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Annual report & accounts 2010

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# The UK's leading independent provider of secure mental healthcare

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£5.6 million capital investment during the year

1,385 patients treated (2009: 1,383)

Average occupancy across year of 81%

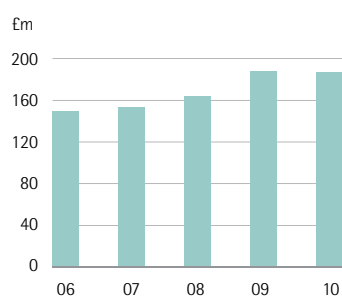
PiC met or exceeded all NHS contract quality indicators (CQUINS)

Focus on the development of integrated care pathways that will further reduce average length of stay

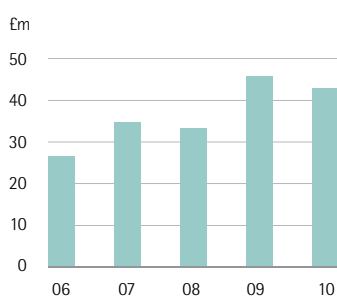
Electronic patient record system roll out

The Dene Hospital opens male low secure service

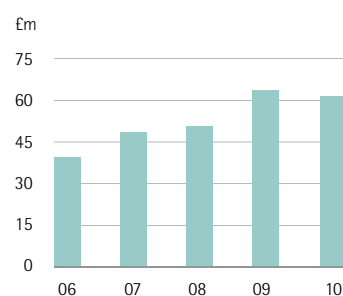
Turnover



Operating profit\*



EBITDA†



\* Operating profit as stated above excludes an exceptional item of £68.7m (2009: £nil).

† EBITDA as stated above excludes £1.0m (2009: £1.6m) of non-recurring costs.

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Working together in the provision  
of excellent healthcare

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Partnerships in Care (PiC) offers the largest independent network  
of secure mental health hospitals and facilities in the UK.

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We have over 25 years of experience caring for men and women  
with complex mental health needs and specialise in:

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Mental illness  
Personality disorders  
Learning disabilities  
Brain injury rehabilitation

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**Our 23 centres provide services to over 142 primary care trusts (PCTs), commissioning consortia and social services departments.**

Partnerships in Care (PiC) provides integrated assessment, treatment and rehabilitation for patients who suffer from a severe mental illness, personality disorder, learning disability or brain injury. Care is provided by experienced multidisciplinary teams based in medium secure, low secure and step down rehabilitation units across the UK.

By offering high quality care and treatment as well as care pathways, we are able to consistently achieve our aims of ensuring patients move on to safe and appropriate community placements as soon as possible.

All our services follow a recovery model designed to empower patients by providing opportunity and hope through active rehabilitation programmes.

PiC has a commitment to assess referrals within 48 hours. In an emergency we offer a rapid response service and can assess and admit a patient within eight hours of referral.

We offer independently recognised training in the management of violence and aggression to the NHS as well as other independent healthcare providers.

Through our Care first division we provide employee assistance programmes for businesses and public sector employers.

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## Year at a glance

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**January 2010** PiC forensic in-reach service developed to respond to contracting and development opportunities in prisons, immigration centres and diversion.

**March 2010** Eastern region of PiC reconfigured to include Kneesworth House Hospital. Suttons Manor and The North London Clinic form a new London Region; Brain Injury Conference in Northampton.

**April 2010** Oaktree Manor Autism Seminar.

**May 2010** Burston House renovations completed.

**June 2010** PiC Recovery Conference at National Training Centre; PiC website developed to incorporate recruitment functionality through a single portal.

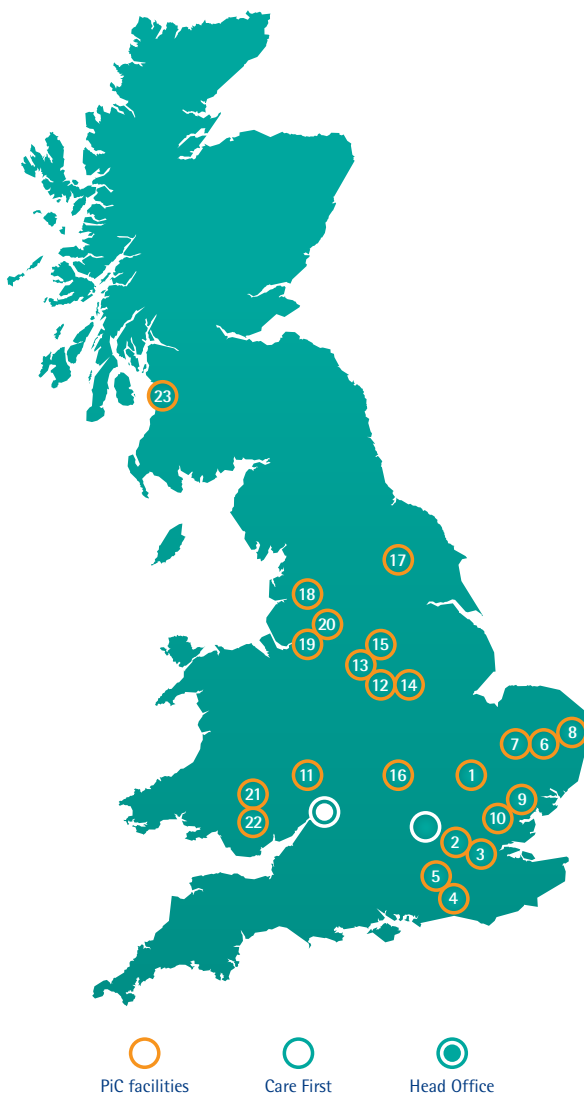
**July 2010** Refurbishment at North London Clinic.

**September 2010** PiC 25th Anniversary celebrations.

**October 2010** Koestler Exhibition launch with PiC as major sponsor. Over 50 PiC pieces of patient art were recognised with many on display.

**November 2010** Grafton Manor Brain Injury treatment centre 25th Anniversary seminar.

PiC has 23 facilities in England, Wales and Scotland. We also provide residential houses within the community.



#### London and South East

- **Partnerships in Care Head Office**  
 Borehamwood  
 Hertfordshire
- 1 **Kneesworth House**  
 Royston, Cambridgeshire
- 2 **The North London Clinic**  
 Edmonton, London
- 3 **Suttons Manor**  
 Romford, Essex
- 4 **The Dene**  
 Hassocks, West Sussex
- 5 **Pelham Woods**  
 Dorking, Surrey

#### South West

- **Care first**  
 Gloucestershire

#### Eastern

- 6 **St John's House**  
 Diss, Norfolk/Suffolk
- 7 **Burston House**  
 Diss, Norfolk/Suffolk
- 8 **Lombard House and Richmond House**  
 Harleston, Norfolk/Suffolk
- 9 **Oaktree Manor**  
 Tendring, Essex
- 10 **Brain Injury Services Essex**  
 Colchester, Essex

#### Midlands

- 11 **Abbey House**  
 Malvern Wells,  
 Worcestershire
- 12 **Annesley House**  
 Annesley, Nottinghamshire
- 13 **Hazelwood House**  
 Chesterfield, Derbyshire
- 14 **The Willows**  
 Newark, Nottinghamshire
- 15 **Calverton Hill**  
 Arnold, Nottinghamshire
- 16 **Brain Injury Services Northamptonshire**  
 Grafton Regis, Northampton

#### North East

- 17 **Stockton Hall**  
 Stockton-on-the-Forest, York

#### North West

- 18 **Kemple View**  
 Blackburn, Lancashire
- 19 **Arbury Court and PiC National Training Centre**  
 Warrington, Cheshire
- 20 **The Spinney**  
 Atherton, Manchester

#### Wales

- 21 **Llanarth Court**  
 Abergavenny,  
 Monmouthshire
- 22 **Aderyn**  
 Nr Pontypool,  
 Monmouthshire

#### Scotland

- 23 **The Ayr Clinic**  
 Ayr, Ayrshire



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## Chairman's statement

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**In what has been a challenging business environment for healthcare providers, PiC's performance in 2010 was resilient. Average occupancy remained satisfactory at 81% with turnover relatively constant from 2009 to 2010 at £186.6m (2009: £187.9m) and EBITDA only marginally reduced at £61.4m (2009: £63.6m).**

**Capital investment of £5.6 million contributed to ensuring that the network of services that we offer align with the needs of commissioners, clinicians and most importantly those patients whose care and treatment is entrusted to us.**

The Coalition Government is committed to significant changes in the delivery of healthcare and to developing models of criminal justice that focus on rehabilitation and restitution rather than simply punishment. PiC services are delivered and developed at the very nexus of health and criminal justice, and we are highly influenced by developments in these key policy areas.

We welcome the direction of travel of the Health and Social Care Bill and expect it to have a marked impact in the years ahead. The structural changes in the NHS that will be necessary to deliver every aspect of the Health Bill will require us to work flexibly and collaboratively with NHS partners.

The challenge for PiC is less adapting to and influencing the changes ahead but delivering them during a period of unparalleled financial constraint. All PiC secure and rehabilitation services are commissioned by the public sector, almost exclusively the NHS. Whilst the NHS budget has been ring fenced, the period of growth enjoyed by the NHS is now over. With an expectation that the NHS reduces expenditure by over £20 billion between 2011 and 2014, we as key providers to the NHS must expect to work with our NHS clients to help them through this period.

### Quality Assured Services

Throughout 2010 we have continued to deliver sound clinical and operational governance corporately and locally. Strong regional management continues to ensure that the principles of effective governance are embedded in every aspect of treatment and care.

The Department of Health has an expectation that all providers of services to the NHS provide an annual Quality Account; these are posted on the Department of Health 'NHS Choices' website. For PiC the Quality Account provides a valuable opportunity to evidence our commitments to quality and safety to a wide range of stakeholders – including our patients. The PiC Board has been fully involved in the development of our Quality Account and supports the Company in delivering the quality strategy set in the report.

Service quality and patient safety continue to be of paramount importance to PiC and all our stakeholders. PiC continues to maintain close relationships with the Care Quality Commission (CQC) and we look forward to collaborating in the further development of inspection and regulation regimes.

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#### Policy and legislation

The significant constraints in all aspects of public spending will continue for the foreseeable future. The new healthcare landscape is expected to fully embrace the independent sector and acknowledge the benefits of a plurality of providers in a way that we have not seen before. If this happens, the competitive playing field should be considerably more level than it has been before.

In his October 2010 interim report Lord Hutton hinted at the needs for major changes to public sector pensions. A harmonisation of pension expectations for both beneficiaries and contributors would represent a major step forward in the alignment of NHS and independent sector services.

#### Our people

PiC could not deliver consistently safe, high quality services without the sustained commitment of all our staff, both patient facing and in support functions. I would like to thank them for their dedication, enthusiasm and support often under very difficult circumstances.

I would particularly like to thank Fred Sinclair-Brown who has announced his decision to step down from his position after five years as Group Chief Executive. We are very grateful to Fred for all his hard work and dedication during that time. He has led the business through a period of enormous change both for PiC and for the environment in which we operate. He has overseen a transformation for PiC as an organisation both in terms of scale and structure. He believes that now is the right time to focus on new challenges and he does so with our thanks and best wishes for the future. Joy Chamberlain has agreed to act as Interim Chief Executive pending the outcome of a full search for a replacement for Fred.

