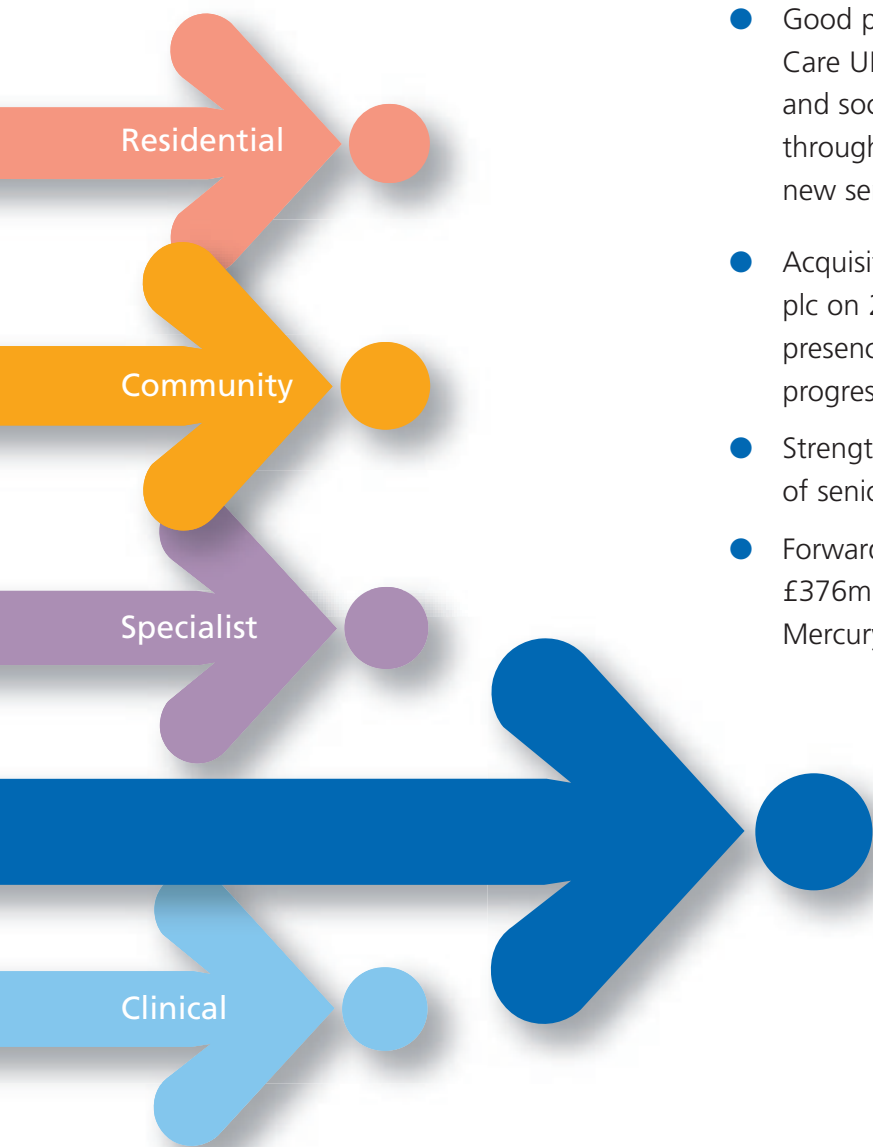


Care UK Plc interim report 2007



providing health and social care solutions



## Highlights

- Good progress in all areas of the business from Care UK, a leading independent provider of health and social care solutions in the UK, particularly through organic growth, bolt-on acquisitions and new services becoming operational
- Acquisition of Mercury Health from Tribal Group plc on 20 April 2007, strengthening Care UK's presence in the emerging NHS market; integration progressing well
- Strengthened management team with a number of senior appointments
- Forward contracted income of £921m with further £376m at preferred bidder, before including Mercury Health

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Amounts in £m unless stated	31 March 2007	31 March 2006	Change %
Revenue: group and share of joint venture	118.0	93.3	+27
Adjusted operating profit *	11.6	8.9	+31
Profit before group taxation and amortisation	7.1	5.7	+24
Profit attributable to equity shareholders	4.7	3.6	+28
Basic EPS	9.16p	7.23p	+27
Adjusted basic EPS *	9.80p	7.54p	+30
Interim dividend	1.22p	1.12p	+9
Net assets (total)	68.6	57.6	+19

\* before amortisation of other intangible assets and including joint venture operating profit

#### ● Residential Care

- Revenue and operating profit increased by 20% and 18% respectively
- Recent new contract awards from the Royal Borough of Kensington & Chelsea and Slough Borough Council both proceeding as planned

#### ● Community Care

- Excellent growth with revenue up 23% and operating profit up 25% as a result of recent acquisitions and contract wins
- Total hours of care provided per week up to 94,000 at the period end, an increase of 11% from September 2006
- Recent acquisitions in Greater Manchester and Stoke-on-Trent continue to strengthen geographical presence

