

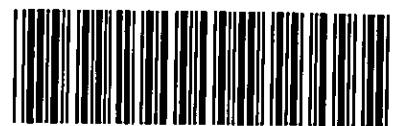
**VHG Management Limited**

**Directors' report and financial  
statements**

**Registered number 4250960**

**For the year ended 31 March 2010**

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## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2010

### 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 (2009 £Nil).

### Directors

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

N Moreton

D Quinn

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.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors 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

1 July 2010

## **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 LLP**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

### **Independent auditors' report to the members of VHG Management Limited**

We have audited the financial statements of VHG Management Limited for the year ended 31 March 2010 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 auditors' 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 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **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 2010 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 matter prescribed by the Companies Act 2006**

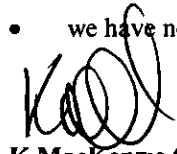
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' 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*

1 July 2010

**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Operating expenses (including exceptional IPO preparatory costs of £Nil (2009 £847,000))	2	(10)	(855)
<b>Operating loss</b>		<b>(10)</b>	<b>(855)</b>
Interest receivable and similar income	3	9,323	19,103
Interest payable and similar charges	4	(22,214)	(30,784)
<b>Loss on ordinary activities before taxation</b>		<b>(12,901)</b>	<b>(12,536)</b>
Tax on loss on ordinary activities	7	3,711	3,273
<b>Loss for the financial year</b>	13	<b>(9,190)</b>	<b>(9,263)</b>

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 has been prepared.

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

**Balance sheet**  
*at 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>			
Investments in subsidiary undertakings	8	63,936	63,936
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	9	139,898	140,954
Cash		4,391	8,314
		<b>144,289</b>	<b>149,268</b>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(1,489)</b>	<b>(2,151)</b>
<b>Net current assets</b>			
Due within one year		2,902	6,163
Debtors due after more than one year	9	139,898	140,954
		<b>142,800</b>	<b>147,117</b>
<b>Total assets less current liabilities</b>		<b>206,736</b>	<b>211,053</b>
<b>Creditors: Amounts falling due after more than one year</b>	11	<b>(269,757)</b>	<b>(264,884)</b>
<b>Net liabilities</b>		<b>(63,021)</b>	<b>(53,831)</b>
<b>Capital and reserves</b>			
Called up share capital	12	2,000	2,000
Profit and loss account	13	(65,021)	(55,831)
<b>Shareholders' deficit</b>	14	<b>(63,021)</b>	<b>(53,831)</b>

These financial statements were approved by the board of directors on 1 July 2010 on its behalf by



**NK Moreton**  
 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, except those below

The following amendments to standards have been adopted in these financial statements for the first time

**The amendment to FRS 8 Related Parties Disclosures** The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements

**The amendment to FRS 21 Events after the balance sheet date** (mandatory for periods starting on/after 1 January 2009) to confirm no obligation exists at the balance sheet date for dividends declared after that date

The adoption of the above amendments has no material effect on the financial statements of the company

#### ***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 2010, 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 £324 million bank loan facility comprising a £250 million term loan facility, a £69 million capex facility and a £5 million revolving credit facility. The term loan and capex facility are fully drawn and are due to be repaid on 3 April 2011.

On 29 June 2010 the group amended and extended its existing bank loan facilities to 3 April 2014. As part of this extension the group repaid £35 million of its existing bank debt which was funded by issuing £35 million of unsecured PIK notes. The group has also retained a further £5 million from its annual cash sweep which it is able to apply to permitted developments.

The bank loans are only repayable in advance of 3 April 2014 if the group does not comply with banking covenants. The 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 group has entered into a new 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

	2010 £000	2009 £000
<i>Operating expenses are stated after charging</i>		
Auditors' remuneration including expenses		
Audit of these financial statements	8	6
Exceptional IPO preparatory costs	-	847
	<u>8</u>	<u>853</u>

Amounts receivable by the company's auditors and their associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Voyage Holdings Limited.

### 3 Interest receivable and similar income

	2010 £000	2009 £000
Interest received from fellow subsidiary undertakings	7,574	10,190
Bank interest received	1,749	8,913
	<u>9,323</u>	<u>19,103</u>

Included within bank interest receivable is interest receivable on the group's interest rate swap arrangement of £1,733,000 (2009 £8,794,000).

### 4 Interest payable and similar charges

	2010 £000	2009 £000
On bank loans and overdrafts	16,078	22,793
Interest payable to fellow subsidiary undertakings	6,136	7,991
	<u>22,214</u>	<u>30,784</u>

Included within interest payable on bank loans, debt cost amortisation of £1,200,000 (2009 £1,189,000) and interest payable on the group's interest rate swap arrangement of £8,519,000 (2009 £10,709,000).