#### Looking forward

Whilst 2011 will be a year of continued spending constraint, it will also be the year in which many of the uncertainties, that at the moment are broad brush commitments within White and Green papers, will become tangible.

Use of the independent sector will become increasingly critical to meet the needs of men and women who require secure psychiatry. An NHS charged with saving over £20 billion will find development capital less easy to access and will be encouraged to work more closely with independent sector providers. The prison population is not reducing, nor is the incidence of serious mental illness in the prison population. PiC continues to work with the relevant authorities to speed up the referral, assessment and treatment of offenders with severe mental illness. Finally the aging population means that many high risk long term psychiatric patients are living longer and will require specialist services to meet their needs.

For PiC, notwithstanding short-term challenges, the long-term outlook remains positive. We have set ourselves realistic financial and operational targets that properly reflect the changing world in which we operate and will continue to build our reputation as a high quality provider of care.



**Kevin Beeston**  
Chairman



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## Group Chief Executive's statement

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**2010 was a demanding year for specialist healthcare providers – both NHS and independent sector. More than ever before healthcare must be delivered within the context of political and financial influences. In June 2010, a Coalition Government was formed, in the midst of the global financial crisis. One of the first acts of the Coalition was to impose specific constraints in public spending. Whilst the NHS budget has been ringfenced in real terms, more than £20 billion must be saved. This continues to inform almost everything we do. At its simplest, commissioners have asked providers to sustain or indeed enhance the quality of their clinical offerings for less money. I am proud to record that PiC has risen to the challenge and continues to meet successfully the complex interrelated needs of commissioners, clinicians, carers and patients.**

### **Delivering on quality and clinical excellence**

Over the past five years our strategy has been one of growth and investment and this has increased our capacity to over 1,200 beds. We are consequently in a good position to focus on the quality of our service delivery during this period of economic downturn and NHS savings.

Throughout 2010 we have sustained our focus on maintaining and enhancing the quality of everything we do. Our commitment to patient safety and ensuring a high quality of service remains embedded in our culture and we are committed to supporting strong regulation and inspection of healthcare. Our first Quality Account – a formal requirement of all contractors providing services to the NHS – was well received and sets out our priorities for 2011. Our Group Medical Director, Director of Policy and Regulation, Corporate Director of Nursing and Clinical Governance Group are all focused on driving a cycle of continual improvement to ensure patients receive the treatment, care and attention we would all want for ourselves or our own relatives.

Importantly PiC has continued to develop innovative and outcome-focused clinical programmes delivered to those patients whose care and treatment has been entrusted to us. Our ability to sustain our high quality services during a period of increasing financial constraint reflects the commitment of all our staff, both patient facing and support functions. Through a programme of open and honest communication with our staff we have made sure that everyone in our business is fully aware of the commercial and political environment in which we work and deliver services, and the ways in which we are meeting the challenges we face.

### **Working more closely with commissioners**

The standard NHS contract for services has brought us much closer to commissioners who have been engaged in regular formal reviews of our performance against contract parameters. I am proud to report that we have met or exceeded all contract expectations.

A constant theme for commissioners in 2010 has been extending the treatment pathway through the varying levels of security. All our step-down services have seen increased levels of activity: in particular Abbey House, in Malvern, has successfully integrated with local NHS services and enjoyed high levels of occupancy. We believe that commissioners will continue to expect an integration of services that will ultimately allow commissioning along the whole treatment pathway.

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Our commitment to patient safety and ensuring a high quality of service remains embedded in our culture and we are committed to supporting strong regulation and inspection of healthcare.

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#### **Authoritative voice of independent psychiatry**

From inception, 'Liberating the NHS' (The Health White Paper) received a mixed reception and passage of the Bill will inevitably be delayed by reaction from the public and interested parties. PiC has fully engaged in the consultation opportunities presented by the White Paper, supporting a liberated healthcare market that will ensure that commissioning decisions are based primarily on best value and evidence-based outcomes delivered by the most appropriate provider – be they NHS or independent sector. It is unfortunate that much of the rhetoric surrounding the Bill has had a distinct anti-independent sector tone. PiC has tried to remind policy makers and influencers that the independent sector is already a key provider of specialist psychiatric treatment, providing almost 40% of medium secure capacity. It is likely that the Health Bill, when passed, will push back on some aspects of market reform, however we can be optimistic that mechanisms will be put in place that assure a more level playing field for independent sector providers.

In 2010 the Independent Mental Health Services Alliance (IMHSA), chaired by PiC, has established itself as the authoritative voice of independent psychiatry. There are major advantages to the industry speaking as a collective. IMHSA has been able to engage with senior civil servants and ministers who are key in driving the Coalition Health and Justice developments. Currently IMHSA represents most of the major independent providers of secure psychiatric care and treatment.

#### **Addressing the need within prisons**

The Criminal Justice Green Paper 'Breaking the Cycle' continues to build on much of the work of the previous Government, focused mainly around the Bradley Report. The Coalition Government is clearly committed to the further development of diversion and treatment of mentally disordered offenders as the alternative to imprisonment. PiC has contributed to the consultations around the Justice Green Paper using the opportunity to align our services with the core objectives of the Bill. In particular, our Intensive Assessment and Treatment Service (IATS) for offenders clearly meets the diversion agenda. Our continued membership and contributions to the thinking of the National Advisory Group on Health and Criminal Justice and our promotion of the cost benefits of psychiatric treatment for offenders ensures that PiC is fully engaged in criminal justice developments at the highest levels. We anticipate that, as with the Health and Social Care Bill, the passage of the Justice Bill will be protracted and, on occasions, controversial: we hope that the momentum for positive change will not be lost during its passage.

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## Group Chief Executive's statement (continued)

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### Maintaining an up-to-date workforce

PiC is proud to have retained 'Investors in People' status for over 10 years, and we continue to invest in staff training and development. All our training and development records are shared with regulatory bodies on request.

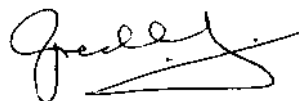
Having our own National Training and Development centre has meant that we have been able to sustain key training for all our staff without the need to access expensive external resources. The training centre is now responsible for monitoring all staff induction and mandatory training to ensure conformance and continuity of training across the Group. At a time when budgets are under pressure, this has allowed us to keep our workforce training up to date. Whilst we have been circumspect in developing an external training and conference programme, our Recovery Conference in June was well attended by PiC and external delegates. In 2010 our Management of Violence and Aggression (MVA) training programmes have been exceptionally popular, with many courses oversubscribed. MVA training is mandatory for staff working in secure psychiatric settings and is less affected by economic constraints.

### Looking forward to a more level playing field

Our strategy for the coming year will continue to build on the strengths that have put PiC at the forefront of delivering specialist secure psychiatry. Specifically, we will further develop our care pathways ensuring high quality care and positive outcomes.

We do not expect to see many new entrants to our complex and specialist healthcare market and we can be reasonably certain of a continuing demand for our services. The new Health Bill will herald a more level playing field and the passage of the Criminal Justice Bill will provide new and exciting opportunities for providers. We can be confident that the longer term outlook will be positive for PiC despite the economic challenges ahead.

Whilst the future will no doubt bring further challenges, PiC and its staff are well equipped and motivated to deal with whatever that future might hold. I have therefore decided that now is the right time to step down as Group Chief Executive. The Company has made substantial progress over the past five years, a period that has witnessed a capital investment programme of £100 million increasing capacity by 50%, with a similar increase in profitability, whilst ensuring that our commitment to high quality patient care remains our top priority. I believe that I will be leaving the Company in very good shape and on a sound financial footing to face the challenges of the present market environment. I would like to take this opportunity to thank my Board colleagues for their support and all our staff for their efforts under my leadership and for their continued contribution to the mission which we all share at PiC, changing lives for the better.



**Fred Sinclair-Brown**  
Group Chief Executive



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## Chief Operating Officer's review

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**In 2010 our strategic aims have continued to be the development of outcome-focused quality services across defined care pathways.**

### **Primary focus of enhancing quality**

As a provider of quality healthcare services, it is essential that we work to surpass the expectations of all our stakeholders. We also need to ensure that patients, and importantly their families or carers, are receiving the treatment and feedback that they need.

2010 was the first year we had to complete a Quality Account, reporting publicly for 2009/2010 on the quality of services by our hospitals. We recognise its importance in the quality improvement agenda. The introduction of the standard NHS contract has brought with it a set of quality indicators – better known as the Commissioning for Quality and Innovation (CQUIN) standards, which focus on Safety, Innovation, Service User Experience and Effectiveness. This year, the first full year of operation of this new contract, we were delighted to achieve all contract quality indicators.

Recent analysis of our length of stay figures shows that whilst full patient stays across all patient groups remained consistent with figures in 2009 (22.6 months in 2009; 22.7 months in 2010), in some patient groups we have started to see a reduction in length of stay. For example, in all patient groups with a mental illness, the length of stay fell from 23.7 months in 2009 to 21.2 months in 2010.

Our commitment to improving patient outcomes is further supported by other key indicators, such as planned meaningful activities and Health of the Nation Outcome Scales (HONOS) scores. We also continue to analyse our step down performance, to ensure we are doing all we can to make sure patients are being treated in the right environment with the optimum level of security that their treatment allows.

### **Market overview**

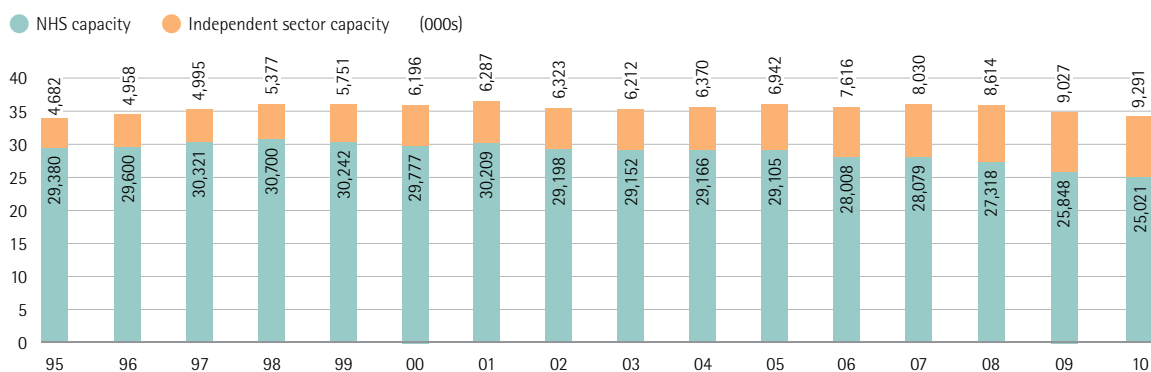
The NHS remains by far the dominant supplier of mental health hospital services. However, the independent sector's share of capacity in some niches – particularly medium secure, substance misuse and brain injury treatment – gives it a mainstream provider position in those segments<sup>1</sup>. The combined NHS and independent sector bed capacity is roughly the same as it was fifteen years ago, though within this, the independent sector capacity has grown by 4.2% per annum. As regards the mix of capacity, the general trend has been a rise in secure beds, reflecting the National Service Framework for Mental Health's objective 'to ensure that patients needing secure care have access to it, and do not need to remain on general psychiatric wards'<sup>1,2</sup>

1. Laing & Buisson's Independent Mental Health Hospitals UK Market Briefing 2010/11.
2. The National Service Framework for Mental Health – Five years on. Department of Health 2004.