#### ● Specialist Care

- Increase of 22% in both revenue and operating profit representing good growth across all three areas of mental health, learning disabilities and children's services
- New divisional Managing Director appointed and management strengthened in all business areas through the appointment of experienced sector operators

#### ● Clinical Care

- Revenue in Clinical Care increased to £15.7m (2006: £8.7m)
- Pleasing performance from PHG, the group's ISTC joint venture
  - Continuing high patient satisfaction levels and clinical outcomes from established ISTCs at Barlborough Links and Plymouth
  - Maidstone and North East London ISTCs opened as planned in October and December 2006 respectively
  - Good progress towards financial close on ground-breaking Hampshire/Isle of Wight ISTC project
- The existing Primary Care business continues to perform well
  - Commuter walk-in centres in Newcastle upon Tyne and London Victoria now operational
  - Progress towards financial close on important Primary Care and Diagnostics contracts

## Financial highlights

# +27%

revenue increased to £118m

# +31%

adjusted operating profit  
increased to £12m

# +24%

adjusted profit before tax  
increased to £7m

# +30%

adjusted earnings per share  
increased to 9.80p



**Mike Parish**  
Chief Executive



**Paul Humphreys**  
Finance Director

We are pleased to announce that during the first six months of the financial year Care UK made further good progress with growth in all areas of the business and, after the end of the period, completed the acquisition of Mercury Health from Tribal Group plc on 20 April 2007.

The Residential and Community Care divisions have maintained good momentum from organic growth, the addition of new services, developing existing services and, in the case of Community Care, from its continued strategy of adding high quality bolt-on acquisitions. The Specialist Care division has also achieved good growth in revenue principally as a result of the acquisitions completed during 2006 in Mental Health and Children's Services, and now has significantly strengthened management.

Within the Clinical Care division, the group's joint venture, PHG, has continued to perform well with the treatment centres in Maidstone and North East London both now operational. The group's Primary Care business has performed as expected with the exception of one contract, for an Urgent Care Centre in Luton & Bedfordshire, which has faced a challenging start-up period. Since the end of the period we have completed the acquisition of Mercury Health, which significantly strengthens the group's presence in the emerging NHS outsourcing market.

Following the acquisition of Mercury Health, Care UK will be organised across two business areas: Social Care, comprising the Residential Care, Community Care and Specialist Care divisions; and Health Care, comprising the Clinical Care division and Mercury Health. Further details of the new Health Care structure are given below.

We continue to believe that Care UK's strategy and portfolio approach, encompassing a broad range of Health and Social Care services, offer long-term value for shareholders and further opportunities for service development to its increasing customer base.

**John Nash, Chairman, said:**

"The strategies of both Local Authorities and the NHS continue to focus on commissioning and service development in response to challenging demographic trends. A key part of these strategies is to partner with the independent and voluntary sectors to complement expertise and to create a more dynamic and responsive market environment. The extent of this market transition is substantial and the evolution to a market economy is inexorable. In line with this, we believe that Care UK will continue to benefit from consolidation and organic growth opportunities to build an organisation of a scale in proportion to the substantial markets that we serve.

"Care UK's growth pipeline in Social Care remains strong and, following a period of transition from central to local procurement, we anticipate opportunities for further transformational growth in Health Care. Overall, Care UK's position as a leading independent provider of services to the NHS has been significantly strengthened over the first half of the year and we look forward to consolidating our position further in all areas of the business."

## Operations and finance review

# Strong base of forward contracted revenue totalling



## Dividend

The Board is recommending an interim dividend of 1.22p per share (2006: 1.12p), an increase of 9%. The interim dividend will be paid on 6 July 2007 to shareholders on the register as at 8 June 2007.

## Cash flow, net debt and funding

Net debt rose during the period by £4.3m to £119.5m. The group's gross utilisation of its principal syndicated bank facility was £123.2m, including £2.4m of performance bonds issued under the £20.0m element of the facility available for this purpose. The cash inflow from operating activities was £13.7m (2006: £12.6m), the comparative period benefiting from the receipt of non-recurring grant payments of £0.8m.

Net investment consumed £11.5m and stakeholder cash flows (interest, tax, dividends and equity issues) represented a net outflow of £6.5m. The net investment of £11.5m is made up of net capital expenditure of £7.2m, acquisition-related payments of £2.9m and a further loan to our joint venture business, PHG, of £1.4m. The net capital expenditure comprises new capacity of £5.1m, systems infrastructure investments of £0.3m and maintenance capital expenditure of £1.8m.

As announced at the group's AGM on 7 February 2007, the group acquired Access Homecare Limited, a homecare provider based in Ashton-under-Lyne in Greater Manchester, in December 2006. Access was acquired for an initial consideration of £2.8m with up to a further £0.9m payable dependent on profit earned in the 12 months following completion. In addition, payments totalling £0.1m were made in relation to acquisitions from previous years.

Since the period end and as part of the Mercury Health acquisition, the group's borrowing facilities were increased by a further £50.0m to a gross amount of £230.0m, a net amount of £225.5m after taking account of cumulative repayments to date. On a pro-forma basis, following the acquisition of Mercury, the utilisation of this facility was £151.8m, leaving headroom of £73.7m for the group's continued development.

