

**Southern Cross Healthcare Group PLC**

**Southern Cross reports strong half-year results to 1 April 2007 and announces further portfolio growth**

**Monday, 14 May 2007** - Southern Cross Healthcare Group PLC (LSE: SCHE) ('Southern Cross' or the 'Company'), the UK's largest care home provider, today announces its interim results for the 26 weeks ended 1 April 2007.

**Operating Highlights**

- Homes formerly operated by Life Style Care and Focus Healthcare add 3,050 beds to Group capacity
- Other acquisitions added a further 162 beds with another 351 beds added through the Group's development programme
- Group total of 640 homes at 1 April 2007 with 32,420 available beds (2006 – 28,917 beds)
- Strong operational performance in seasonally weaker first half

**Financial Highlights**

- Revenue increased by 17% to £336.3m (2006 – £288.7m)
- Home EBITDAR before central costs up 18% to £98.1m (2006 – £83.1m)
- Home EBITDAR before central costs margin of 29.2% (2006 – 28.8%)
- Adjusted EBITDA up 42% to £21.8m (2006 – £15.4m)
- Adjusted earnings per share 7.72p (2006 – loss (4.55)p)
- Net cash inflow from operations of £25.5m (2006 – £20.1m) representing a cost conversion of Adjusted EBITDA of 117% (2006 – 131%)
- Interim dividend of 2.5p (2006 – nil) per share declared

**Further Portfolio Expansion Announced Today**

- 10 homes acquired comprising 470 beds
- 141 beds opened in two new developments from the pipeline
- In total, the Group now operates 652 homes and 33,031 beds

**Notes:**

1. 2006 refers to the comparative 26-week period ended 2 April 2006.
2. Home EBITDAR before central costs represents profitability at a home level after taking account of home payroll and home running costs, but before rental charges on operating leases, central costs and depreciation on home assets.
3. Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation as well as exceptional charges and charges for future minimum rental increases. Adjusted earnings per share is defined as earnings before exceptional items, charges for future minimum rental increases, and the taxation impact thereof, divided by the weighted average number of shares.

**Philip Scott, Chief Executive of Southern Cross, said:**

*"I am pleased to report another successful period of growth and strong operational performance for the Group in the first half the year, during which we have continued to consolidate our position as the market leader with further acquisitions and the completion of a number of development projects. The fundamentals in our sector remain strong and we fully expect to be at the forefront of consolidation activity in what remains a fragmented industry."*

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## About Southern Cross

Southern Cross is, in terms of number of beds, the largest UK provider of care home services for the elderly and a major provider of specialist services for people with physical and/or learning disabilities. The Company's care homes for the elderly operate under two distinct brands: Southern Cross Healthcare and Ashbourne Senior Living. Both brands provide a range of social and personal care services and nursing care services for elderly people with physical frailties and differing forms of dementia. The Company's specialist services operate under the Active Care Partnerships brand and provide long-term care services for people with physical and/or learning disabilities and for younger people with complex forms of challenging behaviour.

Southern Cross is focused on providing high quality care in well invested facilities, seeking to be the home of choice in each local community in which it operates. The Company provides care services for most of the local authorities in the UK which, together with the NHS, represent over circa 70% of the Company's revenues. Its care home portfolio is largely purpose-built with a high percentage of single occupancy rooms and rooms with ensuite bathrooms. Occupancy levels in its elderly care segment are consistently in excess of 90%.

*This announcement includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the outlook on the care home industry. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances.*

## CHIEF EXECUTIVE'S STATEMENT

### Overview

I am pleased to report another successful period of growth and strong operational performance for the Group. We have continued to consolidate our position as the market leader with further acquisitions and development projects added during the period.

