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Annual report & accounts 2009

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

## 2009 – improving performance

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# 14.5%

turnover up from  
£164.1m to £187.9m

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# 37.3%

increase in Operating  
Profit from £33.2m  
to £45.6m

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# £12.9m

growth in EBITDA\*  
up from £50.7m  
to £63.6m

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# 1,383

patients treated  
(2008:1,332)

\* EBITDA as stated above excludes £1.6m (2008: £1.3m) of non-recurring costs.

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Patient numbers rose from 972 at the end of 2008 to 1,001 at the end of 2009

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291 patients moved to lower levels of security as part of their care pathway

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1,223 beds capacity at end of 2009, representing a small increase on prior year

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3,234 staff at year end

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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 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 180 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.

Through 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.

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

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## Year at a glance

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**January 2009** PiC sponsors the Institute of Psychiatry's 6th National Conference of Research in Medium Secure Units.

PiC appoints Dr Emmett Larkin as Consultant Forensic Psychiatrist to Stockton Hall. Dr Larkin was previously Associate Medical Director Forensic Services, Nottinghamshire Healthcare NHS Trust, and Consultant Forensic Psychiatrist to the Peaks (DSPD) Unit, Rampton Hospital.

**April 2009** The new standard contract between NHS commissioners and providers (both NHS and independent) for hospital in-patient and psychiatric care comes into force.

*The Bradley Report* on people with mental health problems or learning disabilities in the Criminal Justice System is published.

**July 2009** PiC holds 'recovery' training for key staff across the Group.

PiC appoints Doreen McCollin as Corporate Director of Nursing.

PiC in conjunction with Pavilion Publishing holds a conference on 'Women's mental & physical health' at the King's Fund in London. The conference looks at the long-term effects of serious mental illness in women, the effect mental illness has on women and relationships with their families, and what works for women in secure care.

**August 2009** PiC sponsors a debate at Laing & Buisson's Independent Healthcare Convention entitled 'Should all offenders with serious mental illness be moved out of prison?' Speakers include Angela Greatley, Chief Executive, Sainsbury Centre for Mental Health and Dr Annie Bartlett, Reader in Forensic Psychiatry, St George's, University of London.

**September 2009** PiC holds a joint conference with the Royal College of Nursing on 'Safety, dignity and service planning within mental health care', to look at conflict and containment in psychiatric nursing and safety for patients.

PiC is shortlisted in three categories at the Laing & Buisson Independent Healthcare Awards – Nick Shaughnessey for Nursing Practice, Terry Heenan for Excellence in Training, and Dr Carl Wilson and Dr Sindhu Ashim for Medical Practice.

**October 2009** Hazelwood House opened and operational as a low secure unit for male patients, extending our care pathway in the Midlands.

New intranet 'Synapse' launched as internal communications tool, document management and knowledge sharing system across the PiC Group.

**November 2009** PiC sponsors the Royal College of Nursing student bus on its four month tour of campuses, starting at Canterbury Christchurch University. In November and December 2,468 students visit the bus. The tour continues after a Christmas break, with visits to PiC sites Calverton Hill, Oaktree Manor and St John's House.

PiC's second annual risk conference brings together clinicians, academics and commissioners with an interest in the management and treatment of high risk and challenging patients. Under the title 'Violence, aggression and challenging behaviours in psychiatry', delegates reviewed the most recent research and looked at practical treatments that demonstrably reduce risk and danger.

Learning Disability Services, Essex, hold a seminar at Oaktree Manor on 'Changes in mental health provision and the Mental Health Act implementation'. The seminar also includes changes in Quality Initiatives and the Darzi Review.

**London & 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**  
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

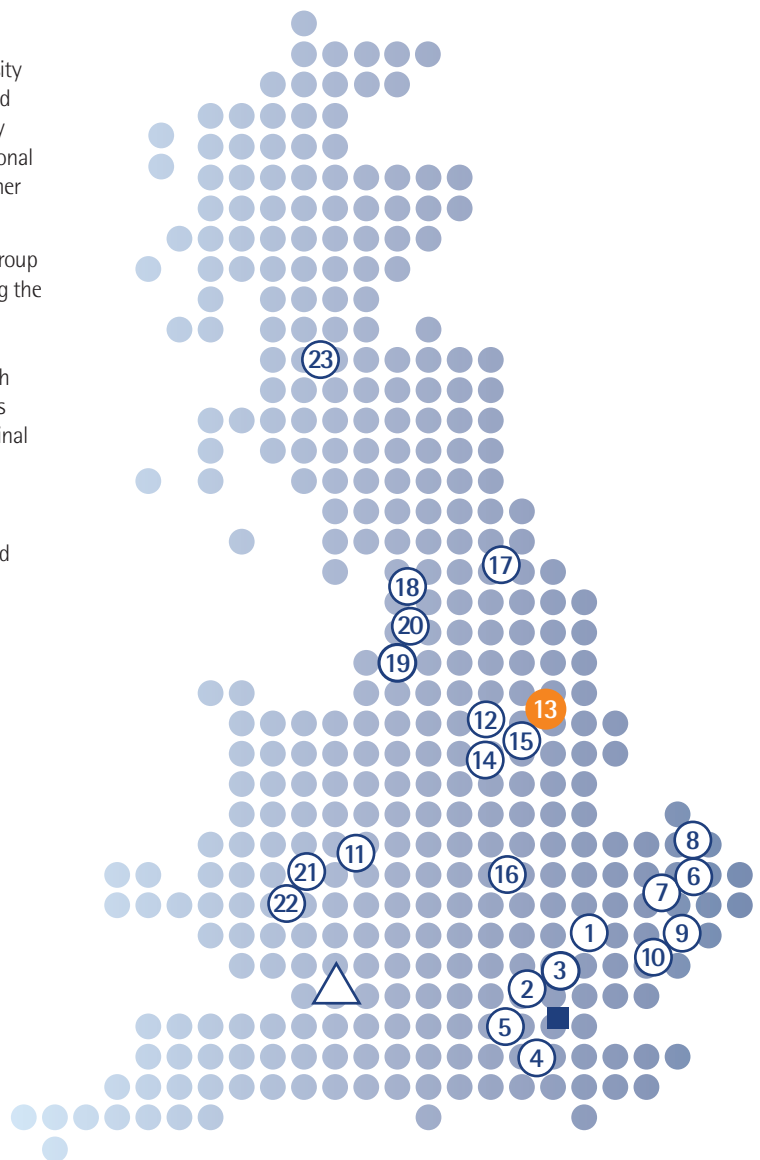
**December 2009** Elyn Saks, Professor of Law at the University of Southern California Gould School of Law, officially opened Pelham Woods. The open day and official opening ceremony was hosted by PiC Team Manager Sarah Shepherd and Regional Executive Director Kim Hill. Elyn Saks is also a noted researcher and writer on the rights of people with mental illness.

PiC invited to become a member of the National Advisory Group for Diversion of the Criminal Justice System (set up following the recommendations of *The Bradley Report*).

**January 2010** PiC sponsors the Institute of Psychiatry's '7th national conference of research in medium secure units'. This year's conference focused on personality disorders and criminal offending: aetiology, brain mechanisms, and rehabilitation.

**March 2010** PiC hosts Brain Injury Services conference on 'Neurorehabilitation: behavioural modification after acquired brain injury'.

- PiC facilities
- New PiC facilities in 2009
- Head Office
- △ Care first





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## Chairman's statement

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**2009 was a year of excellent performance across Partnerships in Care. While we completed and commissioned Hazelwood House, a new service in the West Midlands, our focus has been on improving operational and financial performance. Most important of all, our dedicated and expert staff treated some 1,383 people (2008: 1,332) and helped 291 patients on their care pathways to lower security treatment and rehabilitation. We continue to strengthen our position as the country's leading independent provider of high quality secure mental healthcare.**

By year end our capacity had grown to a total of some 1,223 beds (2008: 1,200) and patient numbers stood at 1,001 (2008: 972). Average occupancy rates for the year were up to 82% (2008: 79%) as new capacity developed, during our investment programme, started to fill. All of which translated into turnover increasing 14.5% to £187.9 million (2008: £164.1 million), operating profit increasing 37.3% to £45.6 million (2008: £33.2 million) and EBITDA\* increasing 25.4% to £63.6 million (2008: £50.7 million). Our operating margin also increased by 3% as our occupancy rates improved.

Our strong operating and financial performance continue positive year-on-year trends that have been maintained since PiC became an independent company in 2005. PiC is a strongly cash-generative business, we have no major refinancing deadline until 2015 and we continue to trade within our agreed financial covenants. These results are reassuring in the current economic climate, demonstrating, again, the strength of our market and the PiC service offering.

### Majority shareholder

We enjoy positive support from, and relations with, all our primary lenders and shareholders. Our main shareholder is Cinven, one of Europe's leading buyout firms. It was established in 1977 and specialises in six industry sectors,

one of which is healthcare. Cinven's philosophy of making substantial, longer-term investments in successful, high quality companies and their concern for employees, suppliers, local communities, the environment and society as a whole, accords well with our own business.

### Market overview

At a macro level, our market is subject to demographic and social trends – people are living longer; the population is increasing; there is greater awareness of the treatment of mental health conditions; and over the last decade and more, the nation has increasingly invested in mental healthcare and facilities. All of which are favourable for our business.

As an independent provider of mental healthcare, our main customer is the NHS; which is also, by far the largest supplier of such services in the country. While healthcare remains a priority for the new Government, the NHS will inevitably be subject to cost pressures in the forthcoming period of public sector spending constraint. Commissioners are looking for increasing value for money, better patient outcomes and a partnership approach to service provision that integrates with NHS services to provide flexible, effective and high quality care pathways.

As the largest independent provider in the secure services sector, we have the size and ability to offer commissioners consistently high quality care. We have also been working hard to develop the infrastructure to work with commissioners increasingly in a partnership approach to care provision.

While the NHS's *Word class commissioning* initiative and structural changes creating larger and more efficient commissioning bodies have improved the NHS's strategic approach to the provision of mental healthcare, there remain significant variations in approach and performance across the country. There is room for further improvement.

\* EBITDA as stated above excludes £1.6m (2008: £1.3m) of non-recurring costs.

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Partnerships in Care is the UK's leading independent provider of high quality mental healthcare. In 2009 our dedicated and expert staff treated some 1,383 people (2008: 1,332) and helped 291 patients on their care pathways to lower security treatment and rehabilitation.

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#### Caring for offenders

As a supplier of secure mental health services, many of our patients are referred from the Criminal Justice System. In recent years there has been an increasing recognition of the benefit of treating offenders with severe mental illness in a secure psychiatric setting as opposed to prison. *The Bradley Report*, Lord Bradley's review of people with mental health problems or learning disabilities in the Criminal Justice System, was published in 2009. Fred Sinclair-Brown discusses the report in his review, but what is incontestable is that there is a significant number of people with acute mental health problems within our crowded prison system. Reoffending rates are much lower amongst properly treated offenders, so they, and our society as a whole, would be better served by treatment within secure mental health hospitals. There is capacity within mental health secure services; PiC will continue to work with all the relevant authorities to speed up the referral, assessment and treatment of offenders with severe mental illness.

#### Clinical developments

Commissioners are not only looking for excellence in care, they are also looking for value for money, demonstrable results and innovative approaches. PiC has a well deserved and sustained reputation for the quality of its care as well as innovation in service provision – for instance development of step down pathways and evidence-based treatment programmes.

We are now working increasingly in collaboration with commissioners to further integrate our services with other available options, both NHS and independent. In practice this means giving clearly defined milestones to commissioners for different stages of patient care, following a detailed assessment. We have many care pathways in place across the country where a seamless clinical team and service can be beneficial for patients. However, sometimes only part of that journey is required. One of PiC's strengths is the way it can adjust to meet the demands of the market; this trait will assist

PiC over the coming years. Delivering patient outcomes in a controlled and safe manner, while offering value for money to commissioners, remains central to our strategy.

#### The Board

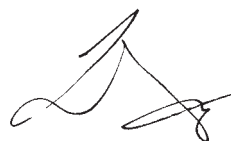
Our Board has been further strengthened during the year by the addition of Alex Leslie. Alex joins David Barker and Rebecca Gibson as Cinven representatives on our Board. He will bring a fresh perspective to our future development.

#### PiC people

PiC is recognised as the leading provider of quality secure services in the UK. However, that statement understates the astonishing job that our staff do every day of the year, caring for some of the most difficult and challenging patients. Their work, delivering outstanding care and changing lives, even while we have been opening new facilities and developing our services, is the basis of our reputation. Thank you to you all.

#### Outlook

The outlook for PiC remains very positive; we are the market leader, in a growing market: and we have existing beds to fill. As we do so, we will become more efficient and our performance will improve. Despite Government spending curbs, while we continue to offer outstanding care, positive patient outcomes and value for money, within a strategic commissioning framework, we will be well positioned to continue the growth that we have enjoyed over recent years.



**Kevin Beeston**  
Chairman



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## Group Chief Executive's statement

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**In the five years since PiC became an independent company our strategy has been to develop the UK's most comprehensive secure mental healthcare network, operated to the highest standards. Our aim is to deliver high quality, value for money services, extending the choice and range of provision to both purchasers and patients.**

Alongside our expansion we have strengthened our clinical resources, operational procedures and corporate management structures in order to meet and exceed all required standards and to better meet the requirements of our patients and commissioners.

### **Partnership working**

Inextricably linked with our improving performance is an increasing focus on partnership working – both across the Group and between PiC and our main commissioners.

In the past our hospitals operated largely independently: now we are increasingly cohesive. Together with the sharing of best practice, a more unified approach to everything from contract negotiations to clinical assessments, from purchasing to recruitment, means that not only are we raising standards across all our hospitals but also that we are operating more efficiently each year.

Significant changes in the healthcare landscape are leading to a more strategic approach to the purchasing and provision of specialist secure psychiatric care. Our key commissioners are driven by a desire to move patients with complex, and often long-term, needs through clear and stable care pathways to achieve sustainable outcomes. We continue to have a strategic partnership approach, working with our major commissioners to provide services that complement and integrate with those of the NHS.

Commissioners also face financial pressures. The current financial crisis and its effects on all aspects of public expenditure will inevitably constrain mental health budgets. However, the drive for value and payment by results must not be at the expense of care quality or safety standards.

Our reputation, quality of service and modern environments, together with increased capacity, ensure that we are well placed to respond to all opportunities as they occur. We will continue to concentrate on optimising service delivery across our entire estate. Overall, we are well equipped to exploit the excellent knowledge and skills available to us and to consolidate our position as the number one independent provider of secure mental health services in the country.

### **The Bradley Report**

Following his review on people with mental health problems and learning disabilities in the Criminal Justice System, Lord Bradley published his report in April 2009 – a report we were proud to have contributed to. The report contains some 82 recommendations, a number of which are relevant to our services, but all of which we fully endorse. Largely through the auspices of the CBI, we have now been appointed as the independent sector representative to the National Advisory Group (NAG) working with the Government on implementing the recommendations.

### **Prisoners and mental health**

Of the 85,000 men and women currently in our prison system<sup>1</sup>, around 70% suffer from the symptoms of two or more recognised mental illnesses. Eight percent of prisoners have a severe and enduring mental illness<sup>2</sup>. It is estimated that 50% of these prisoners have symptoms of such severity they should be treated in a secure psychiatric hospital. This equates to 3,400 prisoners at any one time. In 2007, the last year for

<sup>1</sup> HM Prison Service website – Publications & Documents, Population figures: Population Bulletin – Weekly 23 April 2010

<sup>2</sup> NHS Plan 2000

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In the five years since Partnerships in Care became an independent company our strategy has been to develop the UK's most comprehensive secure mental healthcare network, operated to the highest standards.

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which figures are available, only some 1,458 offenders were transferred from prison to hospital for psychiatric treatment.

It is widely recognised that these prisoners would be better treated in a secure hospital environment rather than in a prison; however, in a tight fiscal environment, this does pose a financial question. This question has however been recently addressed.

#### Costs to society

The often quoted headline figures are that it costs some £42–£45,000 to keep one offender in prison for a year, as opposed to around £185,000 to treat a patient within a medium secure hospital. However, these figures mask both the extra costs involved in maintaining severely mentally ill people within prisons and the possible lifetime savings created by the lower reoffending rates seen in mentally disordered offenders treated and discharged from medium secure psychiatric hospitals.

The recent report entitled 'Waiting in the Wings: A review of the costs and benefits of secure psychiatric hospital care for prisoners with severe mental health problems', written by Dr Judy Renshaw\*, offers an excellent initial analysis of the issues involved and has been endorsed by all three major political parties. The report takes the most conservative numbers at all stages, but even so it estimates that the true cost of managing and maintaining a severely mentally ill offender in prison, taking into account the levels of support required, is at least £125,000 a year and probably much more.

These figures are stated before taking account of the costs of reoffending. There is clear evidence from Dr Renshaw's work that reoffending rates are substantially lower amongst offenders who have been properly treated through a mental healthcare pathway. Dr Renshaw estimates a lifetime saving of over £600,000 for each offender successfully treated through the hospital system.

\* Published by Laing & Buisson 2010

#### 14 day referrals

One of Lord Bradley's major recommendations was that the transfer time from prison to hospital, for someone who is diagnosed as needing mental health treatment, should be no more than 14 days. Referral times vary widely across the country, in London they are nearer to 200 days than 14 days. We are seeking to work with both the Department of Health and the Ministry of Justice in trying to improve the situation.

#### Imprisonment for Public Protection

Another looming issue within the Criminal Justice System concerns those given indeterminate sentences under Imprisonment for Public Protection (IPP) regulations. Such prisoners have to serve a defined punitive 'tariff' period, but thereafter have no automatic right of release. Release is solely at the discretion of the Parole Board and is subject to their satisfaction that the risk of harm which the offender poses to the public is acceptable.

It is estimated that the total number of offenders on IPP sentences in the prison service is now approximately 6,000. Of those, approximately half are past their 'tariff' release date. Those with severe mental illness will stay in prison until they have gone through the necessary programme of treatment to satisfy the Parole Board that they no longer pose a significant risk to the public. Only a fraction of IPP sentenced offenders have been released due to a lack of prison treatment opportunities. We are seeking to work with both the Department of Health and the Ministry of Justice in trying to improve the situation.

We look forward to an informed debate on all these issues and hope to contribute fully to an improved approach to the treatment and rehabilitation of offenders with severe mental illness.

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## Group Chief Executive's statement (continued)

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### PiC and the Coalition Government

Uniquely for us all, we now operate our business at the start of a five year Conservative/Liberal Democrat parliamentary coalition.

The combined policies of both parties enshrined in 'The Coalition: our programme for government', present significant opportunities for PiC that we are committed to maximise. During a time of uncertainty, the stability and certainty of a five year coalition will encourage the development of services where change, improvement and value can be measured over a predictable lifespan of government.

Specifically, PiC welcomes policy commitments in the NHS and Ministry of Justice. The streamlining of NHS bureaucracy, strengthening of patient choice and commissioning for quality through greater involvement of independent providers are noteworthy commitments – validating and encouraging our 25 years of partnership with the NHS.

We are very pleased that the coalition justice agenda includes a commitment to exploring alternative forms of secure treatment based accommodation for the mentally ill and drugs offenders. We will be encouraging the Ministry of Justice to work with PiC to meet these objectives.

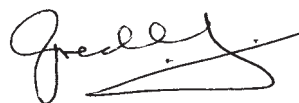
PiC believes that effective hospital treatment of seriously mentally ill offenders not only reduces recidivism but can provide provable cost benefits to society. We expect that the Ministry of Justice 'rehabilitation revolution', will present the opportunity for PiC to develop new and clinically cost effective solutions to old problems.

### The coming year

We are entering a period of fiscal constraint and slow economic recovery. Our market will be subject to price pressures and an increasing drive to deliver value for money and improving patient outcomes. Our NHS commissioners will be seeking high quality care and a flexible and innovative approach to service provision. PiC is well placed to deliver on these objectives.

### Changing lives

Many of PiC's patients have acute problems, ranging from the challenging and sometimes violent to the vulnerable and suicidal. Our staff continue to demonstrate the enormous passion and commitment that this often difficult and demanding environment requires. I take this opportunity to thank them again for their 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 2009 there has been a continuation and acceleration of many of the themes and initiatives that have characterised the delivery of our strategy at an operational level. During my two years as Chief Operating Officer, PiC has changed from being a group of hospitals operating individually into an organisation that shares resources, approaches and best practice to deliver mental healthcare services to a consistently high standard across the country.**

### **An improving business**

By the end of 2009 we had 1,223 available beds in 23 hospitals spanning the length and breadth of Britain. Patient numbers rose from 972 at the end of 2008 to 1,001 at the end of 2009. Conversion rates remain high, we generally admit around 90% of suitable referrals. We had 411 new admissions in 2009, which was in line with the year prior (2008: 495). Although it is impossible to achieve 100% occupancy in a dynamic operating environment, we offer significant room for further growth within the current estate. Furthermore, we have a pipeline of planning permissions on a number of sites giving us the ability to increase beds by 200.

Our operating performance in 2009 demonstrated the benefits of filling our new capacity. Occupancy increased and with it, revenues, margins and returns. Staff levels increased to look after the new capacity, but we also continued to bear down on other operating costs. 2010 will see a continued focus on these aspects of our business.

We are fortunate that our expansion programme has been successfully completed and that we still have capacity to fill. As we do so, we will deliver improved operating efficiency and increasing returns. There may be opportunities within this challenging market to add further capacity, but our main focus will continue to be on achieving optimal operational efficiency; recruiting, training and retaining the best staff; maintaining the highest standards of care provision; and achieving outstanding results for our patients.

Our employee assistance programme business, Care first, effectively operates in a niche area. Its customer base is predominantly public sector, including police forces, fire services, Network Rail and other front line services. Despite tightening public sector budgets, Care first had an outstanding year.

Our strategic aims are to:

- Improve patient outcomes by continuing to develop care pathways and innovative clinical programmes which recognise the needs of patients and purchasers
- Work in partnership with the NHS, ensuring our services complement and extend those already provided by the NHS
- Continue to attract, motivate and retain the best calibre staff
- Maintain a clear focus on the quality of service delivery by adhering to regulatory requirements and developing robust systems of clinical and corporate governance
- Maintain our position as the UK's leading independent sector provider of specialist mental health and related services
- Ensure that our corporate systems and processes provide effective and efficient modes of working and enhance communication at a corporate, regional and local level
- Ensure the future growth and development of the Company and in doing so meet the expectations of our investors, customers and employees



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## Chief Operating Officer's review (continued)

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These aims are closely interwoven into PIC's operations at all levels and serve as guiding principles for the Company.

### **Improve patient outcomes by continuing to develop care pathways and innovative clinical programmes which recognise the needs of patients and purchasers**

The introduction of the NHS standard contract for psychiatric care from April 2009 means that commissioners have been increasingly looking to suppliers who can offer standardised services of consistently high quality, that meet all the regulatory standards, and that can be offered at fixed prices.

### **Commissioning of Quality and Innovation Initiatives (CQUIN)**

The regulatory, information and reporting burden imposed by this increasingly results orientated approach to commissioning, favours the larger and most professional providers who have the infrastructure in place to meet the requirements. We have to measure, monitor and report on the quality and effectiveness of our services; we have to provide information on patients, monitor the ward environment, take account of patient choice, act on patient and stakeholder observations, and work to a care pathway with clearly defined milestones and goals. These measures are all included in CQUIN standards (patient environment, patient involvement, meaningful activity, use of the recovery model) and our remuneration is, in part, linked to performance.

Commissioners facing increasing cost pressures are also seeking to step down acute patients as soon as is safely possible from independent medium secure hospitals and continue their care pathway within the NHS. This is not only leading us to provide more flexible, innovative and efficient programmes to our patients but it is also leading to the development of some common Key Performance Indicators (KPIs). For instance, Average Length of Stay is the KPI used by commissioners as they seek to develop care pathways

that move patients between NHS facilities and independent providers at different levels of security more quickly and efficiently.

We are working with commissioners to help them meet their objective of reducing lengths of stay at each level of security, whilst maintaining patients within a stable care pathway. Our more unified approach across the Group and the sharing of knowledge helps us to achieve this.

### **Recovery Star**

An example of clinical programme development to better meet patient needs can be seen in the adoption across all PiC hospitals of the Recovery Star approach. This tool, developed by the Mental Health Supplier's Forum and Triangle Consulting, and used mainly in our step down/rehabilitation services, is designed to help patients understand where they are in the recovery process and to provide both clinicians and patients with a shared language for discussing mental health and well-being. The Recovery Star identifies and measures 10 core areas: managing mental health; self-care; living skills; social networks; work; relationships; addictive behaviour; responsibilities; identity and self-esteem; and trust and hope. Our staff have been trained in the use of this tool and local champions are now taking its use forward in each of our facilities. PIC's Medical Director, Dr John Taylor, is monitoring progress across our facilities and reviewing patients' recognition of the recovery approach in their treatment.

### **Work in partnership with the NHS, ensuring our services complement and extend those already provided by the NHS**

The independent mental healthcare sector works almost exclusively with the NHS. In the constantly evolving and developing structure of NHS planning, purchasing and provision it is of crucial importance that independent providers adapt to and integrate with commissioning needs.

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We are increasingly working together, and in partnership with commissioners, to meet patient needs and provide a flexible approach to the integrated care pathway.

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#### Working together

Since the introduction of the NHS standard contract we have established regular contract review meetings with our regional NHS commissioners. These meetings are organised and controlled by head office but are usually led by the relevant Regional Executive Director, supported by corporate representatives, as part of our drive to standardise the quality of services across all our facilities.

Direct communication is supported through other marketing channels. Our first quarterly e-newsletter for commissioners was produced and distributed in March 2010. We look forward to producing more of these to share information about our developments and best practice models.

During 2009, we created the role of Corporate Relationship Manager. Graham Butler, former Head of Case Managers in the NHS West Midlands specialised commissioning team, joined us to fill this role at the beginning of 2010. Graham brings valuable insights into NHS commissioning and will help us look outwards more and develop our offering more directly in relation to NHS requirements.

An example of this market-led approach and care innovation in action can be seen in our redevelopment of a ward at The Spinney specifically to cater for prison transfer cases (Intensive Assessment and Treatment Service (IATS)). This has been developed following discussions with commissioners and will help them meet their *Bradley Report* target of 14 day prison transfers for acute cases.

Going forward, communications with and responsiveness to commissioners will be a key driver to our development.

#### Continue to attract, motivate and retain the best calibre staff

At year end, PiC employed some 3,234 people including nursing and related staff, psychiatrists, psychologists and therapists. This is a major increase of some 300 over the year

and is a testament to the success of our recruitment processes and the attractiveness of our offer.

We have focused on two key areas within the business: recruitment, and training and development.

#### Recruitment

Historically, PiC has found it relatively easy to attract good quality trainees and newly-qualified staff. However, like many hospitals in the independent sector, we have had more difficulty in attracting experienced and senior staff, particularly from the NHS. Independent hospitals often have to pay qualified staff above NHS rates, and we also have to provide fully funded pensions – whereas NHS pensions are only partially funded.

We are increasingly managing recruitment on a Group-wide basis. Our Corporate Director of Nursing is now working directly with central Human Resources in the development of recruitment programmes, advertising and the standardisation of job specifications, pay scales and benefits aimed at attracting and retaining the best candidates. She also provides a direct link between PiC and the Royal College of Nursing on recruitment, training and development.

We have extended our online application procedures from healthcare workers to our nursing staff. This facility effectively involves an online interview, enabling better pre-selection and resulting in higher offer and acceptance rates after personal interviews.

And in another development, as part of the Government's new apprentice scheme we are running a pilot project for 16 to 18 year olds in the North West involving inductions and work experience in non-patient facing roles as a precursor to employment. If this is successful in attracting young people into the organisation, and initial indications are promising, we will extend the scheme across the Group.

## Treatment showcase

Thomas was admitted to Treowen Ward, *PiC Llanarth Court*, from an NHS admission unit, diagnosed with paranoid schizophrenia, drug and alcohol misuse and post traumatic stress disorder.

On admission, Thomas presented with persecutory delusions, auditory hallucinations and belief of chemical warfare. He responded well to Clozapine and became less preoccupied, although he retained residual ideas. Thomas engaged in psychology and drug and alcohol work and began to engage in the ward-based activities available to him. As he became more settled, he was identified as being suitable for *PiC Aderyn* – PiC's nearby specialised rehabilitation unit.

On transfer to Aderyn, Thomas continued to express some paranoia and poor self-esteem. He continued with his drug and alcohol work and began to engage in gardening sessions, which he valued greatly. He then helped a local community voluntary group, clearing and restoring Victorian gardens. He also began to attend the Model club and some cooking sessions but still demonstrated a fragile sense of self-esteem.

Thomas's progress was delayed for a time when he drank alcohol when on unescorted leave. However, he was able to identify this as a 'relapse' and community leave was gradually increased.

Thomas began to attend a community gym, played squash with another patient and regularly attended the swimming group. Thomas was then transferred to an independent living cottage (based at Aderyn). He carries out all domestic and self-care activities of daily living independently, has his own bank account and budgets independently. He has weekly OT sessions to increase his knowledge and skills in healthy eating. He has increased his voluntary work to include a role at the RSPCA and has begun attending a Community MIND drop-in, where he has taken lessons in computing.

His current aims are to await his new placement and also to identify a vocational course. The Recovery Star Model has been instrumental in the engagement and improvement of Thomas; the improvement in his Star Assessments helped identify the progress he had made.

## Chief Operating Officer's review (continued)

### Training, development and retention

In addition to the vocation of caring and the need to earn a living, training and personal development are key motivators for many of our staff. They are also crucial factors in longer-term staff retention.

We continue to focus strongly on career development and training opportunities, particularly for our nursing staff. Specifically we are considering a bursary scheme and looking to help unqualified staff into nursing training or occupational therapy and help nurses with Diplomas to upgrade to Nursing Degrees as the profession moves to an all graduate state.

More broadly, we continue to increase our investment in training. The National Training Centre (NTC) opened in 2008 and since then has steadily developed its external business as well as providing access to learning for PiC staff. At the end of 2009, the NTC has developed a training database and for the first time there is a central training record for every PiC employee.

Throughout last year there were on average at least 10 training events every day across the Company ranging from induction for new employees to 'Train the Trainer' accredited qualifications and continual professional development events for clinicians, psychologists and nurses. There were over 1,200 basic food hygiene certificates awarded to PiC employees.

PiC secured a national contract through Alliance Care Options Ltd to deliver a range of NVQ's to Health Care Workers and support staff. Over 200 people applied and are currently working towards achieving their qualification. For many of these staff it is their first qualification. PiC were fortunate to receive Government funding to support this initiative.

Also in 2009, some 2,000 people visited the NTC and participated in a variety of events. Four national conferences were held where international speakers presented on a variety of current forensic mental health issues. A programme of courses, short qualifications and seminars provided external sales of approximately £150,000. These included Health and Safety, Management of Violence and Aggression (MVA) and food hygiene courses. Additionally PiC delivered some 20 separate professional development events for psychologists as part of their professional development.

The NTC has continued to develop links with other centres of research into mental healthcare. We have a longstanding research collaboration on an outcome study with the 'A' rated psychology department at Cardiff University, and will shortly start working with Hull University on a study into the dietary effects of psychotropic drugs. We proudly continue to sponsor the Institute of Psychiatry's Annual National Conference on Research in Medium Secure Units.

In the period January to December 2009, 419 employees left PiC. Assuming an average headcount of 3,000, that equates to an annual staff turnover rate of 14%. However, when we consider that 9.5% of leavers had only ever seen PiC as a short-term option and 8.6% had never thought about career options, the effective annual rate falls to 11.4%.

### Occupational health and absence management

During 2009, we introduced Absence Care, an electronic occupational health monitoring and reporting service, across all of our sites, offering an immediate response to all staff health related issues. Managers are now alerted promptly to absences, enabling the timely arrangement of suitable cover and the early investigation of any underlying health issues. Absence Care has been a great success and our sickness rates are now around a quarter of those for comparable public sector providers.



**Maintain a clear focus on the quality of service delivery by adhering to regulatory requirements and developing robust systems of clinical and corporate governance**

All our relevant hospitals meet and exceed the Department of Health standards for adult medium secure services. While there are as yet no mandatory standards for low security services, various guidelines have been issued. We have invested heavily in all facilities, for instance in the installation of low security fencing to meet the guidelines for our low secure units, and we are confident that they are fully compliant with even the most stringent regulations that have been suggested to date. Through 2009, we continued to meet all the standards of our principal regulator, the Care Quality Commission (CQC).

Since 2008, we have worked with a security consultant to ensure the physical, procedural and relational security of our hospitals achieve the highest standards and in 2009 we appointed Chris Harden as Corporate Head of Security. Chris came to us with 16 years' prison service experience in operational and staff development experience. In recent years he was at Governor level in operational management of prisons.

However, we should never forget that as a medium secure hospital supplier PiC cares for a high proportion of acute and extremely challenging patients.

**Maintain our position as the UK's leading independent sector provider of specialist mental health and related services**

Our primary market is defined by Laing & Buisson in their *Mental Health and Specialist Care Services, UK Market Report* as mental health hospitals, providing medium and low secure psychiatric units, psychiatric rehabilitation, special units for people with learning disabilities, community placements for supported living, brain injury rehabilitation and accommodation for older mentally ill people. We also offer employee assistance programmes through Care first.

**Market overview\***

Our main market is dominated by the NHS. Turnover of independent mental health hospitals in the UK is now over £1bn (2008: £1,007m), however, that represents only about 8% of the total NHS and independent market of £12.4bn.

The four largest independent providers – PiC, the Priory Group, St Andrew's Healthcare and Cygnet Health Care – account for 40% of independent beds and 54% of sector revenue. PiC is the market leader in the medium secure sector. However, the whole market is still dominated by the NHS – both Priory and PiC are only about 3% of the total markets when combined public and private sector provision of mental health in-patient services are considered.

After several years of sector growth, the market is now experiencing like-for-like inflation growth at best as purchasers bear down on costs. NHS commissioning accounts for some 80% of the overall mental healthcare market, and a higher proportion than that in the secure sector in which PiC mainly operates, so the impact of Government spending constraints will be a constant factor for the foreseeable future.

The medium secure market, in which PiC is the leader, has a relatively high proportion of independent provision (37% in 2009). Home Office security requirements specify, amongst other measures, 5.2 metre high perimeter fencing around medium secure units and this reflects the acuity of patients within our hospitals. Many have committed crimes. Schizophrenia, personality disorder, self-harming, learning disabilities, aggressive and violent behaviour and drug abuse are common.

\* All figures Laing & Buisson: *Mental Health and Specialist Care Services, UK Market Report 2009/10*



## Chief Operating Officer's review (continued)

### Secure capacity 2006-2009 (beds)

Year	NHS England including Rampton	Independent sector (medium secure)
2006	3,333	1,827
2007	3,509	1,913
2008	3,713	2,178
2009	3,831	2,212

Source: Laing & Buisson

The low secure, step down and rehabilitation sectors have a broader range of providers with no one company dominating. PiC is the third largest provider in low secure and step down, with some 278 beds available out of a total independent provision of nearly 5,000. Our 35 rehabilitation beds ranks us 14th in a total independent market of just over 2,000 beds.

#### Outlook

Despite our market leadership, we believe that there will be opportunities for further growth, even in the current financial climate, either on a geographic in-fill basis, where there is under-provision, or on an opportunistic basis via acquisitions as smaller providers struggle to comply with the regulatory environment, or suffer in the financial climate.

#### Ensure that our corporate systems and processes provide effective and efficient modes of working and enhance communication at a corporate, regional and local level

The current development of PiC's services at an overall level are centred on the concept of partnership working and clear and open communication.

Our 25 year reputation for excellence in the provision of mental healthcare has been built hospital by hospital, at a local level. We are now forging a more cohesive and unified group with common approaches, processes and standards across the country. As a result, we will be better able to meet the requirements of our commissioners, the needs of our patients and the aspirations of our staff.

#### Corporate Director of Nursing

An example of this approach to improving processes and communications can be seen in the appointment of our first Corporate Director of Nursing and the initiatives that she is driving.

'Front line care', the report of the Prime Minister's Commission on the future of nursing and midwifery, published in March 2010, recognised the increasing responsibilities of nurses in clinical teams and the crucial role that a Director of Nursing can play in improving the quality of nursing through embedding common standards and expectations across organisations.

Doreen McCollin, who was appointed as Corporate Director of Nursing, works directly with ward staff across our hospitals and is concentrating on improvements in patient care. She spends time on all wards and is in a position to provide independent, patient-based feedback to staff and, where appropriate, initiate action to improve patient experience.

All our hospitals have their own Directors of Nursing, they meet as a group at least every six weeks and have worked together to develop a joint development strategy. Individual hospital action plans have been developed and will be rolled out during 2010.

The Corporate Director of Nursing also takes part in major contract meetings and negotiations, giving expert clinical input, raising the standard of our care offering and improving response times for our commissioners.

#### Risk assessment and treatment

The provision of medium secure mental healthcare involves risks for our staff and patients. Structured professional judgement remains at the centre of clinical risk assessment and management and this in turn is intrinsically linked to overall treatment and care planning. At all of our hospitals, rigorous risk assessments are carried out on any situation

## Treatment showcase

Claire was admitted to Durham Ward, PiC Annesley House, from a local NHS general hospital in 2003 with mental illness and mild learning disability. Despite settling in well, Claire was extremely anxious over numerous issues and events, such as her birthday.

Claire displayed a great deal of challenging behaviours including help-seeking ones, such as self-harming. She also needed excessive prompting from staff with regards to her self-care and hygiene. At this time, Claire began refusing her anti-depressant medication.

At one point during her stay her behaviour became temporarily unsettled and unpredictable – she became abusive, hostile and attacking staff and peers – so we transferred her to a more intensive ward. At these times, Claire would be argumentative and confrontational, at other times she would be tearful and anxious, requiring additional staff support.

When she became more settled again, showing good signs of progress, Claire was transferred back to the rehabilitation ward.

Whilst her mental state was reported as stable, she was still very anxious and quite vulnerable.

Through anxiety management classes Claire demonstrated a significant improvement in her ability to manage change and difficult situations. Claire interacted well with staff and peers the majority of the time. She continued to progress and was granted Section 17 leave to go shopping and visit her close relatives.

Claire was however not good at accepting change. Her outbursts would become more frequent with CPA/Tribunal meetings though towards the latter part of her stay at Annesley she appeared to cope with change better. After a further period of time Claire was granted 'unescorted' section 17 leave and spent a lot of the time outside.

When her confidence grew further Claire's clinical team, together with her commissioners agreed that she could be discharged to an open care home for the physically disabled and mentally ill.

taking into account all relevant factors, and are reviewed on an ongoing basis.

In the second half of 2009, we established an evaluation process for the current Care Programme Approach and clinical risk management system.

At a corporate level, we believe that our formal governance framework (incorporating risk management and internal control systems) provides adequate internal control.

### **Ensure the future growth and development of the Company and in doing so meet the expectations of our investors, customers and employees**

While we continue to maintain high quality services and concentrate on filling capacity in all our units and fine tuning our service delivery to the changing needs for specific services, there remains further scope for expansion depending on demand.

We have a pipeline of planning consents for expansion on a number of sites giving us the ability to create additional capacity in the future by approximately 200 beds.

Our track record of delivering new and improved facilities on time and within budget is second to none, but we must never lose sight of the fact that such developments must always be driven by the needs of commissioners and undertaken in consultation and partnership with interested local parties.

### **Conclusion**

Partnerships in Care's story can be read in our name. Partnerships formed on the ward, in our hospitals, between the hospitals in the Group and between the Group and our commissioners all serve to deliver better care and patient outcomes.

And patient care is ultimately what drives our business. The hard work and dedication of everyone in PiC can be seen in personal outcomes every day and corporate performance each year.

I anticipate 2010 being an equally rewarding year.



**Joy Chamberlain**  
Chief Operating Officer



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## Corporate social responsibility

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### 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, efficient way. PiC has been a successful and responsible business for 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 with all staff, whether on Company performance, new appointments, to sing praises of any particular member of staff as well as developments across the Group or areas for improvement.

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 as appropriate; 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.

We are keen to ensure best practice and maximise staff engagement. To this end we commissioned a staff survey at the beginning of 2010 to include all hospitals, units and staff groups. The survey is currently being analysed and information disseminated. Particular focus is being placed on career development. We are also developing career pathways for staff to offer a breadth of experience to staff groups where this has not in the past been normally available.

The development of flexible benefit packs is also being developed during 2010 so as to give greater remuneration choices and to offset the packages being offered within the NHS, particularly regarding pensions.

### Social, community and environmental

We work hard to exceed regulatory requirements across all our units, from medium secure to community houses. The Care Quality Commission (CQC), which came into place in April 2009 has enforced some changes to regulation; we are now regulated with the same measures as the NHS. Our Director of Policy and Regulation also visits all our sites regularly to ensure our own standards are also met.

At the local level our units – whether medium secure, low secure, step down or community houses – all work hard with their regions to make a positive contribution to their environments and communities. Our hospital near Royston in Hertfordshire, Kneesworth House, for example, has recently been involved in

## Treatment showcase

George was initially admitted to one of the low secure wards at *PiC Llanarth Court*, with a diagnosis of schizophrenia. His problems prior to admission had included using illicit drugs and alcohol, poor motivation, poor self-care skills, verbal aggression and absconding. He was considered to be at high risk of relapse.

During his time at Llanarth Court, George began taking part in treatment programmes which focused on stabilising his mental state, assessing his self-care and self-help skills, and working with the Psychology Department.

After 18 months at Llanarth Court, George was transferred to *PiC Abbey House* as part of his continuing care pathway, and to assess in different levels of security, the progress that he had made.

George has now been at Abbey House for some 12 months. During his time there he has continued with individual work with the Psychology Department, which has included 'mindfulness' sessions, and support on relapse prevention with regards to future drug and alcohol use.

When George completed his 'Recovery Star' assessment earlier this year with the unit's Occupational Therapist he was noted to be more realistic in his own self-assessment of need and identified areas he should work on.

In his time at Abbey House he has successfully completed a computer course at college, he's continued with relapse prevention work, and utilised increasing periods of unescorted community pass, including the use of public transport. He has significantly improved his self-care skills – he now gets up in the morning without prompting, attends to his personal hygiene, does his own laundry, and self-caters by himself twice a week. His self confidence and social skills have markedly improved.

Whilst George currently remains at Abbey House, he is already making social progress towards the next stage in his pathway to recovery, which will be a return to local community service – a supported hostel.

mental health awareness sessions at the local village college. This was interesting and enjoyable for all attendees and encouraging to find out that the students had an interest in mental health issues. The hospital has also supported the school's installation of a 5kW wind turbine to help power the school – a positive beacon of renewable energy in action at the heart of the community.

We were also proud that our new unit, Calverton Hill, in Nottinghamshire, was awarded the Gold Standard award in Building Excellence by Newark & Sherwood District Council and Gedling Borough Council. The awards recognise builders and architects within the area who used the council's building control services, to produce high quality design and building work. The building had to meet minimum standards to safeguard the health and safety of everyone in and around it. These standards also ensure energy conservation and the provision of facilities for people with disabilities. In addition to this, the judges were particularly looking for high standards of construction, workmanship, site safety, compliance and supply of information and customer feedback.

For people with a learning disability and sectioned under the Mental Health Act, it is important that their voices are heard by the Local Action Groups in the community. At Oaktree Manor in Essex, the patient forum has worked very hard to build up such links throughout 2009. These meetings provide an opportunity for patients at Oaktree Manor to meet a range of community representatives, to share ideas and information and to hear about problems and issues for people with learning disabilities, families and carers in the local area and across Essex.

We also are keen to help local and national charities when we can. In 2009, our corporate Christmas charitable donations were to Mind, Mind Cymru and the Scottish charity Penumbra. Burston House held a number of games and activities for Sport Relief. Patients who took part were sponsored for their

efforts and, as they were not allowed to sponsor each other, they approached their families and staff to gain sponsorship. This was a good opportunity for them to practice their organisational and interpersonal skills and patients were advised on the most appropriate way to approach others.

Our hospital in Scotland, the Ayr Clinic, is up for a recognition award from Strathclyde Fire Station for supporting retained fire fighters.

### Environmental

PiC continues to help the environment. When developing new units or expanding existing ones we ensure the environmental impact is considered and kept to a minimum. Whilst there is no doubt more we could do in other areas in relation to the environment, our main efforts through 2009 have been in:

- reducing energy consumption and emission
- working with suppliers who support our values
- recycling

In terms of our procurement we have a national agreement for the supply of fresh meat, fresh fruit and vegetables, dairy produce and bread that is supplied by local suppliers, thereby saving on food miles. Whilst keeping costs minimal we also strive to work with suppliers who also consider the environment. We are keen to improve in this area year on year and will be strengthening our strategy to help us in this regard.

Our units consider the environment in many aspects of their work. Kemple View, Lancashire, for example has planted many native species of tree around the grounds. This unit also manages its land holdings surrounding the hospital by letting a farmer graze his livestock on it – this is essential to preserve the nature of unimproved upland grazing which is a very valuable and increasingly rare habitat.



## Chief Financial Officer's review

**The year to 31 December 2009 was an excellent year for PiC with double digit growth in revenue, EBITDA and profit before interest and tax. In addition, cash from operations of £68.5 million represented an increase of £16.3 million (31%) of the prior year.**

The financial highlights for 2009 are:

- Increase in turnover to £187.9 million, up £23.8 million (14.5%) on 2008
- Group EBITDA\* of £63.6 million, up £12.9 million on the previous year
- Cash generated from operations of £68.5 million, up £16.3 million on 2008
- Capital investment of £8.6 million during the year
- Repayment of bank debt and fees in the year of £17.5 million
- Cash at bank and in hand at year end of £31.4 million

### Group turnover and profit before interest and tax

	2009 £m	2008 £m	Growth +/(-) £m
Turnover	<b>187.9</b>	164.1	23.8
EBITDA*	<b>63.6</b>	50.7	12.9
Profit before interest and tax	<b>45.6</b>	33.2	12.4

Group turnover of £187.9 million grew by 14.5% over the prior year providing additional revenue of £23.8 million. The main driver for this double digit growth was improved bed occupancy levels across the vast majority of facilities. Available beds increased slightly to 1,223 during the year however, patient numbers improved by 29 (3.0%).

Operating expenses for the year of £125.9 million grew by 9.8% compared to 2008, although on a patient day basis operating expenses declined by 3.1% reflecting improved operational efficiency across the Group.

Operating margins continued to improve as a number of sites opened in the last two years moved to mature occupancy levels.

As a result of the improved operating efficiencies and greater patient numbers, EBITDA\* of £63.6 million was 25.4% higher than the prior year.

Depreciation and amortisation charges of £16.5 million reflect the increased estate and include the amortisation costs of the intangible assets arising from the acquisition of the Partnerships in Care Limited, Oaktree Care Group Limited in 2005 and the acquisition of Partnerships in Care (Scotland) Limited in 2008.

Profit before interest and tax at £45.6 million increased from the prior year figure of £33.2 million representing annual growth of 37.3%.

\* EBITDA as stated above excludes £1.6m (2008: £1.3m) of non-recurring costs.

The year to 31 December 2009 was an excellent year for PiC with double digit growth in revenue, EBITDA and profit before interest and tax.

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	–	25,575	34,425
10 year senior credit agreement	330,000	330,000	–	30,845	299,155
10 year junior credit agreement	55,000	55,000	–	5,141	49,859
10 year capital investment facility	109,900	109,293	607	12,581	96,712
Revolving facility	10,000	–	10,000	–	–
<b>Total bank debt</b>	<b>564,900</b>	<b>554,293</b>	<b>10,607</b>	<b>74,142</b>	<b>480,151</b>

### Cash Flow

Net cash inflow from operating activities was once again very strong, and at £68.5 million for 2009 was £16.3 million higher than the prior year. The primary uses of this strong operating cash flow continue to be, reinvestment in the Group of £8.6 million to fund capital expenditure (as summarised below) and £30.6 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 £17.5 million in the year, and drew down £3.5 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 the redevelopment of Hazelwood House to accommodate 14 low secure male beds in the Midlands as well as enhanced security at a number of low secure sites to comply with recent regulatory guidelines.

### Bank Borrowings

At the end of December 2009, net bank debt was £448.8 million – a decrease of £28.5 million compared with December 2008. The net bank debt at the year end comprised senior bank debt of £382.1 million, junior bank debt of £63.7 million secured on certain of the properties in the Group and senior bank debt of £34.4 million secured on certain assets; which is partially offset by cash at bank and in hand of £31.4 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.

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



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## Chief Financial Officer's review (continued)

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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.

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 15 of the financial statements.

Included in the Group credit facilities is a revolving facility of £10 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 2009, there had not been any drawn down from the revolving facility and subsequent to year end the facility was reduced to £5 million.

Balances outstanding on the current banking facility are given in the table on page 19, including the available facility balances at year end.

In addition, the Group has investor-funded debt of £245.8 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.

### 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, 96% of the Group's bank borrowings were hedged.

### 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.

## Treatment showcase

"From the age of 16 I was in and out of hospital. I then ended up in hospital for six years – hearing voices was a big issue for me. When I first went into hospital I'd stay in bed, I wouldn't eat, drink or speak to anyone and I'd hide myself in my room. I was really unwell and ended up on a drip. I suffered for a while like this until the right medication was found, though I was still really depressed.

Last year I moved to the Ayr Clinic and in the last eight months some amazing things have happened. There has been a shift in my ability to manage my symptoms – I can now recognise symptoms such as the voices and distract myself. Distraction is one of the biggest tools. It doesn't make you forget about things but if your mind is busy on other stuff it doesn't have the same chance to think about the bad stuff. It took some time for me to believe in distraction and for it to work for me, even now I still use distraction techniques when things get difficult.

It's really not been until the last eight months that I took a huge step forward and been able to get myself motivated. What changed for me is that I wanted to better myself. I wanted to catch up on all the things I'd missed. I'll never get that back and I can't change the past but I can change the future. I'm really thankful the nurses didn't give up on me. I never imagined things could be like this. I've got my own flat now, it's just a small flat but I love it... its mine. I'm working up to my discharge. I've gradually built up to spending more time in the community rather than hospital and I'm now out on a pass for a week at a time. For a long time hospital was my life, magnolia walls and white plates have been the norm for me but now living in the community is the norm and I have colour in my life. I'm even thinking of getting a voluntary job."

Morag

### 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 borrowing 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 49)**

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 46)**

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 was responsible for the development of the property portfolio and expansion in capacity since 1997.

### **Peter Thomas**

#### **Chief Financial Officer (age 51)**

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 47)**

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 Domestic and General Ltd and Infinitas Learning BV, and a Non-executive Director of IMI plc. From July 2010 he will be appointed as Non-executive Chairman of Taylor Wimpey 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 42)**

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 35)**

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 30)**

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. Alex holds an MA in History from Edinburgh University.

## 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. 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.

Alex Leslie was appointed to the Board on 18 December 2009.

### 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 and Rebecca Gibson (Non-executive Directors) and Peter Thomas (Executive Director). 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 internal audit are regularly invited to attend when appropriate. 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) and David Barker, who are both Non-executive Directors. The committee meets at least once a year, or more frequently, if appropriate. Other individuals, such as the Group Chief Executive and Rebecca Gibson (Non-executive Director), 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	27 Feb	19 Mar	22 Apr	9 Jun	2 Jul	23 Jul	27 Aug	1 Oct	5 Nov	30 Nov	18 Dec
Kevin Beeston	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	by phone
David Barker	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone
Rebecca Gibson	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone
Alex Leslie	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	by phone
Fred Sinclair-Brown	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone
Joy Chamberlain	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone
Peter Thomas	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone
Tony Rook	✓	✓	✓	✓	✓	✓	by phone	✓	✓	✓	✓	by phone

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009.

#### **Principal activities**

The Company is a holding company; the Group is Partnerships in Care Group Limited, which provides mental healthcare services. The Company was incorporated on 31 March 2005.

#### **Business Review**

The Group has continued its programme of refurbishment of existing facilities in the year, thereby ensuring the quality of its estate is maintained and it continues to be in a strong position to meet customer and service user needs.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

#### **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 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 all of its care facilities are registered by either the Care Quality Commission (CQC) in England, the Care Commission Scotland or the Healthcare Inspectorate Wales.

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

##### *Position at the year end*

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

#### **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 constitute a risk to the Company. This has been a risk faced by the Group since it began to trade in 1991.

Details relating to financial risks are set out in the financial review.

#### **Policy on Payment of Creditors**

It is the Group's policy to comply with the payment terms of suppliers.

#### **Political and charitable contributions**

The Group made no political contributions during the period. Charitable donations in the period were £6,103 (2008: £4,219).

#### **Proposed dividend**

The Directors do not recommend the payment of a dividend.

#### **Directors and Directors' interests**

The Directors who held office during the year were as follows:

Kevin Beeston  
David Barker  
Rebecca Gibson  
Alex Leslie (joined December 2009)  
Frederick Sinclair-Brown  
Joy Chamberlain  
Peter Thomas

The Company Secretary during the year was as follows:

Tony Rook

There are no Directors retiring by rotation.

#### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

##### **Tony Rook**

Company Secretary  
2 Imperial Place, Maxwell Road,  
Borehamwood, Herts. WD6 1JN  
21 June 2010

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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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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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 2009 set out on pages 28 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### 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  
8 Salisbury Square  
London EC4Y 8BB  
21 June 2010

## Consolidated profit and loss account for the year ended 31 December 2009

	Note	2009 £000	2008 £000
<b>Turnover</b>	2	<b>187,866</b>	164,121
Cost of sales		<b>(110,489)</b>	(98,817)
<b>Gross profit</b>		<b>77,377</b>	65,304
Administrative expenses		<b>(31,787)</b>	(32,057)
<b>Operating profit</b>		<b>45,590</b>	33,247
Interest receivable	6	<b>20</b>	786
Interest payable and similar charges	7	<b>(53,612)</b>	(54,467)
<b>Loss on ordinary activities before taxation</b>	3	<b>(8,002)</b>	(20,434)
Tax on loss on ordinary activities	8	<b>(3,443)</b>	(891)
<b>Loss for the year</b>	17	<b>(11,445)</b>	(21,325)


As described in the Directors report all operations are continuing.

There is no difference between the loss for the current or prior year and its historic cost equivalent.

## Consolidated balance sheet at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
<b>Fixed assets</b>					
Intangible assets – Goodwill	9	73,470		78,251	
Tangible assets	10	566,150		569,679	
			<b>639,620</b>		<b>647,930</b>
<b>Current assets</b>					
Stock	12	663		459	
Debtors (including £nil 2008: £nil, due after more than one year)	13	4,048		11,007	
Cash at bank and in hand		31,375		16,824	
		<b>36,086</b>		<b>28,290</b>	
<b>Creditors: amounts falling due within one year</b>	14	<b>(55,505)</b>		<b>(44,306)</b>	
<b>Net current (liabilities)/assets</b>			<b>(19,419)</b>		<b>(16,016)</b>
<b>Total assets less current liabilities</b>			<b>620,201</b>		<b>631,914</b>
<b>Creditors: amounts falling due after more than one year</b>	15		<b>(686,600)</b>		<b>(688,551)</b>
<b>Provisions for liabilities and charges</b>	8		<b>(3,624)</b>		<b>(1,868)</b>
<b>Net liabilities excluding pension liability</b>			<b>(70,023)</b>		<b>(58,505)</b>
<b>Pension liability</b>	19		<b>(1,612)</b>		<b>(388)</b>
<b>Net liabilities including pension liability</b>			<b>(71,635)</b>		<b>(58,893)</b>
<b>Capital and reserves</b>					
Called up share capital	16		16,724		16,724
Profit and loss account	17		(88,359)		(75,617)
<b>Shareholders' deficit</b>			<b>(71,635)</b>		<b>(58,893)</b>

These financial statements were approved by the Board of Directors on 21 June 2010 and were signed on its behalf by:



**Peter Thomas**  
Director

## Company balance sheet at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
<b>Fixed assets</b>					
Investments in subsidiaries	11		<b>14,870</b>		14,870
<b>Current assets</b>					
Debtors	13	<b>1,783</b>		3,017	
Cash at bank and in hand		<b>1,356</b>		186	
		<b>3,139</b>		3,203	
<b>Creditors: amounts falling due within one year</b>	14	<b>(920)</b>		(920)	
<b>Net current assets</b>			<b>2,219</b>		2,283
<b>Total assets less current liabilities</b>			<b>17,089</b>		17,153
<b>Creditors: amounts falling due after more than one year</b>	15		<b>(928)</b>		(844)
<b>Net assets</b>			<b>16,161</b>		16,309
<b>Capital and reserves</b>					
Called up share capital	16		<b>16,724</b>		16,724
Profit and loss account	17		<b>(563)</b>		(415)
<b>Shareholders' funds</b>			<b>16,161</b>		16,309

These financial statements were approved by the Board of Directors on 21 June 2010 and were signed on its behalf by:



**Peter Thomas**  
Director

## Consolidated cash flow statement for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Cash flow from operating activities	20	68,465	52,227
Returns on investments and servicing of finance	21	(30,590)	(33,155)
Taxation		(48)	-
Capital expenditure and financial investment	21	(8,601)	(28,131)
Acquisitions and disposals	21	-	(15,391)
Cash inflow/(outflow) before management of liquid resources and financing		29,226	(24,450)
Financing	21	(14,675)	9,270
Increase/(decrease) in cash in the year		14,551	(15,180)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash in the year		14,551	(15,180)
Cash inflow from increase in debt and lease financing		14,675	(9,270)
Non-cash changes		(23,403)	(21,313)
Change in net debt resulting from cash flows		5,823	(45,763)
Movement in net debt in the year		5,823	(45,763)
Net debt at the start of the year		(695,977)	(650,214)
Net debt at the end of the year	22	(690,154)	(695,977)

## Reconciliations of movements in shareholders' funds for the year ended 31 December 2009

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Opening shareholders' (deficit)/funds	(58,893)	16,309	(38,068)	16,447
Loss for the financial year	(11,445)	(148)	(21,325)	(138)
Actuarial (loss)/gain relating to the year	(1,773)	-	682	-
Deferred tax on actuarial gain/(loss) relating to the year	476	-	(182)	-
Closing shareholders' (deficit)/funds	(71,635)	16,161	(58,893)	16,309

## Consolidated statement of total recognised gains and losses for the year ended 31 December 2009

	2009 £000	2008 £000
Loss for the financial year	(11,445)	(21,325)
Actuarial (loss)/gain relating to the year	(1,773)	682
Deferred tax on actuarial (loss)/gain relating to the year	476	(182)
Total recognised gains and losses relating to the financial year	(12,742)	(20,825)
Prior year adjustment	-	(1,265)
Total gains and losses recognised since last annual report	(12,742)	(22,090)

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## Notes

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### 1 Accounting policies

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

#### Basis of preparation

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

#### 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 25. The Chief Financial Officer's Review on pages 18 to 21 sets out the financial position of the Group, its cash flows, liquidity and borrowing facilities as well as details of its management of liquidity, credit and interest rate risk. In addition details of the Group's borrowings are set out in notes 15 and 22 to the financial statements demonstrating that they are substantially long term.

After reviewing the Group's position and policies, future trading budgets and forecasts along with projections of future cash flows the Directors believe that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

#### Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised.

#### Fixed asset investments

Fixed asset investments are carried at cost less impairment for any permanent diminution in value.

#### Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	over 50 years
Leasehold land and buildings	over primary term of lease
Building structural alterations and refurbishment	over 10 years
Fixtures and fittings	over 7 years
Building major decorative refurbishment	over 5 years
Furniture and fittings	over 7 years straight line
Plant and machinery	over 10 years straight line
Equipment	over 4 or 7 years straight line
Motor Vehicles	over 4 years straight line
No depreciation is provided on freehold land.	

#### Leases

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

## 1 Accounting policies (continued)

### Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group.

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 high 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.

### Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

### Turnover

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

## 2 Segmental information

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

## 3 Loss on ordinary activities before taxation

	2009 £000	2008 £000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Group – audit of financial statements and subsidiaries pursuant to legislation	208	129
– other services related to taxation	204	103
Depreciation and other amounts written off tangible fixed assets:		
Owned	11,489	11,215
Leased	198	137
Amortisation of goodwill	4,781	4,781
Hire of other assets – operating leases	248	214

## Notes (continued)

### 4 Remuneration of Directors

	2009 £000	2008 £000
Directors' emoluments	882	698
Highest paid Director: Included in above emoluments in respect of highest paid Director	382	326

The highest paid Director is not a member of a defined benefit scheme, in 2008 the highest paid Director was not a member of the defined benefit scheme.

	Number of Directors 2009	Number of Directors 2008
Retirement benefits are accruing to the following number of Directors under: Defined benefit schemes	1	1

### 5 Staff numbers and costs

The average number of full time equivalent persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2009 No.	2008 No.
Operations	2,795	2,597
Administration	286	271
	3,081	2,868

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	85,414	77,837
Social security costs	8,490	7,858
Other pension costs	1,837	2,002
	95,741	87,697

### 6 Interest receivable and similar income

	2009 £000	2008 £000
Bank interest received	20	689
Interest on pension scheme	–	97
	20	786

### 7 Interest payable and similar charges

	2009 £000	2008 £000
On bank loans and overdrafts	30,178	33,113
On all other loans	22,435	20,446
Finance charges payable in respect of finance leases and hire purchase contracts	30	39
Amortisation of finance costs	967	869
Other interest	2	–
	53,612	54,467

## 8 Taxation

Analysis of charge in the year

	2009 £000	2009 £000	2008 £000	2008 £000
<b>UK corporation tax</b>				
Current tax on income for the year	1,873		261	
Adjustment in respect of prior year	(186)		(313)	
Total current tax		1,687		(52)
<b>Deferred tax</b>				
Origination/reversal of timing differences	1,825		797	
Adjustments in respect of prior periods	(69)		146	
Total deferred tax		1,756		943
Tax on loss on ordinary activities		3,443		891

### Factors affecting the tax credit for the current year

	2009 £000	2008 £000
<b>Current tax reconciliation</b>		
Loss on ordinary activities before tax	(8,002)	(20,434)
Current tax at 28% (2008: 28.5%)	(2,241)	(5,824)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	6,372	6,954
Capital allowances for period in excess of depreciation	(1,548)	(538)
Other short term timing differences	499	(15)
Carry forward tax losses	(1,209)	(316)
Adjustment in respect of prior periods	(186)	(313)
Total current tax charge/(credit) (see above)	1,687	(52)

### Factors that may affect future current and total tax charges

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

	2009 £000	2008 £000
<b>Net deferred tax</b>		
At start of year	(1,868)	(865)
Net charge for the year in the profit and loss account	(1,825)	(797)
Acquisition of deferred tax balance of Partnerships in Care Scotland Ltd	-	(60)
Adjustment for prior periods	69	(146)
At end of year	(3,624)	(1,868)

The amounts provided for deferred tax are set out below:

	2009 £000	2008 £000
Accelerated capital allowances	(3,821)	(2,345)
Short term timing differences	67	65
Tax losses carry forward	130	412
Provision at end of year	(3,624)	(1,868)

There is unprovided deferred tax in respect of revaluation uplifts in the properties of £95,021,677 (2008: £95,603,306).

There is unprovided deferred tax in respect of tax losses carried forward of £2,150,165 (2008: £3,131,439).

## Notes (continued)

### 9 Intangible fixed assets

#### Goodwill

Group	2009 £000	2008 £000
<b>Cost</b>		
At start of year	95,717	95,237
Acquisition	–	480
At end of year	95,717	95,717
<b>Amortisation</b>		
At start of year	(17,466)	(12,685)
Amortisation	(4,781)	(4,781)
At end of year	(22,247)	(17,466)
<b>Net book value</b>		
At end of year	73,470	78,251

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 20 years.

### 10 Tangible fixed assets

Group	Land and buildings £000	Plant and machinery £000	Furniture and fittings £000	Computers and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>						
At start of year	583,626	10,384	3,869	3,910	1,368	603,157
Additions	4,261	2,114	1,755	391	80	8,601
Transfers	–	9	(3)	–	(6)	–
Disposal	(450)	(166)	–	(2)	(42)	(660)
At end of year	587,437	12,341	5,621	4,299	1,400	611,098
<b>Depreciation</b>						
At start of year	27,084	1,653	2,062	2,066	613	33,478
Charge for year	8,397	1,078	1,458	546	208	11,687
Transfers	–	887	(816)	(71)	–	–
Disposals	(21)	(152)	–	(2)	(42)	(217)
At end of year	35,460	3,466	2,704	2,539	779	44,948
<b>Net book value</b>						
At 31 December 2009	551,977	8,875	2,917	1,760	621	566,150
At 31 December 2008	556,542	8,731	1,807	1,844	755	569,679

Included in the total net book value of motor vehicles is £477,544 (2008: £625,121) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £197,954 (2008: £137,133).

## 11 Fixed asset investments

Shares in subsidiary undertakings

	2009 £000	2008 £000
<b>Cost</b>		
At start of year and end of year	14,870	14,870
<b>Provisions/amortisation</b>		
At start of year and end of year	-	-
<b>Net book value</b>		
At end of year	14,870	14,870

The principal companies in which the Company's interest is more than 10% are as follows:

Subsidiary and associated undertakings	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Partnerships In Care Holdings Limited	England and Wales	Holding company for trading and property holding companies	100%
<b>Indirect holdings</b>			
Partnerships In Care Management Limited	England and Wales	Holding company for trading companies	100%
Partnerships In Care Limited	England and Wales	Mental Healthcare services	100%
Oaktree Care Group Limited	England and Wales	Mental Healthcare services	100%
Partnerships In Care Scotland Limited	England and Wales	Mental Healthcare services	100%
Partnerships In Care Property Holding Company Limited	England and Wales	Holding company for property companies	100%
Partnerships In Care Property 1 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 2 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 3 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 4 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 5 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 6 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 7 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 8 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 9 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 10 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 11 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 12 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 13 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 14 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 15 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 16 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 17 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 18 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 19 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 20 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 21 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 22 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 23 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 24 Limited	England and Wales	Property holding company	100%
Partnerships In Care Property 25 Limited	England and Wales	Property holding company	100%

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

## Notes (continued)

### 12 Stock

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Pharmaceuticals	379	–	225	–
Food and consumables	238	–	191	–
Stationery stock	46	–	43	–
	<b>663</b>	<b>–</b>	<b>459</b>	<b>–</b>

### 13 Debtors

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Trade debtors	2,311	–	6,606	–
Other debtors	743	383	293	–
Amounts due to fellow subsidiaries	–	1,374	–	2,989
Prepayments and accrued income	994	26	4,108	28
	<b>4,048</b>	<b>1,783</b>	<b>11,007</b>	<b>3,017</b>

### 14 Creditors: amounts falling due within one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Bank loans and overdrafts (see note 15)	33,936	–	22,848	–
Other loans (see note 15)	920	920	920	920
Obligations under finance leases and hire purchase contracts	73	–	482	–
Trade creditors	1,808	–	1,342	–
Corporation tax	2,090	–	432	–
Taxation and social security	50	–	45	–
Other creditors	3,723	–	5,275	–
Accruals and deferred income	12,905	–	12,962	–
	<b>55,505</b>	<b>920</b>	<b>44,306</b>	<b>920</b>

### 15 Creditors: amounts falling due after more than one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Debenture loans	243,261	928	220,488	844
Bank loans	443,329	–	468,016	–
Obligations under finance leases and hire purchase contracts	10	–	47	–
	<b>686,600</b>	<b>928</b>	<b>688,551</b>	<b>844</b>

### Analysis of debt:

Debt can be analysed as falling due:

In one year or less, or on demand	34,856	920	23,768	920
Between one and two years	27,420	–	24,566	–
Between two and five years	126,530	–	118,719	–
In five years or more	539,042	928	552,313	844
	<b>727,848</b>	<b>1,848</b>	<b>719,366</b>	<b>1,764</b>
Less capitalised finance fees	(6,402)	–	(7,094)	–
	<b>721,446</b>	<b>1,848</b>	<b>712,272</b>	<b>1,764</b>

### 15 Creditors: amounts falling due after more than one year (continued)

Debt balances are further analysed in the table below:

	Carrying value at start of period £000	Principal issued during the period £000	Capitalised fees movement in the period £000	Interest rolled into debt during the period £000	Repayment during the period £000	Carrying value at end of period £000
Bank loan to be repaid over seven years, secured by fixed legal charge over subsidiary company's assets, interest rate varying with LIBOR and is hedged until 31 December 2010 at 2.25%	36,298	-	(3)	-	(2,525)	33,770
Bank loan to be repaid over 10 years, comprising main tranche of £349,014,328 and further development loan of £96,712,092 secured by way of fixed legal charge over subsidiary company's properties and a floating charge over all the assets and undertakings of the company. The interest rate varies with LIBOR and is hedged for 10 years at 5.0575% on term loans and 4.645% on development loans	454,566	3,526	356	-	(14,953)	443,495
Loan from majority shareholder, interest free, due on demand	920	-	-	-	-	920
Unsecured subordinated loan note due 2020 on which unsecured subordinated PIK notes due 2020 have been issued to satisfy interest at 10%	219,645	-	338	22,350	-	242,333
Unsecured fixed rate loan note due 2020, compound interest at 10% pa	574	-	-	58	-	632
Unsecured fixed rate loan note due 2020, compound interest at 10% pa	269	-	-	27	-	296
	712,272	3,526	691	22,435	(17,478)	721,446

## Notes (continued)

### 16 Called up share capital

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
<b>Authorised</b>				
Ordinary shares of £1 each	16,724	16,724	16,724	16,724
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each				
At start of year	16,724	16,724	16,724	16,724
Allotted during the year	–	–	–	–
At the end of the year	16,724	16,724	16,724	16,724

### 17 Profit and loss reserve

	2009 £000	2008 £000
<b>Group</b>		
At start of year	(75,617)	(54,792)
Loss for the year	(11,445)	(21,325)
Actuarial profit recognised in the pension scheme in the year	(1,773)	682
Deferred tax arising on gains in the pension scheme in the year	476	(182)
At end of year	(88,359)	(75,617)
<b>Company</b>		
At start of year	(415)	(277)
Loss for the year	(148)	(138)
At end of year	(563)	(415)

### 18 Commitments

(a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Contracted	715	–	2,070	–

(b) Annual commitments under non-cancellable operating leases are as follows:

	2009 Property £000	2009 Motor vehicles £000	2009 Equipment £000	2009 Total £000	2008 Total £000
<b>Group</b>					
Operating leases which expire:					
Within one year	13	9	66	88	69
In the second to fifth years inclusive	221	10	–	231	248
Over five years	58	–	–	58	52
	292	19	66	377	369

### 19 Partnerships in Care Limited Pension and Life Assurance Plan

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 1 January 2007 and this has been updated to 31 December 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
Rate of increase in salaries	3.30%	3.25%	3.55%
Rate of increase to pensions in payment accrued before 6 April 1997	3.30%	3.00%	3.30%
Rate of increase to pensions in payment accrued after 5 April 1997	3.30%	3.00%	3.30%
Rate of increase of deferred pensions	3.30%	3.00%	3.30%
Discount rate	5.70%	6.40%	5.80%
Inflation assumption	3.30%	3.00%	3.30%
Mortality	SI (Normal) Tables Projected by Year of Birth		

The Group contributions during the accounting period amounted to £815,000. The Company contribution rate for the coming year is 16.5% of pensionable salaries.

The Plan is closed to new entrants. In accordance with FRS 17, the valuation of the Plan's liabilities has been determined using the projected unit method.

In these circumstances the use of this method can lead to the contribution rate underlying the current service cost increasing in future years.

The assets in the scheme and the expected rate of return were:

Assets	Value at 31 December 2009 £000	Value at 31 December 2008 £000	Value at 31 December 2007 £000
Equities	4,894	3,860	6,668
Bonds	10,055	8,649	6,032
Absolute Return	1,260	7,044	6,549
Property	7,995	1,408	2,066
Other	24	62	1,011
Total market value of assets	24,228	21,023	22,326
Present value of scheme liabilities	(26,467)	(21,562)	(23,515)
Deficit in the scheme – Pension liability	(2,239)	(539)	(1,189)
Related deferred tax asset at 28% (2007: 30%)	627	151	333
Net pension liability	(1,612)	(388)	(856)

Expected rates of return	Long-term rate of return 31 December 2009	Long-term rate of return 31 December 2008	Long-term rate of return 31 December 2007
Equities	8.00%	8.50%	7.75%
Bonds	5.20%	5.00%	5.80%
Absolute Return	8.00%	8.50%	7.75%
Property	8.00%	8.50%	7.75%
Other	0.50%	2.00%	5.00%

## Notes (continued)

### 19 Partnerships in Care Limited Pension and Life Assurance Plan (continued)

Movement in deficit during the year

	31 December 2009 £000	31 December 2008 £000
Deficit in scheme at beginning of the year	(539)	(1,189)
Movement in year:		
Current service cost	(652)	(889)
Contributions	815	859
Other finance (costs)/income	(90)	97
Insurance premium paid	–	(99)
Actuarial (loss)/gain	(1,773)	682
<b>Deficit in the scheme at the end of the year</b>	<b>(2,239)</b>	<b>(539)</b>

Analysis of other pension costs charged in arriving at operating profit/loss

	31 December 2009 £000	31 December 2008 £000
Current service cost	652	889
	<b>652</b>	<b>889</b>

Analysis of amounts included in other finance (costs)/income

	31 December 2009 £000	31 December 2008 £000
Expected return on pension scheme assets	1,305	1,481
Interest on pension scheme liabilities	(1,395)	(1,384)
Net interest on pension scheme	(90)	97

Analysis of amount recognised in statement of total recognised gains and losses

	31 December 2009 £000	31 December 2008 £000
Experience adjustments on scheme assets – gain/(loss)	1,251	(3,378)
Experience adjustments on scheme liabilities – (loss)/gain	(3,024)	4,060
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(1,773)	682

History of experience gains and losses

	31 December 2009 £000	31 December 2008 £000	31 December 2007 £000
Difference between the expected and actual return on scheme assets:			
Amount (£000)	1,251	(3,378)	1,220
Percentage of year end scheme assets	5%	16%	5%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	(1,773)	682	1,772
Percentage of year end present value of scheme liabilities	7%	3%	8%

## 20 Reconciliation of operating profit to net cash flow from operating activities

	2009 £000	2008 £000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	45,590	33,247
Depreciation and amortisation charges	16,468	16,133
Increase in stock	(204)	(80)
Decrease in debtors	6,959	2,505
Decrease in creditors	(628)	297
Other	280	125
<b>Net cash inflow from operating activities</b>	<b>68,465</b>	<b>52,227</b>

## 21 Analysis of cash flow

	2009 £000	2009 £000	2008 £000	2008 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	20		780	
Interest paid	(30,610)		(33,935)	
		<b>(30,590)</b>		<b>(33,155)</b>
<b>Capital expenditure and financial investment</b>				
Purchase and capital expenditure in respect of tangible fixed assets	(8,601)		(28,131)	
		<b>(8,601)</b>		<b>(28,131)</b>
<b>Acquisitions</b>				
Ayr Clinic	-		(15,391)	
				<b>(15,391)</b>
<b>Financing</b>				
Debenture loan	-		(290)	
Bank loan				
Drawdowns	3,526		34,865	
Repayments & fees	(17,755)		(25,436)	
Capital element of finance lease payments	(446)		131	
		<b>(14,675)</b>		<b>9,270</b>

## 22 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non-cash changes £000	At end of year £000
<b>Cash in hand, at bank</b>	16,824	14,551	-	31,375
Debt due after one year	(695,598)	(3,525)	2,131	(696,992)
Debt due within one year	(23,768)	17,478	(24,566)	(30,856)
Capitalised finance costs	7,094	276	(968)	6,402
Finance leases and hire purchase contracts	(529)	446	-	(83)
<b>Debt and finance leases</b>	<b>(712,801)</b>	<b>14,675</b>	<b>(23,403)</b>	<b>(721,529)</b>
<b>Total</b>	<b>(695,977)</b>	<b>29,226</b>	<b>(23,403)</b>	<b>(690,154)</b>

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## Notes

(continued)

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### **23 Related party disclosures**

Fred Sinclair-Brown, a Director, has provided an unsecured fixed rate loan note for £460,000 (2008: £460,000) with compound interest of 10% giving a total due of £632,000.

Kevin Beeston, a Director, has provided an unsecured fixed rate loan note for £230,000 (2008: £230,000) with compound interest of 10% giving a total due of £296,000.

Cinven, the majority shareholder, has provided two unsubordinated loan notes on which unsecured PIK notes have been issued.

Full details of debt are set out in note 15.

### **24 Ultimate parent company**

The majority of the issued share capital is held by funds managed by Cinven Ltd, 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 Approach** – 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

Registered in England Number 05409563