

TRACSCARE GROUP LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31st March 2013

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TRACSCARE GROUP LIMITED

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TRACSCARE GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	E A Millard V Owen S G Hullin C Conway A Hayden (non-executive) R King (non-executive) (appointed 20 February 2012) RP Constable (appointed 21 June 2013)
COMPANY SECRETARY	MH Secretaries Limited
COMPANY NUMBER	5003339
REGISTERED OFFICE	Staple Court 11 Staple Inn Buildings London WC1V 7QH
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW
BANKERS	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
SOLICITORS	Marriott Harrison 11 Staple Inn Buildings London WC1V 7QH

TRACSCARE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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 31 March 2013

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 8 its turnover has increased by 1.4% (2012 decrease by 0.8%) 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 slightly reduced to 47.4% from 47.6% in 2012. Operating margin has reduced to 14.6% from 16.8% in 2012.

The consolidated balance sheet on page 9 shows the Group's financial position at the year-end. Its net cash levels are £118,555 at the end of the current year, compared with £783,598 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 2013 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.

TRADING RESULTS AND DIVIDENDS

The pre-tax profit for the year was £1,818,862 (2012: £2,016,829) and the profit for the year, after taxation, was £849,359 (2012: £886,657).

The directors do not recommend the payment of a dividend for the year (2012: £Nil).

DIRECTORS

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

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a competitive market, with independent operators accounting for the large majority of

TRACSCARE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

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 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 2 to 3 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 2013.

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.

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.

TRACSCARE GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013**

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that in accordance with Section 418 of the Companies Act 2006

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

This report was approved by the board on 21 November 2013 and signed on its behalf by



V Owen
Director

TRACSCARE GROUP LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

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 company and 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 judgements 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 company and 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 company and the company and 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.

TRACSCARE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRACSCARE GROUP LIMITED

We have audited the group and parent company financial statements of Tracscare Group Limited for the year ended 31 March 2013, which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent 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 5, 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 group and parent company financial statements

An audit involves obtaining evidence about the amounts and disclosures in the group and parent company financial statements sufficient to give reasonable assurance that the group and parent company 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 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 group and parent company financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements 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 group and parent company financial statements

In our opinion the group and parent company financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2013 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 group and parent company financial statements are prepared is consistent with the group and parent company financial statements.

TRACSCARE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRACSCARE GROUP LIMITED

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 group and 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
Cardiff
CF10 3PW

21 November 2013

TRACSCARE GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
TURNOVER	1	18,637,945	18,377,580
Cost of sales		(9,805,304)	(9,627,954)
GROSS PROFIT		8,832,641	8,749,626
Administrative expenses		(6,104,023)	(5,658,070)
OPERATING PROFIT	3	2,728,618	3,091,556
Interest receivable and similar income		23,077	22,008
Interest payable and similar charges	4	(932,833)	(1,096,735)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,818,862	2,016,829
Tax on profit on ordinary activities	5	(969,503)	(1,130,172)
PROFIT FOR THE FINANCIAL YEAR	16	849,359	886,657

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

The notes on pages 12 to 27 form part of these financial statements

TRACSCARE GROUP LIMITED
REGISTERED NUMBER: 5003339

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Intangible assets	6		4,232,198		5,527,192
Tangible assets	8		17,014,974		15,761,187
			<u>21,247,172</u>		<u>21,288,379</u>
CURRENT ASSETS					
Debtors	10	1,400,894		1,814,977	
Cash at bank and in hand		118,555		783,598	
		<u>1,519,449</u>		<u>2,598,575</u>	
CREDITORS: amounts falling due within one year	11	(3,034,286)		(3,491,040)	
NET CURRENT LIABILITIES			<u>(1,514,837)</u>		<u>(892,465)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,732,335</u>		<u>20,395,914</u>
CREDITORS: amounts falling due after more than one year					
	12		27,257,071		28,770,009
CAPITAL AND RESERVES					
Called up share capital	15	1,146		1,146	
Share premium account	16	315,103		315,103	
Profit and loss account	16	(7,840,985)		(8,690,344)	
TOTAL SHAREHOLDERS' DEFICIT	17		<u>(7,524,736)</u>		<u>(8,374,095)</u>
			<u>19,732,335</u>		<u>20,395,914</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 November 2013 by



