

TRACSCARE GROUP LIMITED

**Annual Report and Consolidated Financial Statements
for the year ended 31 March 2009**

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REPORT AND FINANCIAL STATEMENTS 2009

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E A Millard
V Owen
S G Hullin
C Conway
A Hayden (non-executive)

SECRETARY

MH Secretaries Limited

REGISTERED OFFICE

Staple Court
11 Staple Inn Buildings
London
WC1V 7QH

BANKERS

The Royal Bank of Scotland

SOLICITORS

Marriott Harrison
11 Staple Inn Buildings
London
WC1V 7QH

AUDITORS

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

DIRECTORS' REPORT

The directors present their annual 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 2009.

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 increased by 10% (2008 - 14%) over the prior year. This growth can be attributed to increased occupancy and the purchase of new homes in the year.

The Group's key measurements of the performance of its operations are gross profit margin and operating profit margin. Gross profit margin has declined marginally from 47.0% in 2008 to 46.6% in 2009. Operating margin, before exceptional costs has increased from 10.7% in 2008 to 14.6% in 2009.

The consolidated balance sheet on page 8 shows the Group's financial position at the year-end. Its net cash levels are £355,604 at the end of the current year, compared with £219,094 at the end of the prior year.

There have been no significant events since the balance sheet date, other than as disclosed within note 25.

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 2009 and have concluded that it was 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 use derivative financial instruments to hedge these exposures, as disclosed in note 23.

Credit risk

The Group's principal financial assets are bank balances and cash, 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.

DIRECTORS' REPORT

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 7 to 8 years, and is subject to the Group passing certain covenant tests. The finance from its private equity investor is committed to at least 2 years, and there are no covenant tests to meet. The Group also utilises an overdraft facility from time to time and this facility was renewed in April 2009.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

TRADING RESULTS

The Group's pre-tax loss for the year was £1,245,944 (2008 - £1,603,072). After taxation, the loss for the year was £1,616,944 (2008 - £1,866,033).

DIVIDENDS

The directors cannot recommend the payment of a dividend for the year (2008 - £nil).

DIRECTORS

The current directors of the company, who served throughout the financial year unless stated otherwise, are as shown on page 1.

EMPLOYMENT OF DISABLED PERSONS

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 company.

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 company's performance, are consulted wherever necessary and are encouraged generally to be involved in the company's overall performance.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company'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.

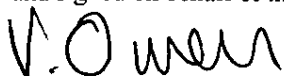
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers LLP were appointed as the Company's auditors during the financial year. They have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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



V Owen
Director

Date29/01/10.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 TRACSCARE GROUP LIMITED

We have audited the Group and parent company financial statements of Tracscare Group Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated and parent balance sheet, the consolidated cashflow and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 Director's Report is consistent with the financial statements.

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 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, the other information listed on the contents page and the directors and advisers page. 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 other information

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 company's circumstances, consistently applied and adequately disclosed.

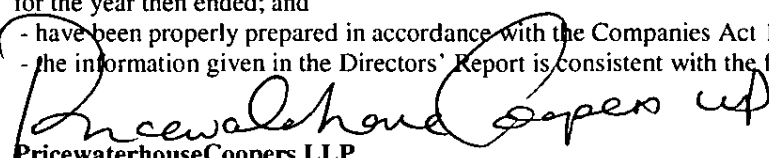
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 31 March 2009 and of the Groups's loss and cashflows for the year then ended; and
- 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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

29 January 2010

TRACSCARE GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 March 2009

	Note	Total Year ended 31 March 2009 £	Total Year ended 31 March 2008 £
TURNOVER	1	17,727,068	16,104,262
Cost of sales		(9,471,771)	(8,541,148)
Gross profit		8,255,297	7,563,114
Administrative expenses		(6,487,397)	(5,960,568)
Operating profit before amortisation and exceptional items		4,985,586	4,068,241
Amortisation of goodwill		2,405,657	2,350,698
Exceptional items	4	812,029	114,997
OPERATING PROFIT	3	1,767,900	1,602,546
Interest receivable and similar income		26,561	200,377
Interest payable and similar charges	5	(3,040,405)	(3,405,995)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,245,944)	(1,603,072)
Tax on loss on ordinary activities	6	(371,000)	(262,961)
LOSS FOR THE FINANCIAL YEAR	15	<u>(1,616,944)</u>	<u>(1,866,033)</u>

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial period other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.

TRACSCARE GROUP LIMITED

CONSOLIDATED BALANCE SHEET As at 31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Intangible assets	7	12,613,117	15,017,429
Tangible assets	8	13,947,687	12,959,051
		<u>26,560,804</u>	<u>27,976,480</u>
CURRENT ASSETS			
Debtors	10	501,745	910,028
Cash at bank and in hand		355,604	219,094
		<u>857,349</u>	<u>1,129,122</u>
CREDITORS: amounts falling due within one year	11	<u>(3,973,448)</u>	<u>(3,298,554)</u>
NET CURRENT LIABILITIES		<u>(3,116,099)</u>	<u>(2,169,432)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,444,705	25,807,048
CREDITORS: amounts falling due after more than one year	12	(33,324,517)	(34,069,915)
NET LIABILITIES		<u>(9,879,812)</u>	<u>(8,262,867)</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,146	1,146
Share premium account	15	315,103	315,103
Profit and loss reserve	15	(10,196,061)	(8,579,116)
TOTAL SHAREHOLDERS' DEFICIT	16	<u>(9,879,812)</u>	<u>(8,262,867)</u>

These financial statements were approved by the Board of Directors on 29/01/10
Signed on behalf of the Board of Directors

V Owen

V Owen
Director

29/01/10

TRACSCARE GROUP LIMITED

COMPANY BALANCE SHEET As at 31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	2,645,352	2,488,566
Investments	9	21,375,362	23,394,896
		<u>24,020,714</u>	<u>25,883,462</u>
CURRENT ASSETS			
Debtors – due within one year	10	38,734	42,757
Debtors – due after more than one year	10	685,130	2,859,640
Cash at bank and in hand		202,104	38
		<u>925,968</u>	<u>2,902,435</u>
CREDITORS: amounts falling due within one year	11	<u>(2,294,376)</u>	<u>(1,939,086)</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(1,368,408)</u>	<u>963,349</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,652,306	26,846,811
CREDITORS: amounts falling due after more than one year	12	<u>(35,523,367)</u>	<u>(34,058,037)</u>
NET LIABILITIES		<u>(12,871,061)</u>	<u>(7,211,226)</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,146	1,146
Share premium account	15	315,103	315,103
Profit and loss reserve	15	(13,187,310)	(7,527,475)
TOTAL SHAREHOLDERS' DEFICIT	16	<u>(12,871,061)</u>	<u>(7,211,226)</u>

These financial statements were approved by the Board of Directors on 29/01/10
Signed on behalf of the Board of Directors

V. Owen

V Owen
Director

29/01/10

TRACSCARE GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2009

	Note	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Net cash inflow from operating activities	18	5,082,465	4,403,955
Returns on investments and servicing of finance			
Interest received		26,561	200,377
Interest paid		(2,632,924)	(3,164,084)
Net cash outflow from returns on investments and servicing of finance		(2,606,363)	(2,963,707)
Taxation			
UK corporation tax received		107,500	27,033
UK corporation tax paid		(127,794)	-
Net cash (outflow)/ inflow of taxation		(20,294)	27,033
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,035,672)	(1,807,661)
Sale of tangible fixed assets		45,237	13,562
Net cash outflow for capital expenditure and financial investment		(990,435)	(1,794,099)
Acquisitions			
Purchase of subsidiary undertaking		(1,345)	-
Net overdrafts acquired with subsidiary undertaking			
Repayment of deferred consideration		(957,819)	-
Net cash outflow for acquisitions		(959,164)	-
Net cash outflow before financing		506,209	(326,818)
Financing			
Issue of ordinary share capital		-	-
Net redemption of loan notes		-	(4,559,566)
Net movement of bank loans		(327,301)	4,017,502
Capital element of finance lease payments		(19,987)	(16,490)
Net cash outflow from financing		(347,288)	(558,554)
Decrease in cash in the year	19,20	158,921	(885,372)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern basis

The Group has recorded a loss for the year, and both the Group and company have net liabilities at 31 March 2009. The Group has £33,596,725 (2008 - £33,841,885) of bank loans and £668,241 (2008 - £509,824) 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 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. 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.