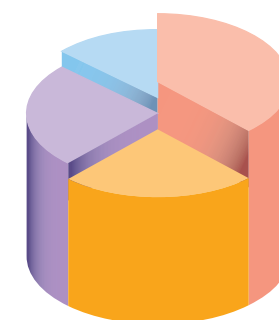
## Review of operations

### Residential Care

Six months ended	2007	2006
31 March	£000	£000
Revenue	45,249	37,786
Operating profit	7,296	6,161
Operating margin	16.1%	16.3%

Residential Care achieved a commendable improvement of 20% in revenue and 18% in operating profit. As expected, the operating margin reflects the increase in the number of beds operated under management contracts. Financial occupancy ('beds paid for') was close to 97% in the first half, slightly lower than in recent years, reflecting the build up of non-contracted bed occupancy in newly commissioned homes. Financial occupancy in like-for-like homes was consistent with prior years at around 98%.

Business mix 2007



<span style="color: orange;">■</span>	Residential Care	38%
<span style="color: yellow;">■</span>	Community Care	24%
<span style="color: purple;">■</span>	Specialist Care	25%
<span style="color: blue;">■</span>	Clinical Care	13%

# 921 million

Lennox House, the new 87-bed care home in the London Borough of Islington (40 beds contracted over 25 years), is now into its commissioning phase and will open as planned in the summer. As a lead-in to the opening of this new facility and to ensure a smooth transfer of services, in November 2006 the group assumed responsibility for the management of William Martin Court through a short-term management contract.

Birchwoods, a new residential care facility in Newbury, West Berkshire, commenced services in April 2007. This is a 60-bed facility, all of the beds being contracted, to be operated by Care UK under a minimum 10-year management contract. Since January 2007 the group has been managing Waring House, a council-owned residential care home from which the initial residents of the new home have transferred.

In Poole, our development partner has submitted a planning appeal in relation to the preferred site for the proposed new care home for older people with dementia. Possible alternative sites in Poole are also being sought. It is the group's intention to fund this development on a leasehold basis. Care UK has been managing the existing council-owned residential care facility, as well as providing both daycare and homecare services, since April 2006.

In February 2007 we also announced the award of a contract with Slough Borough Council for the provision of a 120-bed residential care facility, with 90 beds contracted for a minimum period of 15 years. We are making good progress towards reaching financial close on this contract and would anticipate commencing construction late in 2007 with services expected to commence by Summer 2009.

In February 2007 we also announced the award of a management contract with the Royal Borough of Kensington & Chelsea. We expect to commence services under this 21-year contract, for a 60-bed home with 30 beds contracted, early in the next financial year.

In Richmond a planning application has been submitted relating to the sale of the second of two surplus sites in the Borough, following the successful disposal of the first site in 2006. The sale is expected to be completed in the next financial year giving rise to a significant cash receipt and associated credit to the income statement.

Local Authorities and PCTs are highly focussed on demographic pressures and on creating better health and social care solutions for older people. With our emphasis on high dependency, rehabilitation and respite services we continue to develop strategic partnerships and remain optimistic for the outlook of this division.

#### Community Care

Six months ended	2007	2006
31 March	£000	£000
Revenue*	<b>28,553</b>	23,128
Operating profit **	<b>1,862</b>	1,484
Operating margin	<b>6.5%</b>	6.4%

\* Before elimination of inter-segmental revenues of £372,000 (2006: £nil)

\*\* Before amortisation of other intangible assets of £258,000 (2006: £110,000)

Within Community Care both revenue, up 23%, and operating profit, up 25%, continued to show excellent growth. This was favourably impacted by the acquisitions made in both the current period and prior year alongside

## Operations and finance review continued

**Good progress in all areas  
through organic growth, acquisitions and**

strong organic growth of 8% as a result of the previous year's exceptional level of contract wins.

In the current financial year additional contracts have been won in Liverpool, Bradford, Bracknell and Ealing. However the growth achieved from these contracts will be significantly offset by the loss of a contract in Lambeth following the Council's re-tendering of its homecare requirements. This is the first time in several years that Community Care has lost a contract of any scale.

Access Homecare, based in Ashton-under-Lyne in Greater Manchester, was acquired in December 2006. It currently provides over 5,000 hours per week of homecare, mainly under Local Authority block contracts, and represents a further step in expanding the group's presence in the North West of England. In April 2007, we acquired St Andrews Villa (Homecare Services) Limited, based in Stoke-on-Trent, for initial consideration of £2.3m. St Andrews provides over 5,000 hours per week of homecare, principally under Local Authority block contracts, and represents a good extension of the division's presence in the West Midlands.

At 31 March, the weekly total of hours of care provided amounted to over 94,000 compared with 85,000 at the start of the financial year, an increase of 11%.

