

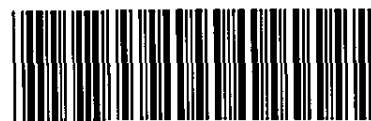
**VHG Management Limited (formerly PHG
Management Limited)**

**Directors' report and financial
statements**

Registered number 4250960

For the year ended 31 March 2008

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2008.

Change of name

On 16 October 2007, the company changed its name from PHG Management Limited to VHG Management Limited.

Principal activity

The principal activity of the company is that of an intermediate holding company.

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 period are set out in detail on page 5.

The directors do not recommend the payment of a dividend (2007: £Nil).

Directors

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

N Moreton
D Quinn

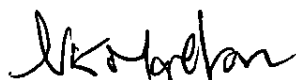
Statement of disclosure to auditors

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

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board



NK Moreton
Company Secretary

Garrick House
2 Queen Street
Lichfield
Staffordshire
WS13 6QD

10 December 2008

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).

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
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of VHG Management Limited (formerly PHG Management Limited)

We have audited the financial statements of VHG Management Limited (formerly PHG Management Limited) for the year ended 31 March 2008 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

**Independent auditors' report to the members of VHG Management Limited
(formerly PHG Management Limited) (continued)**

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 March 2008 and of its loss for the year then ended;
- 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
Chartered Accountants
Registered Auditor

10 December 2008

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Operating expenses	2	(10)	(8)
Operating loss		(10)	(8)
Interest receivable and similar income	3	22,367	16,679
Interest payable and similar charges	4	(31,853)	(31,616)
Loss on ordinary activities before taxation		(9,496)	(14,945)
Tax on loss on ordinary activities	7	2,803	3,623
Loss for the financial year	13	(6,693)	(11,322)

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

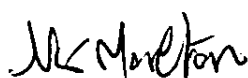
There is no material difference between the reported profit and the historical cost profit. Accordingly, no note of historical cost profits and losses has been prepared.

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

Balance sheet
at 31 March 2008

	<i>Note</i>	2008 £000	£000	2007 £000	£000
Fixed assets					
Investments in subsidiary undertakings	8		58,936		58,936
Current assets					
Debtors: Amounts falling due after more than one year	9	126,683		98,500	
Cash		4,440		5,818	
		<u>131,123</u>		<u>104,318</u>	
Creditors: Amounts falling due within one year	10	<u>(3,174)</u>		<u>(1,852)</u>	
Net current assets					
Due within one year		1,266		18,018	
Debtors due after more than one year	9	<u>126,683</u>		<u>84,448</u>	
			127,949		102,466
Total assets less current liabilities			<u>186,885</u>		<u>161,402</u>
Creditors: Amounts falling due after more than one year	11		<u>(231,453)</u>		<u>(199,277)</u>
Net liabilities			<u>(44,568)</u>		<u>(37,875)</u>
Capital and reserves					
Called up share capital	12		2,000		2,000
Profit and loss account	13		<u>(46,568)</u>		<u>(39,875)</u>
Shareholders' deficit	14		<u>(44,568)</u>		<u>(37,875)</u>

These financial statements were approved by the board of directors on 10 December 2008 on its behalf by:



NK Moreton
 Director

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 accounts have been prepared on a going concern basis, notwithstanding net liabilities of £44,568,000 (2007: £37,875,000) which the directors believe to be appropriate for the following reasons. The company is dependent on committed loan facilities from its bankers which are only repayable if the group headed by Voyage Group Limited does not comply with banking covenants. The group's forecasts for the next year show that the group should be in compliance with all covenants.

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.

The company is exempt by virtue of s228 of the Companies Act 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 2008, the company was a wholly owned subsidiary of Voyage Group 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.

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.

Related party transactions

As permitted by paragraph 3(a) of Financial Reporting Standard 8 "Related party disclosures", the company has taken advantage of the exemption for 90% subsidiaries not to disclose related party transactions with group entities. There were no other related party transactions entered into by the company during the period.

2 Operating expenses

	2008 £000	2007 £000
<i>Operating expenses are stated</i>		
<i>after charging</i>		
Auditors' remuneration including expenses:		
Audit fee	7	5
Other services	3	3
	<hr/>	<hr/>
	10	8
	<hr/>	<hr/>

Notes (continued)

3 Interest receivable and similar income

	2008 £000	2007 £000
Interest received from fellow subsidiary undertakings	9,371	7,109
Bank interest received	12,996	9,570
	<u>22,367</u>	<u>16,679</u>

Included within bank interest receivable is interest receivable on the group's interest rate swap arrangement of £12,816,000 (2007: £9,319,000).

