

Company Registration No. 05775330 (England and Wales)

CASCADE CARE GROUP LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

SATURDAY



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28/02/2009

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CASCADE CARE GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	D S Dalli B Douglas V K Hall R Mannan
Secretary	M H Secretaries Limited
Company number	05775330
Registered office	Staple Court Staple Inn Buildings London WC1V 7QH
Registered auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham Gloucestershire GL50 3AT
Bankers	Allied Irish Bank Rutland House 44 Masons Hill Bromley Kent BR2 9JG
Solicitors	DLA Piper Rudrick Gray Care UK LLP 3 Noble Street London EC2V 7EE

CASCADE CARE GROUP LIMITED

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CASCADE CARE GROUP LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2008

The directors present their report and financial statements for the year ended 31 March 2008.

Directors

The following directors have held office since 1 April 2007:

D S Dalli

B Douglas

V K Hall

P H Cooper

(Resigned 13 April 2007)

R Mannan

Principal activities

The principal activity of the group continued to be that of the provision of care and accommodation to individuals with mental health disorders.

Auditors

Hazlewoods LLP were appointed auditors of the company during the period and have expressed their willingness to continue in office.

CASCADE CARE GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2008

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 of the group and of the profit or loss of the group for that period. In preparing those 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;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


V K Hall
Director
26/02/09

CASCADE CARE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CASCADE CARE GROUP LIMITED

We have audited the group and parent financial statements of Cascade Care Group Limited for the year ended 31 March 2008 which comprise the Consolidated Profit and Loss account, the Consolidated and Company Balance Sheets and the related notes. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements, if 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 the information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group'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.

CASCADE CARE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF CASCADE CARE GROUP LIMITED

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 2008 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Hazlewoods LLP

Chartered Accountants and Registered Auditor

Hazlewoods LLP 27/2/09

Windsor House
Bayshill Road
Cheltenham
Gloucestershire
GL50 3AT

CASCADE CARE GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2008

	Notes	2008 £	2007 £
Turnover	2	1,820,313	1,276,005
Cost of sales		(966,743)	(595,070)
Gross profit		853,570	680,935
Administrative expenses excluding amortisation of goodwill		(870,287)	(514,578)
Amortisation of goodwill		(381,644)	(348,563)
Operating loss	3	(398,361)	(182,206)
Interest receivable		2,536	980
Interest payable	4	(888,434)	(576,114)
Loss on ordinary activities before taxation		(1,284,259)	(757,340)
Tax on loss on ordinary activities	5	57,535	16,758
Loss on ordinary activities after taxation		(1,226,724)	(740,582)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The current year relates to 12 months ended 31 March 2008.

The comparative period commenced on the company's date of incorporation being 10 April 2006. The group commenced trading on 16 May 2006 through Cascade Care Limited when the trade and net assets of Cascade partnership were acquired.

Cascade Care Group Limited has not traded in either of the periods.

CASCADE CARE GROUP LIMITED

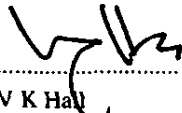
BALANCE SHEETS

As at 31 March 2008

	Notes	Group 2008 £	2007 £	Company 2008 £	2007 £
Fixed assets					
Intangible assets	7	3,253,370	3,635,014	-	-
Tangible assets	8	5,008,648	3,034,566	-	-
Investments	9	-	-	1	1
		<u>8,262,018</u>	<u>6,669,580</u>	<u>1</u>	<u>1</u>
Current assets					
Debtors	10	213,712	110,391	135,899	135,899
Cash at bank and in hand		7,371	-	-	-
		<u>221,083</u>	<u>110,391</u>	<u>135,899</u>	<u>135,899</u>
Creditors: amounts falling due within one year	11	(6,378,421)	(297,043)	-	-
		<u>(6,157,338)</u>	<u>(186,652)</u>	<u>135,899</u>	<u>135,899</u>
Net current liabilities					
		(6,157,338)	(186,652)	135,899	135,899
Total assets less current liabilities		<u>2,104,680</u>	<u>6,482,928</u>	<u>135,900</u>	<u>135,900</u>
Creditors: amounts falling due after more than one year	12	(3,936,086)	(7,087,610)	-	-
		<u>(1,831,406)</u>	<u>(604,682)</u>	<u>135,900</u>	<u>135,900</u>
Capital and reserves					
Called up share capital	14	990	990	990	990
Share premium account	15	134,910	134,910	134,910	134,910
Profit and loss account	15	(1,967,306)	(740,582)	-	-
Shareholders' funds	16	<u>(1,831,406)</u>	<u>(604,682)</u>	<u>135,900</u>	<u>135,900</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Approved by the Board and authorised for issue on 26/02/09


V K Hall
Director

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, adopting the following principal accounting policies all of which are in accordance with applicable Accounting Standards.

1.2 Going concern

The group's balance sheet at 31 March 2008 indicates that its liabilities exceeded its assets. Furthermore because of a breach of banking covenants the bank loans that were negotiated as a term loan facility technically became repayable on demand. In accordance with Financial Reporting Standard 25 this loan has therefore been disclosed as an amount repayable within one year. The group is currently negotiating revised terms with the bank and the directors do not foresee any reason why repayment will be required before the originally agreed dates. In addition, no action has been taken by the bank to demand immediate repayment. Furthermore the group has received assurance from the ultimate controlling shareholder that it will advance further funds to meet any third party obligations should this be necessary.

Management information produced shows that the group has improved on its performance achieved in the year ended 31 March 2008. The group's forecasts, taking into account reasonably possible changes in trading performance, show that the group should be able to operate within the facilities originally agreed with the bank and service payments of interest and capital in accordance with the terms of all debt outstanding.

After making enquiries, the directors have a reasonable expectation that the group has 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.

1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Cascade Care Group Limited and its subsidiaries made up to 31 March 2008.

1.4 Turnover

Turnover represents the amounts receivable during the period for the provision of care and accommodation. Where the amount received relates to a period which covers the balance sheets date, that amount is apportioned over the period to which it relates.

1.5 Goodwill

Purchased goodwill is capitalised and is being written off over a period of 10 years. This period is considered by the directors to be its useful economic life.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	2% on cost
Fixtures, fittings & equipment	33% on cost
Motor vehicles	20% reducing balance

Freehold land is not depreciated.

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

1 Accounting policies

(Continued)

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Cash flow statement

The company has taken advantage of the exemption offered by Financial Reporting Standard 1, Cash Flow Statements, and has not prepared a cash flow statement.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	381,644	348,563
Depreciation of tangible assets	94,345	42,551
Fees payable to the group's auditor for the audit of the group's annual accounts (company £520; 2007:£500)	8,550	8,225

4 Interest payable

	2008	2007
	£	£
Bank overdraft interest	5,925	500
Bank loan interest	374,153	202,886
Other loan interest	508,217	372,728
Hire purchase interest	139	-
	888,434	576,114

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

5	Taxation	2008 £	2007 £
	Deferred tax		
	Deferred tax charge - from accelerated capital allowances	(1,542)	1,235
	Deferred tax credit - from taxable losses available	(55,993)	(17,993)
		<u>(57,535)</u>	<u>(16,758)</u>

6 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company made neither a profit nor a loss during the financial period on the basis that it was dormant throughout the period.

7 Intangible fixed assets

Group

	Goodwill £
Cost	
At 1 April 2007 & at 31 March 2008	3,983,577
Amortisation	
At 1 April 2007	348,563
Charge for the year	381,644
At 31 March 2008	730,207
Net book value	
At 31 March 2008	3,253,370
At 31 March 2007	3,635,014

For the purpose of impairment testing the group considers that it operates as a single cash generating unit. The carrying value of goodwill is tested for impairment when there is an indication that the carrying value of the business assets and liabilities might be impaired.

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

8 Tangible fixed assets

Group

	Freehold land & buildings £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2007	3,049,082	28,035	-	3,077,117
Additions	2,047,968	8,551	11,908	2,068,427
At 31 March 2008	5,097,050	36,586	11,908	5,145,544
Depreciation				
At 1 April 2007	34,374	8,177	-	42,551
Charge for the year	78,805	13,159	2,381	94,345
At 31 March 2008	113,179	21,336	2,381	136,896
Net book value				
At 31 March 2008	4,983,871	15,250	9,527	5,008,648

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Net book values			
At 31 March 2008	-	9,527	9,527
Depreciation charge for the year			
31 March 2008	-	2,381	2,381

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

8 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 1 April 2007 & at 31 March 2008	1

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Cascade Care Holdings Limited	England and Wales	Ordinary	100

Cascade Care Limited, a company incorporated in England and Wales, was a wholly owned subsidiary of Cascade Care Holdings Limited throughout the period.

The principal activity of these undertakings for the last relevant financial period was as follows:

	Principal activity
Cascade Care Holdings Limited	Property and debt holding company
Cascade Care Limited	Provision of care and accomodation to individuals with mental health disorders

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

10 Debtors

	Group 2008 £	2007 £	Company 2008 £	2007 £
Trade debtors	93,521	22,455	-	-
Amounts owed by group undertakings	-	-	135,899	135,899
Other debtors	21,660	68,832	-	-
Prepayments	24,238	2,346	-	-
Deferred tax asset (see note 13)	74,293	16,758	-	-
	<u>213,712</u>	<u>110,391</u>	<u>135,899</u>	<u>135,899</u>

11 Creditors : amounts falling due within one year

	Group 2008 £	2007 £	Company 2008 £	2007 £
Bank loans and overdraft	6,112,847	121,499	-	-
Net obligations under finance lease and hire purchase contracts	3,336	-	-	-
Trade creditors	35,182	5,578	-	-
Taxes and social security costs	80,096	31,306	-	-
Other creditors and accruals	146,960	138,660	-	-
	<u>6,378,421</u>	<u>297,043</u>	<u>-</u>	<u>-</u>

The bank loans and overdraft are secured as explained in note 12.

Note 1.2 details the current position regarding the bank loans held by the group.

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

12 Creditors : amounts falling due after more than one year

	Group 2008 £	2007 £	Company 2008 £	2007 £
Bank loans	-	3,954,305	-	-
Other loans	3,930,533	3,133,305	-	-
Net obligations under finance leases and hire purchase agreements	5,553	-	-	-
	<u>3,936,086</u>	<u>7,087,610</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Not wholly repayable within five years by instalments:	-	4,019,747	-	-
Not wholly repayable within five years other than by instalments:	3,930,533	3,133,305	-	-
Wholly repayable within five years by instalments	5,944,892			
	<u>9,875,425</u>	<u>7,153,052</u>	<u>-</u>	<u>-</u>
Included in current liabilities	(5,944,892)	(65,442)	-	-
	<u>3,930,533</u>	<u>7,087,610</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than one year but not more than two years	-	88,340	-	-
In more than two years but not more than five years	2,605,788	1,377,112	-	-
In more than five years	1,324,745	5,622,158	-	-
	<u>4,930,533</u>	<u>7,087,610</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	3,336	-	-	-
Repayable between one and five years	5,553	-	-	-
	<u>8,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(3,336)	-	-	-
	<u>5,553</u>	<u>-</u>	<u>-</u>	<u>-</u>

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

12 Creditors : amounts falling due after more than one year

(Continued)

The bank loans, overdraft and other loan stock are secured by a first debenture incorporating fixed and floating charges over the assets and undertakings of each company in the group.

The bank loans and other loan stock are also secured on legal mortgages over freehold properties included within tangible fixed assets.

The charges are subject to an inter-creditor deed, which specifies that if any resolution is passed or order made for the winding-up, liquidation, dissolution, administration of reorganisation, except a solvent reorganisation on terms previously approved by the holders of the other loan stock, of the company or any analogous event occurs anywhere, then the other loan stock shall be subordinate in right of payment to the bank loans.

Note 1.2 details the current position regarding the bank loans held by the group.

13 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 10) is made up as follows:

	Group 2008 £		Company 2008 £
Balance at 1 April 2007	(16,758)		-
Profit and loss account	(57,535)		-
Balance at 31 March 2008	(74,293)		-

	Group 2008 £	2007 £	Company 2008 £	2007 £
Decelerated capital allowances	(226)	1,235	-	-
Tax losses available	(74,067)	(17,993)	-	-
	(74,293)	(16,758)	-	-

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

14 Share capital	2008 £	2007 £
Authorised		
10,000 Ordinary shares of £0.01 each	100	100
90,000 Preferred Ordinary shares of £0.01 each	900	900
	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
9,000 Ordinary shares of £0.01 each	90	90
90,000 Preferred Ordinary shares of £0.01 each	900	900
	<u>990</u>	<u>990</u>

The shares have the following rights:

Dividends:

Subject to the class rights of the Preferred Ordinary shares (as defined in the company's Articles of Association), the Ordinary Shares rank pari passu in all respects as to dividend with the Preferred Ordinary shares.

Return on capital:

On a return of assets on liquidation or otherwise, the assets of the company remaining after payment of its debts and liabilities shall be distributed to the holders of the Ordinary and Preferred Ordinary shares such that the holders of the Preferred Ordinary shares shall receive, in priority to any other distribution, the sum of £0.01 per share and thereafter the holders of Ordinary shares shall receive, in priority to any distribution, the sum of £1.00 per share and thereafter the remaining assets shall be distributed pro rata to all holders of the Preferred Ordinary and Ordinary shares.

Voting:

Subject to a default period as considered subsequently below, each holder of Ordinary and Preferred Ordinary shares is entitled to one vote for each share held.

During a default period (as defined in the company's Articles of Association), the holders of Ordinary shares shall be entitled to attend but not vote at any general meeting of the company and accordingly the holders of the Preferred Ordinary shares shall be the only members entitled to vote at any such meeting.

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

15 Statement of movements on reserves

Group

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 2007	134,910	(740,582)
Loss for the year	-	(1,226,724)
Balance at 31 March 2008	134,910	(1,967,306)

Company

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 2007 and 31 March 2008	134,910	-

16 Reconciliation of movements in shareholders' funds

Group

	2008	2007
	£	£
Loss for the financial year	(1,226,724)	(740,582)
Proceeds from issue of shares	-	135,900
Net depletion in shareholders' funds	(1,226,724)	(604,682)
Opening shareholders' funds	(604,682)	-
Closing shareholders' funds	(1,831,406)	(604,682)

Company

	2008	2007
	£	£
Loss for the financial year	-	-
Proceeds from issue of shares	-	135,900
Net addition to shareholders' funds	-	135,900
Opening shareholders' funds	135,900	-
Closing shareholders' funds	135,900	135,900

CASCADE CARE GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

17 Directors' emoluments	2008 £	2007 £
Emoluments for qualifying services	191,989	123,704

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2008 Number	2007 Number
Care workers	50	35
Administration staff and directors	6	5
	56	40

Employment costs

	2008 £	2007 £
Wages and salaries	1,151,031	677,089
Social security costs	105,560	65,546
	1,256,591	742,635

19 Control

The company and group are ultimately controlled by funds managed by Sovereign Capital Partners LLP, incorporated in England and Wales.

20 Post Balance Sheet Events

Group

On the following dates, Cascade Care Holdings Limited purchased freehold properties to be used in the trade carried out by Cascade Care Limited:

25 June 2008: £928,000;
18 July 2008: £530,000;
28 November 2008: £621,000.

These costs are inclusive of those relating to refurbishment.