## Chief Operating Officer's review (continued)

Fig 1. Mental health hospital bed capacity UK  
(excluding NHS elderly mentally infirm and other adult long stay provision and NHS residential care), 1995–2010



Sources for NHS capacity: England: Bed Availability and Occupancy published by the Department of Health. Wales: Statistics for Wales, NHS beds and their use. Scotland: Scottish Health Statistics, ISD Scotland. Northern Ireland estimated. Source for Independent Sector: Laing & Buisson database.

Between 2001 and 2010 NHS secure provision in England increased from 2,383 to 4,019 beds and there was also a substantial expansion of capacity in the independent sector (Fig 2). Looking forward, the rate of capacity growth in the independent medium secure sector is projected to slow down over the medium term as the NHS financial environment becomes more constrained and uncertain.

PiC is fully integrated into the provider landscape for secure care; its largest proportion of services is within medium secure care (850), which represents 36% of the total independent market for medium secure psychiatry. The independent sector represents 39% of the total available medium secure beds (independent and NHS)<sup>1</sup>.

1. Laing & Buisson's Independent Mental Health Hospitals UK Market Briefing 2010/11.

Fig 2. Secure capacity trends 2001 – 2010, mental illness and learning disabilities

Year	NHS (England) March Secure Beds (inc. some high secure, e.g. Rampton)	Independent Sector (UK) Mid-year Beds in hospitals with Medium Secure primary patient type
2001	2,383	1,050
2002	2,255	Not available
2003	2,572	Not available
2004	3,083	Not available
2005	3,199	Not available
2006	3,333	1,827
2007	3,509	1,913
2008	3,713	2,178
2009	3,831	2,212
2010	4,019	2,533

Source: Laing & Buisson and Department of Health *Bed Availability and Occupancy*.

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As a provider of quality healthcare services, it is essential that we work to surpass the expectations of all our stakeholders.

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#### **Our hospitals and services**

From October 2010, we were required to register our services in England with the Care Quality Commission (CQC), under the Health and Social Care Act 2008. This required a process of self-assessment against the new regulations and outcomes set out in Essential Standards of Quality and Safety (CQC 2010) prior to submission of an application for registration. To monitor the ongoing compliance with the new outcomes, PiC has developed a format for provider compliance assessment visits which requires the Nominated Individual (our Director of Policy and Regulation) or his representative to visit and assess compliance at each hospital on a six monthly basis and care homes on a monthly basis.

Being a leading operator in healthcare, we need to make extra efforts to ensure what happens on the wards meets our own high standards. Our monthly Corporate Management Group meetings provide an opportunity for all our Regional Executive Directors to meet and share information and lessons across different PiC regions and we guarantee regular visits on all wards by senior members of staff.

We continue to review how we can improve our service offering. Following interest from commissioners across the UK, we have now rolled out the Intensive Assessment and Treatment Service (IATS), which was initially launched at The Spinney (Atherton) (reported in our 2010 half year report) across all our secure hospitals.

Operationally, we have brought Kneesworth House and our Norfolk and Suffolk learning disability services into a single Eastern Region, under one Regional Executive Director. The North London Clinic and Suttons Manor form the London region, reporting directly to myself as Chief Operating Officer.

In 2010 Care first welcomed the new appointment of a Business Development Manager and expanded into new markets winning prestigious private sector contracts.

#### **Commitment to improving patient experience and data**

We are committed to delivering the highest standards of care in all parts of the patient's journey whilst they are in our care. The recovery approach is now embedded within all of our services and is increasingly recognised as the best way forward for secure and rehabilitative psychiatry.

We encourage patients to take part in a range of activities when they are ready to do so. Such planned engagement is recorded at a unit level. This has been one of the many COUIN standards that we have surpassed. In addition to the usual activities, we also encourage patients to chair their own Care Programme Approach (CPA) meetings and be involved in interviewing staff members where this is suitable.

Our Quality Account, which we published in June, set out our priorities for improvement around patient experience, safety and effectiveness. We look forward to building on this report and process.

## Treatment showcase

Matthew is 36 and has been known to psychiatric services since he was 22; he has had 11 previous admissions to psychiatric hospital. He has a diagnosis of schizoaffective disorder complicated by substance abuse. After two years in an independent sector low secure unit, and a short spell at an NHS locked rehab ward, he was transferred to one of the three low secure wards at *Llanarth Court* hospital to address his ongoing substance abuse and suicidal issues.

Since admission to Llanarth Court, Matthew has attended all sessions available to him; these included anxiety management, substance abuse sessions, individual psychology and primary nurse sessions. He was about 21 stone on admission, however, since his transfer to Llanarth Court he has been motivated to address his weight through diet, exercise and an agreed reduction of medication. He is now 15 stone.

Matthew is 'Mr Motivated' and feels that Llanarth Court is the best hospital he has ever been in. He has now addressed his previous antisocial behaviour including past violence, through individual psychological sessions. He is positive that he can resist a return to that former way of life; he has built very good relationships with all of the staff at Llanarth Court. We look forward to helping Matthew feel even stronger about the future.

## Chief Operating Officer's review (continued)

2010 was the start of PiC's Electronic Patient Records (EPR) Project. The implementation of the Coldharbour Acute and Mental Health Hospital Enterprise System is an integrated programme of projects that will further modernise operational processes in PiC.

The first project is a web-based patient record system, CAREnotes. This is an essential piece of work to further develop patient care by:

- enabling more focused and better informed staff
- improving patient information quality and developing clinical records processes
- reporting from a single database that will give commissioners a flow of improved and more timely information

The planning of CAREnotes Stage 2 Clinical Records is well advanced. Building and testing has now taken place with the pilot planned for the end of 2011.

### Dedicated staff

Our staff, at all levels, continue to show true dedication and passion in their roles. This has been recognised both internally and at external events. Our own recognition awards go some way to thank those members of staff who have gone the extra mile for PiC. For instance, recently the maintenance team at Llanarth Court won our outstanding achievement award for their efforts to refurbish Deri ward to a high standard, on time and within budget.

We were delighted that a team from the North West, including Kate Bailey, Head of Psychology, won the Medical Practice Award at Laing & Buisson's Independent Healthcare Awards for their innovative and exciting evidence based treatments. The competition was very strong, with BUPA Cromwell Hospital and London Bridge Hospital also shortlisted.

Many clinicians and teams across PiC are proactive in research and I am proud that we have an active involvement at key conferences, whether this is presenting research orally or through posters.

We carried out a staff survey in 2010 and continue to use the feedback to enhance opportunities for staff. A key development resulting from this survey was the introduction of a defined career pathway for healthcare workers.

The development of flexible benefit packs is also under way to give greater remuneration choices and to better compete with the packages being offered within the NHS.

In October, we re-launched the Registered Nurses Competency Framework, which marked the conclusion of a systematic review of the competencies and the start of a programme of standardisation and implementation throughout PiC. It is envisaged that this initiative will create a clear career pathway for nurses within PiC and allow staff to develop at their own pace, with the support and investment of the organisation.



#### **Communicating with commissioners**

We continue to build on our good relationships with our customers. We are seen favourably as an independent provider whom commissioners and referrers like working with. However, with other providers also keen to stay at the forefront of commissioners' minds we cannot be complacent. Moving into 2011/2012 we will continue to support our workstreams with robust data. Particular emphasis will be placed on the collection of our length of stay data, so that we can confidently analyse and report on this to our commissioners.

Also in 2011, we are further reviewing our care pathways, to ensure all services can offer a full care pathway for patients, whether this is provided solely by PiC, or by working with other local providers where they are suitable. I am extremely pleased that we have several hospitals engaged with commissioners in piloting their new care pathway work for patients. This will be an excellent opportunity to further support commissioners and shape future patient standards and expectations.

There is so much excellent work going on across PiC, that I know we will remain the provider of choice for many commissioners. I look forward to ensuring PiC is at the forefront through the challenges ahead.

**Joy Chamberlain**  
Chief Operating Officer

## Treatment showcase

Elizabeth, 20 years, was transferred to the medium secure women's service at *Kneesworth House* from another independent secure unit. Her offence involved weapons but was actually a suicide attempt in a public park under the influence of alcohol.

She had been having serious mental health problems and alcohol abuse for at least a year before admission. Previous assessments had diagnosed her with an emotionally unstable (borderline) personality disorder. Her engagement with community psychiatric services was erratic.

She presented with very challenging behaviours including self harm by ligature, cutting, insertion of objects under the skin and head banging. She also had depressive mood changes with acute suicidal impulses.

Nursing care was intensive for the first year of admission. Her behaviours slowly improved under the influence of behaviour modification and engagement with therapeutic activities and some medication. Close to 18 months after admission, the multidisciplinary team put increased emphasis on her need to be more consistently engaged with sessions and activities. She responded well to this and was soon moved to our low secure ward. From this point onwards she showed better and more consistent motivation. Her self harm behaviours stopped and her mood remained stable. She steadily increased her community activities and began to spend time overnight with her family. Our social worker spent much time dealing with complex family problems to facilitate her re-entry to the family.

It was agreed that Elizabeth was close to discharge and so a mental health tribunal made her an informal patient. She stayed with us until a community hostel was identified, her care eventually being handed back to the local NHS services.

## Corporate social responsibility

### PiC's attitude to social responsibility

Corporate Social Responsibility (CSR) is a company's responsibility towards its workforce, customers, communities and the environment.

For PiC, CSR helps us ensure we work as a business in a respectful, responsible and efficient way. PiC has been a successful and responsible business for over 25 years. To remain the largest and leading independent mental health hospital provider we have to be attractive to current and future staff, as well as customers, advocacy groups, carers and our local communities. We work proactively and transparently with a wide stakeholder group which includes the general public. CSR is therefore fundamental to our business success.

Secure mental health is rightly scrutinised by regulators and commissioners as well as patients, families, carers and the general public. PiC takes all aspects of CSR extremely seriously.

### Importance of staff

To ensure patients are treated with continued high quality care, we know that we also need to treat our staff with care and respect to retain and recruit the best staff. We believe values are important to staff who have chosen to work in healthcare services. Our investment in training and development as well as providing a rigorous yet supportive appraisal system is vital to ensure an effective workforce. Both centrally and at the unit level, we work hard to communicate effectively with our staff on all aspects of the business.

We continue to ensure the health, safety and welfare of our employees whilst they are at work, and of others who may be affected by their undertakings. We comply with the Health and Safety at Work Act 1974 and all other allied relevant legislation and we consult with our employees on all health and safety matters. Our clinical governance committee works closely with our health and safety committee to ensure all matters are discussed, providing a forum for continued consultation. We continue to offer first class management of violence and aggression (MVA) training for staff and our approach for this remains sought after by the rest of the industry.