	<b>26 weeks ended 1 April 2007 £'m</b>	26 weeks ended 2 April 2006 £'m
Revenue	<b>336.3</b>	288.7
Home EBITDAR before central costs	<b>98.1</b>	83.1
Margin – %	<b>29.2</b>	28.8
Rent – charge for amounts currently payable	<b>64.6</b>	56.0
Rent cover – times	<b>1.52x</b>	1.48x
Adjusted EBITDA	<b>21.8</b>	15.4
Revenue growth – %	<b>16.5</b>	
Adjusted EBITDA growth – %	<b>41.6</b>	

*Note: Rent cover is defined as Home EBITDAR before central costs as a multiple of the charge for rents currently payable.*

Revenue growth in the first half of the year was 17% with occupancy rates stable at 91.0%, despite experiencing the anticipated normal seasonal fall in occupancy over the winter period. Excluding the impact of immature homes (which are new developments or refurbished homes that have been trading for less than 12 months), the underlying occupancy rate was 91.8%. April has already seen the partial recovery of the winter seasonal occupancy downturn with complete recovery expected during May.

Effective control of running costs and the operational leverage of the business model translated the revenue growth into Adjusted EBITDA growth of 42%. First half Adjusted EBITDA of £21.8m reflects the normal seasonal pattern of earnings. This seasonality is caused by higher payroll costs in the first half, due to the timing of National Minimum Wage and public sector pay announcements, and lower occupancy rates over the winter. The second half is typically characterised by higher occupancy levels during the summer, annual fee rate increases in April and only marginal underlying cost increases.

It should also be noted that first half trading includes only a five week impact from the Life Style Care acquisition completed on 26 February 2007.

Rent cover has increased to 1.52 times and Adjusted EBITDA/Net finance costs provides interest cover of over 12 times.

### Homes and Beds as at 1 April 2007

	Number of Homes	Number Of available beds				Total
		Acquired	Developed	Managed	Divested	
As at 1 October 2006	580					28,917
Managed for third parties	15					742
Leased/owned	565					28,175
Homes previously managed for third parties	15	742				742
New developments opened	5		297			297
Extensions to existing homes	–		18			18
Homes closed for refurbishment, reopened		–	36			36
Homes divested	(2)			–	(60)	(60)
Alpha Care	5	162				162
Life Style Care PLC	23	1,737				1,737
Management agreement for Focus homes	29			1,313		1,313
<b>As at 1 April 2007</b>	<b>640</b>	<b>2,641</b>	<b>351</b>	<b>1,313</b>	<b>(60)</b>	<b>32,420</b>
Managed for third parties	29					1,313
Leased/owned	611					31,107

### Expansion of Portfolio

The number of beds operated has grown from 28,917 at 1 October 2006 to 32,420 at 1 April 2007, an increase in bed capacity of 3,503 beds or 12.1%. Details of the bed growth for this period are summarised in the table above. We have added 4,224 beds since IPO in July 2006.

Our sale and leaseback operating model continues to deliver an acquired "Opco" for nominal consideration. Together with new developments held off balance sheet until completion, our capital light model continues to deliver shareholder value.

As planned, the Group completed the assignment of leasehold interests and business transfer of 29 homes previously leased by Focus Healthcare but managed by the Group. Also acquired during the period were 1,737 beds in the Life Style acquisition. Operational management is focused on completing the integration of this acquisition. That process is progressing satisfactorily and the portfolio is trading in line with expectations at this stage of the integration programme.

Subsequent to 1 April 2007, the Group has completed the acquisition of a further 10 care homes (470 beds) and opened two new-build homes (141 beds) from the development pipeline.

#### **Development Pipeline**

During the first half we have completed seven new development projects. We have announced the opening of two further facilities today (141 beds) and expect to open a further six facilities and 400 beds by the end of the financial year (two of which have been announced today). New homes are an extremely important part of our expansion plan and we have agreements in place for a further 1,000 beds to be delivered by September 2008.

We are now looking at opportunities to expand our development pipeline for 2009/2010.

#### **Dividends**

Following the first part year dividend of 1.1p per share (being a pro-rata payment for the 82 days the Company was listed prior to the financial year end), £2.1m in total, paid on 9 February 2007, the Board has declared an interim dividend of 2.5p per share, £4.7m in total, to be paid on 22 June 2007, to those Shareholders on the register of members at close of business on 25 May 2007.

