51,550	45,989	97,794	5,942	4,753	11,391
Goodwill amortisation	—	—	—	(297)	(254)	(500)
Total before revenue investment in development projects	51,550	45,989	97,794	5,645	4,499	10,891
Revenue investment in development projects				(2,152)	(1,573)	(2,962)
As reported				3,493	2,926	7,929

Notes ... continued

3. Operating profit

	6 mths to 31 March 2003			6 mths to 31 March 2002 (as restated)			Year to 30 Sept 2002 Total
	Existing operations	Acquisitions	Total	Existing operations	Acquisitions	Total	
	£000	£000	£000	£000	£000	£000	£000
Turnover	51,277	273	51,550	45,989	–	45,989	97,794
Cost of sales	(40,744)	(26)	(40,770)	(37,816)	–	(37,816)	(77,695)
Gross profit	10,533	247	10,780	8,173	–	8,173	20,099
Administrative expenses	(7,125)	(162)	(7,287)	(5,247)	–	(5,247)	(12,170)
Operating profit	3,408	85	3,493	2,926	–	2,926	7,929

The turnover reported by the Group in respect of Premiere Homecare, which was acquired in January 2003, is lower than that previously reported by the business because Premiere falls under Care UK's definition of an agency branch, along with a number of other branches in the Group. The turnover reported therefore represents only the commission earned on the services provided by its homecare staff. This has no effect on the operating profit of the business.

4. Interest

Interest of £140,000 (2002: £149,000) charged on loans provided for the construction of homes has been capitalised. Capitalisation of interest ceases on the date of registration of a home.

5. Taxation

Taxation for the period has been provided for at the estimated effective tax rate for the year to 30 September 2003.

6. Earnings per share

The calculation of earnings per share is based on a weighted average of 49,138,878 issued Ordinary shares (2002: 49,050,819) in issue during the six month period ended 31 March 2003 and on £1,371,000 and £1,074,000 (2002: £1,083,000 and £829,000 respectively, as restated) being the profit attributable to ordinary shareholders before and after goodwill respectively.

The diluted earnings per share is based on a weighted average of 49,358,018 Ordinary shares (2002: 49,750,027) calculated in accordance with FRS 14 which assumes that all dilutive options will be exercised. The profit attributable to ordinary shareholders before and after goodwill respectively of £1,371,000 and £1,074,000 (2002: £1,083,000 and £829,000 respectively, as restated) has been calculated on a similar basis.

Notes ... continued

7. Reconciliation of operating profit to cash flow from operating activities

Reconciliation of operating profit to cash flow from operating activities	6 Months to 31 March 2003 £000	6 Months to 31 March 2002 (as restated) £000	Year to 30 Sept 2002 £000
Operating profit	3,493	2,926	7,929
Depreciation	1,360	1,142	2,520
Goodwill amortisation	297	254	500
Loss/(profit) on disposal of fixed assets	323	30	(47)
Decrease/(increase) in stocks	554	(1,625)	(514)
(Increase)/decrease in debtors	(2,190)	818	(1,013)
Increase/(decrease) in creditors	1,698	(382)	558
Cash inflow from operating activities	<u>5,535</u>	<u>3,163</u>	<u>9,933</u>

8. Dividend

The interim dividend of 0.90p per Ordinary share will be paid on 20 June 2003 to shareholders on the register on 6 June 2003.

9. The comparative figures for the financial year ended 30 September 2002 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

10. Copies of this report are being sent to shareholders. Further copies may be obtained from the Company's registered office, Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

The Internet

Our website address is www.careuk.com. From this site you may access our financial reports and presentations, recent press releases and details about the company and its operations.

Independent review report by KPMG Audit Plc to Care UK plc

Introduction

We have been instructed by the company to review the financial information set out on pages 6 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review

of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2003.

KPMG Audit Plc
Chartered Accountants
Ipswich
20 May 2003

Directors

JAS Nash	Non-Executive Chairman
RS Clough	Non-Executive Deputy Chairman
MR Parish	Chief Executive
PJ Humphreys	Finance Director
GC Lomer	Executive Director
Sir Tim Chessells	Non-Executive
L James	Non-Executive
F Ternofsky	Senior Independent Non-Executive



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