V Owen
Director

The notes on pages 12 to 27 form part of these financial statements

TRACSCARE GROUP LIMITED
REGISTERED NUMBER: 5003339

COMPANY BALANCE SHEET
AS AT 31 MARCH 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	8		3,136,590		2,609,070
Investments	9		21,375,362		21,375,362
			<u>24,511,952</u>		<u>23,984,432</u>
CURRENT ASSETS					
Debtors	10	780,561		681,017	
Cash at bank		5,363		572,062	
		<u>785,924</u>		<u>1,253,079</u>	
CREDITORS: amounts falling due within one year	11	(1,587,828)		(1,693,372)	
NET CURRENT LIABILITIES			<u>(801,904)</u>		<u>(440,293)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>23,710,048</u>		<u>23,544,139</u>
CREDITORS amounts falling due after more than one year					
	12		43,723,092		42,240,489
CAPITAL AND RESERVES					
Called up share capital	15	1,146		1,146	
Share premium account	16	315,103		315,103	
Profit and loss account	16	(20,329,293)		(19,012,599)	
TOTAL SHAREHOLDERS' DEFICIT	17		<u>(20,013,044)</u>		<u>(18,696,350)</u>
			<u>23,710,048</u>		<u>23,544,139</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 November 2013 by



V Owen
Director

The notes on pages 12 to 27 form part of these financial statements

TRACSCARE GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
Net cash flow from operating activities	19	5,709,601	5,738,818
Returns on investments and servicing of finance	20	(856,566)	(948,848)
Taxation		(961,499)	(1,467,600)
Capital expenditure and financial investment	20	(1,103,388)	(1,088,812)
Acquisitions and disposals	20	(1,689,858)	-
CASH INFLOW BEFORE FINANCING		1,098,290	2,233,558
Financing	20	(1,763,333)	(2,282,667)
DECREASE IN CASH IN THE YEAR		(665,043)	(49,109)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2013**

	2013 £	2012 £
Decrease in cash in the year	(665,043)	(49,109)
Cash outflow from decrease in debt and lease financing	1,763,333	2,282,667
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	1,098,290	2,233,558
Other non-cash changes	(53,921)	(126,033)
MOVEMENT IN NET DEBT IN THE YEAR	1,044,369	2,107,525
Net debt at 1 April 2012	(29,623,710)	(31,731,235)
NET DEBT AT 31 MARCH 2013	(28,579,341)	(29,623,710)

The notes on pages 12 to 27 form part of these financial statements

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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 2013. The Group has £28,697,896 (2012: £30,091,438) of bank loans and £nil (2012: £315,870) in loan notes.

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

The loan notes were redeemed on 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.

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.

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% per annum on cost of buildings
Leasehold property	-	over the term of the lease
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.

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.

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

1. ACCOUNTING POLICIES (continued)

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)

	Group		Company	
	2013	2012	2013	2012
	Number	<i>Number</i>	Number	<i>Number</i>
Administration and Management	655	629	4	4

Employee costs (including directors)

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Wages and salaries	9,373,503	9,222,141	304,080	301,398
Social security	676,047	672,381	37,830	37,687
Other pension costs	45,586	35,587	44,500	34,500
Total	10,095,136	9,930,109	386,410	373,585

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Directors' remuneration

	Group		Company	
	2013	2012	2013	2012
	£	restated £	£	restated £
Emoluments	324,134	318,084	324,134	318,084
Pension Scheme Contributions	44,500	34,500	44,500	34,500
Total	368,634	352,584	368,634	352,584

Highest paid director

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Emoluments	129,371	126,800	129,371	126,800
Pension Scheme Contributions	12,000	12,000	12,000	12,000
Total	141,371	138,800	141,371	138,800

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)

	2013	2012
	£	£
Amortisation - intangible fixed assets	2,398,767	2,361,975
Depreciation of tangible fixed assets		
- owned by the group	422,486	410,618
Operating lease rentals		
- plant and machinery	5,681	5,681
- other operating leases	293,439	234,770
Loss on disposal of tangible fixed assets	13,200	12,296
Release of bad debt provision no longer required	-	(153,500)
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	8,210	5,550
The audit of the Company's subsidiaries	18,600	18,600
Taxation compliance services	13,900	14,740

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Interest on bank loans, overdraft and loan notes	799,931	967,698
Amortisation of deferred finance costs	132,902	129,037
	<u>932,833</u>	<u>1,096,735</u>

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the financial year	937,984	1,051,832
Deferred tax (see note 14)		
Origination and reversal of timing differences	31,519	78,340
Tax on profit on ordinary activities	<u>969,503</u>	<u>1,130,172</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 *higher than*) the standard rate of corporation tax in the UK of 24% (2012 26%) The differences are explained below