#### **Board Changes**

On 4 April 2007, Joseph Baratta, the nominee director of the Blackstone shareholders, resigned as a non-executive director of the Company. This resignation followed the sale of Blackstone's holding in the Company.

The Board wishes to record its gratitude to Joe for his significant contribution to the success of the Company both prior to and following the listing of its shares.

#### **Staff**

Clearly, we are indebted to our staff. Their commitment to providing high standards of care to our residents has ensured that we can continue to build on our positive reputation as a quality Care Provider.

In turn we shall continue to develop a number of staff initiatives that will reward those personnel who remain with the Company.

We remain committed to staff training and development and aim to provide real career opportunities for those personnel who wish to remain with the Company for the long term.

#### **Market Outlook**

The fundamentals of the sector remain positive – increasing demand for services, continued contraction in supply as first generation homes exit the marketplace, fee rate increases ahead of inflation and ongoing access to European labour markets containing payroll cost. We shall, therefore, continue to participate in the ongoing consolidation of the market by acquiring high-quality businesses whilst expanding the development pipeline wherever possible, without the need for equity investment. Occupancy rates remain above 90% and disclosed fee rate increases for April fee reviews indicate an overall average spot increase of 4.4% to 4.5%. Combined with the normal incremental fee rate improvements through the second half, we expect overall fee increases to remain ahead of inflation.

Following the recent announcement of the increase in the adult minimum wage from £5.35 to £5.52 per hour, a rise of 3.2%, we believe there is good visibility over forthcoming payroll cost increases. This increase, together with additional staff holiday entitlements set out in the Working Time Directive, will form the basis of our pay reviews in October of this year.

We have continued to control our other operating costs and leverage our existing central infrastructure as the Group has expanded. Home running costs were 13.4% of revenue (first half 2005/2006 – 13.6%) and central costs 3.6% of revenues (first half 2005/2006 – 4.1% of revenue, excluding £1.5m of exceptional central costs).

With rents either fixed or capped, we remain convinced that our business model is sustainable for the long term, given the demographic pressure and increasing demand that is about to impact the residential care sector.

We continue to see opportunities to increase our market share with the acquisition and development of modern, purpose built care facilities. There remains significant landlord interest in this sector and we fully expect to be at the forefront of consolidation activity in what remains a fragmented industry.

The demand for our services remains strong and we are totally committed to providing the best possible levels of care and safety for all of our clients at all of our homes.

**Philip Scott**  
Chief Executive

## FINANCIAL REVIEW

### Trading Activities

Over the 26 weeks ended 1 April 2007, the Group recorded significant year on year growth with revenue increasing by 17% to £336.3m and Adjusted EBITDA by 42% to £21.8m.

This significant improvement in revenue was principally driven by the expansion in bed numbers. In addition, at the Adjusted EBITDA level, effective control of variable costs contributed to an improvement in year on year performance and demonstrated the operational leverage in the business. A comparison of the underlying trading performance, over the same comparative period, is summarised below:

### Underlying Trading

	<b>26 weeks ended 1 April 2007 continuing £'m</b>	26 weeks ended 2 April 2006 continuing £'m
Revenue	<b>327.3</b>	288.7
Operating income/(loss)	<b>1.6</b>	(0.6)
Home EBITDAR before central cost margin – % increase	<b>29.2</b>	28.8
Adjusted EBITDA	<b>21.0</b>	15.4
Occupancy – %	<b>91.0</b>	90.9

*1 Adjusted EBITDA before exceptional central costs and charge for future minimum rental increases.*

*2 Underlying growth refers to the continuing business at 1 April 2007, excluding the impact of acquisitions and disposals, compared to 2 April 2006.*

Revenue increased by 13% on a like-for-like basis whilst Adjusted EBITDA increased by 42%.

