

**TRACSCARE GROUP LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2012**

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**TRACSCARE GROUP LIMITED**

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**CONTENTS**

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	Page
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2 - 3</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditors' report to the members of Tracscare Group Limited</b>	<b>5 - 6</b>
<b>Consolidated profit and loss account</b>	<b>7</b>
<b>Consolidated balance sheet</b>	<b>8</b>
<b>Company balance sheet</b>	<b>9</b>
<b>Consolidated cash flow statement / Reconciliation of net cashflow to movement in net funds/debt</b>	<b>10</b>
<b>Notes to the consolidated financial statements</b>	<b>11 - 25</b>

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**TRACSCARE GROUP LIMITED**

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**OFFICERS AND PROFESSIONAL ADVISERS**

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<b>DIRECTORS</b>	E A Millard V Owen S G Hullin C Conway A Hayden (non-executive) R King (non-executive) (appointed April 24, 2012)
<b>SECRETARY</b>	MH Secretaries Limited
<b>COMPANY NUMBER</b>	5003339
<b>REGISTERED OFFICE</b>	Staple Court 11 Staple Inn Buildings London WC1V 7QH
<b>BANKERS</b>	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
<b>SOLICITORS</b>	Marriott Harrison 11 Staple Inn Buildings London WC1V 7QH
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

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## TRACSCARE GROUP LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012

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The directors present their report and the audited financial statements of Tracscare Group Limited "the Company" and the consolidated financial statements for the Group for the year ended March 31, 2012

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continues to be ownership of investments in subsidiary companies involved in the provision of residential care homes

The principal activity of the Group is the provision and operation of residential care homes

As shown in the Group's profit and loss account on page 7 its turnover has decreased by 0.8% (2011 decrease by 0.3%) over the prior year

The Group's key measurements of the performance of its operations are gross profit margin and operating profit margin. Gross profit margin has increased from 46.7% in 2011 to 47.6% in 2012. Operating margin has increased from 14% in 2011 to 16.8% in 2012

The consolidated balance sheet on page 8 shows the Group's financial position at the year-end. Its net cash levels are £783,598 at the end of the current year, compared with £832,707 at the end of the prior year

There have been no significant events since the balance sheet date

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net liability position on the balance sheet at 31 March 2012 and have concluded that it is appropriate. More information is provided in note 1 of the financial statements

#### FUTURE DEVELOPMENTS

The Group continues to pursue further investment opportunities and related businesses, and seeks to extend its existing business

#### PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a competitive market, with independent operators accounting for the large majority of specialist care provision, and there is a continuing risk to the Group companies of losing contracts to key competitors. Whilst the Group enjoys preferred provider status with a small number of purchasing authorities, all of its business is on a 'spot purchase' basis from a broad geographical spread of purchasers. This provides the Group with some protection against a change in purchasing pattern by any one purchaser

The Group companies manage this risk by providing the highest standard of comprehensive care within the residential care homes and maintaining strong relationships with residents and local authorities

The Group has built a strong reputation for the high level of its care provision. Providing services for high/complex needs clients and clients with challenging behaviour further supports the climate for the growth of quality operators in the sector

#### Interest Rate Risk

Tracscare Group Limited is financed by a mixture of short-term and long-term bank loans and therefore is exposed to adverse movements on interest rates. The Group has previously used derivative financial instruments to hedge these exposures, though there is no contract in place currently

#### Credit Risk

The Group's principal financial assets are cash at bank and in hand, trade and other debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. The credit risk on liquid funds is

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## TRACSCARE GROUP LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012

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limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

#### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance from its bank and from its private equity investor. The long term debt from its bank is committed for a period of 3 to 4 years, and is subject to the Group passing certain covenant tests. Its private equity investor has committed to continue to support the Group financially and there are no covenant tests to meet in relation to its investment. The Group also utilises an overdraft facility from time to time and this facility was renewed in July 2012.

#### TRADING RESULTS

The Group's pre-tax profit for the year was £2,016,829 (2011 £1,380,003). After taxation, the profit for the year was £886,657 (2011 £524,361).

#### DIRECTORS

The directors who served during the year and up to the date of signing the financial statements are as shown on page 1.