	2013 £	2012 £
Profit on ordinary activities before tax	<u>1,818,862</u>	<u>2,016,829</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	436,527	524,376
Effects of.		
Expenses not deductible for tax purposes	553,001	591,732
Capital allowances for year in excess of depreciation	(41,741)	(69,179)
Utilisation of tax losses	(13,407)	-
Adjustments to tax charge in respect of prior years	(6,426)	(26,043)
Other timing differences	-	30,946
Transfer pricing adjustments	10,030	-
Current tax charge for the year (see note above)	<u>937,984</u>	<u>1,051,832</u>

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

During the year, the Finance Act 2012 was enacted, which included a reduction of the UK standard rate of Corporation tax from 26% to 24% from 1 April 2012. The Finance Act 2012 also included legislation to reduce the rate to 23% from 1 April 2013. As a result, deferred tax balances have been re-measured. The changes in tax rates and laws have not had a material impact on the financial statements.

In addition to the changes in rates of Corporation tax disclosed above, further changes in the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the Corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. This will reduce the Group's future current and deferred tax accordingly. As the changes had not been substantively enacted at the balance sheet date, their effects are not included in these financial statements.

6. INTANGIBLE FIXED ASSETS

	Goodwill
Group	£
Cost	
At 1 April 2012	23,619,796
Additions	1,103,773
	<hr/>
At 31 March 2013	24,723,569
	<hr/>
Accumulated amortisation	
At 1 April 2012	18,092,604
Charge for the financial year	2,398,767
	<hr/>
At 31 March 2013	20,491,371
	<hr/>
Net book value	
At 31 March 2013	4,232,198
	<hr/>
At 31 March 2012	5,527,192
	<hr/>

Goodwill has arisen on the acquisition of various subsidiary undertakings. On 4 December 2012, the business and assets of Woburn Sands Lodge were acquired by Tracs Limited, a subsidiary company.

The Company has no intangible fixed assets.

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

7. ACQUISITIONS

The trade and assets of Woburn Sands Lodge were acquired on 4 December 2012

A table showing the book value, alignment of accounting policies and fair value of each class of asset and liability acquired is set out below. The table also analyses the fair value of the consideration payable and sets out the purchased goodwill arising

	Market value £	Alignment of accounting policies £	Provisional fair value £
Assets and liabilities acquired.			
Freehold property	1,472,095	(912,005)	560,090
Motor vehicles	20,000	-	20,000
Fixtures & fittings	5,995	-	5,995
	<u>1,498,090</u>	<u>(912,005)</u>	<u>586,085</u>
Satisfied by:			
Cash			1,450,000
Acquisition expenses			239,858
			<u>1,689,858</u>
			<u>1,103,773</u>
Purchased goodwill (see note 6)			

The fair value adjustment for alignment of accounting policies reflects the restatement of assets and liabilities in accordance with the group's policies. The freehold property market value is based on trading value, so this has been revalued to reflect its closed market value

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

8. TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost						
At 1 April 2012	15,796,564	583,535	157,817	374,946	621,177	17,534,039
Additions	1,050,526	484,364	47,948	84,345	34,374	1,701,557
Disposals	-	-	(18,929)	(45,892)	(14,753)	(79,574)
At 31 March 2013	16,847,090	1,067,899	186,836	413,399	640,798	19,156,022
Accumulated depreciation						
At 1 April 2012	1,100,518	102,840	14,669	174,345	380,480	1,772,852
Charge for the financial year	252,632	30,114	32,892	56,078	50,770	422,486
On disposals	-	-	(11,598)	(31,811)	(10,881)	(54,290)
At 31 March 2013	1,353,150	132,954	35,963	198,612	420,369	2,141,048
Net book value						
At 31 March 2013	15,493,940	934,945	150,873	214,787	220,429	17,014,974
At 31 March 2012	14,696,046	480,695	143,148	200,601	240,697	15,761,187

Company	Freehold property £	Leasehold Property & improvements £	Fixtures & fittings £	Total £
Cost				
At 1 April 2012	2,826,888	33,490	26,963	2,887,341
Additions	92,570	476,405	2,933	571,908
Transfers intra group	-	4,901	-	4,901
At 31 March 2013	2,919,458	514,796	29,896	3,464,150
Accumulated depreciation				
At 1 April 2012	247,362	16,356	14,553	278,271
Charge for the financial year	38,823	7,413	3,053	49,289
At 31 March 2013	286,185	23,769	17,606	327,560
Net book value				
At 31 March 2013	2,633,273	491,027	12,290	3,136,590
At 31 March 2012	2,579,526	17,134	12,410	2,609,070

