

Oaktree Care Group Limited

Unaudited

Directors' report and financial statements

For the year ended 31 December 2014



Oaktree Care Group Limited

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Oaktree Care Group Limited

Directors' report For the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014

Results and dividends

The profit for the year, after taxation, amounted to £1,372,101 (2013 - £1,556,345)

The directors do not recommend the payment of a dividend (2013 - Nil)

Directors

The directors who served during the year were

Joy Chamberlain

Quazi Haque

Simon Lane (resigned 20 June 2014)

Steven Woolgar

There are no directors retiring by rotation

This report was approved by the board on 4 June 2015 and signed on its behalf



Sarah Livingston
Company secretary

2 Imperial Place
Maxwell Road
Borehamwood
Hertfordshire
WD6 1JN

Oaktree Care Group Limited

Directors' responsibilities statement For the year ended 31 December 2014

The directors are responsible for preparing the Strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 accounting 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,
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Oaktree Care Group Limited

Strategic report For the year ended 31 December 2014

Introduction

The directors present their strategic report for the financial year ended 31 December 2014

Business review

We have consistently invested in the quality of our built environments. Our capital expenditure programme has improved the physical and therapeutic environments offered to our patients and this has permitted us to innovate and respond to market changes.

For the immediate future we continue to focus on providing the highest quality of care, on extending our patient care pathways, continuing to innovate and add new services and maintain our position as a leader in the specialist healthcare sector.

Principal risks and uncertainties

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Company. The Company's funding and liquidity is managed by the Company's finance department and is subject to internal control procedures. All significant financing transactions are authorised by the Board of Directors. The most important components of financial risk impacting the Company are price risk, liquidity risk and to a lesser extent credit risk – these are discussed in turn below.

Price risk

The Company's main customer for its mental health services is the National Health Service and any change in government policy resulting in a reduction in the fee rate received for the treatment of patients referred would constitute a risk to the Company. This has been a risk faced by the Company since it began to trade in 1991. Despite changes in the structure of NHS commissioning, the Company does not see the likelihood of any significant change in the close partnership between the Company and the NHS. The current government policy remains committed to the role of independent healthcare provision.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists for at least a 12-month period.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due. With over 90% of our customers being quasi government organisations, the default risk is low. Late payment risk is managed through focused collection activities, coupled with both cash clearance and outstanding debt targets.

Financial key performance indicators

The Company prepares detailed financial budgets and projections for all of its facilities and operations, against which actual performance is monitored.

These projections relate both to the operational performance of existing units and to capital projects, where emphasis is placed upon cost control and achievement of completion deadlines.

Oaktree Care Group Limited

Strategic report (continued) For the year ended 31 December 2014

The Company's financial key performance indicators during the period were as follows

	2014	2013
	£	£
Turnover	7,499,328	7,457,780
Operating profit	1,358,449	1,544,029
Shareholders' funds	8,690,441	7,318,340
Average number of employees	134	135
Debtor days (trade debtors/turnover x number of days in the period)	21 days	15 days

Turnover has remained at a similar level to 2013 despite an increase in patient numbers. Operating profit however has reduced by 12% as a consequence of a change in the mix of service users.

The Company is committed to providing high quality secure and specialist mental healthcare services and is one of the largest and most experienced independent providers of such services in the UK.

Trade debtor days have increased compared to the previous year but continue to be carefully managed.

Quality and compliance with regulations

The Company operates in a highly regulated environment and its care facilities are registered by the Care Quality Commission (CQC) in England.

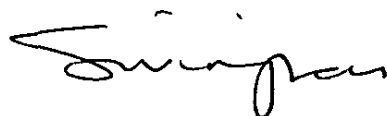
The quality of care provided by the Company and its compliance with regulation are monitored in a structured manner. The Director of Policy and Regulation regularly visits the Company's facilities to check compliance with the statutory standards of care. Care quality is also subject to continuous review by the senior managers and executive directors at regional, local and national level.

Senior managers and executive directors visit sites regularly and use dashboards supported by audits and local and regional scrutiny to maintain continuous review of care quality. The Company's management structure is one of accountable leadership with clear lines of accountability from ward and hospital level, through Regional Executive Directors located at the hospitals under their management, to the Group Chief Executive and the Board.