#### EMPLOYMENT OF DISABLED EMPLOYEES

It is established Group policy to offer the same opportunities to disabled people as to all others in matters of recruitment and career advancement, provided they have the abilities to perform the tasks required, with or without training, and to provide retraining where necessary in cases where disability occurs during employment with the Group.

#### EMPLOYEE INVOLVEMENT

It is Group policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial economic factors affecting the Group's performance, are consulted wherever necessary and are encouraged generally to be involved in the Group's overall performance.

#### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the time when this Directors' report is approved

- so far as each of the directors of the Company is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company and the Group's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This report was approved by the board on November 19, 2012 and signed on its behalf by



V Owen  
Director

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## TRACSCARE GROUP LIMITED

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### DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

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The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## TRACSCARE GROUP LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRACSCARE GROUP LIMITED

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We have audited the group and parent company financial statements (the "financial statements") of Tracscare Group Limited for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### 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 March 2012 and of the group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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TRACSCARE GROUP LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRACSCARE GROUP LIMITED

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**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Jason Clarke (Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

One Kingsway  
CF10 3PW

November 19, 2012



**TRACSCARE GROUP LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2012**

	Note	2012 £	2011 £
<b>TURNOVER</b>	1	18,377,580	18,524,480
<b>Cost of sales</b>		(9,627,954)	(9,871,072)
<b>GROSS PROFIT</b>		8,749,626	8,653,408
<b>Administrative expenses</b>		(5,658,070)	(6,061,654)
<b>OPERATING PROFIT</b>	3	3,091,556	2,591,754
<b>Interest receivable and similar income</b>		22,008	14,030
<b>Interest payable and similar charges</b>	4	(1,096,735)	(1,225,781)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,016,829	1,380,003
<b>Tax on profit on ordinary activities</b>	5	(1,130,172)	(855,642)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		886,657	524,361

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

The notes on pages 11 to 25 form part of these financial statements

**TRACSCARE GROUP LIMITED**  
**REGISTERED NUMBER 5003339**

**CONSOLIDATED BALANCE SHEET**  
**AS AT MARCH 31, 2012**

	Note	£	2012 £	£	2011 £
<b>FIXED ASSETS</b>					
Intangible assets	6		5,527,192		7,889,167
Tangible assets	7		15,761,187		15,095,289
			<u>21,288,379</u>		<u>22,984,456</u>
<b>CURRENT ASSETS</b>					
Debtors	9	1,814,977		1,597,155	
Cash at bank and in hand		783,598		832,707	
		<u>2,598,575</u>		<u>2,429,862</u>	
<b>CREDITORS</b> , amounts falling due within one year	10	(3,491,040)		(3,930,298)	
<b>NET CURRENT LIABILITIES</b>			<u>(892,465)</u>		<u>(1,500,436)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>20,395,914</u>		<u>21,484,020</u>
<b>CREDITORS</b> , amounts falling due after more than one year	11		28,770,009		30,744,772
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14	1,146		1,146	
Share premium account	15	315,103		315,103	
Profit and loss account	15	(8,690,344)		(9,577,001)	
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	16		<u>(8,374,095)</u>		<u>(9,260,752)</u>
			<u>20,395,914</u>		<u>21,484,020</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on November 19, 2012, by



V Owen  
Director

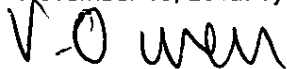
The notes on pages 11 to 25 form part of these financial statements

**TRACSCARE GROUP LIMITED**  
**REGISTERED NUMBER: 5003339**

**COMPANY BALANCE SHEET**  
**AS AT MARCH 31, 2012**

	Note	£	2012 £	£	2011 £
<b>FIXED ASSETS</b>					
Tangible assets	7		2,609,070		2,624,764
Investments	8		21,375,362		21,375,362
			<u>23,984,432</u>		<u>24,000,126</u>
<b>CURRENT ASSETS</b>					
Debtors	9	681,017		819,855	
Cash at bank		572,062		694,789	
		<u>1,253,079</u>		<u>1,514,644</u>	
<b>CREDITORS</b> amounts falling due within one year	10	(1,693,372)		(1,891,509)	
<b>NET CURRENT LIABILITIES</b>			(440,293)		(376,865)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>23,544,139</u>		<u>23,623,261</u>
<b>CREDITORS</b> amounts falling due after more than one year	11		42,240,489		40,841,248
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14	1,146		1,146	
Share premium account	15	315,103		315,103	
Profit and loss account	15	(19,012,599)		(17,534,236)	
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	16		<u>(18,696,350)</u>		<u>(17,217,987)</u>
			<u>23,544,139</u>		<u>23,623,261</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on November 19, 2012, by