In 2010, PiC recruited a group of young people following the Government Apprenticeship programme. The scheme provides young people with salary and paid holidays, helps them receive training and experience in job specific skills and also gain qualifications recognised by employers across the country. A group was employed within North West services as Health Care Support Workers which allowed them to explore the opportunities within PiC. Eventually four individuals were given permanent contracts.



#### **Social and community**

We work hard to exceed regulatory requirements across all our units, from medium secure to community houses. In England, the Health and Social Care Act was implemented in 2010 which brings NHS and independent sector providers under the same regulatory framework. Our Director of Policy and Regulation also visits all our sites regularly to ensure our own standards are also met.

We aim to sponsor a number of worthwhile NHS and charitable events when we can. In 2010 we were a major partner of the Koestler Awards and will continue to partner this worthwhile event in 2011. The Koestler Trust is the UK's best-known prison arts charity that has been awarding, exhibiting and selling artworks by offenders, detainees and secure patients for over 49 years. The Awards receive over 7,000 entries a year – inspiring offenders to take part in the arts, work for achievement and transform their lives. The national exhibition attracts around 14,000 visitors – showing the public the talent and potential of offenders and people in secure settings. This is a key event for our hospitals and patients, who often submit artworks, so we are proud to now be involved at a corporate level.

We have continued our support of the London prison network, PETAR (Prison, Education, Training and Research) events. These health focused events help encourage the sharing of knowledge and best practice across all levels of staff within the London prisons. In 2010 we also partnered with Leicestershire Partnership NHS Trust in their annual Therapeutics in Learning Disability Symposium, which has proved to be a key event on the conference calendar to help share knowledge and best practice amongst clinicians across the UK who work within the Learning Disability sector.

#### **Environmental**

PiC continues to do its part to help the environment. When developing new units or services we ensure the environmental impact is considered and kept to a minimum. Our main efforts through 2010 have been in reducing energy consumption and emission; working with suppliers who support our values; and recycling.

We continue our national agreement for the supply of fresh produce from local suppliers, thereby saving on food miles. Whilst keeping costs minimal we also strive to work with suppliers who also consider the environment.



## Chief Financial Officer's review

The year to 31 December 2010 saw changes to the organisation of the NHS as well as government deficit reduction targets which resulted in PiC experiencing lower levels of patient referrals and increasing price pressure. Whilst financial performance for PiC was satisfactory, in comparison to the prior year there were reductions in revenue, EBITDA and profit before interest and tax.

The key financial points for 2010 are:

- Turnover of £186.6 million (2009: £187.9 million).
- Group EBITDA\* of £61.4 million (2009: £63.6 million)
- Cash generated from operations of £56.6 million (2009: £68.5 million)
- Capital investment of £5.6 million during the year
- Repayment of bank debt and fees in the year of £33.9 million
- Cash at bank and in hand at year end of £10.8 million

### Group turnover and operating profit before exceptional item

	2010 £m	2009 £m	Growth + / (-) £m
Turnover	<b>186.6</b>	187.9	(1.3)
EBITDA*	<b>61.4</b>	63.6	(2.2)
Operating profit before exceptional item	<b>42.9</b>	45.6	(2.7)

Group turnover of £186.6 million fell by 0.7% over the prior year resulting in reduced revenue of £1.3 million. The main driver for this fall was a reduction in the amount of revenue generated from nursing patients on a one to one basis combined with a slightly lower average inpatient bed fee. Patient numbers finished the year at 966 and although this was a decrease on the prior year figure of 1,001 average patient numbers improved by 5 (0.5%).

Operating expenses<sup>†</sup> for the year of £125.3 million grew by 0.9% compared to 2009, driven by costs associated with additional patient numbers, annual pay settlements and higher utility costs, on a patient day basis operating expenses grew by just 0.4%.

Operating margins<sup>‡</sup> of 32.9% were 1% lower compared to the prior year figure of 33.9% as a result of the changes in revenue and operating expenses.

As a result of the increased operating expenses and reduced margins, EBITDA\* of £61.4 million was 3.6% lower than the prior year.

Depreciation and amortisation charges of £17.4 million, compared to £16.5 for the prior year, reflect the increased estate and include the amortisation costs of the intangible assets arising from the acquisition of Partnerships in Care Limited, Oaktree Care Group Limited in 2005 and the acquisition of Partnerships in Care (Scotland) Limited in 2008. In light of the current trading conditions the Directors have reviewed their growth forecasts and concluded that the growth prospects for the Group are lower than

\* EBITDA as stated above excludes £1.0m (2009: £1.6m) of non-recurring costs.

† Operating expenses and operating margins as stated above excludes £87.1m (2009: £18.0m) of depreciation, amortisation and non-recurring costs.

The year to 31 December 2010 saw changes to the organisation of the NHS as well as government deficit reduction targets which resulted in PiC experiencing lower levels of patient referrals and increasing price pressure.

Facility	Gross facility £000	Utilised facilities £000	Available facility at year end £000	Repayments to date £000	Balance at end of year £000
7 year senior credit agreement	60,000	60,000	–	31,258	28,742
10 year senior credit agreement	330,000	330,000	–	47,040	282,960
10 year junior credit agreement	55,000	55,000	–	7,840	47,160
10 year capital investment facility	109,900	109,565	335	21,940	87,625
Revolving facility	5,000	–	5,000	–	–
<b>Total bank debt</b>	<b>559,900</b>	<b>554,565</b>	<b>5,335</b>	<b>108,078</b>	<b>446,487</b>

previous forecasts had indicated. As a result, the value of the Group's goodwill has been impaired by £68.7 million and the Company's fixed asset investment has been impaired by £14.9 million.

Operating profit before exceptional item at £42.9 million decreased from the prior year figure of £45.6 million representing an annual fall of 5.9%.

#### Cash Flow

Net cash inflow from operating activities was once again very strong, but at £56.6 million for 2010 was £11.8 million lower than the prior year. The primary uses of this strong operating cash flow continue to be, reinvestment in the Group of £5.6 million to fund capital expenditure (as summarised below) and £35.0 million to service cash interest and other financing costs of the Group's bank borrowings. In addition, the Group made debt and fee repayments of £33.9 million in the year, and drew down £0.3 million from the Group's capital investment facility.

The Group's targeted capital expenditure programme is aimed at developing and maintaining each of the Group's estates. All proposed capital projects are separately appraised both operationally and financially, and the Group sets clear project return targets to assist in assessing the viability and

prioritisation of capital expenditure projects. The principal capital expenditure projects undertaken in the financial year included improvements to environments at LDS, The Dene and Kemple View as well as the development of additional beds at Llanarth and investment in an Electronic Patient Records system.

#### Bank Borrowings

At the end of December 2010, net bank debt was £435.6 million – a decrease of £13.2 million compared with December 2009. The net bank debt at the year end comprised senior bank debt of £358.0 million, junior bank debt of £59.7 million secured on certain of the properties in the Group and senior bank debt of £28.7 million secured on certain assets; which is partially offset by cash at bank and in hand of £10.8 million.

The Group's bank borrowings are available under a £60.0 million senior credit agreement put in place on 6 July 2005 and amended most latterly on 16 June 2008; a £424.2 million senior credit agreement put in place on 6 July 2005 and most latterly amended on 18 March 2009; and a £70.7 million junior credit agreement most latterly amended on 18 March 2009. Each of the bank credit agreements are long term and have various repayment dates.

## Treatment showcase

"When I first came to Newstead I struggled because I didn't know if I was going back to prison. I was unsure at first because I didn't want to start something and then a few weeks later they tell me I've got to go back to prison. I didn't want to go back to prison, I wanted help. Dr Nasser and the Newstead team went for a hospital order for me, it was what I wanted, I wanted to stay at Calverton Hill. I'd been in prison before and I knew it didn't work.

I was shocked when I first went to Newstead. The bedrooms have carpet! It wasn't like other places I've been. The staff made me feel really welcome and I understood that this was what I needed.

When I was diagnosed with personality disorder (PD), I was relieved. I could tell from my past that something wasn't right and I'd heard of schizophrenia and mental disorder but the PD description was me down to a tee.

I used to self harm badly nearly every day and sometimes the paramedics came. The staff on Newstead are amazing. They have to put up with a lot everyday. The staff really care and have time for you. Sometimes the ward is hectic but you just get on with it. I started

therapy, did my cooking, arts and crafts and lots of assessments. You *have* to work with staff to make progress. You *have* to talk about your feelings and open up with the psychologist.

I was on Newstead for about five months before I moved to Clumber, the step down ward. Dr Jacob helped me a lot. I started Dialectical Behavioural Therapy (DBT) and at first, when I was told that the course would last for a year I thought 'I'm not doing a course for a year' but now I love it. I've learnt so much about self respect, how to set goals in your life, how to take time out and how to appreciate what's around you. I've been able to be me.

The staff on Clumber help you make the ward homely so you can move forward and progress.

At one of my CPAs, Dr Jacob asked me if I wanted to go to low secure. We talked about what low secure is and the Registered Manager from Annesley House came over to see me to tell me about Annesley House and what goes on there. I decided I wanted to go. Dr Jacob sorted out some section 17 leave for me and I went to the village of Calverton and to visit Annesley.

## Chief Financial Officer's review (continued)

The bank credit agreements require the Group to comply with certain financial and non-financial covenants. The financial covenants include annual limitations on capital expenditure and require the maintenance of certain minimum ratios of earnings before interest, taxes, depreciation and amortisation to both net interest payable and net debt. In addition, there is a requirement that the net operating cash flows generated are not less than the Group's cash cost of funding the bank debt. At the balance sheet date, the Group did not meet the operating cash flow test requirement in relation to the seven-year senior credit agreement and although the Group remedied the failure, in line with the provisions of its financing documents, this remedy occurred after the balance sheet date. As a consequence a bank loan of £28.7 million has been disclosed in the accounts as falling due in less than one year.

The bank credit agreements are secured by a fixed and floating charge over certain of the Group's assets. Further detail on the Group's borrowings is set out in note 18 of the financial statements.

Included in the Group's credit facilities is a revolving facility of £5 million, which is available to finance working capital requirements and for general corporate purposes, and a capital investment facility of £109.9 million. As at 31 December 2010, there had not been any draw down from the revolving facility.

Balances on the outstanding banking facility are given in the table on page 17, together with the available facility balances at the year end.

On 28 September 2011 the Group amended its banking financing arrangements to include new arrangements as follows:

- the £28.7 million loan maturity date has been extended to 2015 and now matches the maturity date of the other loans totalling £417.7 million;
- the existing interest rate swap has been closed out and the balance of £51.3 million has been added to the bank loan;
- the repayment profile and covenant requirements of the debt have been amended; and the interest margin on the loans has been increased however the level of interest paid in cash has been reduced.

In addition, the Group has investor-funded debt of £270.4 million.

### Financial Risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Group.

The Group's funding, liquidity and exposure to interest rate risk is managed by the Group'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 Group are interest rate risk, liquidity risk and, to a lesser extent, credit risk – these are discussed in turn below.