There is a continuing strong pipeline of tenders in Community Care and we remain positive regarding the potential for success in this aspect of the business. Local Authority funding pressures continue to be an issue in some areas with the opportunity to support rising acuity of need being balanced by a reduction in funding for less intensive services. To complement organic growth, there are a good number of single-branch and regional businesses that would fit well into our growing branch network and we continue

to seek suitable acquisitions each year to extend the brand strength and scale that has been consistently developed over the past few years.

### *Specialist Care*

<b>Six months ended</b>	<b>2007</b>	2006
<b>31 March</b>	<b>£000</b>	£000
Revenue	<b>28,922</b>	23,663
Operating profit	<b>2,941</b>	2,419
Operating margin	<b>10.2%</b>	10.2%

Specialist Care has delivered overall growth in both revenue and operating profit of 22% across the three business areas of Learning Disabilities, Mental Health and Children's Services. The increase in revenue during the first half was made up of 8% organic growth and 14% from acquisitions made in the prior year. Whilst this represents positive momentum we are yet to be satisfied with the performance from all parts of this division.

In Learning Disabilities, we have seen very pleasing revenue growth of 16% and operating profit growth of 33% delivered mainly as a result of contract wins from the previous year. Care UK is an acknowledged market leader of supported living services for people with learning disabilities, achieving outstanding improvements in the extent of independent living and quality of life. Our aim is to build on this success alongside developing a broader spectrum of services.



## new services

The Mental Health business achieved both revenue and operating profit growth in excess of 15% notwithstanding the pressure on occupancy levels that has been evident in this part of the market over the past year. Increasingly, the preference for commissioners of these services is to look for community-based solutions such as outreach and to utilise residential facilities, where required, on a shorter-term basis than previously. We seek to develop services that will meet customers' needs in this area whilst evaluating the longer-term strategy for this service.

Trading within Children's Services has benefited from the two acquisitions made late in the previous financial year, with pleasing revenue growth of 48%. The 4% growth in operating profit is significantly lower as a result of occupancy build within new residential units and acquisition integration costs, a process that is now virtually complete. During 2006 we opened a foster care branch office in South London, which has helped to balance the reduction in foster care placements in Kent reported previously. We are now looking to achieve growth during the current financial year. The children's residential business now provides a good mix of urban and rural locations, and the combined business is developing enhanced and integrated services to create a differentiated and well placed position within this sector.

During the period we have strengthened the management of each of the three business areas within Specialist Care with the appointment of experienced sector operators. In addition, as separately announced today, Richard Jackson will be joining the group in June 2007 as Divisional Managing Director of Specialist Care. Richard's initial priority will be to improve further the operational effectiveness of each service whilst seeking market opportunities for growth and developing the overall strategy for the division.

### Clinical Care

Six months ended 31 March	2007 £000	2006 £000
Revenue	<b>15,681</b>	8,713
Operating profit/(loss) *	<b>703</b>	(178)
Operating margin	<b>4.5%</b>	(2.0%)

\* Before amortisation of other intangible assets of £69,000 (2006: £55,000) and joint venture net financing costs and taxation of £1,290,000 (2006: £680,000)

Approximately 75% of the revenue reported within Clinical Care in the period is derived from the group's 50% share of PHG, the group's ISTC joint venture, with the balance from the range of primary care contracts now operational. Overall the performance of PHG has been pleasing and the development of the Care UK primary care business, with the one exception detailed below, has also been in line with expectations for this emerging business.

During the period PHG's clinical service and patient satisfaction levels have continued to be high at its established treatment centres at Barlborough Links and Plymouth, with both centres operating at, or very close to, the projected contract case mix levels. In addition the financial returns for these centres have been consistently in line with targeted levels of profitability.

The third and fourth treatment centres procured as part of the Department of Health's first wave of central procurement for ISTCs, in Maidstone and Goodmayes in North East London, both opened on plan in October 2006 and December 2006 respectively. As with the first two centres, the initial emphasis has been on achieving high standards of clinical performance and patient satisfaction and we are seeing a significantly rising volume of patient referrals.

## Operations and finance review continued

# New contracts for residential care facilities in Slough and Kensington

In December 2006 we announced that PHG had been awarded preferred bidder status on the Hampshire/Isle of Wight ISTC project, part of the second wave of ISTC procurements. This project comprises the running of an entire, recently completed, PFI hospital in Lymington as well as the operation of a treatment centre within the Royal South Hants Hospital in Southampton. PHG is making encouraging progress towards financial close of this contract with services in Lymington due to transfer late in the current calendar year and the new centre in Southampton due to be operational in Spring 2008.

In Primary Care, we are encouraged by the performances of our ongoing contracts to provide out-of-hours services for Southend and Castle Point & Rochford PCTs, for the provision of a GP service and walk-in centre in Barking & Dagenham and for the provision of GP services to Chelmsford prison. Both of the commuter walk-in centres, in Newcastle upon Tyne and London Victoria, are now operational. The numbers of patients being seen in Victoria is high, although patient numbers in Newcastle have been slower than projected and we are working with the local Trusts to improve this position. The contract for the provision of a GP service to Wellingborough prison also started satisfactorily during the period.