  
V Owen  
Director

The notes on pages 11 to 25 form part of these financial statements

**TRACSCARE GROUP LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	18	5,738,818	4,414,371
Returns on investments and servicing of finance	19	(948,848)	(1,082,143)
Taxation		(1,467,600)	(1,025,490)
Capital expenditure and financial investment	19	(1,088,812)	(733,867)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>2,233,558</b>	<b>1,572,871</b>
Financing	19	(2,282,667)	(1,150,000)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(49,109)</b>	<b>422,871</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED MARCH 31, 2012**

	2012 £	2011 £
(Decrease)/Increase in cash in the year	(49,109)	422,871
Cash outflow from decrease in debt and lease financing	2,282,667	1,150,000
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>2,233,558</b>	<b>1,572,871</b>
Other non-cash changes	(126,033)	(246,988)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>2,107,525</b>	<b>1,325,883</b>
Net debt at April 1, 2011	(31,731,235)	(33,057,118)
<b>NET DEBT AT MARCH 31, 2012</b>	<b>(29,623,710)</b>	<b>(31,731,235)</b>

The notes on pages 11 to 25 form part of these financial statements

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## TRACSCARE GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

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#### 1 ACCOUNTING POLICIES

The financial statements are prepared under the historic cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The particular accounting policies adopted, which have been applied consistently throughout the current financial year and the prior financial period, are described below.

##### **Going concern basis**

The Group has recorded a profit for the year, however both the Group and the Company have net liabilities at 31 March 2012. The Group has £30,091,438 (2011: £31,578,867) of bank loans and £315,870 (2011: £985,075) in loan notes.

The bank loans are repayable in various instalments up to 30 September 2016.

The loan notes are repayable in annual instalments to 31 March 2013.

The directors have reviewed the projected cash flow requirements of the Group and the Company against its facilities and confirm that the Group has met its bank loan covenants. Furthermore, the directors have used forecast results to be satisfied that the Group will meet its loan covenant requirements for the foreseeable future.

The directors' assessment of both forecast requirements and expected performance against banking covenants cover a period of at least 12 months from the date of this report. The directors have also obtained a letter of support from Sovereign Capital Partners LLP, which states its intent to provide financial support for this period.

On this basis, the directors have a reasonable expectation that the Company and the Group have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 March each year. Uniform accounting policies have been applied by all group companies. Transactions between Group companies have been eliminated on consolidation. 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.

##### **Goodwill and intangible fixed assets**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, 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 is ten years. Provision is made for any impairment.

##### **Turnover**

Turnover, which arises entirely in the United Kingdom, is the amount derived from the provision of services which fall within the Group's ordinary activities.

##### **Revenue Recognition**

Revenue is recognised when earned on an even basis throughout the period of occupancy.

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## TRACSCARE GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

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#### 1. ACCOUNTING POLICIES (continued)

##### **Tangible fixed assets**

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

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, in equal instalments over their useful economic lives. The following rates are applied:

Freehold property	-	2% per annum on cost of buildings
Leasehold property and improvements	-	4% per annum on cost
Plant & machinery	-	20% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures & fittings	-	20% reducing balance

##### **Investments**

Investments in subsidiaries are valued at cost less provision for impairment. The directors consider the value of investments to be supported by their underlying assets.

##### **Bank borrowings**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

##### **Loan notes**

Loan notes issued by the company are recorded as liabilities, net of direct issue costs.

##### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at 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 the 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.