If I had stayed in prison I would probably be covered in scars or be dead by now. I have a lot to thank the teams for. If it wasn't for PiC I wouldn't have had the opportunity I had to get better. I'm lucky because there are so many people who don't have these opportunities.

I'm proud of myself. I've come so far and I never want to self harm like I used to ever again. I've had a few blips but my last incident was eight months ago and I know it happened because I was frustrated and I broke a pair of glasses. I know I've still got a long way to go but I'm excited about going to Annesley House. I've seen my room and if the staff there work as hard as they do at Calverton I don't think I'll be there for long. I want to work with the staff over there and continue with what I've done at Calverton. The teams are amazing and the doctors are amazing; I've got a lot to thank them for. It's been an experience and a half at Calverton and I'm taking everything with me but I don't want to come back!"



#### Interest Rate Risk

The Group's trading income and operating cash flows are independent of changes in interest rates. The Group primarily finances its operations through a variety of bank borrowings, including syndicated bank facilities and the private debt markets. The Group's bank borrowings are denominated in sterling and are borrowed at floating interest rates. The Group utilises interest rate swaps to manage its exposure to interest rate fluctuations. At the year end, 91% of the Group's bank borrowings were hedged. On 28 September 2011, the Group amended its banking financing arrangements and the interest rate swaps were closed out. In light of the current and predicted future low LIBOR levels, the Group's bank borrowings will remain unhedged.

#### 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 Group are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists for at least a 12 month period. The Group maintains banking facilities, which are long term with a range of maturity dates, to mitigate any liquidity risk it may face.

#### 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 very low. Late payment risk is managed through focused collection activities coupled with both cash clearance and outstanding debt targets.

#### Going Concern

The Directors have prepared the financial statements on a going concern basis consistent with their view, formed after reviewing the Group's cash flow forecasts and trading budgets, and after making appropriate enquiries, that the Group is operationally and financially robust, and will generate sufficient cash to meet its requirements for the next 12 months.

#### Essential contractual or other arrangements

The Group has entered into contractual and other arrangements with various third parties, the loss of which could temporarily affect the operations of the Group. The Annual Report does not contain information about these third parties as none of the arrangements with them are considered to be essential to the Group's business.

**Peter Thomas**  
Chief Financial Officer



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## Board of Directors

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### **Fred Sinclair-Brown**

#### **Group Chief Executive (age 50)**

Fred became Group Chief Executive of PiC in September 2006. He qualified as a Chartered Accountant with Price Waterhouse in 1985 before working in corporate finance with both the HSBC Group and Bank of Ireland. In 1993 he joined ANS plc where he spent 13 years, the last 10 as Group Finance Director. For the final five years Fred combined his finance role with that of acting Chief Executive. Fred has brought structure and focus to PiC, developing the management team and the vitality of the organisation.

### **Joy Chamberlain**

#### **Chief Operating Officer (age 47)**

Joy, previously Chief Financial Officer, was appointed Chief Operating Officer in July 2008. She qualified as a Chartered Accountant with PricewaterhouseCoopers in 1990. Working within corporate recovery she managed the property and construction team and was responsible for the operation and sale of numerous hospitals and care homes. In 1998, Joy joined PiC as Commercial Manager. As part of the senior management team she has been responsible for the development of the property portfolio and expansion in capacity.

### **Peter Thomas**

#### **Chief Financial Officer (age 52)**

Peter joined the Board in August 2008 replacing Joy Chamberlain as Chief Financial Officer. He qualified as a Chartered Certified Accountant in 1987 whilst working for Pitney Bowes Finance Plc. Peter held a number of senior financial positions at Pitney Bowes culminating in seven years as European Finance Director. He joined PiC in December 2006 as Financial Controller, coordinating the successful centralisation of the finance function and driving improved financial reporting.



**Kevin Beeston**

**Chairman (age 49)**

Kevin Beeston was appointed Chairman of PiC in May 2007. Kevin was formerly the Chairman of Serco Group plc from 2002 to May 2010, having previously served as Serco Group's Chief Executive and Finance Director. In addition, Kevin is the Non-executive Chairman of Taylor Wimpey plc and of Domestic and General Ltd, and a Non-executive Director of IMI plc. Kevin was previously a member of the CBI President's Committee and Chairman of the CBI's Public Services Strategy Board and a Non-executive Director of Ipswich Town plc.

**David Barker**

**Non-Executive Director (age 43)**

David was appointed to the Board on 31 January 2008. He is a Cinven Partner, having joined the firm in 1996. He has been involved in numerous transactions, including the buyouts of Eutelsat, Springer, Aprovia, MediMedia and Ziggo. Before joining Cinven, David worked for the industrial group Morgan Crucible for three years and prior to that he worked at Arthur Andersen.

**Rebecca Gibson**

**Non-Executive Director (age 36)**

Rebecca joined Cinven in 2002 and has worked on a number of transactions, including Spire Healthcare, PiC, Eutelsat, NCP and Gala Coral Group. She is a Cinven Partner and a member of the healthcare and the consumer sector teams. Prior to this she was a consultant at Bain & Company.

**Alex Leslie**

**Non-Executive Director (age 31)**

Alex joined Cinven in 2006 and has been involved in a number of transactions including Spire Healthcare and Partnerships in Care. He is a member of the healthcare sector team. Prior to this, he worked in the Investment Banking division at Morgan Stanley in London, working on a variety of mandates within the UK Real Estate Advisory team.

The three Non-Executive Directors represent Cinven. Cinven is a leading private equity firm and acquired PiC in 2005. Their experience in healthcare helps build on PiC's strengths and they have worked closely with PiC management for over six years, to ensure high quality care and treatment are implemented.

## Corporate governance report

The Company is committed to maintaining high standards of corporate governance, as a key component of being a well run company. The Company adopts standards of good practice in relation to issues such as Board composition and development, remuneration, accountability and audit and relations with shareholders.

### The Board

The Board consists of three Non-Executive Directors, three Executive Directors and is chaired by a Non-Executive Chairman. The three Non-Executive Directors represent Cinven. To enable the Board to perform its statutory duties all Directors have timely access to relevant information on the Company's activities and to the services of the Company Secretary. A schedule of matters is reserved for the decision of the Board for all major strategic and financial decisions. The schedule includes the approval of the annual budget, major acquisitions and disposals and material contracts.

The Board meets on a regular basis, and individual attendance is set out in the table below.

### Board committees

The Board has two main committees, an audit committee and a remuneration committee, each of which has its own terms of reference.

### The audit committee

The members of the audit committee are Kevin Beeston (Chair), David Barker (Non-Executive Director) and Peter Thomas (Executive Director). Rebecca Gibson was also a

member until December 2010. Only committee members have the right to attend meetings, but other individuals such as the Group Chief Executive, Chief Operating Officer, Alex Leslie (Non-Executive Director) and the Company Secretary are regularly invited to attend when appropriate. Following the successful completion of internal audit's risk register process, the internal audit function has been incorporated into the Company's existing governance arrangements. The Company continues to assess operational risk through the use of risk registers and approved procedures. External auditors attend committee meetings on a regular basis. The committee meets at least twice a year.

The committee's responsibilities include considering and where appropriate approving the financial statements of the Company, the internal audit programme and reports and the external audit plan.

### The remuneration committee

The members of the committee are Kevin Beeston (Chair), David Barker and Alex Leslie, who are all Non-Executive Directors. The committee meets at least once a year, or more frequently, if appropriate. The Group Chief Executive may also be invited to attend. The committee's main role is to determine and agree with the Board, the remuneration of the Chairman and the Executive Directors. The committee also reviews the emoluments of the senior managers of the Company, including salary reviews, the setting of bonus levels and performance targets, to encourage enhanced performance.

	3 Feb	4 Mar	25 Mar	5 May	8 Jun	24 Jun	20 Jul	15 Sep Conference Call	30 Sep	1 Nov	29 Nov	21 Dec Conference Call
Kevin Beeston	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
David Barker	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rebecca Gibson	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	n/a
Alex Leslie	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fred Sinclair-Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Joy Chamberlain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peter Thomas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tony Rook	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Please note: Rebecca Gibson resigned on 9 December 2010 and Alex Leslie was appointed to the Remuneration Committee on 18 April 2011.

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## Directors' report

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The Directors present their report and the financial statements for the year ended 31 December 2010.

### Principal activities

The Company is a holding company; the Group is Partnerships in Care Group Limited, which provides mental healthcare services. No significant change in the nature of the Company's business activity is envisaged in the immediate future.

### Business review

Changes to the organisation of the NHS as well as government deficit reduction targets have resulted in difficult trading conditions with lower levels of patient referrals and increasing price pressure. Whilst financial performance for the Group was satisfactory, in comparison to the prior year there were reductions in revenue, EBITDA and operating profit before the exceptional item. Despite this, the long term outlook for the Group remains positive. We continue to focus on the quality of our services ensuring that we meet, and will continue to meet, the expectations of our customers and service users.

In light of the current trading conditions the Directors have reviewed their growth forecasts and concluded that the growth prospects for the Group are lower than previous forecasts had indicated. As a result the value of the Group's goodwill has been impaired by £68.7 million and the Company's fixed asset investment has been impaired by £14.9 million.

On 28 September 2011 the Company amended its banking facilities as detailed in note 18.

### Key performance indicators (KPIs)

#### Financial performance

The Group 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.

#### Quality and compliance with regulations

The Group operates in a highly regulated environment and its care facilities are registered by either the Care Quality Commission (CQC) in England, Healthcare Improvement Scotland or the Healthcare Inspectorate Wales.

The quality of care provided by the Group and its compliance with regulation are monitored in a structured manner and subject to continuous review by senior managers and Executive Directors.

#### Position at the year end

The Group's performance against these measures was satisfactory at the year end.

### Results and dividends

The loss for the year, after taxation, amounted to £80,530,000 (2009: loss £11,445,000).

The Directors do not recommend the payment of a dividend.

### Directors

The Directors who served during the year were:

Kevin Beeston  
David Barker  
Rebecca Gibson (resigned 9 December 2010)  
Alex Leslie  
Frederick Sinclair-Brown  
Joy Chamberlain  
Peter Thomas

Rebecca Gibson was appointed as a Director on 15 September 2011 following her return from maternity leave.

There are no Directors retiring by rotation.

### Political and charitable contributions

The Group made no political contributions during the current or prior year, charitable donations during the year were £2,108 (2009: £6,301).

### Principal risks and uncertainties

The Group's main customer for its mental health services is the National Health Service and any change in government policy away from the independent sector would result in reducing the number of patients referred. Similarly a reduction in the fee rate received for their treatment would constitute a risk to the Group. This has been a risk faced by the Group since it began to trade in 1991.

### Employee involvement

The Group nurtures commitment and excellence in its staff by encouraging the active involvement of all staff at all levels in the organisation's primary objective of improving patient care.

Staff are encouraged to strive continually for improvements in all aspects of the business, to be active members of the team in which they work and to put forward their ideas for ways in which services may be continually improved.