Acquisitions and disposals

On the acquisition of a business including an interest in an associated undertaking, fair values are attributable to the gross share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

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 goods and 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of 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 buildings	2% per annum on cost of buildings
Leasehold property and improvements	4% per annum on cost
Plant and machinery	20% reducing balance
Fixtures, fittings and equipment	20% reducing balance
Motor vehicles	25% reducing balance

During the year, the directors revised their accounting estimate on the depreciation of land and buildings. Historically depreciation was provided at 2% on the value of both freehold land and property. During the year, the directors have elected not to depreciate freehold land as allowed by FRS 15. The directors believe the new method will give a fairer presentation of the results and of the financial position of the Group. The effect of this change in accounting estimate can be seen in note 3.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

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 Group Year ended 31 March 2009 No.	The Company Year ended 31 March 2009 No.	The Group Year ended 31 March 2008 No.	The Company Year ended 31 March 2008 No.
Average number of persons employed (including directors)				
Administration and management	622	4	608	3
	£	£	£	£
Employee costs (including directors)				
Wages and salaries	8,886,869	317,913	7,900,357	293,417
Social security costs	729,461	37,748	657,220	34,768
Other pension costs	29,677	28,583	25,081	24,000
	9,646,007	384,244	8,582,658	352,185

Company staff costs during the current and prior year consist only of the directors' emoluments disclosed below.

	£	£	£	£
Directors' remuneration				
Emoluments	315,912	315,912	293,417	293,417
Pension Scheme contributions	28,583	28,583	24,000	24,000
	344,495	344,495	317,417	317,417
	£	£	£	£
Highest paid director				
Emoluments	128,725	128,725	128,000	128,000
Pension Scheme contributions	12,000	12,000	12,000	12,000
	140,725	140,725	140,000	140,000

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

3. OPERATING PROFIT

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
This is stated after charging		
Amortisation of goodwill	2,405,657	2,350,698
Depreciation of tangible - fixed assets	(6,840)	439,254
- leased assets	3,351	7,016
Operating leases - plant and equipment	10,914	6,443
- other	216,754	169,690
Auditors' remuneration - Group	22,713	37,019
- Company	4,500	4,935
- tax compliance services (Group)	18,075	24,984
- tax compliance services (Company)	2,500	12,000
 Loss on disposal of tangible fixed assets	 5,288	 6,887

During the year, the directors revised their accounting estimate of the deprecation of land and buildings. Historically, depreciation was provided at 2% of the value of both freehold land and property. During the year, the directors have elected not to depreciate freehold land as allowed by FRS 15. The directors believe the new method will give a fairer presentation of the results and of the financial position of the company. The effect of this change in accounting estimate is to reduce the current year charge by £483,130 being the reversal of depreciation on land charged to date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

4. EXCEPTIONAL COSTS

Exceptional costs includes £589,531 in relation to professional fees incurred as part of a refinancing exercise that management decided to abort following the difficulties in the financial services sector. A breakdown is given below:-

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Legal fees	99,653	-
Due diligence fees	387,953	-
Property valuation fees	77,550	-
Database maintenance fees	24,375	-
Total fees associated with aborted refinancing	589,531	-
Other exceptional costs:		
Exceptional legal costs incurred on settlement of additional deferred consideration relating to the acquisition of Honeybrook House (Kidderminster) Ltd and Bethany Lodge (Worcester) Ltd (see note 9)	192,248	29,357
Termination payments	30,250	-
Exceptional legal costs incurred on settlement of deferred consideration relating to purchase of Tracscare Ltd	-	85,640
Total exceptional costs	812,029	114,997

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Interest on bank loans, overdraft and loan notes	2,775,571	3,164,084
Hire Purchase interest	1,866	2,871
Amortisation of deferred finance costs	262,968	239,040
	3,040,405	3,405,995

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2009	Year ended 31 March 2008
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the period at 28% (2008 – 30%)	461,000	-
Prior year adjustment	(90,000)	262,961
Total current tax	<u>371,000</u>	<u>262,961</u>
Deferred taxation		
Origination and reversal of timing differences	-	-
	<u>371,000</u>	<u>262,961</u>

The corporation tax rate has changed from 30% to 28% with effect from 4 April 2008.

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	£	£
Loss on ordinary activities before tax	(1,245,944)	(1,603,072)
Tax on loss on ordinary activities before tax at 28% (2008 – 30%)	(348,864)	(480,922)
Factors affecting charge for the period		
Expenses not deductible for tax purposes	983,234	704,732
(Capital allowances in excess of depreciation)/depreciation in excess of capital allowances	(57,369)	40,902
Prior year adjustment	(90,000)	-
Utilisation of tax losses	-	(1,916)
Movement in short term timing differences	-	165
Other timing differences	(116,000)	-
Current tax charge for the period	<u>371,000</u>	<u>262,961</u>

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 £287,560 (2008 - £232,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

7. INTANGIBLE FIXED ASSETS

The Group	Goodwill £
Cost	
At 1 April 2008	23,618,451
Additions	1,345
Disposals	
	<u>23,619,796</u>
At 31 March 2009	
Amortisation	
At 1 April 2008	8,601,022
Charge for the year	2,405,657
	<u>11,006,679</u>
At 31 March 2009	
Net book value	
At 31 March 2009	<u>12,613,117</u>
At 31 March 2008	<u>15,017,429</u>

8. TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings £	Leasehold property and improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2008	12,613,406	269,017	154,093	607,998	395,215	14,039,729
Additions	828,544	63,279	23,497	26,515	93,837	1,035,672
Disposals	(31,049)	-	(26,205)	(11,671)	(52,269)	(121,194)
	<u>13,410,901</u>	<u>332,296</u>	<u>151,385</u>	<u>622,842</u>	<u>436,783</u>	<u>14,954,207</u>
At 31 March 2009						
Depreciation						
At 1 April 2008	671,382	25,768	44,799	203,608	135,121	1,080,678
Charge for the year	(203,311)	15,297	24,532	83,337	76,656	(3,489)
Disposals	-	-	(24,516)	(6,424)	(39,729)	(70,669)
	<u>468,071</u>	<u>41,065</u>	<u>44,815</u>	<u>280,521</u>	<u>172,048</u>	<u>1,006,520</u>
At 31 March 2009						
Net book value						
At 31 March 2009	<u>12,942,830</u>	<u>291,231</u>	<u>106,570</u>	<u>342,321</u>	<u>264,735</u>	<u>13,947,687</u>
At 31 March 2008	<u>11,942,024</u>	<u>243,249</u>	<u>109,294</u>	<u>404,390</u>	<u>260,094</u>	<u>12,959,051</u>

Included within the net book value of fixed assets is £nil (2008 - £21,047) of assets held under hire purchase agreements.

The depreciation charge for the year in respect of freehold land and buildings includes a write back of depreciation previously provided on land of £483,130 (see note 3).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

8. TANGIBLE FIXED ASSETS (continued)

The Company	Freehold land and buildings £	Leasehold property & improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2008	2,627,400	-	18,636	7,116	2,653,152
Additions	112,439	24,621	2,660	-	139,720
At 31 March 2009	2,739,839	24,621	21,296	7,116	2,792,872
Depreciation					
At 1 April 2008	159,163	-	1,812	3,611	164,586
Charge for the year	(24,242)	2,736	3,563	877	(17,066)
At 31 March 2009	134,921	2,736	5,375	4,488	147,520
Net book value					
At 31 March 2009	2,604,918	21,885	15,921	2,628	2,645,352
At 31 March 2008	2,468,237	-	16,824	3,505	2,488,566

The depreciation charge for the year in respect of freehold land and buildings includes a write back of depreciation previously provided on land of £77,641.