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TRACSCARE GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012

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1 ACCOUNTING POLICIES (continued)

**Leases**

Assets held under finance lease and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Finance costs**

Finance costs of debt are initially capitalised and are recognised in the profit and loss account on a straight line basis over the term of the instruments to which they relate.

**Pension costs**

The Company operates a defined contribution pension scheme. Contributions payable for the period are charged to the profit and loss account.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

**The average monthly number of employees (including the directors)**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>No</b>	<b>No</b>	<b>No.</b>	<b>No</b>
Administration and Management	<b>629</b>	<b>661</b>	<b>4</b>	<b>4</b>

**Employee costs (including directors)**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages and salaries	<b>9,222,141</b>	<b>9,385,868</b>	<b>301,398</b>	<b>304,450</b>
Social security	<b>672,381</b>	<b>753,196</b>	<b>37,687</b>	<b>36,016</b>
Other pension costs	<b>35,587</b>	<b>30,597</b>	<b>34,500</b>	<b>29,500</b>
<b>Total</b>	<b>9,930,109</b>	<b>10,169,661</b>	<b>373,585</b>	<b>369,966</b>

**TRACSCARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**Directors' remuneration**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Emoluments	300,050	303,000	300,050	303,000
Pension Scheme Contributions	34,500	29,500	34,500	29,500
<b>Total</b>	<b>334,550</b>	<b>332,500</b>	<b>334,550</b>	<b>332,500</b>

**Highest paid director**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Emoluments	126,800	128,000	126,800	128,000
Pension Scheme Contributions	12,000	12,000	12,000	12,000
<b>Total</b>	<b>138,800</b>	<b>140,000</b>	<b>138,800</b>	<b>140,000</b>

All directors are members of the company defined contribution pension scheme and accrue benefits during the current and the prior financial year under that scheme

**3 OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amortisation - intangible fixed assets	2,361,975	2,361,975
Depreciation of tangible fixed assets		
- owned by the group	410,618	400,635
Operating lease rentals		
- plant and machinery	5,681	6,244
- other operating leases	234,770	218,795
Loss on disposal of tangible fixed assets	12,296	12,666
Release of bad debt provision no longer required	(153,500)	-
Fees payable for audit services - Group	24,150	23,100
- Company	5,550	4,500
Fees payable for non-audit services (tax compliance)- Group	14,740	10,900
- Company	2,500	2,500
Termination payments	-	18,512



**TRACSCARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2012 £	2011 £
Interest on bank loans, overdraft and loan notes	970,702	978,793
Amortisation of deferred finance costs	126,033	246,988
	<u>1,096,735</u>	<u>1,225,781</u>

**5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2012 £	2011 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	1,051,832	970,000
<b>Deferred tax</b> (see note 13)		
Origination and reversal of timing differences	78,340	(114,358)
<b>Tax on profit on ordinary activities</b>	<u>1,130,172</u>	<u>855,642</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2011 the same as) the standard rate of corporation tax in the UK of 26% (2011 28%) as set out below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>2,016,829</u>	<u>1,380,003</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	524,376	386,401
<b>Effects of:</b>		
Expenses not deductible for tax purposes	591,732	669,461
Capital allowances for year in excess of depreciation	(69,179)	(84,668)
Adjustments to tax charge in respect of prior years	(26,043)	2,400
Other timing differences	30,946	(3,594)
<b>Current tax charge for the year</b> (see note above)	<u>1,051,832</u>	<u>970,000</u>

The standard rate of corporation tax in the United Kingdom changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Company's profits for the accounting period are taxed at an effective rate of 26%

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012

6. INTANGIBLE FIXED ASSETS

Group	Goodwill £
<b>Cost</b>	
At April 1, 2011 and March 31, 2012	23,619,796
<b>Accumulated amortisation</b>	
At April 1, 2011	15,730,629
Charge for the year	2,361,975
At March 31, 2012	18,092,604
<b>Net book value</b>	
At March 31, 2012	5,527,192
At March 31, 2011	7,889,167