The performance of the contract to provide an Urgent Care Centre in Luton & Bedfordshire, the first of its type in the country, has not performed in line with our expectations. The start-up of this service, for urgent unscheduled care services to NHS patients as part of the provision of Accident and Emergency service by Luton and Dunstable Hospital Trust, has been very resource-intensive and has required an initial costly period of use of locum clinicians. However, we are satisfied with the clinical model, which represents an opportunity for replication with other PCTs.

We continue to work with the Heart of Birmingham Teaching NHS Primary Care Trust towards contractual close on the contract for the provision of GP services as part of the Aston regeneration plan. Services under this contract are expected to commence late in 2007. We are also making satisfactory progress on the contract for provision of GP services to HM Prisons Garth, Wymott and Preston with full services under this contract due to commence in the last quarter of the current financial year.

Progress continues to be made with the Department of Health toward contractual close for the contract to provide Clinical Assessment and Treatment Support Services (CATSS) in Manchester. Similarly, we are making progress towards contractual close of the North East regional diagnostics contract. Progress in each case has been slower than anticipated given the complexities of the solutions and the interface with local health economies, but both projects represent highly replicable models that will significantly improve local access to clinical assessment and assist greatly in the achievement of the NHS 18-week treat-by targets.

The involvement of the independent sector in the provision of services to NHS patients is continuing, with the next phase of development in this area expected to involve local provision through Strategic Health Authorities and Primary Care Trusts, rather than the centrally managed procurement waves that have been evident so far. The group is well positioned to be a leading provider in this market as a result of our substantial investment in expertise and operational track record to date.



### Acquisition of Mercury Health

On 20 April 2007 the group announced that it had completed the acquisition of Mercury Health from Tribal Group plc for total consideration of £76.8m, comprising consideration of £31.5m, net debt in Mercury Health of approximately £20.7m and repayment of inter-company borrowings of £24.6m. In addition Investec raised a total of £34.0m before expenses through the placing of 5,158,370 new ordinary shares on the group's behalf.

It is anticipated that the acquisition will be earnings neutral, before integration costs and amortisation charges, in the current financial year to September 2007 and earnings accretive, before amortisation charges, in the following financial year.

The acquisition of Mercury will, on a pro-forma basis, mean that the Health Care activities of the group have total potential annualised revenues of approximately £200m, including the group's share of revenue from PHG. This includes all projects that are either operational or at the preferred bidder stage with all contracts underlying this revenue run rate planned to be fully operational in the 2009 financial year.



Tollgate Lodge Primary Care Centre



Sussex Orthopaedic NHS Treatment Centre



Mid & South Buckinghamshire NHS Diagnostic Centre

Operations and finance review continued

**Mercury Health** acquired  
for **£76.8m**, further strengthening

Mercury's activities complement those of the current Clinical Care division with an operational wave one ISTC contract (GC8), a regional diagnostics contract in the West Midlands that is currently going through its start-up phase, a small primary care contract in City & Hackney that is similar to the group's existing Barking & Dagenham contract and a significant ISTC second wave contract in Essex currently at the preferred bidder stage.

The integration of the Mercury Health management team has proceeded well, combining the strengths of the two market leaders. The GC8 contract will provide a considerable growth opportunity following an initial period of operational stabilisation. The West Midlands diagnostics contract is an entirely mobile solution and will offer scope for replication following its implementation phase. We are also making progress with the Department of Health in working towards commercial and contractual agreement on the Essex contract.

Following the acquisition of Mercury, the Health Care services of Care UK have been re-organised into three divisions based around the principal business areas of Primary Care, Secondary Care and Diagnostics. All of the group's Health Care services will be branded as Care UK going forward and the integration process of bringing the enlarged business together is now well under way. We expect to recognise all integration and restructuring costs associated with this process in the current financial year.



St Mary's NHS Treatment Centre



Will Adams NHS Treatment Centre



## Outlook

Care UK has continued to make excellent progress financially and with the implementation of new projects. As we are seeing from our success rate in winning new contracts, the group is increasingly recognised as the leading and most innovative provider of services to health and social care commissioners.

Attention in the short term is focused on the successful integration of Mercury Health and the closure and implementation of several key projects that are either in the process of contract finalisation or in their operational start-up phase.

The strategies of both Local Authorities and the NHS continue to be based on commissioning and service development in response to challenging demographic trends. A key part of these strategies is to partner with the independent and voluntary sectors to complement expertise and to create a more dynamic and responsive market environment.

The extent of this market transition is substantial and the evolution to a market economy is inexorable. In line with this, we believe that Care UK will continue to benefit from consolidation and organic growth opportunities to build an organisation of a scale in proportion to the substantial markets that we serve.

Our growth pipeline in Social Care remains strong and, following a period of transition from central to local procurement, we anticipate opportunities for further transformational growth in Health Care.

Overall, Care UK's position as a leading independent provider of services to the NHS has been significantly strengthened over the first half of the year and we look forward to consolidating our position further in all areas of the business.