4 Interest payable and similar charges

	2008 £000	2007 £000
On bank loans and overdrafts	23,581	25,244
On all other loans	-	51
Interest payable to fellow subsidiary undertakings	8,272	6,321
	<u>31,853</u>	<u>31,616</u>

Included within interest payable on bank loans is debt issue costs written off of £Nil (2007: £4,191,000), debt cost amortisation of £1,133,000 (2007: £1,066,000), a swap cancellation fee of £Nil (2007: £1,780,000) and interest payable on the group's interest rate swap arrangement of £11,392,000 (2007: £9,373,000).

5 Directors' emoluments

The directors received the following emoluments in respect of their services to the company and its subsidiaries:

	2008 £000	2007 £000
Emoluments	557	508
Pension contributions	62	62
	<u>619</u>	<u>570</u>

Emoluments of the highest paid director are as follows:

	£000	£000
Emoluments	280	254
Pension contributions	31	33
	<u>311</u>	<u>287</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.

Notes (continued)

6 Staff costs and numbers

The company had no employees (2007: none).

7 Tax credit on loss on ordinary activities

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(2,849)	(3,642)
Adjustment in respect of prior periods	46	19
Tax on loss on ordinary activities	(2,803)	(3,623)

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2007: lower) than the standard rate of corporation tax in the UK of 30%, 2007: 30%). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(9,496)	(14,945)
Current tax at 30%	(2,849)	(4,484)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	54
Increase in losses carried forward	-	788
Adjustments to tax charge in respect of previous periods	46	19
Total current tax credit (see above)	(2,803)	(3,623)

Factors that may affect future tax charges

The company has an unprovided deferred tax asset of £1,744,000 (2007: £982,000) 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 tax rate applicable to the company has fallen from 30% to 28% as of 1 April 2008. Deferred tax has been calculated at 28%.

Notes (continued)

8 Investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At beginning and end of year	58,936

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%
Opportunities UK Limited*	Employment Services	England	Ordinary	100%
Home First and Foremost Limited*	Employment services	England	Ordinary	100%
Headwind Limited	Dormant	England	Ordinary	100%
Milbury Partnerships Limited*	Intermediate holding company	England	Ordinary	100%

* Held by a subsidiary undertaking

9 Debtors

	2008 £000	2007 £000
Amounts falling due within one year:		
Group relief receivable	-	14,052
	-	14,052
Amounts falling due after more than one year:		
Amounts owed by group undertakings	126,683	84,448
	126,683	98,500

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

	2008 £000	2007 £000
Bank loans and overdrafts	424	1,822
Other creditors	2,750	30
	3,174	1,852

Bank loans and overdrafts comprise debt cost amortisation of £1,133,000 (2007: £1,086,000) and part repayment of the term loan of £1,557,000 (2007: £2,908,000).

Notes (continued)

11 Creditors: Amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans and overdrafts	144,464	121,629
Amounts due to group undertakings	86,989	77,648
	<u>231,453</u>	<u>199,277</u>

Analysis of debt

	£000	£000
Debt can be analysed as falling due:		
In one year or less, or on demand	424	1,822
Between one and two years (see note below)	(1,133)	(1,086)
Between two and five years	145,597	122,715
	<u>144,888</u>	<u>123,451</u>

Included within bank loans and overdrafts is an amount of £2,288,000 (2007: £3,280,000) in respect of unamortised loan costs and an interest accrual of £1,702,000 (2007: £1,116,000). The loans are being written off over five years: therefore, £1,133,000 (2007: £1,086,000) of debt cost amortisation 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, £1,558,000 (2007: £2,908,000) was repaid in April 2008 (2007: April 2007) 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 two and five years.

Bank loans comprise Term Loans of £103,877,000 (2007: £106,997,000) (being part of a £250,000,000 group facility) and a Capex Facility Loan of £42,731,000 (2007: £19,704,000) (being part of a £69,000,000 group facility).

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

Debt instrument	Loan balance (£000)	Interest rate	Repayment terms
Term Loan	103,877	LIBOR + 2.5%	April 2011
Capex Facility Loan	42,731	LIBOR + 2.25%	April 2011

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 2007, 7.098% for the 12 months ending 4 April 2008 and 7.849 for the three years ending 4 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.

Notes (continued)

12 Called up share capital

	2008	2007
	£000	£000
<i>Authorised:</i>		
2,500,000 ordinary shares of £1 each	2,500	2,500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>

13 Profit and loss account

	£000
At beginning of year	(39,875)
Loss for the financial year/period	(6,693)
	<hr/>
At end of year	(46,568)
	<hr/>

14 Reconciliation of movements in shareholders' deficit

	2008	2007
	£000	£000
Opening shareholders' deficit	(37,875)	(26,553)
Loss for the financial year/period	(6,693)	(11,322)
	<hr/>	<hr/>
Closing shareholders' deficit	(44,568)	(37,875)
	<hr/>	<hr/>

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 Group Limited, which is registered in England and Wales.

Group financial statements of Voyage Group Limited can be obtained from:

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