### Rent

Total rent for the 26 weeks ended 1 April 2007 increased by £19.3m relative to the comparable period for 2006, to £84.2m. The increase is predominantly a consequence of a higher non cash charge for future minimum rental increases amounting to £19.6m (2006 – £8.9m). The cash charge for rent currently payable increased by £8.6m (15%) to £64.6m for the 26 weeks ended 1 April 2007. The increase is consistent with the increase in average available beds (11%) as well as rental increases period on period.

Home EBITDAR before central costs as a multiple of the charge for rent currently payable improved to 1.52 times for the 26 weeks ended 1 April 2007 (2006 – 1.48 times).

### Central Costs

Central costs for the period amounted to £12.2m, a decrease of £1.0m compared to central costs (excluding exceptional central costs) recorded for the 26-week period ended 2 April 2006. The decrease reflects the realisation of synergies following the completion of the integration of acquisitions. The level of central costs recorded in the current period is in line with expectations, given the current operational size of the Group.

There were no exceptional costs charged to profit and loss in the 26 week period ended 1 April 2007 (2006 - £1.5m).

### Finance Costs

Financing costs for the period amounted to £2.7m, a decrease of £9.1m compared to costs for the 26-week period ended 2 April 2006. The charge in the 26 weeks to 1 April 2007 relates to the existing term loan finance. The prior year represented financing costs of the pre-IPO debt structure with £5.3m of deep discount bond interest charges in the period. The deep discount bonds were repaid as part of the initial public offering on 12 July 2006.

Finance income comprises treasury deposit interest and the recognition of the current market value of interest rate hedging arrangements in place relating to £30m of bank term loans.

### Taxation

The tax credit on earnings before taxation for the period to 1 April 2007 was £1.4m (2006 – £0.1m), representing a headline rate of 233% (2006 – 1.0%). However, this headline rate is affected by goodwill amortisation, exceptional items and the impact of the utilisation of tax losses.

The pre-exceptional, pre-goodwill amortisation tax charge under UK GAAP of £4.5m (2006 – £1.4m) represents an effective tax rate of 28.8%. The cause of the variance of the effective rate to the standard rate of 30% is due to utilisation of tax losses not previously recognised for deferred tax purposes.

### Earnings per Share

Basic earnings per share for the period was 0.4p (2006 – 11.2p loss). Adjusted earnings per share for the period before future minimum rental increase charges, exceptional costs and the taxation impact thereof, was 7.7p (2006 – 4.6p loss). The growth in this adjusted earnings per share measure is consistent with the improvement in operating results. However, the comparative result relates to the debt structure in place prior to the initial public offering on 12 July 2006. If the existing capital structure had been in existence with the level of corresponding finance costs for the entire period ended 2 April 2006 equal to the charge for the period ended 1 April 2007, the adjusted earnings per share figure would have been 0.7p.

## Financing

Net debt decreased by £22.3m since 1 October 2006 to £45.2m at 1 April 2007. The movement was primarily a result of repayment of a £18.1m development facility loan following the sale of United Propco as well as a £3.0m repayment of bank term loans. Loan notes amounting to £0.7m were also redeemed in the period.

## Cash Flow

	<b>26 weeks ended 1 April 2007 £m</b>	26 weeks ended 2 April 2006 £m
Cash flows from operating activities	<b>25.5</b>	20.1
Net finance costs and taxation	<b>(0.3)</b>	(11.5)
Investing activities	<b>2.6</b>	(47.9)
Financing activities	<b>(26.4)</b>	43.2
Net increase in cash	<b>1.4</b>	3.9

Net cash inflow from operations was £25.5m (2006 – £20.1m), representing a cash conversion ratio compared to Adjusted EBITDA of 117% (2006 – 131%).

The decrease of £11.2m in the cash outflow of servicing interest and taxation is due to the greater debt structure and consequent interest cost in the 26-week period ending 2 April 2006.

Investing activities in the period generated a cash inflow of £2.6m (2006 – £47.9m outflow) due to the sale of United Propco for £18.1m. Excluding this transaction, the cash outflow from investing activities in the period was £15.5m comprising ongoing capital expenditure of £7.1m (2006 – £4.3m) and development expenditure of £7.3m (2006 – £9.0m). The period to 2 April 2006 included the acquisition cost of Ashbourne amounting to £39.4m.

