

Company Registration No. 05867920

**Care Management Group (Acquisition)
Limited**

Report and Financial Statements

For the year ended 29 February 2008



Care Management Group (Acquisition)

Report and financial statements 2008

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Care Management Group (Acquisition) Limited

Report and financial statements 2008

Officers and professional advisers

Directors

W M Buckingham	(resigned 14 February 2008)
K F Ford	(resigned 31 March 2008)
R R J Perry	(resigned 20 June 2008)
P Kinsey	(appointed 20 June 2008)

Secretary

D R Blackman	(resigned 30 June 2007)
G J Fitton	(appointed 1 July 2007)

Registered Office

The Pointe
89 Hartfield Road
Wimbledon
London
SW19 3TJ

Bankers

Barclays Bank Plc
Luton Corporate Banking Centre
1 Capability Green
Luton

Auditors

Deloitte & Touche LLP
Reading

Care Management Group (Acquisition) Limited

Chairman and Chief Executive's report For the year ended 29 February 2008

The directors present their report and the audited financial statements for the year ended 29 February 2008

Principal activities and post balance sheet events

The Group continues to provide residential care and supported living services for people with learning disabilities and other special and complex needs

During the prior period, goodwill and tangible fixed assets were impaired to their carrying value

Following the refinancing of the Group on 20 June 2008, the entire share capital of Care Management Group (Acquisition) Limited was acquired by CMG Investment Holdings Limited which then became the ultimate parent undertaking of the Group

Prior period comparatives are presented for the period from 5 July 2006 to 28 February 2007

Business Review

The total number of homes, day centres and schools operated by the Group at the close of the period was 110 with the capacity to offer 733 (2007 709) beds. During the period the average number of staff employed by the Group was 1,412 (2007 1,293)

Management team

The Group continues to develop its management team with the culture and ability to respond to sector demands and changes, ensuring that at all times the Group's policies, procedures and basic ethos remain firmly intact, thus maintaining a vision for its service users away from institutional settings and into community-based accommodations affording more choice and independence

The Group continues to communicate with absolute transparency to staff, service users and purchasers alike

Future prospects

There are continued growth opportunities in the market and the Group, with a strong name and brand, is well placed to compete and grow against its competitors. Following a period of restructuring, the Group remains well placed to deliver organic growth, supplemented by appropriate acquisitions

Care Management Group (Acquisition) Limited

Directors' report

For the year ended 29 February 2008

Principal activities and post balance sheet events

The Group continues to provide residential care for people with learning disabilities and other special and complex needs

On 20 June 2008 the entire share capital of Care Management Group (Acquisition) Limited was acquired by CMG Investment Holdings Limited who then became the ultimate parent undertaking of the group

Review of business

The consolidated profit and loss account is set out on page 8

The Group's loss for the financial year is £5,537,000 (period to 28 February 2007 £71,349,000) The directors do not recommend the payment of a dividend (2007 £nil) The loss for the financial year has been deducted from reserves

A more detailed review of the business and discussion of future prospects are provided within the Chairman and Chief Executive's report

Directors and their interests

The directors who held office during the period and to the date of signing the financial statements are set out on page 1

Risk

The directors have assessed the level of risk within the business and believe it to be similar to comparable UK based care organisations, where sound working capital management and good purchaser relations are essential to the future well being of the company The directors believe that the current controls and processes within the business are adequate to achieve this position

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk The Board reviews and agrees the policies for managing each of these risks and they are summarised below

Interest rate risk

The company finances its operations through a mixture of retained profits, bank borrowings, term loans and long term loans The Group borrows at both fixed and floating rates of interest and has hedged a large proportion of its term loans by way of interest swaps

Liquidity risk

The Group's policy throughout the year has been that committed facilities are maintained at levels to ensure all planned requirements are met

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfill the requirements of the job Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

Care Management Group (Acquisition) Limited

Directors' report

For the year ended 29 February 2008

Employee involvement

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Auditors


Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the directors have taken all the steps that they ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



G Fitton

Company Secretary

29 August 2008

Care Management Group (Acquisition) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