**Mike Parish**  
*Chief Executive*

**Paul Humphreys**  
*Finance Director*

22 May 2007

Operations and finance review continued

**48%** revenue growth in **children's**





services

## Consolidated income statement (unaudited)

for the six months ended 31 March 2007

	6 months to 31 March 2007 £000	6 months to 31 March 2006 £000	Year to 30 Sept 2006 £000
<b>Revenue: group and share of joint venture</b>	<b>118,033</b>	93,290	199,357
Less: share of joint venture	<b>(11,691)</b>	(7,922)	(16,011)
<b>Group revenue</b>	<b>106,342</b>	85,368	183,346
Cost of sales	<b>(87,128)</b>	(69,379)	(146,683)
<b>Gross profit</b>	<b>19,214</b>	15,989	36,663
Administrative expenses	<b>(9,875)</b>	(7,795)	(16,959)
Share of profit/(loss) of joint venture	<b>633</b>	(167)	(189)
<b>Operating profit</b>	<b>9,972</b>	8,027	19,515
Operating profit before Richmond property disposal, amortisation, impairment and joint venture net financing costs and taxation	<b>11,589</b>	8,872	22,450
Profit on Richmond property disposal	–	–	1,340
Amortisation of other intangible assets	<b>(327)</b>	(165)	(409)
Impairment of goodwill	–	–	(2,272)
Joint venture net financing costs and taxation	<b>(1,290)</b>	(680)	(1,594)
<b>Operating profit</b>	<b>9,972</b>	8,027	19,515
Financial income	<b>543</b>	539	1,032
Financial expenses	<b>(3,741)</b>	(2,987)	(6,339)
<b>Net financing costs</b>	<b>(3,198)</b>	(2,448)	(5,307)
<b>Profit before tax</b>	<b>6,774</b>	5,579	14,208
Taxation	<b>(2,102)</b>	(1,904)	(5,069)
<b>Profit for the period</b>	<b>4,672</b>	3,675	9,139
<b>Attributable to:</b>			
Equity holders of the parent	<b>4,672</b>	3,649	9,113
Minority interest	–	26	26
<b>Profit for the period</b>	<b>4,672</b>	3,675	9,139
<b>Earnings per share</b>			
Basic	<b>9.16p</b>	7.23p	18.02p
Diluted	<b>9.03p</b>	7.11p	17.77p

## Consolidated statement of recognised income and expense (unaudited)

for the six months ended 31 March 2007

	<b>6 months to 31 March 2007 £000</b>	6 months to 31 March 2006 £000	Year to 30 Sept 2006 £000
Actuarial gains and losses on defined benefit pension plan	–	–	16
Deferred taxation on actuarial gains and losses	–	–	(5)
Net income recorded directly in equity	–	–	11
Profit for the period	<b>4,672</b>	3,675	9,139
<b>Total recognised income and expense for the period</b>	<b>4,672</b>	3,675	9,150
<b>Attributable to:</b>			
Equity holders of the parent	<b>4,672</b>	3,649	9,124
Minority interest	–	26	26
<b>Total recognised income and expense for the period</b>	<b>4,672</b>	3,675	9,150

## Consolidated balance sheet (unaudited)

as at 31 March 2007

	31 March 2007 £000	31 March 2006 £000	30 Sept 2006 £000
<b>Assets</b>			
Property, plant and equipment	145,518	133,323	141,477
Intangible assets	41,482	26,949	38,805
Investment in joint venture	10,004	6,993	7,971
Other investments	40	40	40
Financial assets – derivative financial instruments	1,722	–	–
<b>Total non-current assets</b>	<b>198,766</b>	167,305	188,293
Inventories	256	236	248
Trade and other receivables	23,878	23,860	26,632
Cash and cash equivalents	1,974	1,659	1,818
Properties classified as held for sale	–	203	–
<b>Total current assets</b>	<b>26,108</b>	25,958	28,698
<b>Total assets</b>	<b>224,874</b>	193,263	216,991
<b>Liabilities</b>			
Financial liabilities – borrowings	(3,918)	(2,117)	(2,744)
Trade and other payables	(22,203)	(20,214)	(22,708)
Current tax liabilities	(2,186)	(1,665)	(2,424)
<b>Total current liabilities</b>	<b>(28,307)</b>	(23,996)	(27,876)
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	(117,518)	(104,597)	(114,262)
Other non-current liabilities	(4,113)	(1,487)	(5,621)
Deferred tax liabilities	(6,303)	(5,602)	(6,196)
<b>Total non-current liabilities</b>	<b>(127,934)</b>	(111,686)	(126,079)
<b>Total liabilities</b>	<b>(156,241)</b>	(135,682)	(153,955)
<b>Net assets</b>	<b>68,633</b>	57,581	63,036
<b>Equity</b>			
Issued share capital	5,158	5,126	5,155
Share premium	7,411	6,992	7,360
Retained earnings	54,342	45,463	50,521
Hedging reserve	1,722	–	–
<b>Total equity attributable to equity holders of the parent</b>	<b>68,633</b>	57,581	63,036
Minority interest	–	–	–
<b>Total equity</b>	<b>68,633</b>	57,581	63,036