The cash outflow from financing activities was £26.4m (2006 – £43.2m inflow) due to repayment of bank debt and loan notes, highlighted above, plus a dividend payment of £2.1m (2006 – £nil). The cash inflow from financing activities for the 26 weeks ended 2 April 2006 of £43.2m was mainly due to bank loans drawn to finance the Ashbourne acquisition.

**Graham Sizer**  
Chief Financial Officer

## Consolidated Income Statement

	Note	26 weeks ended 1 April 2007 unaudited £'m	26 weeks ended 2 April 2006 unaudited £'m	26 weeks ended 1 October 2006 unaudited £'m	52 weeks ended 1 October 2006 audited £'m
<b>Revenue</b>		<b>336.3</b>	288.7	322.2	610.9
Home payroll costs		(192.9)	(166.4)	(176.6)	(343.0)
Home running costs		(45.3)	(39.2)	(39.1)	(78.3)
Home EBITDAR before central costs		<b>98.1</b>	83.1	106.5	189.6
Rent					
Charge for rental amounts currently payable		(64.6)	(56.0)	(60.1)	(116.1)
Charge for future minimum rental increases		(19.6)	(8.9)	(21.8)	(30.7)
Total rent		(84.2)	(64.9)	(81.9)	(146.8)
Home EBITDA before central costs		<b>13.9</b>	18.2	24.6	42.8
Central costs		(12.2)	(13.2)	(17.6)	(30.8)
Other operating income		<b>0.5</b>	–	0.9	0.9
Adjusted EBITDA before exceptional central costs					
and charge for future minimum rental increases		<b>21.8</b>	15.4	33.4	48.8
Exceptional central costs		–	(1.5)	(3.7)	(5.2)
Charge for future minimum rental increases		(19.6)	(8.9)	(21.8)	(30.7)
EBITDA		<b>2.2</b>	5.0	7.9	12.9
Profit on disposal of property, plant and equipment and subsidiary undertakings		<b>1.6</b>	0.1	0.3	0.4
Depreciation		(6.0)	(4.9)	(5.2)	(10.1)
Amortisation		<b>3.4</b>	(0.8)	(0.8)	(1.6)
<b>Operating income/(loss)</b>		<b>1.2</b>	(0.6)	2.2	1.6
Finance costs		(2.7)	(11.8)	(7.5)	(19.3)
Finance income		<b>0.9</b>	–	0.3	0.3
<b>Loss before taxation</b>		<b>(0.6)</b>	(12.4)	(5.0)	(17.4)
Taxation	3	<b>1.4</b>	0.1	5.2	5.3
<b>Profit/(loss) attributable to ordinary shareholders</b>		<b>0.8</b>	(12.3)	0.2	(12.1)
	Note	<b>Pence per share</b>	Pence per share	Pence per share	Pence per share
<b>Profit/(loss) per share attributable to equity shareholders</b>					
Basic	4	<b>0.43</b>	(11.15)	0.14	(9.35)
Diluted	4	<b>0.43</b>	(11.15)	0.14	(9.35)

All of the above activities relate to continuing operations.

