Grant Thornton

Financial Statements
Cascade Care Group Limited

For the year ended 31 March 2011

Registered number: 05775330

Company Information

Directors	B Douglas V K Hall D Burton
Company number	05775330
Registered office	Staple Court 11 Staple Inn Buildings London WC1V 7QH
Trading address	Arena House 66 - 68 Pentonville Road London N1 9HS
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Enterprise House 115 Edmund Street Birmingham West Midlands B3 2HJ
Bankers	Allied Irish Bank Rutland House 44 Masons Hill Bromley Kent BR2 9JG
Solicitors	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH

Contents

Directors' report

For the year ended 31 March 2011

The directors present their report and the financial statements for the year ended 31 March 2011

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

The principal activity of the company is that of a holding company

Business review

The group continues to operate in a challenging market environment and is experiencing ongoing pressure on fee levels The directors have taken a number of measures to strengthen the business and as a result the business has traded profitably , at the operating level, year to date

The group is financed by a combination of bank loans, overdrafts and loan stock Subsequent to the year end, the directors agreed an eighteen month capital repayment holiday on the bank loans and a twelve month capital and interest repayment holiday on the loan stock

The directors have prepared and sensitised detailed financial projections extending to March 2013 which illustrate that following the change to the terms of funding referred to above, the group will have adequate financial resources to continue in business for the foreseeable future On this basis the directors have a reasonable expectation that the business will continue in operation for the foreseeable future and hence to prepare the financial statements on a going concern basis

Results and dividends

The loss for the year, after taxation, amounted to £3,269,259 (2010 - restated loss £838,483) and is stated after a provision for impairment against goodwill of £2,058,290

The directors have reviewed the carrying value of goodwill at the year end As a result of the challenging market in which the business operates, the directors consider that it is appropriate to recognise a provision for impairment at the year end The directors are confident that as profitability improves the impairment is likely to reverse

The directors do not recommend the payment of a dividend

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks The key business risks and uncertainties affecting the group are considered to relate to the continuing provision of adequate government funding and the ongoing compliance with current and future legislation affecting the sector

Directors' report
For the year ended 31 March 2011

Financial instruments

The group uses various financial instruments, these include loan notes, bank loans and overdrafts and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the operations of the group

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below The group does not enter into derivative transactions

Credit risk
The group's principal financial assets are cash and trade debtors The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises therefore from the group's trade debtors The directors manage this risk through credit control procedures

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs The group policy throughout the year has been to ensure continuity of funding through long term bank loans and loan notes Short term flexibility is achieved by overdraft facilities

The maturity of borrowings is set out in note 13 to the financial statements

Interest rate risk
The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities

Directors

The directors who served during the year were

B Douglas
V K Hall
J Edington (resigned 7 September 2010)
G McConnell (resigned 3 August 2011)
D Burton (appointed 12 November 2010)

Directors' report
For the year ended 31 March 2011

Statement of directors' responsibilities

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is 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 auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information

Auditor

Hazlewoods LLP resigned as auditors on 30 March 2011 and Grant Thornton UK LLP were appointed in their place Grant Thortnon UK LLP, having expressed their willingness to continue in office,will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006, unless the company receives notice under section 488(1) of the Companies Act 2006

This report was approved by the board on 10 February 2012 and signed on its behalf

D Burton
Director

Grant Thornton

Independent auditor's report to the members of Cascade Care Group Limited

We have audited the financial statements of Cascade Care Group Limited for the year ended 31 March 2011, which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor
As explained more fully in the statement of directors' responsibilities, 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

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent auditor's report to the members of Cascade Care 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 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

Grant Thornton UK LLP

David Munton (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham

10 February 2012

Consolidated profit and loss account

For the year ended 31 March 2011

	Note	2011 £	As restated 2010 £
Turnover	1,2	**3,776,245**	3,815,453
Cost of sales		**(2,066,962)**	(2,045,977)
Gross profit		**1,709,283**	1,769,476
Administrative expenses		**(1,707,107)**	(1,428,036)
Impairment of goodwill		**(2,058,290)**	-
Total administrative expenses		**(3,765,397)**	(1,428,036)
Operating (loss)/profit	3	**(2,056,114)**	341,440
Interest payable and similar charges	6	**(1,201,359)**	(1,126,034)
Loss on ordinary activities before taxation		**(3,257,473)**	(784,594)
Tax on loss on ordinary activities	7	**(11,786)**	(53,889)
Loss for the financial year	16	**(3,269,259)**	(838,483)