## Consolidated cash flow statement (unaudited)

for the six months ended 31 March 2007

	6 months to 31 March 2007 £000	6 months to 31 March 2006 £000	Year to 30 Sept 2006 £000
<b>Cash inflow from operating activities</b>			
Profit for the period	4,672	3,675	9,139
Depreciation	3,249	2,518	5,488
Amortisation of other intangible assets	327	165	409
Impairment of goodwill	–	–	2,272
Profit on disposal of fixed assets	–	(43)	(1,497)
Increase in inventory	(8)	–	(12)
Decrease/(increase) in debtors	3,192	(143)	(2,057)
Increase in assets held for resale	–	(25)	–
(Decrease)/increase in creditors	(2,727)	1,669	5,214
Equity-settled share-based payments	322	301	376
Share of (profit)/loss of joint venture	(633)	167	189
Financial income	(543)	(539)	(1,032)
Financial expense	3,741	2,987	6,339
Tax expense	2,102	1,904	5,069
<b>Cash generated from operations</b>	<b>13,694</b>	12,636	29,897
Income taxes paid	(2,295)	(1,892)	(4,107)
<b>Net cash from operating activities</b>	<b>11,399</b>	10,744	25,790
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	(7,201)	(9,093)	(18,714)
Proceeds from sales of property, plant and equipment	30	152	2,658
Interest received	530	573	946
Investment in joint venture	–	(98)	(98)
Loans to joint venture	(1,400)	(752)	(1,752)
Payments to acquire subsidiary undertakings and businesses (net of cash acquired)	(2,890)	(1,856)	(14,734)
<b>Net cash from investing activities</b>	<b>(10,931)</b>	(11,074)	(31,694)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	54	50	449
Repurchase of own shares	–	(930)	(930)
Proceeds from new secured loans	4,720	8,247	18,763
Repayments of amounts borrowed	(1,000)	(1,009)	(2,502)
Interest paid	(3,444)	(3,211)	(6,963)
Payment of capital element of finance lease payments	(18)	(25)	(39)
Dividends paid	(1,292)	(1,160)	(1,727)
<b>Net cash from financing activities</b>	<b>(980)</b>	1,962	7,051
<b>Net (decrease)/increase in net cash and cash equivalents</b>	<b>(512)</b>	1,632	1,147
Cash and cash equivalents brought forward	977	(170)	(170)
<b>Cash and cash equivalents carried forward</b>	<b>465</b>	1,462	977

## Notes

### 1. Accounting policies

European Union ('EU') law requires that the annual consolidated financial statements of the group be prepared in accordance with International Financial Reporting Standards adopted for use within the EU ('adopted IFRS').

The results for the six months ended 31 March 2007 have been prepared on the basis of the accounting policies set out on pages 35 to 39 of the 2006 Annual Report and Accounts.

This interim report, for the six months ended 31 March 2007, does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. As permitted, the group has not adopted 'IAS 34 – Interim Financial Reporting'.

### 2. Segmental analysis

Analysis by class of business:	Revenue			Operating profit		
	6 mths to 31 March 2007 £000	6 mths to 31 March 2006 £000	Year to 30 Sept 2006 £000	6 mths to 31 March 2007 £000	6 mths to 31 March 2006 £000	Year to 30 Sept 2006 £000
Residential Care	45,249	37,786	81,327	7,296	6,161	14,474
Community Care	28,553	23,128	49,678	1,862	1,484	4,088
Specialist Care	28,922	23,663	50,022	2,941	2,419	5,567
Clinical Care	15,681	8,713	18,330	703	(178)	294
Head Office/Eliminations	(372)	–	–	(1,213)	(1,014)	(1,973)
<b>Total revenue/Adjusted operating profit <sup>1</sup></b>	<b>118,033</b>	93,290	199,357	<b>11,589</b>	8,872	22,450
Richmond property disposal				–	–	1,340
Amortisation of other intangible assets <sup>2</sup>				(327)	(165)	(409)
Impairment of goodwill				–	–	(2,272)
Group share of joint venture net financing costs and taxation				(1,290)	(680)	(1,594)
<b>Operating profit</b>				<b>9,972</b>	8,027	19,515

<sup>1</sup> Adjusted operating profit is operating profit adjusted for Richmond property disposal (Residential Care – September 2006), amortisation of other intangible assets (refer to footnote 2), impairment of goodwill (Community Care – September 2006) and joint venture net financing costs and taxation (Clinical Care – March 2007, March 2006 and September 2006).

<sup>2</sup> Amortisation of other intangible assets comprises £258,000 (March 2006: £110,000; September 2006: £296,000) in respect of Community Care and £69,000 (March 2006: £55,000; September 2006: £113,000) in respect of Clinical Care.