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

9. INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2012 and 31 March 2013	21,375,362
Net book value	
At 31 March 2013	21,375,362
<i>At 31 March 2012</i>	<i>21,375,362</i>

The directors believe the carrying value of the investments are supported by their underlying assets

Subsidiary undertakings

The following were subsidiary undertakings of the company

Subsidiary	Country of Registration	Class of Capital	%held
Tracs Limited	England and Wales	£1 ordinary	100%
Tracscare 2005 Limited	England and Wales	£1 ordinary	100%
CVS Homes Limited	England and Wales	£1 ordinary	100%

10 DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	292,402	419,271	-	-
Amounts owed by related parties	755,693	1,053,870	742,458	662,678
Other debtors	84,460	79,905	-	56
Prepayments and accrued income	263,840	225,913	38,103	18,283
Deferred tax asset (see note 14)	4,499	36,018	-	-
	1,400,894	1,814,977	780,561	681,017

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

11. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2013	2012	2013	2012
	£	£	£	£
Loan notes	-	315,870	-	315,870
Bank loans	1,440,825	1,321,429	1,440,825	1,321,429
Trade creditors	306,000	258,186	32,628	18,041
Amounts owed to related parties	56	7,538	-	-
Corporation tax	532,649	556,164	-	-
Social security and other taxes	214,854	202,416	26,674	17,622
Other creditors	125,594	125,775	-	-
Accruals and deferred income	237,674	180,332	87,701	20,410
Advance Payments	176,634	523,330	-	-
	<u>3,034,286</u>	<u>3,491,040</u>	<u>1,587,828</u>	<u>1,693,372</u>

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.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2013	2012	2013	2012
	£	£	£	£
Bank loans	27,257,071	28,770,009	27,257,071	28,770,009
Amounts owed to group undertakings	-	-	16,466,021	13,470,480
	<u>27,257,071</u>	<u>28,770,009</u>	<u>43,723,092</u>	<u>42,240,489</u>

Amounts owed to group undertakings are unsecured, interest free and carry no fixed terms of repayment.

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

13. BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank Loans and overdrafts	28,697,896	30,091,438	28,697,896	30,091,438
Loan notes	-	315,870	-	315,870
Total	28,697,896	30,407,308	28,697,896	30,407,308

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Due within one year	1,440,825	1,637,299	1,440,825	1,637,299
Due after more than one year	27,257,071	28,770,009	27,257,071	28,770,009
Total	28,697,896	30,407,308	28,697,896	30,407,308

Analysis of bank loans and overdraft repayments

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Within one year or on demand	1,440,825	1,321,429	1,440,825	1,321,429
Between one and two years	1,600,825	1,461,429	1,600,825	1,461,429
Between two and five years	25,656,246	27,308,580	25,656,246	27,308,580
Total	28,697,896	30,091,438	28,697,896	30,091,438

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 1.75% per annum above LIBOR 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 2.75% above LIBOR 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.

TRACSCARE GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2013**

The loan notes are repayable as follows

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Within one year	-	315,870	-	315,870

The loan notes attracted interest at 14% payable in quarterly instalments. The remaining loan notes were redeemed on 31 March 2013.

14. DEFERRED TAX ASSET

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
At beginning of year	36,018	114,358	-	-
(Charge for) / released during the financial year	(31,519)	(78,340)	-	-
At end of year	4,499	36,018	-	-

The deferred taxation balance is made up as follows

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Accelerated capital allowances	4,499	36,018	-	-

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 £35,932 (2012: £55,086).

15. CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Authorised, allotted and fully paid		
96,248 (2012: 96,248) 'A' ordinary shares of £0.01 each	963	963
18,333 (2012: 18,333) ordinary shares of £0.01 each	183	183
	1,146	1,146

