Oaktree Care Group Limited

Directors' report and financial statements

Registered number 04785303

31 December 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006 The comparative results are for the 11 months ended 31 December 2005

Principal activities

The principal activity of the company is the provision of residential care services for people with mental health problems No significant change in the nature of the company's business activity is envisaged in the immediate future

Results and dividend

The result for the year ended 31 December 2006 is set out in the profit and loss statement on page 4

The directors do not recommend the payment of a dividend

Directors and directors' interests

The directors who held office during the year were as follows

Peter Farrier	Resigned 31 October 2006
Joy Chamberlain	
Frederick Sinclair-Brown	Appointed 7 September 2006

The company secretary during the period was as follows

Sian Johnson

There are no directors retiring by rotation

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company as recorded in the register of directors' interests

Disclosure of information 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 the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Sian Johnson
Company Secretary

Kneesworth House, Bassingbourn-cum-Kneesworth,
Royston, Herts SG8 5JP
2 July 2007

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

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 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 LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Oaktree Care Group Limited

We have audited the financial statements of Oaktree Care Group Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors

As described in the Statement of Directors' Responsibilities on page 2, the company s directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the Directors Report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

London
2 July 2007

Profit and loss account

for the year ended 31 December 2006

	Note	31 December 2006 £	31 December 2005 11 month period £
Turnover	2	2,851,989	2,201,429
Cost of sales		(4,375,551)	(1,900,063)
Gross (loss)/profit		(1,523,562)	301,366
Administrative expenses		(406,254)	(250,692)
Operating (loss)/profit	3	(1,929,816)	50,674
Interest receivable and similar income		1,692	2,622
Interest payable and similar charges		(3,041)	(3,400)
(Loss)/profit on ordinary activities before taxation		(1,931,165)	49,896
Tax on (loss)/profit on ordinary activities	5	3,422	48,658
(Loss)/profit for the financial year/period	11	(1,927,743)	98,554

All of the company's activities are continuing

There is no difference between the results as stated and the results on a historical cost basis in the current year or prior period

There were no gains or losses in the current year or prior period other than those shown above

Balance sheet
at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	*6*	241,628	270,145
Current assets			
Stocks		4,150	3,700
Debtors	*7*	1,006,019	624,980
Creditors amounts falling due within one year	*8*	(2,806,140)	(943,248)
Net current liabilities		(1,795,971)	(314,568)
Total assets less current liabilities		(1,554,343)	(44,423)
Creditors amounts falling due after more than one year	*9*	(496,140)	(78,317)
Net liabilities		**(2,050,483)**	**(122,740)**
Capital and reserves			
Called up share capital	*10*	2	2
Profit and loss account		(2,050,485)	(122,742)
Shareholders' deficit	*11*	**(2,050,483)**	**(122,740)**

These financial statements were approved by the board of directors on 2 July 2007 and were signed on its behalf by

Frederick Sinclair Brown
Director

Notes

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 except as noted below

Basis of preparation

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard ('FRS') 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Partnerships In Care Group Limited (as disclosed in note 12), the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons The company is dependent for its working capital on funds provided to it by Partnerships In Care Limited Partnerships In Care Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due

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

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives The method of calculating depreciation has been changed during the year to align with Partnerships In Care Group depreciation policy, as follows

Furniture and fittings	over 7 years straight line
Plant and machinery	over 10 years straight line
Computers and equipment	over 4 or 7 years straight line
Motor Vehicles	over 4 years straight line

No depreciation has been provided on freehold land

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Rental expense

Rental expense under operating leases is charged to the profit and loss account on a straight-line basis over the period of the lease The difference between the expense charged to the profit and loss account and the rental payment in the year is recorded in creditors

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit 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 tax 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

Turnover

Company turnover comprises goods and services supplied in the normal course of business net of all refunds, allowances and value added tax

2 Segmental information

The directors are of the opinion that the businesses of the company are substantially similar in that they all relate to the provision of health care services Turnover and profit before tax on ordinary activities arise from continuing operations entirely in the UK

3 Notes to the profit and loss account

	2006 £	2005 11 month period £
(Loss)/profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned	50,111	44,494
Finance lease or hire purchase	11,684	9,061

The audit fee for the current year and prior period has been borne by another group company
The directors of the company did not receive any emoluments from the company during the current year and prior period

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	Number of employees 2006	Number of employees 2005
Operations	88	71
Administration	4	6
	92	77

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2006	2005 11 month period
	£	£
Wages and salaries	1,894,872	1,302,935
Social security costs	190,069	128,407
	2,084,941	1,431,342