In return, the Group aims to keep staff fully informed of new developments and initiatives and to seek ways of extending and improving communication at all levels within the organisation. Equally the Group will encourage and support individuals in self development where it is consistent with the organisation's objectives.

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## Directors' report (continued)

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### Disabled employees

The Group recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and to progress within the Group.

In addition to complying with the requirements of the Disability Discriminations Act 1995, the Group will follow procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs. Where employees become disabled in the course of their employment, the Group will attempt to ensure they remain in employment by making reasonable adjustments to accommodate their disability.

### Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

### Auditors

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 28 September 2011 and signed on its behalf.

### Tony Rook

Company Secretary  
2 Imperial Place, Maxwell Road  
Borehamwood, Hertfordshire WD6 1JN

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## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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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 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 Group and of the profit or loss of the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## Independent auditors' report to the members of Partnerships in Care Group Limited

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We have audited the financial statements of Partnerships in Care Group Limited for the year ended 31 December 2010, set out on pages 27 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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 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 Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://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 Group's and the parent Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom 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.

### 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.

### W. Meredith (Senior statutory auditor)

for and on behalf of  
KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL  
28 September 2011

## Consolidated profit and loss account for the year ended 31 December 2010

	Note	2010 £000	As restated 2009 £000
<b>Turnover</b>	1,2	<b>186,641</b>	187,866
Cost of sales		<b>(111,091)</b>	(110,077)
<b>Gross profit</b>		<b>75,550</b>	77,789
Administrative expenses		<b>(32,609)</b>	(32,199)
Exceptional item: impairment of goodwill	9	<b>(68,681)</b>	-
Total administrative expenses		<b>(101,290)</b>	(32,199)
<b>Operating (loss)/profit</b>	3	<b>(25,740)</b>	45,590
Interest receivable and similar income		<b>39</b>	49
Interest payable and similar charges	7	<b>(53,802)</b>	(53,551)
Other finance expenses	8	<b>(62)</b>	(90)
<b>Loss on ordinary activities before taxation</b>		<b>(79,565)</b>	(8,002)
Tax on loss on ordinary activities	10	<b>(965)</b>	(3,443)
<b>Loss for the financial year</b>	21	<b>(80,530)</b>	(11,445)

All amounts relate to continuing operations.

The notes on pages 32 to 44 form part of these financial statements.

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## Statement of total recognised gains and losses for the year ended 31 December 2010

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	Note	2010 £000	2009 £000
<b>Loss for the financial year</b>		<b>(80,530)</b>	(11,445)
Actuarial gain/(loss) related to pension scheme	27	1,217	(1,773)
Deferred tax attributable to actuarial gain/loss	27	(341)	476
<b>Total recognised gains and losses relating to the year</b>		<b>(79,654)</b>	(12,742)

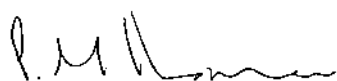
The notes on pages 32 to 44 form part of these financial statements.

Consolidated balance sheet  
as at 31 December 2010

Registered number 05409563

	Note	2010 £000	2010 £000	As restated 2009 £000	As restated 2009 £000
<b>Fixed assets</b>					
Intangible assets	11		–		73,470
Tangible assets	12		<b>559,114</b>		<b>566,150</b>
			<b>559,114</b>		<b>639,620</b>
<b>Current assets</b>					
Stocks	15	<b>655</b>		663	
Debtors	16	<b>6,681</b>		6,203	
Cash at bank and in hand		<b>10,844</b>		31,375	
		<b>18,180</b>		38,241	
<b>Creditors: amounts falling due within one year</b>	17	<b>(65,700)</b>		(57,660)	
<b>Net current liabilities</b>			<b>(47,520)</b>		(19,419)
<b>Total assets less current liabilities</b>			<b>511,594</b>		<b>620,201</b>
<b>Creditors: amounts falling due after more than one year</b>	18		<b>(658,602)</b>		(686,600)
<b>Provisions for liabilities</b>					
Deferred tax	19		<b>(3,571)</b>		(3,624)
<b>Net liabilities excluding pension scheme</b>			<b>(150,579)</b>		(70,023)
Defined benefit pension scheme liability	27		<b>(710)</b>		(1,612)
<b>Net liabilities including pension scheme assets/(liabilities)</b>			<b>(151,289)</b>		(71,635)
<b>Capital and reserves</b>					
Called up share capital	20		<b>16,724</b>		16,724
Profit and loss account	21		<b>(168,013)</b>		(88,359)
<b>Shareholders' deficit</b>	22		<b>(151,289)</b>		(71,635)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2011.



**Peter Thomas**  
Director

Company balance sheet  
as at 31 December 2010

Registered number 05409563

	Note	2010 £000	2010 £000	2009 £000	2009 £000
<b>Fixed assets</b>					
Investments	13		–		14,870
<b>Current assets</b>					
Debtors	16	1,685		1,783	
Cash at bank		1,356		1,356	
		3,041		3,139	
<b>Creditors: amounts falling due within one year</b>	17	<b>(920)</b>		<b>(920)</b>	
<b>Net current assets</b>			<b>2,121</b>		<b>2,219</b>
<b>Total assets less current liabilities</b>			<b>2,121</b>		<b>17,089</b>
<b>Creditors: amounts falling due after more than one year</b>	18		<b>(1,021)</b>		<b>(928)</b>
<b>Net assets</b>			<b>1,100</b>		<b>16,161</b>
<b>Capital and reserves</b>					
Called up share capital	20		16,724		16,724
Profit and loss account	21		(15,624)		(563)
<b>Shareholders' funds</b>	22		<b>1,100</b>		<b>16,161</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2011.



**Peter Thomas**  
Director

## Consolidated cash flow statement for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash flow from operating activities	23	<b>56,633</b>	68,465
Returns on investments and servicing of finance	24	<b>(34,993)</b>	(30,588)
Taxation		<b>(2,878)</b>	(48)
Capital expenditure and financial investment	24	<b>(5,597)</b>	(8,602)
<b>Cash inflow before financing</b>		<b>13,165</b>	29,227
Financing	24	<b>(33,696)</b>	(14,675)
<b>(Decrease)/Increase in cash in the year</b>		<b>(20,531)</b>	14,552

## Reconciliation of net cash flow to movement in net funds/debt for the year ended 31 December 2010

	2010 £000	2009 £000
(Decrease)/Increase in cash in the year	<b>(20,531)</b>	14,552
Cash outflow from decrease in debt and lease financing	<b>33,696</b>	14,675
<b>Change in net debt resulting from cash flows</b>	<b>13,165</b>	29,227
Other non-cash changes	<b>(25,728)</b>	(23,404)
<b>Movement in net debt in the year</b>	<b>(12,563)</b>	5,823
Net debt at 1 January 2010	<b>(690,155)</b>	(695,978)
<b>Net debt at 31 December 2010</b>	<b>(702,718)</b>	(690,155)

The notes on pages 32 to 44 form part of these financial statements.

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## Notes

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### 1 Accounting policies

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

#### 1.1 Basis of preparation of financial statements

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

The 2009 debtors and creditors falling due within one year have been reclassified to reflect more accurately the Group's prepayments and accruals. In addition there has been a reclassification between cost of sales and administrative expenses. There has been no impact on the loss for the year or the shareholder deficit.

#### 1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 23. Details of the Group's amended banking arrangements are set out in notes 18 and 25 to the financial statements and they are substantially long term.

The Directors have reviewed the Group's position and future trading budgets and forecasts along with projections of future cash flows taking into account the banking arrangements which were amended on 28 September 2011. On the basis of this review the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

#### 1.3 Basis of consolidation

The financial statements consolidate the accounts of Partnerships in Care Group Limited and all of its subsidiary undertakings ('subsidiaries').

#### 1.4 Turnover

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

#### 1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

#### 1.6 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:

Freehold property	over 50 years straight line
Long term leasehold property	over primary term of lease
Building structural alterations and refurbishment	over 5 or 10 years straight line
Plant & machinery	over 7 or 10 years straight line
Motor vehicles	over 4 years straight line
Fixtures & fittings	over 5 to 10 years straight line
Equipment	over 2 to 5 years straight line
Computer equipment	over 3 to 7 years straight line

#### 1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

#### 1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

## 1 Accounting policies (continued)

### 1.9 Operating leases

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

### 1.10 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 all direct costs and an appropriate proportion of fixed and variable overheads.

### 1.11 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.

### 1.12 Pensions

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

The Group operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 January 2009.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

## 2 Turnover

The Directors are of the opinion that the businesses of the Group are substantially similar in that they all relate to the provision of healthcare services.

All turnover arose within the United Kingdom.

## 3 Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2010 £000	2009 £000
Amortisation – intangible fixed assets	4,789	4,781
Depreciation of tangible fixed assets:		
– owned by the Group	12,485	11,490
– held under finance leases	150	198
Operating lease rentals:		
– plant and machinery	272	248
– other operating leases	437	434
Exceptional administrative expenses – impairment of goodwill	68,681	–

## Notes (continued)

### 4 Auditors' remuneration

	2010 £000	2009 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	160	208
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	181	204

### 5 Staff costs

Staff costs, including Directors' remuneration, were as follows:

	2010 £000	2009 £000
Wages and salaries	86,080	85,436
Social security costs	8,509	8,490
Other pension costs	1,869	1,837
	96,458	95,763

The average monthly number of full time equivalent persons, including the Directors, employed by the Group during the year was as follows:

	2010 No.	2009 No.
Operations	2,902	2,795
Administration	289	286
	3,191	3,081

### 6 Directors' remuneration

	2010 £000	2009 £000
Emoluments	729	827
Company pension contributions to defined contribution pension schemes	55	55

During the year retirement benefits were accruing to 2 Directors (2009: 2) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 Director (2009: 1) in respect of defined benefit pension schemes.

The highest paid Director received remuneration of £292,000 (2009: £338,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £44,000 (2009: £44,000).

### 7 Interest payable

	2010 £000	2009 £000
On bank loans and overdrafts	28,102	30,114
On other loans	25,690	23,402
On finance leases and hire purchase contracts	6	30
Other interest payable	4	5
	53,802	53,551

### 8 Other finance expenses

	2010 £000	2009 £000
Expected return on pension scheme assets	1,452	1,305
Interest on pension scheme liabilities	(1,514)	(1,395)
	(62)	(90)

## 9 Exceptional item

	2010 £000	2009 £000
Impairment of goodwill	68,681	–

In light of current trading conditions the Directors have reviewed their growth forecasts and concluded that the growth prospects for the Group are lower than previous forecasts had indicated. As a result the value of goodwill has been impaired by £68.7 million by reference to a value in use basis using a 8.2% post tax discount rate.