## Notes (continued)

### 5 Directors' emoluments

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

	2010 £000	2009 £000
Emoluments	385	417
Pension contributions	64	64
	<u>449</u>	<u>481</u>

Emoluments of the highest paid director are as follows

	£000	£000
Emoluments	193	209
Pension contributions	32	32
	<u>225</u>	<u>241</u>

#### Number

Number of directors with benefits accruing under a defined contribution scheme	2	2
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The directors received no emoluments for their services to the company in the year (2009 £Nil)

### 6 Staff costs and numbers

The company had no employees (2009 nil)

### 7 Tax on loss on ordinary activities

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(3,612)	(3,273)
Adjustment in respect of prior periods	(99)	-
	<u>(3,711)</u>	<u>(3,273)</u>

## 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 higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(12,901)	(12,536)
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	(3,612)	(3,510)
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	237
Adjustments to tax charge in respect of previous periods	(99)	-
	<hr/>	<hr/>
Total current tax credit (see above)	(3,711)	(3,273)
	<hr/>	<hr/>

#### Factors that may affect future tax charges

The company has an unprovided deferred tax asset of £828,000 (2009 £1,744,000) 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

Deferred tax has been calculated at 28%

### 8 Investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At beginning and end of year	63,936
	<hr/>

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%
Milbury Community Services*	Community Care	England	Ordinary	100%
Milbury Care Services Limited*	Community Care	England	Ordinary	100%
Voyage Limited	Community Care	England	Ordinary	100%
Voyage Recruitment Limited*	Employment Services	England	Ordinary	100%
Home First and Foremost Limited*	Employment services	England	Ordinary	100%
Voyage Secure Limited	Community care	England	Ordinary	100%
Milbury Partnerships Limited*	Intermediate holding company	England	Ordinary	100%

\* Held by a subsidiary undertaking

## Notes (continued)

### 9 Debtors

	2010 £000	2009 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	139,898	140,954

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

	2010 £000	2009 £000
Bank loans and overdrafts	1,489	2,151

Bank loans and overdrafts comprise debt cost amortisation of £1,203,000 (2009 £1,192,000), part repayment of the term loan of £Nil (2009 £2,370,000) and an interest accrual of £2,692,000 (2009 £973,000)

### 11 Creditors: Amounts falling due after more than one year

	2010 £000	2009 £000
Bank loans and overdrafts	168,935	170,198
Amounts due to group undertakings	100,822	94,686
	269,757	264,884

### Analysis of debt

	2010 £000	2009 £000
Debt can be analysed as falling due		
In one year or less, or on demand	1,489	2,151
Between one and two years (see note below)	168,935	1,264
Between two and five years	-	168,934
	170,424	172,349

Included within bank loans and overdrafts is an amount of £Nil (2009 £1,192,000) in respect of unamortised loan costs and an interest accrual of £34,000 (2009 £2,489,000). The loans are being written off over five years and, therefore, £Nil (2009 £1,192,000) of debt cost amortisation and £34,000 (2009 £2,456,000) of the interest accrual has been classified as due within one and two years in the analysis above.

Part repayment of the term loan is required if certain events and cash flows occur prior to April 2011. Consequently, £Nil (2009 £2,370,000) was repaid in April 2010 and has, therefore, been classified as due in one year or less in the above analysis. As it is not possible to accurately determine whether and when subsequent events and cash flows will occur, the remaining bank loan has been classified as due between one and two years.

Bank loans comprise Term Loans of £99,901,000 (2009 £102,271,000) (being part of a £250,000,000 group facility) and a Capex Facility Loan of £69,000,000 (2009 £69,000,000).

## Notes (continued)

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

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

<i>Debt instrument</i>	<i>Loan balance (£000)</i>	<i>Interest rate</i>	<i>Repayment terms</i>
Term Loan	99,901	LIBOR + 3.5% *	April 2011
Capex Facility Loan	69,000	LIBOR + 3.25% *	April 2011

\* the margin increased by 0.5% on 3 April 2010 and will increase by a further 0.5% every six months thereafter

The group has entered into an interest rate swap arrangement which fixed the rate payable on part of the bank loans at 6.598% for the 12 month period ending 4 April 2008, 7.098% for the 12 months ending 4 April 2009 and 7.849% from April 2009, increasing by 0.5% every six months from April 2010 until April 2011

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

	2010 £000	2009 £000
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000

### 13 Profit and loss account

	£000
At beginning of year	(55,831)
Loss for the financial year	(9,190)
At end of year	(65,021)

### 14 Reconciliation of movements in shareholders' deficit

	2010 £000	2009 £000
Opening shareholders' deficit	(53,831)	(44,568)
Loss for the financial year	(9,190)	(9,263)
Closing shareholders' deficit	(63,021)	(53,831)

### 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

## **Notes** *(continued)*

### **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