All amounts relate to continuing operations

The notes on pages 11 to 24 form part of these financial statements

Statement of total recognised gains and losses

For the year ended 31 March 2011

	Note	2011 £	As restated 2010 £
Loss for the financial year		**(3,269,259)**	(838,483)
Total recognised gains and losses relating to the year		**(3,269,259)**	(838,483)
Prior year adjustment	17	**(218,208)**	
Total gains and losses recognised since last financial statements		**(3,487,467)**	

The notes on pages 11 to 24 form part of these financial statements

Cascade Care Group Limited
Registered number: 05775330

Consolidated balance sheet
As at 31 March 2011

	Note		2011		As restated 2010
		£	£	£	£
Fixed assets					
Intangible assets	8		-		2,456,654
Tangible assets	9		**7,057,098**		7,069,179
			7,057,098		9,525,833
Current assets					
Debtors	11	**187,699**		343,079	
Cash in hand		**321**		11,262	
		188,020		354,341	
Creditors amounts falling due within one year	12	**(10,930,453)**		(1,554,893)	
Net current liabilities			**(10,742,433)**		(1,200,552)
Total assets less current liabilities			**(3,685,335)**		8,325,281
Creditors amounts falling due after more than one year	13		**(3,502,690)**		(12,244,047)
Net liabilities			**(7,188,025)**		(3,918,766)
Capital and reserves					
Called up share capital	15		**990**		990
Share premium account	16		**134,910**		134,910
Profit and loss account	16		**(7,323,925)**		(4,054,666)
Deficit to equity shareholders' funds	18		**(7,188,025)**		(3,918,766)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 February 2012

D Burton
Director

The notes on pages 11 to 24 form part of these financial statements

Company balance sheet
As at 31 March 2011

	Note	2011 £	2010 £
Fixed assets			
Investments	10	**1**	1
Current assets			
Debtors	11	**135,899**	135,899
Total assets less current liabilities		**135,900**	135,900
Capital and Reserves			
Called up share capital	15	**990**	990
Share premium account	16	**134,910**	134,910
Equity shareholders' funds	18	**135,900**	135,900

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 February 2012

D Burton
Director

The notes on pages 11 to 24 form part of these financial statements

Consolidated cash flow statement

For the year ended 31 March 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	19	**625,712**	523,961
Returns on investments and servicing of finance	20	**(459,560)**	(392,453)
Capital expenditure and financial investment	20	**(60,669)**	(109,201)
Cash inflow before financing		**105,483**	22,307
Financing	20	**(97,667)**	23,988
Increase in cash in the year		**7,816**	46,295

Reconciliation of net cash flow to movement in net debt

For the year ended 31 March 2011

	2011 £	As restated 2010 £
Increase in cash in the year	**7,816**	46,295
Cash outflow from decrease in debt and lease financing	**97,667**	(23,988)
Change in net debt resulting from cash flows	**105,483**	22,307
Other non-cash changes	**(221,060)**	(161,660)
Movement in net debt in the year	**(115,577)**	(139,353)
Net debt at 1 April 2010 (as restated)	**(12,557,685)**	(12,418,332)
Net debt at 31 March 2011	**(12,673,262)**	(12,557,685)

The notes on pages 11 to 24 form part of these financial statements

Notes to the financial statements
For the year ended 31 March 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The group is financed by a combination of bank loans, overdrafts and loan stock Subsequent to the year end, the directors agreed an eighteen month capital repayment holiday on the bank loans and a twelve month capital and interest repayment holiday on the loan stock

The directors have prepared and sensitised detailed financial projections extending to March 2013 which illustrate that following the change to the terms of funding referred to above, the group will have adequate financial resources to continue in business for the foreseeable future On this basis the directors have a reasonable expectation that the business will continue in operation for the foreseeable future and hence to prepare the financial statements on a going concern basis

1.2 Basis of consolidation

The financial statements consolidate the accounts of Cascade Care Group Limited and its subsidiary undertakings

1.3 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 Turnover is recognised when the group has performed its obligations and in exchange obtained the right to consideration

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities It is amortised to the profit and loss account over its estimated economic life of 10 years Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is not charged on freehold land Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	1% straight line
Fixtures & fittings	-	33% straight line