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

16. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £
Group		
At 1 April 2012	315,103	(8,690,344)
Profit for the financial year	-	849,359
	<u>315,103</u>	<u>(7,840,985)</u>
At 31 March 2013	<u>315,103</u>	<u>(7,840,985)</u>
	Share premium account £	Profit and loss account £
Company		
At 1 April 2012	315,103	(19,012,599)
Loss for the financial year	-	(1,316,694)
	<u>315,103</u>	<u>(20,329,293)</u>
At 31 March 2013	<u>315,103</u>	<u>(20,329,293)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2013 £	2012 £
Group		
Opening shareholders' deficit	(8,374,095)	(9,260,752)
Profit for the financial year	849,359	886,657
	<u>(7,524,736)</u>	<u>(8,374,095)</u>
Closing shareholders' deficit	<u>(7,524,736)</u>	<u>(8,374,095)</u>
	2013 £	2012 £
Company		
Opening shareholders' deficit	(18,696,350)	(17,217,987)
Loss for the financial year	(1,316,694)	(1,478,363)
	<u>(20,013,044)</u>	<u>(18,696,350)</u>
Closing shareholders' deficit	<u>(20,013,044)</u>	<u>(18,696,350)</u>

18 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 £1,316,694 (2012: loss of £1,478,363).

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

19. RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating profit	2,728,618	3,091,556
Amortisation of intangible fixed assets	2,398,767	2,361,975
Depreciation of tangible fixed assets	422,486	410,618
Loss on disposal of tangible fixed assets	13,200	12,296
Decrease/(increase) in debtors	84,386	(30,935)
Decrease/(increase) in amounts owed by related companies	298,177	(265,227)
(Decrease)/increase in creditors	(236,033)	158,535
Net cash inflow from operating activities	5,709,601	5,738,818

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

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest received	23,077	22,008
Interest paid	(800,662)	(970,856)
Issue costs relating to new investment	(78,981)	-
Net cash outflow from returns on investments and servicing of finance	(856,566)	(948,848)

	2013 £	2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,115,472)	(1,099,905)
Sale of tangible fixed assets	12,084	11,093
Net cash outflow from capital expenditure	(1,103,388)	(1,088,812)

	2013 £	2012 £
Acquisitions		
Acquisition of trade and assets	(1,450,000)	-
Acquisition expenses	(239,858)	-
Net cash outflow from acquisitions and disposals	(1,689,858)	-

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2013 £	2012 £
Financing		
Repayment of bank loans	(1,410,000)	(1,576,000)
Repayment of loan notes	(353,333)	(706,667)
Net cash outflow from financing	<u>(1,763,333)</u>	<u>(2,282,667)</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2012 £	Cash flow £	Other non-cash changes £	31 March 2013 £
Cash at bank and in hand	783,598	(665,043)	-	118,555
Debt.				
Debts due within one year	(1,637,299)	1,763,333	(1,566,859)	(1,440,825)
Debts falling due after more than one year	(28,770,009)	-	1,512,938	(27,257,071)
Net debt	<u>(29,623,710)</u>	<u>1,098,290</u>	<u>(53,921)</u>	<u>(28,579,341)</u>

Other non-cash changes consist of the addition to and amortisation of issue costs, calculated in accordance with FRS 4 "Capital Instruments"

22 RELATED PARTY TRANSACTIONS

During the financial year, a sum of £49,468 (2012 £119,024) was payable by Tracscare Group Limited to Sovereign Capital Partners LLP in respect of loan note interest

Tracscare Group Limited paid £65,646 monitoring fees to Sovereign Capital Partners LLP in the financial year (2012 £63,365)

Group debtors owed by related parties consist of £15,716 (2012 £17,530) owed by Tracscare 2006 Group Limited, £730,450 (2012 £1,012,795) owed by Tracscare 2006 Limited, £Nil (2012 £14,718) owed by Tracscare 2007 Limited and £9,527 (2012 £8,827) owed by Cascade Care Limited. Group creditors owed to related parties comprise £Nil (2012 £5,418) owed to Tracscare 2007 Limited and £Nil (2012 £2,120) owed to Tracscare 2006 Limited and £56 (2012 £Nil) owed to Cascade Care Limited. The related parties are companies with common directors and shareholders.

During the financial year, the Company received £26,633 (2012 £31,488) in respect of management services to companies under common directorship and ownership.

TRACSCARE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

23 OPERATING LEASE COMMITMENTS

At 31 March 2013 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2013	Other
	2013	2012		2012
Group	£	£	£	£
Expiry date:				
Within 1 year	-	32,970	-	-
Between 2 and 5 years	50,754	63,150	7,879	7,879
After more than 5 years	233,259	227,145	-	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2013	Other
	2013	2012		2012
Company	£	£	£	£
Expiry date:				
Within 1 year	-	32,970	-	-
Between 2 and 5 years	26,754	-	-	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

24. FINANCIAL COMMITMENTS

	The Group		The Company	
	2013	2012	2013	2012
	£	£	£	£
Contracted but not provided for	773,040	76,560	-	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

25. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Sovereign Capital Partners LLP