Goodwill has arisen on the acquisition of various subsidiary undertakings

The Company has no intangible fixed assets

7. TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold Property & improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost</b>						
At April 1, 2011	15,014,390	403,371	196,142	399,542	592,343	16,605,788
Additions	782,174	180,164	54,394	42,672	40,501	1,099,905
Disposals	-	-	(92,719)	(67,268)	(11,667)	(171,654)
At March 31, 2012	15,796,564	583,535	157,817	374,946	621,177	17,534,039
<b>Accumulated depreciation</b>						
At April 1, 2011	864,198	79,471	73,024	157,316	336,490	1,510,499
Charge for the year	236,320	23,369	30,368	66,642	53,919	410,618
On disposals	-	-	(88,723)	(49,613)	(9,929)	(148,265)
At March 31, 2012	1,100,518	102,840	14,669	174,345	380,480	1,772,852
<b>Net book value</b>						
At March 31, 2012	14,696,046	480,695	143,148	200,601	240,697	15,761,187
At March 31, 2011	14,150,192	323,900	123,118	242,226	255,853	15,095,289

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012

Company	Freehold property £	Leasehold Property & improvements £	Fixtures & fittings £	Total £
<b>Cost</b>				
At April 1, 2011	2,800,416	33,490	23,931	2,857,837
Additions	26,472	-	3,032	29,504
At March 31, 2012	<b>2,826,888</b>	<b>33,490</b>	<b>26,963</b>	<b>2,887,341</b>
<b>Accumulated depreciation</b>				
At April 1, 2011	209,274	12,007	11,792	233,073
Charge for the year	38,088	4,349	2,761	45,198
At March 31, 2012	<b>247,362</b>	<b>16,356</b>	<b>14,553</b>	<b>278,271</b>
<b>Net book value</b>				
At March 31, 2012	<b>2,579,526</b>	<b>17,134</b>	<b>12,410</b>	<b>2,609,070</b>
At March 31, 2011	<b>2,591,142</b>	<b>21,483</b>	<b>12,139</b>	<b>2,624,764</b>

8. INVESTMENTS

Subsidiary undertakings

The following were subsidiary undertakings of the company

Subsidiary	Country of registration	% held
Tracs Limited	England and Wales	100 %
Tracscare 2005 Limited	England and Wales	100 %
CVS Homes Limited	England and Wales	100 %

Company	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At April 1, 2011 and March 31, 2012	<b>21,375,362</b>
<b>Net book value</b>	
At March 31, 2012	<b>21,375,362</b>
At March 31, 2011	<b>21,375,362</b>

**TRACSCARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**9 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	419,271	378,680	-	-
Amounts owed by related parties	1,053,870	788,643	662,678	788,643
Other debtors	79,905	71,705	56	60
Prepayments and accrued income	225,913	243,769	18,283	31,152
Deferred tax asset (see note 13)	36,018	114,358	-	-
	<b>1,814,977</b>	<b>1,597,155</b>	<b>681,017</b>	<b>819,855</b>

**10. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loan notes	315,870	631,741	315,870	631,741
Bank loans	1,321,429	1,187,429	1,321,429	1,187,429
Advance Payments	523,330	378,384	-	-
Trade creditors	258,186	290,836	18,041	34,844
Amounts owed to related parties	7,538	-	-	-
Corporation tax	556,164	971,932	-	-
Social security and other taxes	202,416	225,752	17,622	17,347
Other creditors	125,775	64,921	-	-
Accruals and deferred income	180,332	179,303	20,410	20,148
	<b>3,491,040</b>	<b>3,930,298</b>	<b>1,693,372</b>	<b>1,891,509</b>

Advance payments relate to receipts from funders in respect of future periods. The amounts are held on balance sheet and income is recognised in accordance with accounting policies.