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

9. INVESTMENTS

	Shares in subsidiary undertakings £
At 1 April 2008	23,394,895
Additions	1,346
Amounts written off in the year	(2,020,879)
At 31 March 2009	<u>21,375,362</u>

The Company

Subsidiary	Country of registration	Percentage of ordinary shares held
Tracs Limited	England and Wales	100%
Compass Care Limited	England and Wales	100%
Honeybrook House (Kidderminster) Limited	England and Wales	100%
Bethany Lodge (Worcester) Limited	England and Wales	100%

The principal activity of Tracs Limited and Compass Care Limited is the provision of residential care homes.

The cost of investment in Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited was written off in full during the year following a review by the directors of the carrying value of these subsidiary entities.

10. DEBTORS

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Amounts falling due within one year				
Trade debtors	234,856	-	559,502	-
Amounts owed by related parties	14,622	-	48,593	5,288
Corporation tax recoverable	-	-	107,279	-
Other taxation and social security	7,742	7,742	20,951	20,951
Other debtors	17,207	-	31,191	13,795
Prepayments and accrued income	227,318	30,992	142,512	2,723
	<u>501,745</u>	<u>38,734</u>	<u>910,028</u>	<u>42,757</u>
			£	£
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	685,130	-	2,859,640

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Bank overdrafts	-	-	22,410	22,410
Bank loans	940,449	940,449	871,262	871,262
Obligations under finance lease and hire purchase contracts	-	-	6,243	-
Amounts owed to related parties	76,717	-	-	-
Trade creditors	285,182	89,580	339,124	19,463
Corporation tax	520,423	-	262,961	-
Other taxes and social security	215,804	-	184,190	-
Other creditors	50,371	-	47,027	-
Accruals and deferred income	867,272	664,347	240,850	68,132
Advance payments	417,230	-	366,668	-
Deferred consideration	600,000	600,000	957,819	957,819
	<u>3,973,448</u>	<u>2,294,376</u>	<u>3,298,554</u>	<u>1,939,086</u>

£nil (2008 - £457,819) of the provision for deferred consideration is in respect of the acquisition of the subsidiary undertaking Tracs Limited and was paid on 31 July 2008.

£600,000 (2008 - £500,000) of the provision for deferred consideration is in respect of the acquisition of the subsidiary undertakings Honeybrook House (Kidderminster) Limited and Bethany Lodge (Worcester) Limited and was paid in June and December 2009.

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

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Bank loans	32,656,276	32,656,276	32,948,213	32,948,213
Obligations under finance lease and hire purchase contracts	-	-	11,878	-
Amounts owed to Group undertakings	-	2,198,850	-	-
Loan notes	668,241	668,241	509,824	509,824
Deferred consideration	-	-	600,000	600,000
	<u>33,324,517</u>	<u>35,523,367</u>	<u>34,069,915</u>	<u>34,058,037</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

13. BORROWINGS

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Bank loans and overdrafts	33,596,725	33,596,725	33,841,885	33,841,885
Obligations under finance lease and hire purchase contracts	-	-	18,121	-
Loan notes	668,241	668,241	509,824	509,824
	<u>34,264,966</u>	<u>34,264,966</u>	<u>34,369,830</u>	<u>34,351,709</u>
Due within one year	940,449	940,449	899,915	893,672
Due after more than one year	<u>33,324,517</u>	<u>33,324,517</u>	<u>33,469,915</u>	<u>33,458,037</u>
	<u>34,264,966</u>	<u>34,264,966</u>	<u>34,369,830</u>	<u>34,351,709</u>
Analysis of bank loans and overdraft repayments	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Within one year or on demand	940,449	940,449	893,672	893,672
Between one and two years	1,045,449	1,045,449	956,262	956,262
Between two and five years	3,922,347	3,922,347	3,569,786	3,569,786
After more than five years	27,688,480	27,688,480	28,422,165	28,422,165
	<u>33,596,725</u>	<u>33,596,725</u>	<u>33,841,885</u>	<u>33,841,885</u>

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.

