VHG Management Limited

Directors' report and financial statements

Registered number 4250960

For the year ended 31 March 2011

Contents

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2011

Principal activity

The principal activity of the company is that of an intermediate holding company The principal activities of the Voyage group, of which the company and its subsidiaries are members, are the provision of high quality care and support services for people with learning disabilities, acquired brain injuries and other complex needs

Business review

The company holds investments and bank debt The directors believe the company will continue in this manner for the foreseeable future

Results and dividend

The results for the year are set out in detail on page 5

The directors do not recommend the payment of a dividend *(2010 £Nil)*

Directors

The directors who served during the year and to the date of these financial statements were as follows

JB McKendrick	(appointed 6 September 2010)
A Winning	(appointed 28 February 2011)
N Moreton	(resigned 2 March 2011)
D Quinn	(resigned 30 November 2010)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Statement of disclosure to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of this

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

By order of the board

P Sealey
Company Secretary

Garrick House
2 Queen Street
Lichfield
Staffordshire
WS13 6QD

11 November 11

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of VHG Management Limited

We have audited the financial statements of VHG Management Limited for the year ended 31 March 2011 set out on pages 5 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of VHG Management Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

K MacKenzie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

11 November 2011

Profit and loss account
for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Operating expenses (including an exceptional charge for write down of amounts due from group undertakings of £3,254,000 *(2010 £Nil)*)	2	(3,265)	(10)
Operating loss		(3,265)	(10)
Interest receivable and similar income (including an exceptional charge for write down of interest receivable from group undertakings of £1,205,000 *(2010 £Nil)*)	3	10,484	7,590
Interest payable and similar charges	4	(30,209)	(20,481)
Amounts written off investments	8	-	-
Loss on ordinary activities before taxation		(22,990)	(12,901)
Tax on loss on ordinary activities	7	5,189	3,711
Loss for the financial year	13	(17,801)	(9,190)

There are no recognised gains or losses other than the loss for the current and preceding years

There is no material difference between the reported result and the historical cost result Accordingly, no note of historical cost profits and losses has been prepared

Movements in reserves are set out in note 13 to the financial statements

Balance sheet
at 31 March 2011

	Note	2011 £000	£000	2010 £000	£000
Fixed assets					
Investments in subsidiary undertakings	8		73,663		63,936
Current assets					
Debtors Amounts falling due after more than one year	9	122,304		139,898	
Cash		8,573		4,391	
		130,877		144,289	
Creditors Amounts falling due within one year	10	(4,482)		(1,489)	
Net current assets					
Due within one year		4,091		2,902	
Debtors due after more than one year	9	122,304		139,898	
			126,395		142 800
Total assets less current liabilities			200,058		206,736
Creditors Amounts falling due after more than one year	11		(280,880)		(269,757)
Net liabilities			(80,822)		(63,021)
Capital and reserves					
Called up share capital	12		2,000		2,000
Profit and loss account	13		(82,822)		(65,021)
Shareholders' deficit	14		(80,822)		(63,021)

These financial statements were approved by the board of directors on 11 November 2011 on its behalf by

AWinning

A Winning
Director

Company registered no 4250960

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and financial reporting standards

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

At 31 March 2011, the company was a wholly owned subsidiary of Voyage Holdings Limited, which prepares consolidated group financial statements including a group cash flow statement In accordance with FRS 1, no cash flow statement is, therefore, included in these financial statements

Going concern

The group, of which the company is a member, is funded through a combination of shareholder's funds, unsecured PIK notes and bank loans These include a £273 7 million bank loan facility comprising a £207 7 million term loan facility, a £61 0 million capex facility and a £5 0 million revolving credit facility The term loan and capex facility are fully drawn and are due to be repaid on 3 April 2014

The bank loans are only repayable in advance of 3 April 2014 if the group does not comply with banking covenants The Series A and B unsecured PIK notes are repayable at the earliest to occur of an exit (being sale or listing) or six months following repayment of all amounts due under the bank loan facility The Series C and D unsecured PIK notes are repayable at the earliest to occur of an exit (being sale or listing) or ten years from date of issue The group has entered into a Swap arrangement to hedge against interest rate risk arising

The group's trading and cash forecasts, which take into account reasonably possible changes in trading activities, show that the group should be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future

The directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Taxation including deferred taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Investments in subsidiary undertakings are stated at cost

Related party transactions

As a wholly owned subsidiary of Voyage Holdings Ltd, the company has taken advantage of the exemption included in the Financial Reporting Standard 8 "Related Party Disclosures" not to disclose related party transactions with group entities There were no other related party transactions entered into by the company during the current or prior year

2 Operating expenses

	2011	2010
	£000	£000
Operating expenses are stated after charging		
Auditors' remuneration including expenses		
Audit of these financial statements	**8**	8
Other services in regards to taxation	**3**	2
Write down of amounts due from group undertakings	**3,254**	-
	3,265	10

On 31 March 2011, the company waived a loan due from Voyage Secure Limited of £4,459,000 of which £3,254,000 was capital and £1,205,000 was unpaid interest

3 Interest receivable and similar income

	2011	2010
	£000	£000
Interest received from fellow subsidiary undertakings	**10,469**	7,574
Bank interest received	**15**	16
	10,484	7,590

Interest receivable from fellow subsidiary undertaking includes an exceptional charge for the write down of interest receivable from group undertakings of £1,205,000 *(2010 £Nil)*, see note 2

4 Interest payable and similar charges

	2011	2010
	£000	£000
On bank loans and overdrafts	**17,506**	14,345
Interest payable to fellow subsidiary undertakings	**12,703**	6,136
	30,209	20,481

Included within interest payable on bank loans is debt cost write off of £917,000 *(2010 £Nil)*, debt cost amortisation of £1,032,000 *(2010 £1,200,000)* and net interest payable on the group's interest rate swap arrangement of £6,423,000 *(2010 £6,786,000)* Interest payable on the group's interest rate swap arrangement includes a swap close out cost of £5,663,000 *(2010 £Nil)*

Notes *(continued)*

5 Directors' emoluments

The directors received the following emoluments in respect of their services to certain subsidiaries of the company

	2011 £000	2010 £000
Emoluments	526	385
Pension contributions	75	64
	601	449

Total emoluments in the year have increased due to the overlapping service of Douglas Quinn and Bruce McKendrick during the transition of the Chief Executive role

Emoluments of the highest paid director are as follows

	£000	£000
Emoluments	180	193
Pension contributions	29	32
	209	225

Four directors active in the year accrued benefits under money purchase pension schemes

The directors received no emoluments for their services to the company in the year *(2010 £Nil)*

6 Staff costs and numbers

The company had no employees *(2010 nil)*

7 Tax on loss on ordinary activities

	2011 £000	2010 £000
UK corporation tax		
Current tax on income for the period	(5,189)	(3,612)
Adjustment in respect of prior periods	-	(99)
Tax on loss on ordinary activities	(5,189)	(3,711)

Notes *(continued)*

7 Tax on loss on ordinary activities *(continued)*

Factors affecting the tax credit for the current period

The current tax credit for the period is lower *(2010 higher)* than the standard rate of corporation tax in the UK of 28% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(22,990)**	(12,901)
Current tax at 28% *(2010 28%)*	**(6,437)**	(3,612)
Effects of		
Adjustments to tax charge in respect of previous periods	**-**	(99)
Expenses not deductible for tax	**1,248**	-
Total current tax credit (see above)	**(5,189)**	(3,711)

Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £769,000 *(2010 £828,000)* in respect of losses carried forward

The potential deferred tax asset has not been recognised as there is insufficient evidence that it would be realised in the foreseeable future as the company is likely to generate losses in excess of the profits generated by other group companies

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

This will reduce the company's future current tax charge accordingly

The unrecognised deferred tax asset at 31 March 2011 has been calculated based on the rate of 26% substantively enacted at the balance sheet date It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and change the company's unrecognised deferred tax asset accordingly

8 Investments

	Shares in subsidiary undertaking £000
Cost	
At beginning of year	63 936
Investment in year	9,727
At end of year	**73,663**

On 23 December 2010, the company invested £9,727,000 in acquiring 100% of the share capital of Partners in Specialist Care Limited, of which £8,846,000 was paid in cash and £881,000 was deferred consideration (being £1,000,000 payable at an agreed date if certain conditions are met, discounted at the group's weighted average cost of capital)

In the year, the company has written off its cost of investment in Voyage Secure Limited of £2

Notes *(continued)*

8 Investments *(continued)*

The principal subsidiary undertakings of the company all of which are 100% owned and registered in Great Britain are summarised as follows