## 10 Taxation

	2010 £000	2009 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on loss for the year	995	1,687
<b>Deferred tax</b>		
Origination and reversal of timing differences	10	1,825
Effect of decreased tax rate on opening liability	(109)	–
Adjustments in respect of prior periods	69	(69)
<b>Total deferred tax</b> (see note 19)	(30)	1,756
<b>Tax on loss on ordinary activities</b>	965	3,443

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009: higher than) the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 £000	2009 £000
Loss on ordinary activities before tax	(79,565)	(8,002)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(22,278)	(2,241)
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	(1,114)	(1,548)
Utilisation of tax losses	(1,043)	(1,209)
Adjustments to tax charge in respect of prior periods	(278)	(186)
Short term timing difference leading to an increase (decrease) in taxation	(60)	499
Expenses not deductible/(income not taxable)	25,784	6,372
Small companies rate	(16)	–
<b>Current tax charge for the year</b> (see note above)	995	1,687

### Factors that may affect future tax charges

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

Finance (no. 2) Act 2010 enacted the reduction in corporation tax rate from 28% to 27% with effect from 1 April 2011. In addition, the UK Government announced three further annual 1% cuts to reduce the rate to 24% from 1 April 2014.

At Budget 2011 on 23rd March 2011 the UK Government announced that the corporation tax rate would instead reduce to 26% from 1 April 2011 with three further annual 1% cuts to 23% by 1 April 2014.

Other than the enacted change to 27%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 December 2010 as they were not substantively enacted at the balance sheet date. The future reductions in the corporation tax rate will reduce the Company's future current tax charge accordingly.

## Notes (continued)

### 11 Intangible fixed assets

Group	Goodwill £000
<b>Cost</b>	
At 1 January 2010 and 31 December 2010	95,717
<b>Amortisation</b>	
At 1 January 2010	22,247
Charge for the year	4,789
Impairment charge	68,681
At 31 December 2010	95,717
<b>Net book value</b>	
At 31 December 2010	-
At 31 December 2009	73,470

### 12 Tangible fixed assets

Group	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost</b>						
At 1 January 2010	587,437	12,341	1,400	5,621	4,299	611,098
Additions	2,447	492	109	1,533	1,018	5,599
Disposals	-	(81)	(25)	-	-	(106)
Transfer between classes	809	(5,306)	(244)	4,516	225	-
At 31 December 2010	590,693	7,446	1,240	11,670	5,542	616,591
<b>Depreciation</b>						
At 1 January 2010	35,460	3,466	779	2,704	2,539	44,948
Charge for the year	9,679	798	167	1,450	541	12,635
On disposals	-	(81)	(25)	-	-	(106)
Transfer between classes	(672)	1,038	49	(569)	154	-
At 31 December 2010	44,467	5,221	970	3,585	3,234	57,477
<b>Net book value</b>						
At 31 December 2010	546,226	2,225	270	8,085	2,308	559,114
At 31 December 2009	551,977	8,875	621	2,917	1,760	566,150

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

Group	2010 £000	2009 £000
Plant and machinery	7	-
Motor vehicles	109	478
	<b>116</b>	<b>478</b>

### 13 Fixed asset investments

Company	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January 2010 and 31 December 2010	14,870
<b>Impairment</b>	
Charge for the year	14,870
At 31 December 2010	14,870
<b>Net book value</b>	
At 31 December 2010	-
At 31 December 2009	14,870

## 14 Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Partnerships in Care Holdings	England and Wales	100	Holding company for trading and property holding companies
Partnerships in Care Management	England and Wales	100	Holding company for trading companies
Partnerships in Care Limited	England and Wales	100	Mental healthcare services
Oaktree Care Group	England and Wales	100	Mental healthcare services
Partnerships in Care Scotland	England and Wales	100	Mental healthcare services
Partnerships in Care Property Holding	England and Wales	100	Holding company for property companies
Partnerships in Care Property 1	England and Wales	100	Property holding company
Partnerships in Care Property 2	England and Wales	100	Property holding company
Partnerships in Care Property 3	England and Wales	100	Property holding company
Partnerships in Care Property 4	England and Wales	100	Property holding company
Partnerships in Care Property 5	England and Wales	100	Property holding company
Partnerships in Care Property 6	England and Wales	100	Property holding company
Partnerships in Care Property 7	England and Wales	100	Property holding company
Partnerships in Care Property 8	England and Wales	100	Property holding company
Partnerships in Care Property 9	England and Wales	100	Property holding company
Partnerships in Care Property 10	England and Wales	100	Property holding company
Partnerships in Care Property 11	England and Wales	100	Property holding company
Partnerships in Care Property 12	England and Wales	100	Property holding company
Partnerships in Care Property 13	England and Wales	100	Property holding company
Partnerships in Care Property 14	England and Wales	100	Property holding company
Partnerships in Care Property 15	England and Wales	100	Property holding company
Partnerships in Care Property 16	England and Wales	100	Property holding company
Partnerships in Care Property 17	England and Wales	100	Property holding company
Partnerships in Care Property 18	England and Wales	100	Property holding company
Partnerships in Care Property 19	England and Wales	100	Property holding company
Partnerships in Care Property 20	England and Wales	100	Property holding company
Partnerships in Care Property 21	England and Wales	100	Property holding company
Partnerships in Care Property 22	England and Wales	100	Property holding company
Partnerships in Care Property 23	England and Wales	100	Property holding company
Partnerships in Care Property 24	England and Wales	100	Property holding company
Partnerships in Care Property 25	England and Wales	100	Property holding company

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

## 15 Stocks

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Finished goods and goods for resale	655	663	–	–

## 16 Debtors

	Group 2010 £000	Group As restated 2009 £000	Company 2010 £000	Company 2009 £000
Trade debtors	2,614	2,311	–	–
Amounts owed by Group undertakings	–	–	1,263	1,374
Other debtors	942	748	396	383
Prepayments and accrued income	3,125	3,144	26	26
	<b>6,681</b>	<b>6,203</b>	<b>1,685</b>	<b>1,783</b>

## Notes

(continued)

### 17 Creditors: Amounts falling due within one year

	Group	Group As restated	Company	Company
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	54,382	33,936	–	–
Capitalised fees	(359)	–	–	–
Other loans	920	920	920	920
Net obligations under finance leases and hire purchase contracts	17	73	–	–
Trade creditors	947	1,808	–	–
Corporation tax	206	2,090	–	–
Social security and other taxes	2,731	2,576	–	–
Other creditors	2,189	3,352	–	–
Accruals and deferred income	4,667	12,905	–	–
	<b>65,700</b>	<b>57,660</b>	<b>920</b>	<b>920</b>

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

	Group	Group	Company	Company
	2010	2009	2010	2009
	£000	£000	£000	£000
Debenture loans	271,454	246,776	1,021	928
Bank loans	392,105	446,216	–	–
Capitalised fees	(5,010)	(6,402)	–	–
Net obligations under finance leases and hire purchase contracts	53	10	–	–
	<b>658,602</b>	<b>686,600</b>	<b>1,021</b>	<b>928</b>

Included within the above are amounts falling due as follows:

	Group	Group	Company	Company
	2010	2009	2010	2009
	£000	£000	£000	£000
<b>Between one and two years</b>				
Bank loans	28,540	27,421	–	–
<b>Between two and five years</b>				
Bank loans	363,565	122,530	–	–
Capitalised fees	(1,832)	(655)	–	–
<b>Over five years</b>				
Debenture loans	271,454	246,776	1,021	928
Bank loans	–	296,265	–	–
Capitalised fees	(3,178)	(5,747)	–	–

Creditors include amounts not wholly repayable within 5 years as follows:

	Group	Group	Company	Company
	2010	2009	2010	2009
	£000	£000	£000	£000
Repayable by instalments	–	293,096	–	–
Repayable other than by instalments	268,276	244,198	1,021	928
	<b>268,276</b>	<b>537,294</b>	<b>1,021</b>	<b>928</b>

Details of the Group's borrowings are set out below:

A bank loan of £28,741,522 secured by fixed legal charge over subsidiary companies assets, with an interest rate varying with LIBOR and a maturity date of 2013. This bank loan is subject to a cash flow covenant that is tested at the end of each quarter. At the balance sheet date the Group did not meet the cash flow test requirement and as a result the Group remedied the failure in line with the provisions of its financing documents after the balance sheet date. Notwithstanding this remedy and the fact that the repayment could not be demanded, the Group have disclosed the loan in the accounts as falling due in less than one year.

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

A bank loan amounting to £417,745,565 at the year end to be repaid over 10 years and with a maturity date of 2015, comprising a main tranche of £328,141,855 and further development loan of £89,603,710 secured by way of fixed legal charge over subsidiary companies properties and a floating charge over all the assets and undertakings of the Company. The interest rate varies with LIBOR and is hedged until June 2015 at 5.0575% on term loans and 4.855% on development loans.

A loan amounting to £920,000 at the year end from the majority shareholder which is interest free and repayable on demand.

Unsecured subordinated loan notes amounting to £270,433,379 at the year end due 2020 on which unsecured subordinated PIK notes due 2020 have been issued to satisfy interest at 10% pa.

An unsecured fixed rate loan note amounting to £695,063 due 2020 with compound interest at 10% pa.

An unsecured fixed rate loan note amounting to £325,585 due 2020 with compound interest at 10% pa.

As detailed above, at 31 December 2010 the Group had a bank loan of £28,741,522 maturing in 2013 and a hedged loan of £417,745,565 maturing in 2015. On 28 September 2011 the Group amended its banking financing arrangements to include new arrangements as follows:

- the £28,741,522 loan maturity date has been extended to 2015 and now matches the maturity date of the £417,745,565 loan;
- the existing interest rate swap has been closed out and the balance of £51,313,575 million has been added to the bank loan;
- the repayment profile and covenant requirements of the debt have been amended; and
- the interest margin on the loans has been increased however the level of interest paid in cash has been reduced.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Between one and five years	53	10	–	–

### 19 Deferred taxation

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
At beginning of year	3,624	1,868	–	–
(Released during)/charge for the year	(30)	1,756	–	–
Movement in relation to defined benefit pension scheme	(23)	–	–	–
At end of year	3,571	3,624	–	–

The provision for deferred taxation is made up as follows:

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Accelerated capital allowances	4,862	3,821	–	–
Tax losses carried forward	(1,230)	(130)	–	–
Short term timing differences	(61)	(67)	–	–
	3,571	3,624	–	–

There is unprovided deferred tax in respect of revaluation uplifts in the properties of £91,623,816 (2009: £95,021,677).

There is unprovided deferred tax in respect of unpaid interest on the loans notes held by individuals of £99,113 (2009: £78,804).

## Notes (continued)

### 20 Share capital

	2010 £000	2009 £000
<b>Allotted, called up and fully paid</b>		
16,724,463 Ordinary shares of £1 each	<b>16,724</b>	16,724

### 21 Reserves

	Profit and loss account £000
<b>Group</b>	
At 1 January 2010	(88,359)
Loss for the year	(80,530)
Pension reserve movement	876
At 31 December 2010	(168,013)
<b>Company</b>	
At 1 January 2010	(563)
Loss for the year	(15,061)
At 31 December 2010	(15,624)

The closing balance on the Profit and loss account includes a £710,000 (2009: £1,612,000) debit, stated after deferred taxation of £263,000 (2009: £627,000), in respect of pension scheme liabilities of the Group and Company pension scheme.