1.6 Investments

Investments in subsidiaries are stated at cost less provision for impairment

Notes to the financial statements

For the year ended 31 March 2011

1. Accounting policies (continued)

1 7 Operatıng leases

Rentals under operatıng leases are charged to the profit and loss account on a straıght lıne basıs over the lease term

Benefits receıved and receıvable as an ıncentıve to sıgn an operatıng lease are recognısed on a straıght lıne basıs over the perıod untıl the date the rent ıs expected to be adjusted to the prevaılıng market rate

1.8 Deferred taxatıon

Full provısıon ıs made for deferred tax assets and lıabılıtıes arısıng from all tımıng dıfferences between the recognıtıon of gaıns and losses ın the financıal statements and recognıtıon ın the tax computatıon

A net deferred tax asset ıs recognısed only ıf ıt can be regarded as more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Deferred tax assets and lıabılıtıes are calculated at the tax rates expected to be effectıve at the tıme the tımıng dıfferences are expected to reverse

Deferred tax assets and lıabılıtıes are not dıscounted

1 9 Pensıons

The group operates a defined contrıbutıon pensıon scheme and the pensıon charge represents the amounts payable by the group to the fund ın respect of the year

1 10 Fınancıal ınstruments

Fınancıal lıabılıtıes and equıty ınstruments are classıfied accordıng to the substance of the contractual arrangements entered ınto

A financıal lıabılıty exısts where there ıs a contractual oblıgatıon to delıver cash or another financıal asset to another entıty, or to exchange financıal assets or financıal lıabılıtıes under potentıally unfavourable condıtıons In addıtıon contracts whıch result ın the entıty delıverıng a varıable number of ıts own equıty ınstruments are financıal lıabılıtıes Shares contaınıng such oblıgatıons are classıfied as financıal lıabılıtıes

An equıty ınstrument ıs any contract that evıdences a resıdual ınterest ın the assets of the group after deductıng all of ıt lıabılıtıes Dıvıdends and dıstrıbutıons relatıng to equıty ınstruments are debıted dırect to equıty

Notes to the financial statements
For the year ended 31 March 2011

2. Turnover

All turnover arose within the United Kingdom

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging

	2011 £	2010 £
Amortisation of goodwill	**398,364**	398,358
Depreciation of tangible fixed assets		
- owned by the group	**72,750**	69,500
Auditors' remuneration	**12,987**	8,800
Impairment of goodwill (note 8)	**2,058,290**	-

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	**2,173,259**	2,066,010
Social security costs	**194,947**	171,080
Other pension costs	**-**	14,462
	2,368,206	2,251,552

The average monthly number of employees, including the directors, during the year was as follows

	2011 No	2010 No
Care workers	**114**	99
Administration	**7**	5
	121	104

Notes to the financial statements

For the year ended 31 March 2011

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	**113,500**	149,670

6. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	**369,388**	407,370
On loan notes	**831,971**	718,664
	1,201,359	1,126,034

Notes to the financial statements

For the year ended 31 March 2011

7. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	-
Deferred tax (see note 14)		
Origination and reversal of timing differences	11,786	53,889
Tax on loss on ordinary activities	11,786	53,889

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011	As restated 2010
	£	£
Loss on ordinary activities before tax	(3,257,473)	(784,594)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	(912,092)	(219,686)
Effects of		
Expenses not deductible for tax purposes	-	6,212
Depreciation for year in excess of capital allowances	14,341	19,460
Unrelieved tax losses carried forward	897,751	194,014
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

The group has estimated losses of £6,844,150 (2010 restated £3,637,896) available for carry forward against future trading profits

A deferred tax asset in respect of the tax losses to carry forward against future profits of £1,916,362 (2010 restated £1,018,611) at the standard rate of UK corporation tax of 28% (2010 28%) has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable

Notes to the financial statements

For the year ended 31 March 2011

8. Intangible fixed assets

	Goodwill
Group	**£**
Cost	
At 1 April 2010 and 31 March 2011	**3,983,577**
Amortisation	
At 1 April 2010	**1,526,923**
Charge for the year	**398,364**
Impairment charge	**2,058,290**
At 31 March 2011	**3,983,577**
Net book value	
At 31 March 2011	-
At 31 March 2010	2,456,654

The directors have reviewed the carrying value of goodwill at the year end As a result of the challenging market in which the business operates, the directors consider that it is appropriate to recognise a provision for impairment at the year end The directors are confident that as profitability improves the impairment is likely to reverse

9. Tangible fixed assets

	Freehold property	Fixtures & fittings	Total
Group	**£**	**£**	**£**
Cost			
At 1 April 2010	**7,343,430**	**56,848**	**7,400,278**
Additions	**31,383**	**29,286**	**60,669**
At 31 March 2011	**7,374,813**	**86,134**	**7,460,947**
Depreciation			
At 1 April 2010	**276,070**	**55,029**	**331,099**
Charge for the year	**51,220**	**21,530**	**72,750**
At 31 March 2011	**327,290**	**76,559**	**403,849**
Net book value			
At 31 March 2011	**7,047,523**	**9,575**	**7,057,098**
At 31 March 2010	7,067,360	1,819	7,069,179

Included in freehold property is freehold land at cost of £2,085,148 (2010 - £2,085,148) which is not depreciated

Notes to the financial statements
For the year ended 31 March 2011

10. Fixed asset investments

	Investments in subsidiary companies
Company	**£**
Cost and net book value	
At 1 April 2010 and 31 March 2011	**1**

Details of the principal subsidiaries can be found under note number 26

11. Debtors

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Trade debtors	**149,077**	286,918	**-**	-
Amounts owed by group undertakings	**-**	-	**135,899**	135,899
Other debtors	**1,000**	-	**-**	-
Prepayments and accrued income	**37,622**	44,375	**-**	-
Deferred tax asset (see note 14)	**-**	11,786	**-**	-
	187,699	343,079	**135,899**	135,899

12. Creditors:
Amounts falling due within one year

	Group		Company	
		As restated		
	2011	2010	**2011**	2010
	£	£	**£**	£
Bank loans and overdrafts	**7,438,109**	324,900	**-**	-
Other loans	**1,732,784**	-	**-**	-
Trade creditors	**95,319**	77,804	**-**	-
Social security and other taxes	**54,777**	60,242	**-**	-
Accruals and deferred income	**1,609,464**	1,091,947	**-**	-
	10,930,453	1,554,893	**-**	-

Notes to the financial statements

For the year ended 31 March 2011

13. Creditors:
Amounts falling due after more than one year

	Group		Company	
		As restated		
	2011	2010	**2011**	2010
	£	£	**£**	£
Bank loans	**-**	7,227,489	**-**	-
Other loans	**3,502,690**	5,016,558	**-**	-
	3,502,690	12,244,047	**-**	-

Included within the above are amounts falling due as follows

	Group		Company	
		As restated		As restated
	2011	2010	**2011**	2010
	£	£	**£**	£
Between one and two years				
Bank loans	**-**	549,698	**-**	-
Other loans	**1,732,081**	1,672,186	**-**	-
Between two and five years				
Bank loans	**-**	1,078,432	**-**	-
Other loans	**1,770,609**	3,344,372	**-**	-
Over five years				
Bank loans	**-**	5,599,359	**-**	-

Notes to the financial statements

For the year ended 31 March 2011

13. Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
		As restated		
	2011	2010	**2011**	2010
	£	£	**£**	£
Repayable by instalments	-	5,599,359	-	-

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 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 group or any analogous event occurs anywhere, then the other stock shall be subordinate in right of payment to the bank loans

Bank loans

Bank loan of £3,674,798 (excluding costs of debt)
To be repaid in monthly capital and interest instalments of £31,417, with the final instalment falling due in 2016 Interest is charged at 4% above LIBOR

Bank loan of £3,737,604 (excluding costs of debt)
To be repaid in monthly capital and interest instalments of £43,917, with the final instalment falling due in 2017 Interest is charged at 4% above LIBOR

The bank loans have been disclosed as due within one year as the group had breached the covenants at the year end As referred to in the directors' report and note 1, the group has negotiated an 18 month capital repayment holiday

Other loans

One third of the capital is repayable in 2011, one third in 2012 and the remaining third of the capital in 2013 Interest of 10% per annum ia payable quarterly in arrears Further interest of 4% per annum is compounded annually from the date of issue of the loan notes and is payable on redemption Default interest at 4% per annum above the higher of the base rate and 10% is levied on overdue interest

Subsequent to the year end, Sovereign Capital Partners LLP have confirmed that it will not call any capital or interest payment from the company for a period of 12 months from the date of signing these financial statements