## Consolidated Balance Sheet

	As at 1 April	As at 2 April	As at 1 October
Note	<b>2007 unaudited £'m</b>	2006 unaudited £'m	2006 audited £'m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	95.8	87.5	96.3
Goodwill	196.4	193.5	196.0
Other intangible assets	1.6	3.2	2.4
Deferred tax assets	19.9	9.3	12.9
Other non-current assets	2.6	3.3	2.5
<b>Total non-current assets</b>	<b>316.3</b>	296.8	310.1
<b>Current assets</b>			
Cash and cash equivalent	23.3	14.8	21.9
Trade receivables	30.4	25.2	28.8
Inventories	1.6	1.6	1.1
Other current assets	11.1	10.9	12.8
<b>Total current assets</b>	<b>66.4</b>	52.5	64.6
<b>Total assets</b>	<b>382.7</b>	349.3	374.7
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term financial liabilities	(5.8)	(26.5)	(25.8)
Trade and other payables	(75.5)	(63.6)	(65.5)
<b>Total current liabilities</b>	<b>(81.3)</b>	(90.1)	(91.3)
<b>Non-current liabilities</b>			
Long-term financial liabilities	(62.7)	(222.1)	(63.6)
Provisions and similar obligations	(7.4)	(8.5)	(8.1)
Future minimum rental payable	(83.3)	(41.9)	(63.7)
<b>Total non-current liabilities</b>	<b>(153.4)</b>	(272.5)	(135.4)
<b>Total liabilities</b>	<b>(234.7)</b>	(362.6)	(226.7)
<b>Net assets/(liabilities)</b>	<b>148.0</b>	(13.3)	148.0
Ordinary shares	1.9	–	1.9
Share premium	161.5	–	161.5
Retained deficit	(15.4)	(13.3)	(15.4)
<b>Shareholders' equity/(deficit)</b>	<b>148.0</b>	(13.3)	148.0

## Consolidated Cash Flow Statement

	<b>26 weeks ended 1 April</b>	26 weeks ended 2 April	52 weeks ended 1 October	52 weeks ended 1 October
	<b>unaudited £'m</b>	unaudited £'m	unaudited £'m	audited £'m
<b>Cash flows from operating activities</b>				
Cash generated from continuing operations	<b>25.5</b>	20.1	30.5	50.6
Finance income	<b>0.3</b>	–	0.3	0.3
Finance and bank loan arrangement fees paid	<b>(1.8)</b>	(11.1)	(16.3)	(27.4)
Tax refunded/(paid)	<b>1.2</b>	(0.4)	(1.2)	(1.6)
<b>Net cash from operating activities</b>	<b>25.2</b>	8.6	13.3	21.9
<b>Cash flows from investing activities</b>				
Purchase of subsidiary undertakings net of cash acquired	<b>(12.2)</b>	(77.8)	(17.0)	(94.8)
Sales of subsidiary undertakings	<b>28.0</b>	41.5	6.4	47.9
Purchase of property, plant and equipment	<b>(14.4)</b>	(13.3)	(15.8)	(29.1)
Receipts from the sale of property, plant and equipment	<b>1.2</b>	1.7	2.3	4.0
<b>Net cash generated from/(used in) investing activities</b>	<b>2.6</b>	(47.9)	(24.1)	(72.0)
<b>Cash flows from financing activities</b>				
Repayment of borrowings	<b>(24.3)</b>	(15.9)	(316.3)	(332.2)
New borrowings	–	59.2	177.2	236.4
Capital element of finance leases	–	(0.1)	(0.1)	(0.2)
Proceeds from shares issues	–	–	163.8	163.8
Dividends paid	<b>(2.1)</b>	–	–	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(26.4)</b>	43.2	24.6	67.8
<b>Net increase in cash and cash equivalents</b>	<b>1.4</b>	3.9	13.8	17.7
Opening cash and cash equivalents	<b>21.9</b>	4.2	8.1	4.2
<b>Closing cash and cash equivalents</b>	<b>23.3</b>	8.1	21.9	21.9

Note: Included within the purchase of property, plant and equipment are purchases of freehold properties totalling £2.2m, (2006 – £1.9m) and development expenditure on new properties totalling £5.1m (2006 – £7.1m).

## 1 General Information

The information for the year ended 1 October 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's opinion on those accounts was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

## 2 Accounting Policies

The unaudited consolidated financial information has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 "Interim Financial Reporting".

The same accounting policies, presentation and methods of computation are applied in the unaudited consolidated financial information as disclosed in the Group's latest audited financial statements on pages 40 to 45.