5 Taxation

Analysis of credit in year/period

	2006	2006	2005 11 month period	2005
	£	£	£	£
UK corporation tax				
Current tax on income for the year/period	-		116	
Adjustment in respect of prior period	(116)		-	
Total current tax		(116)		116
Deferred tax				
Origination/reversal of timing differences	(2,351)		16,157	
Effect of change in tax rate	-		(23,808)	
Adjustment in respect of previous periods	(955)		(41,123)	
Total deferred tax		(3,306)		(48,774)
Tax on (loss)/profit on ordinary activities		(3,422)		(48,658)

Notes *(continued)*

5 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006	2005 11 month period
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	(1,931,165)	49,896
Current tax at 30% (2005 30%)	(579,350)	14,969
Effects of		
Interest on intercompany balances for tax purposes	(44,192)	1,975
Group relief claimed before payment	621,191	(671)
Depreciation in excess of capital allowances	2,351	1,790
Utilisation of tax losses and other deductions	-	(17,947)
Adjustment in respect of prior periods	(116)	-
Total current tax charge (see above)	**(116)**	**116**

Factors that may affect future current and total tax charges
The company may expect group relief in future years

	2006	2005 11 month period
	£	£
Deferred tax asset		
At start of period	(48,774)	-
Accelerated capital allowances	(1,033)	23,086
Short term timing differences	(2,273)	(71,860)
At end of period (see note 7)	**(52,080)**	**(48,774)**

	2006	2005 11 month period
	£	£
Deferred tax consists of		
Accelerated capital allowances	22,053	23,086
Short term timing differences	(74,133)	(71,860)
	(52,080)	**(48,774)**

Notes *(continued)*

6 Tangible fixed assets

	Plant and Equipment £	Motor Vehicles £	Furniture and Fittings £	Computers and equipment £	Total £
Cost					
At beginning of period	5,580	39,160	263,515	55,090	363,345
Additions	4,857	-	20,681	9,821	35,359
Disposals	-	-	-	(10,446)	(10,446)
At end of period	10,437	39,160	284,196	54,465	388,258
Depreciation					
At beginning of period	752	10,979	50,643	30,826	93,200
Charge for period	1,850	9,789	39,843	10,313	61,795
On disposals	-	-	-	(8,365)	(8,365)
At end of period	2,602	20,768	90,486	32,774	146,630
Net book value					
At 31 December 2006	7,835	18,392	193,710	21,691	241,628
Net book value					
At 31 December 2005	4,828	28,181	212,872	24,264	270,145

Included in the total net book value of motor vehicles is £17,381 (2005 £26,670) in respect of assets held under hire purchase contracts, depreciation for the period on these assets was £9,290 (2005 £6,234)

Included in the total net book value of computers and equipment is £nil (2005 £4,474) in respect of assets held under hire purchase contracts, depreciation for the period on these assets was £2,394 (2005 £2,827)

Notes *(continued)*

7 Debtors

	2006 £	2005 £
Trade debtors	350,890	273,929
Other debtors	601	965
Prepayments and accrued income	602,448	301,312
Deferred tax (see note 5)	52,080	48,774
	1,006,019	**624,980**

The Directors' believe the deferred tax asset will be recovered through utilisation of losses against future profitable trading

8 Creditors amounts falling due within one year

	2006 £	2005 £
Bank overdraft	322,439	197,625
Net obligations under finance lease and hire purchase contracts	10,012	13,855
Trade creditors	86,389	41,950
Loan from group undertakings	305,000	290,375
Amounts owed to group undertakings	1,846,363	296,095
Other taxation and social security	-	45,357
Other creditors	77,139	-
Accruals and deferred income	158,798	57,991
	2,806,140	**943,248**

The above loan from group undertakings is in respect of an inter-company loan from Partnerships In Care Property 6 Limited The loan is non-interest bearing, payable at the end of one quarter, and is secured by a charge on the assets of the company

9 Creditors amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertaking in respect of property operating leases	492,592	64,757
Net obligations under finance lease and hire purchase contracts	3,548	13,560
	496,140	**78,317**

Notes *(continued)*

10 Called up share capital

	2006 £	2005 £
Authorised		
Ordinary shares of 50p each	10,000	10,000
Allotted, called up and fully paid		
Ordinary shares of 50p each	2	2

11 Reconciliation of movements in shareholders' deficit

	2006 £	2005 £
Opening shareholders' deficit	(122,740)	(221,294)
(Loss)/profit for the financial period	(1,927,743)	98,554
Net movement in shareholders' funds	(1,927,743)	98,554
Closing shareholders' deficit	**(2,050,483)**	**(122,740)**

12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Partnerships In Care Group Limited which is the ultimate parent company incorporated in England and Wales

The largest and smallest group in which the results of the Company are consolidated is that headed by Partnerships In Care Group Limited, incorporated in England and Wales No other group financial statements include the results of the Company The consolidated financial statements of these groups may be obtained from Kneesworth House, Bassingbourn-cum-Kneesworth, Royston, Herts SG8 5JP