United Kingdom Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Care Management Group (Acquisition) Limited

We have audited the consolidated and parent company financial statements (the "financial statements") of Care Management Group (Acquisition) Limited for the year ended 29 February 2008 which comprise the Consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, reconciliation of operating profit to net cash inflow from operating activities and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's report that is cross referred from the Review of business section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

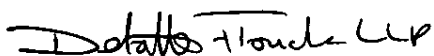
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Care Management Group (Acquisition) Limited (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 29 February 2008 and of the Group's loss for the year,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



DELOITTE & TOUCHE LLP

Reading, United Kingdom

29 August 2008

Care Management Group (Acquisition) Limited

Consolidated profit and loss account For the year ended 29 February 2008

		Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
	Note		
Turnover	2	43,171	22,236
Cost of sales		(24,363)	(12,122)
Gross profit		18,808	10,114
Administrative expenses		(16,200)	(7,656)
Goodwill impairment		-	(48,072)
Fixed asset impairment		-	(21,417)
Total administrative expenses		(16,200)	(77,145)
Operating profit / (loss)	3	2,608	(67,031)
Interest receivable and similar income		113	122
Interest payable and similar charges	7	(8,364)	(4,490)
Loss on ordinary activities before taxation		(5,643)	(71,399)
Tax credit on loss on ordinary activities	8	106	50
Loss for the financial year transferred from reserves	17	(5,537)	(71,349)

All of the operations were acquired during the period ended 28 February 2007. All results derive from continuing operations. The result for the period ending 28 February 2007 represents the results of the acquired Care Management Group (UK) Limited and the results of the subsequently acquired Pathways (Trebanos) Limited. The results of Pathways (Trebanos) Limited are separately disclosed in the notes of those financial statements.

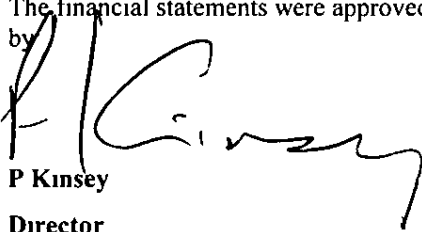
There are no recognised gains or losses for the current financial period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.

Care Management Group (Acquisition) Limited

Consolidated and Company balance sheets 29 February 2008

		2008		2007	
	Note	Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Intangible assets	9	35,510	-	37,400	-
Tangible assets	10	40,303	-	40,000	-
Investments	11	-	77,400	-	77,400
		<u>75,813</u>	<u>77,400</u>	<u>77,400</u>	<u>77,400</u>
Current assets					
Debtors amounts due within one year	12	3,898	44	3,609	-
Debtors amounts due in more than one year	12	-	59,143	-	64,589
Cash at bank and in hand		1,232	12	1,949	622
		<u>5,130</u>	<u>59,199</u>	<u>5,558</u>	<u>65,211</u>
Creditors: amounts falling due within one year	14	(96,428)	(91,075)	(4,365)	(93)
Net current (liabilities)/assets		<u>(91,298)</u>	<u>(31,876)</u>	<u>1,193</u>	<u>65,118</u>
Total assets less current liabilities		<u>(15,485)</u>	<u>45,524</u>	<u>78,593</u>	<u>142,518</u>
Creditors: amounts falling due after more than one year	15	(61,401)	(61,401)	(149,942)	(149,998)
Net liabilities		<u>(76,886)</u>	<u>(15,877)</u>	<u>(71,349)</u>	<u>(7,480)</u>
Capital and reserves					
Called up share capital	16	-	-	-	-
Profit and loss account	17	(76,886)	(15,877)	(71,349)	(7,480)
Total shareholders' deficit		<u>(76,886)</u>	<u>(15,877)</u>	<u>(71,349)</u>	<u>(7,480)</u>

The financial statements were approved by the Board of Directors on 29 August 2008 and were signed on its behalf by