## 3 Taxation

	<b>26 weeks ended 1 April 2007 £'m</b>	26 weeks ended 2 April 2006 £'m	26 weeks ended 1 October 2006 £'m
Current tax			
– current period	<b>5.4</b>	1.5	(1.8)
– prior period	–	(0.1)	0.2
Deferred tax			
– current period	<b>(6.8)</b>	(1.5)	(2.7)
– prior period	–	–	(0.9)
<b>Taxation</b>	<b>(1.4)</b>	(0.1)	(5.2)

## 4 Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the loss for the period attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share calculations and incorporates the impact of the bonus issue made to all shareholders on 5 July 2006.

	<b>26 weeks ended 1 April 2007 Number</b>	26 weeks ended 2 April 2006 Number	26 weeks ended 1 October 2006 Number
Basic weighted average number of shares (excluding treasury shares)	<b>188,067,377</b>	110,289,690	147,265,920
Dilutive potential ordinary shares: Employee share options	–	–	–
<b>Diluted weighted average number of shares</b>	<b>188,067,377</b>	110,289,600	147,265,920

The Group presents exceptional items and future minimum rental increases on the face of the income statement. Items that are considered exceptional, by virtue of their size or incidence, are disclosed in order to improve a reader's understanding of the financial information. To this end, additional basic and diluted earnings per share information is also presented on this basis. Reconciliations of earnings and the weighted average number of ordinary shares used are set out below:

	26 weeks ended 1 April 2007			26 weeks ended 2 April 2006			26 weeks ended 1 October 2006		
	Earnings £'m	Basic per share amount p	Diluted per share amount p	Earnings £'m	Basic per share amount p	Diluted per share amount p	Earnings £'m	Basic per share amount p	Diluted per share amount p
Profit/(loss) attributable to ordinary shareholders	0.8	0.43	0.43	(12.3)	(11.15)	(11.15)	0.2	0.14	0.14
Charge for future minimum rental increases	19.6	10.42	10.42	8.9	8.07	8.07	21.8	14.80	14.80
Exceptional central costs:									
– Flotation costs	–	–	–	–	–	–	3.1	2.11	2.11
– Restructuring, integration, and other costs	–	–	–	1.5	1.36	1.36	0.6	0.41	0.41
Taxation impact of above	(5.9)	(3.13)	(3.13)	(3.1)	(2.83)	(2.83)	(7.7)	(5.19)	(5.19)
<b>Adjusted Earnings</b>	<b>14.5</b>	<b>7.72</b>	<b>7.72</b>	<b>(5.0)</b>	<b>(4.55)</b>	<b>(4.55)</b>	<b>18.0</b>	<b>12.27</b>	<b>12.27</b>

*Note: Adjusted Earnings is Profit attributable to ordinary Shareholders before charges for future minimum rental increases and exceptional central costs and taxation impact thereof.*

If the existing share capital structure had been in existence for the entire period ended 2 April 2006, the adjusted earnings per share figure above would have been 0.7 pence per share.

#### 5 Dividends Paid and Proposed

A dividend of 1.1p per share, totalling £2.1m, in respect of the period ended 1 October 2006, was paid in this period. No other dividends were declared or paid during the period.

The Directors have declared an interim dividend of 2.5p per share, totalling £4.7m. This financial information does not reflect this dividend.

#### 6 Consolidated Statement of Changes in Shareholders' Equity/(Deficit)

	Share Capital £'m	Share Premium Account £'m	Revaluation Reserve £'m	Retained Deficit £'m	Total Equity £'m
<b>At 1 October 2006</b>	1.9	161.5	-	(15.4)	148.0
Share-based payments	-	-	-	0.7	0.7
Revaluation in period	-	-	0.6	-	0.6
Realisation on disposal	-	-	(0.6)	0.6	-
Ordinary dividends paid	-	-	-	(2.1)	(2.1)
Profit attributable to ordinary shareholders	-	-	-	0.8	0.8
<b>At 1 April 2007</b>	<b>1.9</b>	<b>161.5</b>	<b>-</b>	<b>(15.4)</b>	<b>148.0</b>