Subsidiary	Nature of business	Country of incorporation	Holding	Proportion held
Voyage Healthcare Limited	Intermediate holding company	England	Ordinary	100%
Voyage 2 Unlimited*	Community Care	England	Ordinary	100%
Voyage 1 Limited*	Community Care	England	Ordinary	100%
Voyage Limited	Community Care	England	Ordinary	100%
Voyage Recruitment Limited*	Employment Services	England	Ordinary	100%
Voyage 3 Limited*	Employment services	England	Ordinary	100%
Voyage Secure Limited	Community care	England	Ordinary	100%
Voyage 4 Limited*	Intermediate holding company	England	Ordinary	100%
Partners in Specialist Care Limited	Community care	England	Ordinary	100%

* Held by a subsidiary undertaking

9 Debtors

	2011 £000	2010 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	**122,304**	139,898

The amounts receivable from group undertakings have no fixed repayment date, but are due after more than one year and bear interest at a rate based on the group's weighted average cost of capital

10 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	**3,601**	1,489
Deferred consideration (see note 8)	**881**	-
	4,482	1,489

Bank loans and overdrafts comprise debt cost amortisation of £969,000 *(2010 £1,203,000)*, part repayment of the term loan of £2,511,000 *(2010 £Nil)* and an interest accrual of £2,059,000 *(2010 £2,692,000)*

11 Creditors. Amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans and overdrafts	**147,050**	168,935
Amounts due to group undertakings	**133,830**	100,822
	280,880	269,757

Notes *(continued)*

11 Creditors: Amounts falling due after more than one year *(continued)*

Included within bank loans and overdrafts is an amount of £1,938,000 *(2010 £Nil)* in respect of unamortised loan costs and an interest accrual of £2,059,000 *(2010 £34,000)* The loans are being written off over 45 months and, therefore, £969,000 *(2010 £Nil)* of debt cost amortisation has been classified as due within one and two years and £969,000 *(2010 £Nil)* has been classified as within two and five years in the analysis below The swap interest accrual has been classified as due within one and two years in the analysis below

Analysis of debt

	2011 £000	2010 £000
Debt can be analysed as falling due		
In one year or less, or on demand	**3,601**	1,489
Between one and two years (see note above)	**1,090**	168,935
Between two and five years	**145,960**	-
	150,651	170,424

Part repayment of the term loan is required if certain events and cash flows occur prior to April 2014 Consequently, £2,511,000 *(2010 £Nil)* was repaid in April 2011 and has, therefore, been classified as due in one year or less in the above analysis

Bank loans comprise Term Loans of £88,390,000 *(2010 £99,901,000)* and a Capex Facility Loan of £61,049,000 *(2010 £69,000,000)*, both being part of a £273,700,000 group facility

The interest rate and repayment terms of the existing loans are as follows

Debt instrument	*Loan balance (£000)*	*Interest rate*	*Repayment terms*
Term Loan	88,390	LIBOR + 6% *	April 2014
Capex Facility Loan	61,049	LIBOR + 5 75% *	April 2014

* the margin includes an "additional margin" of 1% in accordance with the loan agreement

The group has entered into an interest rate swap arrangement which fixed the rate payable on part of the bank loans at 3 4047%

The amounts payable to group undertakings have no fixed repayment date, but are due after more than one year and bear interest at a rate based on the group's weighted average cost of capital

12 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	**2,000**	2,000

Notes *(continued)*

13 Profit and loss account

	£000
At beginning of year	(65,021)
Loss for the financial year	(17,801)
At end of year	**(82,822)**

14 Reconciliation of movements in shareholders' deficit

	2011 **£000**	2010 £000
Opening shareholders' deficit	**(63,021)**	(53,831)
Loss for the financial year	**(17,801)**	(9,190)
Closing shareholders' deficit	**(80,822)**	(63,021)

15 Contingent liabilities

The company has provided security for the bank borrowings of itself, its parent and fellow subsidiary undertakings by way of a first legal mortgage on property assets and fixed and floating charges on all other assets

16 Ultimate parent undertaking

The company's immediate parent undertaking is Voyage Healthcare Group Limited which is registered in England and Wales

The company's ultimate holding company is Voyage Holdings Limited, which is registered in England and Wales

Group financial statements of Voyage Holdings Limited can be obtained from

The Company Secretary
Voyage Holdings Limited
Garrick House
2 Queen Street
Lichfield
Staffordshire
WS13 6QD