### 3. Earnings per share

	<b>6 months to 31 March 2007</b>	6 months to 31 March 2006	Year to 30 Sept 2006
Basic EPS	<b>9.16p</b>	7.23p	18.02p
Diluted EPS	<b>9.03p</b>	7.11p	17.77p
<b>Additional disclosures</b>			
Basic EPS before Richmond property disposal, amortisation and impairment	<b>9.80p</b>	7.54p	21.47p
Diluted EPS before Richmond property disposal, amortisation and impairment	<b>9.66p</b>	7.41p	21.17p

#### Profit attributable to ordinary shareholders

The profit attributable to ordinary shareholders before and after adjustments, for both basic and diluted earnings per share, are:

	<b>6 months to 31 March 2007 £000</b>	6 months to 31 March 2006 £000	Year to 30 Sept 2006 £000
Profit attributable to shareholders	<b>4,672</b>	3,649	9,113
Adjustments:			
Richmond property disposal (less attributable taxation)	–	–	(938)
Amortisation of other intangible assets (less attributable taxation)	<b>327</b>	155	409
Impairment of goodwill	–	–	2,272
Adjusted profit attributable to shareholders	<b>4,999</b>	3,804	10,856

#### Weighted average number of ordinary shares

The calculation of earnings per share is based on a weighted average of ordinary shares in issue during the period. The diluted earnings per share is based on a weighted average of ordinary shares calculated in accordance with 'IAS 33 – Earnings per share', which assumes that all dilutive options will be exercised. The additional basic and diluted EPS use the same weighted average number of ordinary shares as the basic and diluted EPS.

<b>In thousands of shares</b>	<b>6 months to 31 March 2007</b>	6 months to 31 March 2006	Year to 30 Sept 2006
Weighted average number of shares in issue	<b>50,992</b>	50,447	50,568
Adjustment: Dilutive effect of shares and share options	<b>766</b>	910	705
Weighted average number of shares for calculating diluted earnings per share	<b>51,758</b>	51,357	51,273

## Notes

continued

### 4. Statement of changes in shareholders' equity

	<b>6 months to 31 March 2007 £000</b>	6 months to 31 March 2006 £000	Year to 30 Sept 2006 £000
Opening shareholders' equity	<b>63,036</b>	55,051	55,051
Issue of share capital	<b>54</b>	715	1,112
Purchase of own shares	–	(930)	(930)
Profit for the period	<b>4,672</b>	3,649	9,124
Credit in relation to equity-settled share-based payments	<b>441</b>	256	406
Change in fair value of cash flow hedges	<b>1,722</b>	–	–
Dividends	<b>(1,292)</b>	(1,160)	(1,727)
<b>Closing shareholders' equity</b>	<b>68,633</b>	57,581	63,036

### 5. Taxation

Taxation for the period has been provided for at the estimated effective tax rate for the year ending 30 September 2007.

On 21 March 2007 the Chancellor of the Exchequer announced his proposal to reduce the full rate of UK Corporation Tax from 30% to 28%. The change is expected to have effect from 1 April 2008. As the change will not have been substantively enacted before publication of these interim financial statements no adjustment has been included herein, and all current and deferred tax liabilities are stated on the basis of the current rate of 30%.

### 6. Dividend

The proposed interim dividend of 1.22p per ordinary share will be paid on 6 July 2007 to shareholders on the register on 8 June 2007. The proposed interim dividend was not included as a liability as at 31 March 2007, in accordance with 'IAS 10 – Events after the Balance Sheet Date'.

### 7. Comparative information

Comparative annual figures for the year ended 30 September 2006 set out within this report have been extracted from the '2006 Annual Report and Accounts', as published by the group on 3 January 2007. Statutory consolidated financial statements for the group for the year ended 30 September 2006, prepared in accordance with adopted IFRS, on which KPMG Audit Plc gave an unqualified opinion and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

### 8. Additional information

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 or by e-mailing a request to [investorrelations@careuk.com](mailto:investorrelations@careuk.com).

Our website address is [www.careuk.com](http://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 engaged by the company to review the financial information set out on pages 12 to 18 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.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

## 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 2007.

## KPMG Audit Plc

Chartered Accountants  
Ipswich

22 May 2007

**Care UK** is a leading provider of person-centred care to people of all ages and with a wide variety of needs across the full spectrum of care in the UK.

Working in close partnership with local authorities, PCTs and NHS Trusts, Care UK provides highly specialised, value for money services with the needs of service users and customers as their focus.

Our broad range of services means we are able to offer commissioners innovative, outcomes-based care pathways by linking together, where appropriate, specialist services from across the group.

Our proven track record of providing first class care services across the UK means that customers can be assured that they are working with an organisation that understands the intricacies of the health and social care sectors, and that produces results that benefit both service users and commissioners alike.

## Directors

John Nash	Non-Executive Chairman
Mike Parish	Chief Executive
Paul Humphreys	Finance Director
Fritz Ternofsky	Senior Independent Non-Executive
Miles Roberts	Non-Executive
Michael Averill	Non-Executive
James Strachan	Non-Executive





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