P Kinsey
Director

Care Management Group (Acquisition) Limited

Consolidated cash flow statement For the year ended 29 February 2008

		Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
	Note		
Net cash inflow from operating activities (page 11)		7,622	3,230
Returns on investments and servicing of finance			
Interest paid		(7,648)	(3,802)
Interest received		113	122
Net cash outflow from returns on investments and servicing of finance		87	(450)
Taxation refunded/(paid)		481	(584)
Capital expenditure			
Payments to acquire tangible fixed assets		(3,012)	(3,672)
Net cash outflow from capital expenditure		(3,012)	(3,672)
Acquisition and disposals			
Acquisition expenses		-	(660)
Payments to acquire subsidiaries		-	(84,450)
Net cash acquired with subsidiaries		-	3,510
Net cash outflow from acquisition and disposals		-	(81,600)
Net cash outflow before financing		(2,444)	(86,306)
Financing			
Bank loan		1,697	91,662
Parent company funding		30	61,371
Refinancing costs		-	(3,779)
Repayment of bank loans		-	(60,999)
Net cash inflow from financing		1,727	88,255
(Decrease)/increase in net cash	18, 19	(717)	1,949

All cash flows arise from operations acquired in the period ended 28 February 2007

Care Management Group (Acquisition) Limited

Reconciliation of operating profit to net cash inflow from operating activities For the year ended 29 February 2008

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
Operating profit/(loss)	2,608	(67,031)
Depreciation	2,709	849
Amortisation of goodwill	1,890	959
Goodwill impairment	-	48,072
Fixed asset impairment	-	21,417
(Increase)/decrease in debtors	(664)	758
Increase/(decrease) in creditors	1,079	(1,794)
Net cash inflow from operating activities	7,622	3,230

Care Management Group (Acquisition) Limited

Notes to the financial statements

For the year ended 29 February 2008

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently throughout the current and preceding periods.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 29 February 2008. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Turnover

Turnover represents sales and services to third party customers in the care sector, stated net of any applicable value added tax. Turnover is recognised when the services are provided.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which the directors estimate to be 20 years. Provision is made for any impairment.

Investments

Investments are stated at cost less provision for any impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	2% per annum on cost
Property improvements	5% per annum on cost
Fixtures and fittings	15% per annum
Motor vehicles	25% per annum

Debt

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Loan issue costs

Loan issue costs, to the extent that they meet the criteria of FRS 4 Capital Instruments, are offset against the loan to which they relate, and are amortised in order to give a constant rate of return.

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

1. Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension scheme arrangements

The Group operates four defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged against profits represent the contributions payable to the schemes in respect of each year.

2. Turnover

Turnover represents sales and services to third party customers in the care sector, stated net of any applicable value added tax. Turnover is recognised when the services are provided.

Turnover of £43,171,000 (2007: £22,236,000) is attributable to the principal activity of the Group, being the provision of residential care for people with learning disabilities and other special needs.

All turnover arises in the United Kingdom.

3. Operating profit/(loss)

Operating profit/(loss) is after charging:

	Year ended 29 February 2008	8 month period ended 28 February 2007
	£'000	£'000
Depreciation on tangible fixed assets owned	2,709	849
Impairment of fixed assets	-	21,417
Amortisation of goodwill	1,890	959
Impairment of goodwill	-	48,072
Operating lease costs		
- Other	3,980	1,769
- Plant and machinery	765	354
Auditors' remuneration		
- statutory audit	94	57
- non audit fees	36	39

The company's audit fee was borne by a subsidiary, Care Management Group Limited and was not recharged during the period. The audit fee relating to the company was £6,270 (2007: £6,000).

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were as follows

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
Emoluments	416	189
Value of company pension contributions to money purchase schemes	27	5
	<u>443</u>	<u>194</u>

Retirement benefits are accruing to two directors (2007 two) under money purchase pension schemes

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
Highest paid director		
Emoluments	111	81
Pension contributions	5	3
	<u>116</u>	<u>84</u>

The directors' aggregate emoluments in respect of qualifying services up to 18 August 2006 are disclosed in the financial statements of Care Management Group (UK) Limited, the previous ultimate parent undertaking of the Group

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

5. Employee information

Group

The average monthly number of persons (including executive directors) employed by the Group during the period was

	2008 Number	2007 Number
Administrative staff	114	112
Residential home carers	1,298	1,181
	<u>1,412</u>	<u>1,293</u>

The aggregate payroll costs of the above were

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
Wages and salaries	22,563	11,342
Social security costs	1,925	1,051
Pension costs	41	15
	<u>24,529</u>	<u>12,408</u>

The company does not have any employees in the current or prior year

6. Pension commitments

The Group operates four defined contribution pension schemes. The assets of these schemes are held separately from those of the group in independently administered funds. The Group's pension cost for the period was £40,000 (period ending 28 February 2007 £15,000). There were no outstanding or prepaid contributions at 29 February 2008 (2007 £nil).

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

7. Interest payable and similar charges

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
On bank loans and overdrafts	-	16
On term loan	7,648	3,786
Amortisation of loan issue costs	716	688
	<u>8,364</u>	<u>4,490</u>

8. Taxation

	Year ended 29 February 2008 £'000	8 month period ended 28 February 2007 £'000
(a) Analysis of tax credit in the period		
Current Tax:		
Current period corporation tax charge	-	9
Prior period adjustment	85	-
	<u>85</u>	<u>9</u>
Deferred Tax:		
Origination and reversal of timing differences	(191)	(59)
	<u>(106)</u>	<u>(50)</u>
Tax on loss on ordinary activities		
	<u>(106)</u>	<u>(50)</u>
(b) Factors affecting current tax charge for the period		
Loss on ordinary activities before taxation	(5,643)	(71,399)
At standard rate of 30%	(1,693)	(21,420)
Effects of		
Expenses not deductible for tax purposes	1,272	21,069
Depreciation in excess of capital allowances	170	90
Group relief	55	-
Losses carried forward	196	270
Prior period adjustment	85	-
	<u>85</u>	<u>9</u>
Current tax charge for the period	<u>85</u>	<u>9</u>

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

9. Intangible fixed assets

Group	Purchased Goodwill £'000
Cost	
At 1 March 2007	86,431
At 29 February 2008	86,431
Amortisation	
At 1 March 2007	49,031
Charge for the period	1,890
At 29 February 2008	50,021
Net book value at 29 February 2008	35,510

10. Tangible fixed assets

Group	Freehold property £'000	Property improve- ments £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 March 2007	57,945	1,736	2,554	31	62,266
Additions	1,141	1,242	629	-	3,012
At 29 February 2008	59,086	2,978	3,183	31	65,278
Depreciation					
At 1 March 2007	22,024	10	228	4	22,266
Charge for the period	1,698	564	437	10	2,709
At 29 February 2008	23,722	574	665	14	24,975
Net book value					
At 29 February 2008	35,364	2,404	2,518	17	40,303
At 28 February 2007	35,921	1,726	2,326	27	40,000

The company does not hold any tangible fixed assets

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

11. Investments

Company

Cost and net book value

At 1 March 2007 and 29 February 2008

Investments
in subsidiary
undertakings
£'000
77,400

The following investments were held at the end of the period:

Name of undertaking	Description of shares held	Principal activity	Shareholding
Care Management Group (UK) Limited	Ordinary shares of £1 each	Holding company	100%
Care Management Group (Holdings) Limited	Ordinary shares of £1 each	Holding company	100%
Care Management Group Limited	Ordinary shares of £1 each	Running care homes	100%
Care Management Group (Southern) Limited	Ordinary shares of £1 each	Running care homes	100%
CMG Homes Limited	Ordinary shares of £1 each	Agency services for parent company	100%
CCA Residential Homes Limited	Ordinary shares of £1 each	Running care homes	100%
Blocklin Holdings Limited	Ordinary shares of £1 each	Holding company	100%
Blocklin House Limited	Ordinary shares of £1 each	Running care homes	100%
Care Management Group Trustees Limited	Ordinary Shares of £1 each	Holding company	100%
Victoria House (UK) Limited	Ordinary Shares of £1 each	Dormant company	100%
Wherewelve Limited	Ordinary shares of £1 each	Running care homes	100%
Wherewelve Care Group Limited	Ordinary Shares of £1 each	Dormant company	100%
Solent Residential Homes Limited	Ordinary Shares of £1 each	Dormant company	100%
Pathways (Trebanos) Limited	Ordinary Shares of £1 each	Dormant company	100%

Care Management Group (Acquisition) Limited holds the entire issued share capital and voting rights of Care Management Group (UK) Limited. The shares were acquired on 18 August 2006.

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

11. Investments (continued)

Care Management Group (UK) Limited holds the entire issued share capital and voting rights of Care Management Group (Holdings) Limited and Care Management Group Trustees Limited

Care Management Group (Holdings) Limited holds the entire issued share capital of Care Management Group Limited, which in turn holds the entire issued share capital of Care Management Group (Southern) Limited, CMG Homes Limited, CCA Residential Homes Limited, Blocklin Holdings Limited and Victoria House (UK) Limited, Wherewelve Limited, Wherewelve Care Group Limited, Solent Residential Homes Limited and Pathways (Trebanos) Limited

Blocklin Holdings Limited holds the entire issued share capital of Blocklin House Limited

All subsidiary undertakings are incorporated in England and Wales and are included in the Group consolidation

12 Debtors

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Amounts due within one year:				
Trade debtors	2,491	-	2,815	-
Corporation tax	-	-	566	-
Deferred tax (note 13)	259	-	68	-
Prepayments and accrued income	1,148	44	160	-
	<u>3,898</u>	<u>44</u>	<u>3,609</u>	<u>-</u>
Amounts due after more than one year:				
Amounts owed by subsidiary undertakings	-	59,143	-	64,589

Amounts owed by subsidiary undertakings are unsecured and interest free

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

13. Deferred taxation

Group

The movement in the deferred taxation asset during the period was

	2008 £'000	2007 £'000
Balance at the beginning of the period	68	-
Acquired with subsidiaries	-	9
Credited to the profit and loss account	191	59
Balance at the end of the period	259	68

The deferred taxation asset consists of the tax effect of timing differences in respect of

	2008 £'000	2007 £'000
Accelerated capital allowances	259	68

A deferred tax asset has been recognised, as management believe that the group will generate sufficient taxable profits in the future to enable the asset to be recovered

At 29 February 2008, the Group has not recognised a deferred tax asset of £396,000 (2007 £445,000) in respect of carried forward tax losses of subsidiaries. The deferred tax asset has not been recognised on the grounds of prudence, as it is not certain that the subsidiaries will be profitable in the foreseeable future

The company has no unrecognised deferred taxation

14. Creditors. Amounts falling due within one year

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Bank loans	90,984	90,984	-	-
Trade creditors	924	-	924	-
Other taxation and social security	572	-	551	-
Other creditors	765	-	288	-
Accruals and deferred income	3,183	91	2,602	93
	96,428	91,075	4,365	93

Subsequent to the year-end, an amended facility has been agreed with the provider of the bank loan finance. None of the amended facility is repayable within 12 months of the balance sheet date. Interest charged on the bank loans is at rates between 1.8% and 3.6% over base rate per annum. The bank loans comprise loans secured by floating charges over the assets of the Group. Bank loans are shown net of £2,375,000 (2007 £3,091,000) of unamortised issue expenses.

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

15. Creditors. Amounts falling due after more than one year

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Bank loans	-	-	88,571	88,584
Amounts owed to Group undertakings	61,401	61,401	61,371	61,414
	<u>61,401</u>	<u>61,401</u>	<u>149,942</u>	<u>149,998</u>

Interest charged on the bank loans is at rates between 1.8% and 3.6% over base rate per annum. The bank loans comprise loans secured by floating charges over the assets of the Group. Bank loans are shown net of £2,375,000 (2007: £3,091,000) of unamortised issue expenses.

The Group has entered into an interest rate swap for £67,000,000 where for a three year period, variable interest rates are swapped for fixed rate interest payments. These arrangements have been made to hedge against cash-flow interest rate risk arising from the Group having obtained a variable debt rate. The interest rate swap contract matures on 18th August 2009. At 29 February 2008, the fair value of the interest rate swap contract was £222,279 (2007: £591,000).

16. Share capital

	2008 £	2007 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

17. Reconciliation of movement in shareholder's deficit

Group	Share capital £'000	Profit and loss account £'000	Total £'000
At 28 February 2007	-	(71,349)	(71,349)
Loss for the year	-	(5,537)	(5,537)
At 29 February 2008	<u>-</u>	<u>(76,886)</u>	<u>(76,886)</u>

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

Company	Share capital £'000	Profit and loss account £'000	Total £'000
Loss at 1 March 2007	-	(7,480)	(7,480)
Loss for the period	-	(8,397)	(8,397)
At 29 February 2008	-	(15,877)	(15,877)

The company has taken advantage of the exemption given in section 230 of the Companies Act 1985 not to present its profit and loss account. The company's result for the period was a loss of £8,397,000 (2007 £7,480,000)

18. Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
(Decrease)/increase in cash in the period	(717)	1,949
Cash flow from movement in debt	(1,727)	(153,033)
Change in net debt resulting from cash flows	(2,444)	(151,084)
Amortisation of debt issue costs	(716)	(688)
Capitalised debt issue costs	-	3,779
Movement in net debt	(3,160)	(147,993)
Net debt at the beginning of the period	(147,993)	-
Net debt at the end of the period	(151,153)	(147,993)

19. Analysis of changes in net debt

	At beginning of period £'000	Cash flows £'000	Accrued interest and amortisation of debt issue costs £'000	At end of period £'000
Cash at bank and in hand	1,949	(717)	-	1,232
Intercompany amounts due after more than one year	(61,371)	(30)	-	(61,401)
Bank debt	(88,571)	(1,697)	(716)	(90,984)
	(147,993)	(2,444)	(716)	(151,153)

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2008

20. Lease commitments

At 29 February 2008 the group had annual commitments under non-cancellable operating leases as follows

	2008		2007	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
On operating leases which expire				
Within one year	-	239	-	319
Within two to five years	-	402	-	212
After more than five years	3,558	4	3,537	5
	<u>3,558</u>	<u>645</u>	<u>3,537</u>	<u>536</u>

21 Financial commitments

The company is party to cross guarantees for the bank debts due by all companies within the Care Management Group (Acquisition) Limited Group. Total amounts due as at 28 February 2007 amounted to £91,662,128.

As at the year end, the Care Management Group (Holding Company) Limited had pledged financial support to Care Management Group (Funding) Limited, Care Management Group (Acquisition) Limited, Care Management Group (UK) Limited, Blocklin Holdings Limited and Blocklin House Limited.

22 Related party transactions

During the year £72,000 (period ending 28 February 2007 £34,000) was paid to ISIS Equity Partners plc funds as a monitoring fee. ISIS Equity Partners plc funds were considered to be the ultimate controlling party of the group until the refinancing transaction on 20 June 2008. Following the transaction, the Directors' are of the opinion there is no single controlling party of the Group.

23 Ultimate parent company, controlling party and post balance sheet events

On 18 August 2006, the entire share capital of Care Management Group (UK) Limited, the previous ultimate holding company of the group, was acquired by Care Management Group (Acquisition) Limited. Care Management Group (Acquisition) Limited's ultimate parent company at that time, Care Management Group (Holding Company) Limited then became the ultimate parent undertaking of the company.

On 20 June 2008, the entire issued ordinary share capital of Care Management Group (Acquisition) Limited, was acquired by CMG Investment Holdings Limited. CMG Investment Holdings Limited then became the ultimate parent undertaking of the company. The entire issued ordinary share capital of CMG Investment Holdings Limited is held by funds advised by Court Cavendish Limited.

Care Management Group (Acquisition) Limited is the only group company to consolidate these financial statements for the year ended 28 February 2007.