Term Loan 'B' is repayable in one instalment in November 2015. The rate of interest on Term Loan 'B' is 2.25% per annum above LIBOR.

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' is 3.25% per annum above LIBOR.

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.

Total bank loans of £6,739,000 (2008 - £6,491,747) were guaranteed by Sovereign Capital Partners LLP. Interest was charged by Sovereign Capital Partners LLP based on 50% of the difference between Sovereign Capital Partners LLP interest rate of 14% and the rate payable to the bank.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

12. BORROWINGS (continued)

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
The loan notes are repayable as follows				
Between two and five years	668,241	668,241	509,824	509,824
After more than five years	-	-	-	-
	<u>668,241</u>	<u>668,241</u>	<u>509,824</u>	<u>509,824</u>

The loan notes attract interest at 14% payable in quarterly instalments and are due for redemption as follows:

31 March 2011	One third of the loan notes outstanding
31 March 2012	One third of the loan notes outstanding
31 March 2013	One third of the loan notes outstanding

Analysis of hire purchase repayments

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Within one year	-	-	6,243	-
Between one and two years	-	-	11,878	-
	<u>-</u>	<u>-</u>	<u>18,121</u>	<u>-</u>

The hire purchase liabilities are secured over the assets to which they relate

14. CALLED UP SHARE CAPITAL

The Group and The Company	2009 No	2009 £	2008 No	2008 £
Authorised				
1p 'A' ordinary shares	96,248	963	96,248	963
1p ordinary shares	18,333	183	18,333	183
	<u>114,581</u>	<u>1,146</u>	<u>114,581</u>	<u>1,146</u>
Issued and fully paid				
1p 'A' ordinary shares	96,248	963	96,248	963
1p ordinary shares	18,333	183	18,333	183
	<u>114,581</u>	<u>1,146</u>	<u>114,581</u>	<u>1,146</u>

TRACSCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

15. STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £	Share premium account £	Profit and loss reserve £	Total 2009 £	Total 2008 £
The Group					
At 1 April	1,146	315,103	(8,579,117)	(8,262,868)	(6,396,834)
Loss for the financial year	-	-	(1,616,944)	(1,616,944)	(1,866,033)
At 31 March	<u>1,146</u>	<u>315,103</u>	<u>(10,196,061)</u>	<u>(9,879,812)</u>	<u>(8,262,867)</u>
The Company					
At 1 April	1,146	315,103	(7,527,475)	(7,211,226)	(2,359,100)
Loss for the financial year	-	-	(5,845,477)	(5,845,477)	(4,852,126)
Dividend received	-	-	185,642	185,642	-
At 31 March	<u>1,146</u>	<u>315,103</u>	<u>(13,187,310)</u>	<u>(12,871,061)</u>	<u>(7,211,226)</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Loss for the financial year	(1,616,944)	(5,845,477)	(1,866,033)	(4,852,126)
Dividend received	-	185,642	-	-
Net reduction to shareholders' funds	<u>(1,616,944)</u>	<u>(5,659,835)</u>	<u>(1,866,033)</u>	<u>(4,852,126)</u>
Opening shareholders' deficit	<u>(8,262,868)</u>	<u>(7,211,226)</u>	<u>(6,396,834)</u>	<u>(2,359,100)</u>
Closing shareholders' deficit	<u>(9,879,812)</u>	<u>(12,871,061)</u>	<u>(8,262,867)</u>	<u>(7,211,226)</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 230(1)(b) Companies Act 1985. The loss for the financial year recognised in the financial statements is £5,845,477 (2008 - loss of £4,852,126).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

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

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Operating profit	1,767,900	1,602,546
Amortisation	2,405,657	2,350,698
Depreciation	(3,489)	446,270
Loss on disposal of tangible fixed assets	5,288	6,887
Decrease/(increase) in debtors	301,004	(357,621)
Increase in creditors	606,105	355,175
Net cash inflow from operating activities	5,082,465	4,403,955

19. RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Increase/(decrease) in cash in the financial year	158,921	(885,372)
Net cash flow from movement in debt	347,288	(4,001,012)
Changes in net debt resulting from cash flows	506,209	(4,886,384)
Net redemption of loan notes	-	4,559,566
Issue costs amortised and hire purchase interest	(264,834)	(241,911)
Net debt at beginning of the year	(34,150,736)	(33,582,007)
Net debt at end of the year	(33,909,361)	(34,150,736)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2009

20. ANALYSIS OF NET DEBT

	At 1 April 2008 £	Cash flow £	Non-cash movement £	At 31 March 2009 £
Cash at bank and in hand	219,094	136,511	-	355,605
Bank overdraft	(22,410)	22,410	-	-
	<u>196,684</u>	<u>158,921</u>	<u>-</u>	<u>355,605</u>
Debt due within one year	(871,262)	(69,187)	-	(940,449)
Debt due after more than one year	(32,948,213)	396,488	(104,551)	(32,656,276)
Finance leases	(18,121)	19,987	(1,866)	-
	<u>(33,837,596)</u>	<u>347,288</u>	<u>(106,417)</u>	<u>(33,596,725)</u>
Loan notes	(509,824)	-	(158,417)	(668,241)
	<u>(34,150,736)</u>	<u>506,209</u>	<u>(264,834)</u>	<u>(33,909,361)</u>

Non-cash movements consist of the amortisation of issue costs, calculated in accordance with FRS 4 'Capital instruments', and hire purchase interest.

21. RELATED PARTY TRANSACTIONS

During the financial year, the issue/(redemption) of loan notes included amounts subscribed by the following related parties, as set out below:

	2009 Issued £	2009 Redeemed £	2008 Issued £	2008 Redeemed £
Sovereign Capital Partners LLP	-	-	1,016,262	(4,337,872)
H Hayden (spouse of A Hayden)	-	-	13,698	(58,468)
J Dalli (spouse of D S Dalli)	-	-	1,696	(7,240)
V Owen	-	-	-	(5,000)
I M Williams	-	-	-	(5,000)
S G Hullin	-	-	-	(5,000)
E A Millard	-	-	-	(20,000)
	<u>-</u>	<u>-</u>	<u>1,031,656</u>	<u>(4,438,580)</u>

During the financial year, a sum of £151,070 (2008 - £309,272) was payable by Tracscare Group Limited to Sovereign Capital Partners LLP in respect of loan note interest and £280,879 (2008 - £176,673) was payable to Sovereign Capital Partners LLP in respect of loan guarantee interest.

Tracscare Group Limited paid £57,640 monitoring fees to Sovereign Capital Partners LLP in the financial year (2008 - £55,323).

Group debtors owed by related parties consist of £23 (2008 - £22,037) owed by Alkare Limited and £14,599, (2008 - £17,566) owed by Parallel Options Limited. Group creditors owed to related parties comprise £76,717 due to Positive Lifestyles Limited (2008 - £8,990 due from Positive Lifestyles Limited). The related parties are companies with common directors and shareholders.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

22. FINANCIAL COMMITMENTS

	The Group 2009 £	The Company 2009 £	The Group 2008 £	The Company 2008 £
Contracted but not provided for	205,632	-	-	-

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. A contract is in place to fix the interest on borrowings with a principal value of £22,954,870 which expires in December 2009. The fair value of this interest rate swap at 31 March 2009 is estimated to be a liability of £651,735. This amount is based on market values of equivalent instruments at the balance sheet date.

24. OPERATING LEASE COMMITMENTS

At 31 March, the company was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2009 £	Land & buildings 2008 £	Plant & equipment 2009 £	Plant & equipment 2008 £
Leases which expire:				
Within one year	-		2,829	6,443
Within two to five years	61,916	21,600	1,601	-
After five years	156,353	152,164	-	-

25. POST BALANCE SHEET EVENTS

In August 2009, the company's subsidiary Tracs Limited bought a property from Alkare Limited, a company under common ownership and directorship, at book value for a sum of £240,000.

26. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is funds managed by Sovereign Capital Partners LLP.