Notes to the financial statements

For the year ended 31 March 2011

14. Deferred taxation

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
At beginning of year	**11,786**	65,675	**-**	-
Profit and loss account movement	**(11,786)**	(53,889)	**-**	-
At end of year	**-**	11,786	**-**	-

The deferred taxation balance is made up as follows

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Accelerated capital allowances	**-**	11,786	**-**	-

15. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
90 Ordinary shares of £1 each	**90**	90
900 Preferred ordinary shares of £1 each	**900**	900
	990	990

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 dividends 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 be the only members entitled to vote at any such meeting

Notes to the financial statements

For the year ended 31 March 2011

16. Reserves

Group	Share premium account £	Profit and loss account £
At 1 April 2010 (as previously stated)	134,910	(3,836,458)
Prior year adjustment (note 17)		(218,208)
At 1 April 2010 (as restated)		(4,054,666)
Loss for the year	-	(3,269,259)
At 31 March 2011	134,910	(7,323,925)

Company	Share premium account £
At 1 April 2010 and 31 March 2011	134,910

17. Prior year adjustment

Default interest charged on the loan notes in the year ended 31 March 2010 was understated by £149,119 and by £69,089 in the year ended 31 March 2009

Notes to the financial statements

For the year ended 31 March 2011

18. Reconciliation of movement in deficit to equity shareholders' funds

	2011	2010
Group	**£**	£
Opening deficit to equity shareholders' funds	**(3,700,558)**	(3,011,194)
Prior year adjustments (note 17)	**(218,208)**	(69,089)
Opening deficit to equity shareholders' funds (as restated)	**(3,918,766)**	(3,080,283)
Loss for the year	**(3,269,259)**	(838,483)
Closing deficit to equity shareholders' funds	**(7,188,025)**	(3,918,766)

	2011	2010
Company	**£**	£
Equity shareholders' funds at 1 April 2010 and 31 March 2011	**135,900**	135,900

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The profit for the year dealt with in the accounts of the company was £NIL (2010 - £NIL)

19. Net cash flow from operating activities

	2011	2010
	£	£
Operating (loss)/profit	**(2,056,114)**	341,440
Impairment of goodwill	**2,058,290**	-
Amortisation of goodwill	**398,364**	398,358
Depreciation of tangible fixed assets	**72,750**	69,500
Decrease/(increase) in debtors	**143,594**	(165,063)
Increase/(decrease) in creditors	**8,828**	(170,422)
Amortisation of finance costs	**-**	50,148
Net cash inflow from operating activities	**625,712**	523,961

20. Analysis of cash flows for headings netted in cash flow statement

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest paid	**(459,560)**	(392,453)

Notes to the financial statements
For the year ended 31 March 2011

20. Analysis of cash flows for headings netted in cash flow statement (continued)

	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(60,669)	(109,201)

	2011 £	2010 £
Financing		
New bank loan	-	239,862
Repayment of bank loans	(97,667)	(215,874)
Net cash (outflow)/inflow from financing	(97,667)	23,988

21. Analysis of changes in net debt

	As restated 1 April 2010 £	Cash flow £	Other non-cash changes £	31 March 2011 £
Cash at bank and in hand	11,262	(10,941)	-	321
Bank overdraft	(192,139)	18,757	-	(173,382)
	(180,877)	7,816	-	(173,061)
Debt				
Debts due within one year	(132,761)	97,667	(8,962,417)	(8,997,511)
Debts falling due after more than one year	(12,244,047)	-	8,741,357	(3,502,690)
Net debt	(12,557,685)	105,483	(221,060)	(12,673,262)

Non cash transactions relate to interest accrued on the loan notes that is payable on redemption and amortisation of loan issue costs

22. Pension commitments

The pension cost charge represents contributions payable by the group into personal pension plans and amounted to £nil (2010 - £14,462)

Notes to the financial statements

For the year ended 31 March 2011

23. Operating lease commitments

At 31 March 2011 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	**2011**	2010
Group	**£**	£	**£**	£
Expiry date				
Within 1 year	**-**	11,500	**-**	-
Between 2 and 5 years	**52,560**	-	**-**	2,076

24. Related party transactions

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with other wholly owned group companies

25. Controlling party

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

26. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Cascade Care Holdings Limited	United Kingdom	100	Property and debt holding company
Cascade Care Limited	United Kingdom	100	Provision of care and accommodation to individuals with mental health disorders