**11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	28,770,009	30,391,438	28,770,009	30,391,438
Loan notes	-	353,334	-	353,334
Amounts owed to group undertakings	-	-	13,470,480	10,096,476
	<b>28,770,009</b>	<b>30,744,772</b>	<b>42,240,489</b>	<b>40,841,248</b>

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012

12. BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank Loans and overdrafts	30,091,438	31,578,867	30,091,438	31,578,867
Loan notes	315,870	985,075	315,870	985,075
Total	30,407,308	32,563,942	30,407,308	32,563,942

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Due within one year	1,637,299	1,819,170	1,637,299	1,819,170
Due after more than one year	28,770,009	30,744,772	28,770,009	30,744,722
Total	30,407,308	32,563,942	30,407,308	32,563,892

Analysis of bank loans and overdraft repayments

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Within one year or on demand	1,321,429	1,187,429	1,321,429	1,187,429
Between one and two years	1,461,429	1,321,429	1,461,429	1,321,429
Between two and five years	27,308,580	26,900,797	27,308,580	26,900,797
After more than five years	-	2,169,212	-	2,169,212
Total	30,091,438	31,578,867	30,091,438	31,578,867

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**TRACSCARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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Term Loan 'A' is repayable in six-monthly instalments, commencing on 31 March 2007. The rate of interest on Term Loan 'A' is 1.25% per annum above LIBOR, with the remaining balance payable 30th September 2015.

Term Loan 'B' is repayable in one instalment in November 2015. The rate of interest on Term Loan 'B' reduced from 2.25% per annum above LIBOR to 1.75% per annum above LIBOR with effect from 1 April 2009 and reduced again to 1.25% per annum above LIBOR with effect from 1 July 2012.

Term Loan 'C' is repayable in two equal instalments on 31 March 2016 and 30 September 2016. The rate of interest on Term Loan 'C' reduced from 3.25% per annum above LIBOR to 2.75% above LIBOR with effect from 1st April 2009 and reduced again to 2.25% per annum above LIBOR with effect from 1 July 2012.

All bank loans and overdrafts are secured by way of charges on the properties held by the Group. There is also a floating charge over the assets of the Group.

The loan notes are repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	<b>315,870</b>	<b>631,741</b>	<b>315,870</b>	<b>631,741</b>
Between two and five years	<b>-</b>	<b>353,334</b>	<b>-</b>	<b>353,334</b>
<b>Total</b>	<b>315,870</b>	<b>985,075</b>	<b>315,870</b>	<b>985,075</b>

The loan notes attract interest at 14% payable in quarterly instalments. The remaining loan notes are due to be redeemed on 31 March 2013.

**13. DEFERRED TAX ASSET**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of year	<b>114,358</b>	<b>-</b>	<b>-</b>	<b>-</b>
(Charge for)/released during the year	<b>(78,340)</b>	<b>114,358</b>	<b>-</b>	<b>-</b>
<b>At end of year</b>	<b>36,018</b>	<b>114,358</b>	<b>-</b>	<b>-</b>

**TRACSCARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**13. DEFERRED TAX ASSET (continued)**

The deferred taxation balance is made up as follows

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>36,018</b>	85,330	-	-
Other timing differences	-	29,028	-	-
	<b>36,018</b>	<b>114,358</b>	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to the tax written down value of assets qualifying for capital allowances being in excess of their net book value, as there is insufficient evidence that the asset will be able to be utilised in future periods. The amount of the asset not recognised is approximately £55,086 (2011: £69,948).

**14. CALLED UP SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Authorised, allotted and fully paid		
96,248 'A' ordinary shares of £0.01 each	963	963
18,333 ordinary shares of £0.01 each	183	183
	<b>1,146</b>	<b>1,146</b>

**15. STATEMENT OF MOVEMENTS ON RESERVES**

<b>Group</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At April 1, 2011	315,103	(9,577,001)
Profit for the financial year	-	886,657
At March 31, 2012	<b>315,103</b>	<b>(8,690,344)</b>
<b>Company</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At April 1, 2011	315,103	(17,534,236)
Loss for the financial year	-	(1,478,363)
At March 31, 2012	<b>315,103</b>	<b>(19,012,599)</b>

**TRACSCARE GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

	2012 £	2011 £
<b>Group</b>		
Opening shareholders' deficit	(9,260,752)	(9,785,113)
Profit for the financial year	886,657	524,361
	<u>(8,374,095)</u>	<u>(9,260,752)</u>
Closing shareholders' deficit		
	<u>(8,374,095)</u>	<u>(9,260,752)</u>
	2012 £	2011 £
<b>Company</b>		
Opening shareholders' deficit	(17,217,987)	(15,610,169)
Loss for the financial year	(1,478,363)	(1,607,818)
	<u>(18,696,350)</u>	<u>(17,217,987)</u>
Closing shareholders' deficit		
	<u>(18,696,350)</u>	<u>(17,217,987)</u>

**17. PROFIT AND LOSS ACCOUNT OF THE COMPANY**

Tracscare Group Limited has not presented its own profit and loss account, as permitted by section 408 Companies Act 2006. The loss for the financial year recognised in the financial statements is £1,478,363 (2011: loss of £1,607,818).