Position at the year end

At year-end 2013, the Company's performance met or exceeded all financial performance measures and those set by regulatory authorities and by the Department of Health's Commissioning for Quality and Innovation (CQUIN) targets. CQC inspection visits of our hospital in the course of the year produced no major concerns.

This report was approved by the board on 4 June 2015 and signed on its behalf



Sarah Livingston
Company secretary

Oaktree Care Group Limited

Profit and loss account For the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	1,2	7,499,328	7,457,780
Cost of sales		(5,225,259)	(5,034,194)
Gross profit		2,274,069	2,423,586
Administrative expenses		(915,620)	(879,557)
Operating profit	3	1,358,449	1,544,029
Interest receivable and similar income		96	6
Profit on ordinary activities before taxation		1,358,545	1,544,035
Tax on profit on ordinary activities	5	13,556	12,310
Profit for the financial year	12	1,372,101	1,556,345

All amounts relate to continuing operations

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

The notes on pages 7 to 14 form part of these financial statements

Oaktree Care Group Limited

Registered number: 04785303

Balance sheet As at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	6		1,051,182		2,140,520
Current assets					
Stocks	7	28,673		29,640	
Debtors	8	8,161,648		5,793,077	
Cash at bank and in hand		1,500		2,888	
			<u>8,191,821</u>	<u>5,825,605</u>	
Creditors: amounts falling due within one year	9	<u>(552,562)</u>		<u>(647,785)</u>	
Net current assets			<u>7,639,259</u>		<u>5,177,820</u>
Net assets			<u>8,690,441</u>		<u>7,318,340</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		<u>8,690,440</u>		<u>7,318,339</u>
Shareholders' funds	13		<u>8,690,441</u>		<u>7,318,340</u>

The directors consider that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Act

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 June 2015



Joy Chamberlain
Director

The notes on pages 7 to 14 form part of these financial statements

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Related party disclosures

As the Company is a wholly owned subsidiary of Acadia Healthcare Company Inc, (as disclosed in note 17), 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).

1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvement	-	over 5 or 10 years straight line
Plant & machinery	-	over 7 to 10 years straight line
Motor vehicles	-	over 4 years straight line
Fixtures & fittings	-	over 5 to 10 years straight line
Computer equipment	-	over 3 to 7 years straight line

1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes direct purchase costs.

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

1. Accounting policies (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.9 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year

2. Turnover

The directors are of the opinion that the businesses of the Company are substantially similar in that they all relate to the provision of healthcare services, therefore there is only one class of business

All turnover arose within the United Kingdom

3 Operating profit

The operating profit is stated after charging

	2014 £	2013 £
Depreciation of tangible fixed assets		
- owned by the company	308,078	239,818
Operating lease rentals		
- plant and machinery	29,043	28,002
- other operating leases	898,550	781,209

During the year, no director received any emoluments (2013 - £NIL)

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

4 Staff costs

Staff costs were as follows

	2014 £	2013 £
Wages and salaries	3,380,209	3,271,892
Social security costs	306,324	294,701
Other pension costs	55,000	38,831
	<u>3,741,533</u>	<u>3,605,424</u>

The average monthly number of employees, including the directors, during the year was as follows

	2014 No	2013 No
Operations	124	123
Administration	10	12
	<u>134</u>	<u>135</u>

5 Taxation

	2014 £	2013 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
Adjustments in respect of prior years	-	(2,170)
	<u>-</u>	<u>(2,170)</u>
Deferred tax		
Origination and reversal of timing differences	(18,174)	(16,069)
Effect of decreased tax rate on opening liability	-	4,067
Adjustment in respect of prior years	4,618	1,862
	<u>(13,556)</u>	<u>(10,140)</u>
Total deferred tax (see note 10)	<u>(13,556)</u>	<u>(10,140)</u>
Tax on profit on ordinary activities	<u>(13,556)</u>	<u>(12,310)</u>

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21 49315% (2013 - 23 24654%) The differences are explained below

	2014 £	2013 £
Profit on ordinary activities before tax	1,358,545	1,544,035
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21 49315% (2013 - 23 24654%)	291,994	358,935
Effects of:		
Expenses not deductible for tax purposes	2,780	-
Expenses not deductible for tax purposes - fixed assets	48,106	42,551
Depreciation in excess of capital allowances	19,531	18,679
Adjustments in respect of prior years	-	(2,170)
Transfer pricing adjustments	73,084	44,481
Group relief	(435,495)	(464,646)
Current tax charge/(credit) for the year (see note above)	-	(2,170)