### 22 Reconciliation of movement in shareholders' deficit

	2010 £000	2009 £000
<b>Group</b>		
Opening shareholders' deficit	(71,635)	(58,893)
Loss for the year	(80,530)	(11,445)
Other recognised gains and losses during the year	876	(1,297)
Closing shareholders' deficit	(151,289)	(71,635)
<b>Company</b>		
Opening shareholders' funds	16,161	16,309
Loss for the year	(15,061)	(148)
Closing shareholders' funds	1,100	16,161

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the Company was £15,061,000 (2009: £148,000).

### 23 Net cash flow from operating activities

	2010 £000	2009 £000
Operating (loss)/profit	(25,740)	45,590
Amortisation of intangible fixed assets	4,789	4,781
Depreciation of tangible fixed assets	12,635	11,687
Impairment of intangible fixed assets	68,681	-
(Profit)/loss on disposal of tangible fixed assets	(2)	443
Decrease/(increase) in stocks	8	(204)
(Increase)/decrease in debtors	(477)	6,959
Decrease in creditors	(3,150)	(628)
Decrease in net pension liabilities	(111)	(163)
<b>Net cash inflow from operating activities</b>	<b>56,633</b>	<b>68,465</b>

## 24 Analysis of cash flows for headings netted in cash flow statement

	2010 £000	2009 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	39	49
Interest paid	(35,026)	(30,607)
Hire purchase interest	(6)	(30)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(34,993)</b>	<b>(30,588)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,599)	(8,601)
Sale of tangible fixed assets	2	(1)
<b>Net cash outflow from capital expenditure</b>	<b>(5,597)</b>	<b>(8,602)</b>
<b>Financing</b>		
New secured loans	272	3,525
Repayment of loans	(33,955)	(17,754)
Repayment of finance leases	(13)	(446)
<b>Net cash outflow from financing</b>	<b>(33,696)</b>	<b>(14,675)</b>

## 25 Analysis of changes in net debt

	1 January 2010 £000	Cash flow £000	Other non-cash changes £000	31 December 2010 £000
Cash at bank and in hand	31,375	(20,531)	-	<b>10,844</b>
<b>Debt:</b>				
Finance leases	(83)	13	-	<b>(70)</b>
Debts due within one year	(34,856)	33,955	(54,042)	<b>(54,943)</b>
Debts falling due after more than one year	(686,591)	(272)	28,314	<b>(658,549)</b>
<b>Net debt</b>	<b>(690,155)</b>	<b>13,165</b>	<b>(25,728)</b>	<b>(702,718)</b>

## 26 Capital commitments

At 31 December 2010 the Group and Company had capital commitments as follows:

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Contracted for but not provided in these financial statements	<b>279</b>	715	-	-

## 27 Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1,152,177 (2009: £1,144,874). Contributions totalling £97,298 (2009: £92,344) were payable to the fund at the balance sheet date and are included in creditors.

The Group operates a defined benefit pension scheme in the UK, the Partnerships in Care Limited Pension and Life Assurance Plan. The Plan was closed to new entrants from May 2005. Employed members continue to accrue benefits that are linked to final pensionable salary and service at retirement (or earlier date of leaving). The disclosures set out below are based on calculations carried out as at 31 December 2010 by a qualified independent actuary.

## Notes

(continued)

### 27 Pension commitments (continued)

The Plan's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Plan are required to act in the best interest of the Plan's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation. The liabilities of the defined benefit Plan are measured by discounting the best estimate of future cash flows to be paid out of the Plan using the projected unit method. This amount is reflected in the deficit in the balance sheet. The projected unit method is an accrued benefits valuation method in which the Plan's liabilities make allowance for projected earnings.

The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 1 January 2009, updated to 31 December 2010. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2010, contributions are payable to the Plan at the rates set out in the latest schedule of contributions. The employer contributions expected to be made in the year commencing 1 January 2011 are at the rate of 13.5% of pensionable salaries plus £145,000.

The amounts recognised in the Balance sheet are as follows:

	2010 £000	2009 £000
Present value of funded obligations	<b>(28,150)</b>	(26,467)
Fair value of scheme assets	<b>27,177</b>	24,228
Deficit in scheme	<b>(973)</b>	(2,239)
Related deferred tax asset	<b>263</b>	627
Net liability	<b>(710)</b>	(1,612)

The amounts recognised in profit or loss are as follows:

	2010 £000	2009 £000
Current service cost	<b>(683)</b>	(652)
Interest on obligation	<b>(1,514)</b>	(1,395)
Expected return on scheme assets	<b>1,452</b>	1,305
Total	<b>(745)</b>	(742)

Changes in the present value of the defined benefit obligation are as follows:

	2010 £000	2009 £000
Opening defined benefit obligation	<b>26,467</b>	21,562
Current service cost	<b>683</b>	652
Interest cost	<b>1,514</b>	1,395
Contributions by scheme participants	<b>313</b>	321
Actuarial (gains)/losses	<b>(6)</b>	3,024
Benefits paid	<b>(821)</b>	(487)
Closing defined benefit obligation	<b>28,150</b>	26,467

Changes in the fair value of scheme assets are as follows:

	2010 £000	2009 £000
Opening fair value of scheme assets	<b>24,228</b>	21,023
Expected return	<b>1,452</b>	1,305
Actuarial gains and (losses)	<b>1,211</b>	1,251
Contributions by employer	<b>794</b>	815
Contributions by scheme participants	<b>313</b>	321
Benefits paid	<b>(821)</b>	(487)
	<b>27,177</b>	24,228

The Group expects to contribute £794,000 to its defined benefit pension scheme in 2011.

## 27 Pension commitments (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2010	2009
Equities	20.40%	20.20%
Bonds	41.40%	41.50%
Property	5.00%	5.20%
Real Return Fund	31.60%	33.00%
Other	1.60%	0.10%

Principal actuarial assumptions at the Balance sheet date were:

	2010	2009
Rate of increase in salaries	3.30%	3.30%
Rate of increase in salaries as inflation	3.30%	3.30%
Rate of increase in salaries as inflation, subject to 2% cap	2.00%	-0%
Rate of increase of pensions in payment – Lesser of 3%/RPI	3.00%	3.00%
Rate of increase of pensions in payment – Lesser of 5%/RPI	3.30%	3.30%
RPI inflation assumption	3.30%	3.30%
Cash commutation as a percentage of pension at retirement	12.50%	12.50%
CPI inflation assumption	2.80%	-0%
Discount rate	5.40%	5.70%
Expected return on plan assets	6.60%	6.80%
Mortality	“S1NA series” applicable to each member’s year of birth	SI (Normal) tables projected by year of birth

The government has announced that in future it will use the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI), for the statutory revaluation of pensions in deferment and statutory increases to pensions in payment.

In preparing these financial statements Plan benefits which are subject to revaluation in deferment (in excess of GMP) have been indexed in line with CPI. Pensions accrued prior to 6 April 1997 have been indexed in line with RPI, and those after that date in line with CPI.

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Defined benefit obligation	(28,150)	(26,467)	(21,562)	(23,515)	(22,378)
Scheme assets	27,177	24,228	21,023	22,326	19,431
Deficit	(973)	(2,239)	(539)	(1,189)	(2,947)
Experience adjustments on scheme liabilities	6	(3,024)	4,060	552	1,906
Experience adjustments on scheme assets	1,211	1,251	(3,378)	1,220	346

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## Notes

(continued)

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### 28 Operating lease commitments

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings 2010 £000	Land and buildings 2009 £000	Other 2010 £000	Other 2009 £000
Expiry date:				
Within 1 year	13	13	81	75
Between 2 and 5 years	307	221	5	10
After more than 5 years	68	58	–	–

### 29 Related party transactions

Frederick Sinclair-Brown, a Director, has provided an unsecured fixed rate loan note for £460,000 (2009: £460,000) with compound interest of 10% giving a total due of £695,063.

Kevin Beeston, a Director, has provided an unsecured fixed rate loan note for £230,000 (2009: £230,000) with compound interest of 10% giving a total due of £325,585.

PIC Investments Limited Partnership Incorporated, the majority shareholder, has provided two subordinated loan notes on which unsecured PIK notes have been issued. Details these loan notes are set out in note 18.

During the year, the Company provided an interest free loan to PIC Investments Limited Partnership Incorporated, the majority shareholder. At the year end, the total amount due in respect of the loan was £393,572. The loan was repaid in full on 9 September 2011.

### 30 Post balance sheet events

As detailed in note 18 at 31 December 2010 the Group had bank loans of £28,741,522 and £417,745,565, on 28 September 2011 the Group amended its banking financing arrangements. The main changes under the new arrangements are as follows:

- the £28,741,522 loan maturity date has been extended to 2015 and now matches the maturity date of the £417,745,565 loan;
- the existing interest rate swap has been closed out and the balance of £51,313,575 million has been added to the bank loan;
- the repayment profile and covenant requirements of the debt have been amended; and
- the interest margin on the loans has been increased however the level of interest paid in cash has been reduced.

### 31 Controlling party

The majority of the issued share capital is held by PIC Investments Limited Partnership Incorporated the majority interest in which is held by funds under the management of Cinven Limited, a company incorporated in England and Wales with registered offices at Warwick Court, Paternoster Square, London EC4M 7AG.

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The treatment showcases featured in this report are summaries based on real events. Names have been changed to protect the identities of the individuals involved. The photographs accompanying the treatment showcases are of PiC patients and staff and are for illustrative purposes only. They do not directly refer to the treatment showcases. Our thanks to all those who took part in the photography.

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## Glossary

**Integrated Care Pathway** – a fully integrated care pathway facilitates proper transition for the patient through appropriate levels of security and treatment to a complete discharge from hospital. All critical decisions within the pathway are supported by appropriate risk assessments and engage the patient and appropriate clinicians as well as key stakeholders.

**Recovery Star** – The Recovery Star is a tool for supporting and measuring change when working with adults of working age who are accessing mental health support services. As an outcomes measurement tool it enables organisations to measure and summarise:

- the progress being made by service users
- the service being delivered through a project

The Recovery Star is also an effective key working tool. It is designed to support individuals in understanding where they are in terms of recovery and the progress they are making, providing both the client and worker a shared language for discussion mental health and well-being (ref. Mental Health Providers Forum website [www.mhpf.org.uk](http://www.mhpf.org.uk)).

**High Secure** – high secure treatment is provided exclusively by the public sector in the three NHS hospitals at Ashworth, Rampton and Broadmoor in England and Carstairs in Scotland.

**Medium Secure** – hospitals classed as medium secure meet certain standards as set out in the Department of Health Best Practice Guidance – *Specification for Adult Medium Secure Services 2007*, such as controlled entry and exit and high levels of observation. Patients are usually detained under the Mental Health Act ('sectioned').

**Low Secure** – the guidance for these facilities is currently being reviewed by the Department of Health.

**Step down** – these facilities are less secure than low secure facilities. They usually act as a transition to community living.

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[www.partnershipsincare.co.uk](http://www.partnershipsincare.co.uk)

Email us on [info@partnershipsincare.co.uk](mailto:info@partnershipsincare.co.uk)

Or call our head office 020 8327 1800  
020 8327 1900  
Central Referrals 0800 218 2398

Partnerships in Care  
2 Imperial Place  
Maxwell Road  
Borehamwood  
Hertfordshire WD6 1JN

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