**18 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2012 £	2011 £
Operating profit	3,091,556	2,591,754
Increase in debtors	(30,935)	(9,757)
Increase in amounts owed by related companies	(265,227)	(484,276)
Increase/(decrease) in creditors	158,535	(458,626)
Amortisation of intangible fixed assets	2,361,975	2,361,975
Depreciation of tangible fixed assets	410,618	400,635
Loss on disposal of tangible fixed assets	12,296	12,666
	<u>5,738,818</u>	<u>4,414,371</u>
<b>Net cash inflow from operating activities</b>		
	<u>5,738,818</u>	<u>4,414,371</u>



TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012

19 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
<b>Returns on investments and servicing of finance</b>		
Interest received	22,008	14,030
Interest paid	(970,856)	(1,096,173)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(948,848)</b>	<b>(1,082,143)</b>
	2012 £	2011 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,099,905)	(743,624)
Sale of tangible fixed assets	11,093	9,757
<b>Net cash outflow from capital expenditure</b>	<b>(1,088,812)</b>	<b>(733,867)</b>
	2012 £	2011 £
<b>Financing</b>		
Repayment of bank loans	(1,576,000)	(1,150,000)
Repayment of loan notes	(706,667)	-
<b>Net cash outflow from financing</b>	<b>(2,282,667)</b>	<b>(1,150,000)</b>

20 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £	Cash flow £	Other non-cash changes £	31 March 2012 £
Cash at bank and in hand	832,707	(49,109)	-	783,598
<b>Debt</b>				
Debts due within one year	(1,819,170)	2,282,667	(2,100,796)	(1,637,299)
Debts falling due after more than one year	(30,744,772)	-	1,974,763	(28,770,009)
<b>Net debt</b>	<b>(31,731,235)</b>	<b>2,233,558</b>	<b>(126,033)</b>	<b>(29,623,710)</b>

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**TRACSCARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**21. RELATED PARTY TRANSACTIONS**

During the financial year, a sum of £119,024 (2011 £148,604) was payable by Tracscare Group Limited to Sovereign Capital Partners LLP in respect of loan note interest

Tracscare Group Limited paid £63,365 monitoring fees to Sovereign Capital Partners LLP in the financial year (2011 £60,176)

Group debtors owed by related parties consist of £17,530 (2011 £Nil) owed by Tracscare 2006 Group Limited, £1,012,795 (2011 £771,090) owed by Tracscare 2006 Limited (formerly Alkare Limited), £14,718 (2011 £17,553) owed by Tracscare 2007 Limited (formerly Positive Lifestyles Limited and £8,827 (2011 £Nil) owed by Cascade Care Limited. Group creditors owed to related parties comprise £5,418 (2011 £Nil) owed to Tracscare 2007 Limited and £2,120 (2011 £Nil) owed to Tracscare 2006 Limited. The related parties are companies with common directors and shareholders.

**22. OPERATING LEASE COMMITMENTS**

At March 31, 2012 the Group had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings</b>			<b>Other</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Group</b>				
<b>Expiry date</b>				
Within 1 year	32,970	-	-	1,813
Between 2 and 5 years	63,150	32,970	7,879	2,758
After more than 5 years	227,145	189,069	-	1,110

At March 31, 2012 the Company had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings</b>			<b>Other</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Company</b>				
<b>Expiry date</b>				
Within 1 year	32,970	-	-	-
Between 2 and 5 years	-	32,970	-	-

**23. FINANCIAL COMMITMENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Contracted but not provided for	76,560	176,000	-	-

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**TRACSCARE GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**24 ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Sovereign Capital Partners LLP