Factors that may affect future tax charges

The level of disallowable expenses and utilisation of tax losses carried forward will impact future tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012 Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013

This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

6. Tangible fixed assets

	Leasehold improvement £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost						
At 1 January 2014	1,754,983	328,793	54,253	898,033	119,364	3,155,426
Additions	85,247	45,319	-	87,525	17,954	236,045
Transfers intra group	-	(8,891)	-	-	4,464	(4,427)
Disposals	(1,019,437)	(14,001)	-	(17,433)	-	(1,050,871)
Transfer between classes	-	2,246	-	(2,246)	-	-
At 31 December 2014	820,793	353,466	54,253	965,879	141,782	2,336,173
Depreciation						
At 1 January 2014	146,191	176,487	27,704	569,755	94,769	1,014,906
Charge for the year	145,725	40,140	9,813	100,996	11,404	308,078
Transfers intra group	-	(8,683)	-	-	950	(7,733)
On disposals	-	(11,506)	-	(18,754)	-	(30,260)
Transfer between classes	-	529	-	(529)	-	-
At 31 December 2014	291,916	196,967	37,517	651,468	107,123	1,284,991
Net book value						
At 31 December 2014	528,877	156,499	16,736	314,411	34,659	1,051,182
At 31 December 2013	1,608,792	152,306	26,549	328,278	24,595	2,140,520

7. Stocks

	2014 £	2013 £
Food, pharmaceuticals and other consumables	28,673	29,640

The difference between the carrying value of stocks and their replacement cost is not material

8. Debtors

	2014 £	2013 £
Trade debtors	42,921	30,208
Amounts owed by group undertakings	7,981,657	5,654,312
Other debtors	10,465	552
Prepayments and accrued income	69,862	64,818
Deferred tax asset (see note 10)	56,743	43,187
	8,161,648	5,793,077

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

8. Debtors (continued)

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

9. Creditors:

Amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts	1,143	-
Trade creditors	2,829	56,627
Amounts owed to group undertakings	312,778	312,778
Other taxation and social security	74,797	94,764
Other creditors	5,644	9,812
Accruals and deferred income	155,371	173,804
	<u>552,562</u>	<u>647,785</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

10. Deferred tax asset

	2014 £	2013 £
At beginning of year	43,187	33,047
Credit for the year	13,556	10,140
	<u>56,743</u>	<u>43,187</u>

The deferred tax asset is made up as follows

	2014 £	2013 £
Accelerated capital allowances	55,882	42,326
Short term timing differences	861	861
	<u>56,743</u>	<u>43,187</u>

11. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
2 Ordinary shares of £0.50 each	<u>1</u>	<u>1</u>

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

12. Reserves

	Profit and loss account £
At 1 January 2014	7,318,339
Profit for the financial year	1,372,101
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At 31 December 2014	8,690,440
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13. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	7,318,340	5,761,995
Profit for the financial year	1,372,101	1,556,345
	<hr/>	<hr/>
Closing shareholders' funds	8,690,441	7,318,340
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14 Capital commitments

At 31 December 2014 the Company had capital commitments as follows

	2014 £	2013 £
Contracted for but not provided in these financial statements	56,733	57,185
	<hr/>	<hr/>

15. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £49,500 (2013 - £34,948). Contributions totalling £8,182 (2013 - £11,210) were payable to the fund at the balance sheet date and are included in creditors.

16 Operating lease commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2014 £	2013 £	2014 £	Other 2013 £
Expiry date:				
Within 1 year	-	-	105	1,046
Between 2 and 5 years	-	-	813	-
After more than 5 years	898,550	781,485	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Oaktree Care Group Limited

Notes to the financial statements For the year ended 31 December 2014

17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Partnerships in Care Management Limited

The ultimate parent undertaking is Acadia Healthcare Company Inc, a company incorporated in the United States of America

The largest group in which the results of the Company are consolidated is that headed by Acadia Healthcare Company Inc, incorporated in the United States of America. The consolidated financial statements of the Acadia Healthcare group may be obtained from 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067

The smallest group in which the results of the Company are consolidated is that headed by Partnerships in Care UK 2 Limited, incorporated in England and Wales. The consolidated financial statements of the Partnerships in Care UK 2 Limited group may be obtained from 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN