Grant Thornton

Financial Statements
Cascade Care Group Limited

For the year ended 31 March 2012

Registered number: 05775330

Company Information

Directors	B Douglas (resigned 23 March 2012) V Hall (resigned 23 March 2012) D Burton (resigned 23 March 2012) S Hullin (appointed 23 March 2012) E Millard (appointed 23 March 2012) C Conway (appointed 23 March 2012) V Owen (appointed 23 March 2012)
Company number	05775330
Registered office	Staple Court 11 Staple Inn Buildings London WC1V 7QH
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT
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

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Cascade Care Group Limited

Directors' report
For the year ended 31 March 2012

The directors present their report and the financial statements for the year ended 31 March 2012

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, for the period since 1 April 2012

The group is financed by a combination of bank loans, overdrafts and loan stock Subsequent to the year end, the directors have agreed an eighteen month capital repayment holiday on the bank loans and a minimum of a twelve month capital and interest repayment holiday on the loan stock Consequently, capital repayments on the bank loans will not recommence until September 2014 at the earliest and repayments of capital and interest on the loan notes will not recommence before February 2014

The directors have prepared and sensitised detailed financial projections extending to March 2014 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 £2,385,562 (2011 loss £3,269,259) and is stated after charging an additional sum of £807,000 (2011 £Nil) for impairment following a review of the carrying value of the group's homes

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 2012

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

Going concern and 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 The maturity of borrowings is set out in note 13 to the financial statements Short term flexibility is achieved by overdraft facilities

The company has sufficient financial resources available and continues to generate cash The directors have prepared forecasts for the next 12 months to March 14 that indicate that these trends will continue The directors therefore have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements

Interest rate risk
The group's 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 and up to the date of signing the financial statements are as shown on page 1

Directors' report
For the year ended 31 March 2012

Directors' responsibilities statement

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

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

Statement of disclosure 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 each director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- each 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

This report was approved by the board on 12 February 2013 and signed on its behalf by

V.Owen

V Owen
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 2012, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 directors' responsibilities statement, 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 2012 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 Auditors
Birmingham

12 February 2013

Consolidated profit and loss account
For the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover	1,2	**3,251,671**	3,776,245
Cost of sales		**(2,012,507)**	(2,066,962)
Gross profit		**1,239,164**	1,709,283
Administrative expenses		**(1,512,518)**	(1,707,107)
Impairment of fixed assets		**(807,000)**	(2,058,290)
Total administrative expenses		**(2,319,518)**	(3,765,397)
Operating loss	3	**(1,080,354)**	(2,056,114)
Interest payable and similar charges	6	**(1,305,208)**	(1,201,359)
Loss on ordinary activities before taxation		**(2,385,562)**	(3,257,473)
Tax on loss on ordinary activities	7	**-**	(11,786)
Loss for the financial year	15	**(2,385,562)**	(3,269,259)

All amounts relate to continuing operations

There were no recognised gains and losses for the year ended 31 March 2012 other than those included in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

The notes on pages 10 to 23 form part of these financial statements

Consolidated balance sheet

As at 31 March 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Intangible assets	8		-		-
Tangible assets	9		**5,531,093**		7,057,098
			5,531,093		7,057,098
Current assets					
Debtors	11	**125,149**		187,699	
Cash in hand		**2,554**		321	
		127,703		188,020	
Creditors: amounts falling due within one year	12	**(758,929)**		(10,930,453)	
Net current liabilities			**(631,226)**		(10,742,433)
Total assets less current liabilities			**4,899,867**		(3,685,335)
Creditors: amounts falling due after more than one year	13		**(14,473,454)**		(3,502,690)
Net liabilities			**(9,573,587)**		(7,188,025)
Capital and reserves					
Called up share capital	14		**990**		990
Share premium account	15		**134,910**		134,910
Profit and loss account	15		**(9,709,487)**		(7,323,925)
Total deficit to equity shareholders' funds	16		**(9,573,587)**		(7,188,025)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 February 2013 by

V. Owen

V Owen
Director

The notes on pages 10 to 23 form part of these financial statements

Company balance sheet
As at 31 March 2012

	Note	2012 £	2011 £
Fixed assets			
Investments	10	**1**	1
Current assets			
Debtors	11	**-**	135,899
Net assets		**1**	135,900
Capital and Reserves			
Called up share capital	14	**990**	990
Share premium account	15	**134,910**	134,910
Profit and loss account	15	**(135,899)**	-
Total equity shareholders' funds	16	**1**	135,900

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 February 2013 by

V Owen

V Owen
Director

The notes on pages 10 to 23 form part of these financial statements

Consolidated cash flow statement

For the year ended 31 March 2012

	Note	2012 £	2011 £
Net cash flow from operating activities	17	**183,366**	625,712
Returns on investments and servicing of finance	18	**(187,041)**	(459,560)
Capital expenditure and financial investment	18	**515,314**	(60,669)
Cash inflow before financing		**511,639**	105,483
Financing	18	**(546,622)**	(97,667)
(Decrease)/increase in cash in the year		**(34,983)**	7,816

Reconciliation of net cash flow to movement in net debt

For the year ended 31 March 2012

	2012 £	2011 £
(Decrease)/increase in cash in the year	**(34,983)**	7,816
Cash outflow from decrease in debt and lease financing	**546,622**	97,667
Change in net debt resulting from cash flows	**511,639**	105,483
Other non-cash changes	**(2,519,875)**	(221,060)
Movement in net debt in the year	**(2,008,236)**	(115,577)
Opening net debt	**(12,673,262)**	(12,557,685)
Closing net debt	**(14,681,498)**	(12,673,262)

The notes on pages 10 to 23 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2012

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 the Companies Act 2006 and applicable accounting standards in the United Kingdom The particular accounting policies adopted have been applied consistently throughout the financial year and the prior financial year

The group is financed by a combination of bank loans, loan notes and overdraft Subsequent to the year end, the directors have agreed an eighteen month capital repayment holiday on the bank loans amounting to £6 7m at the year end The directors have also received confirmation from Sovereign Capital Partners LLP that amounts owing on their loan stock will not be called during the twelve month period after the date of signing the financial statements

The directors have prepared and sensitised detailed financial projections extending to March 2014 which illustrate that following the change in 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 and revenue recognition

Turnover represents the amounts receivable during the period for the provision of care and accommodation Revenue is recognised when earned on an even basis throughout the period of occupancy

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 less accumulated depreciation, net of 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

Notes to the financial statements
For the year ended 31 March 2012

1. Accounting policies (continued)

1.6 Investments

Investments in subsidiaries are stated at cost less provision for impairment

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities Shares containing such obligations are classified as financial liabilities

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of it liabilities Dividends and distributions relating to equity instruments are debited direct to equity

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1 10 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

Notes to the financial statements

For the year ended 31 March 2012

2. Turnover

All turnover arose within the United Kingdom

3. Operating loss

The operating loss is stated after charging

	2012	2011
	£	£
Amortisation of goodwill	-	398,364
Depreciation of tangible fixed assets		
- owned by the group	86,403	72,750
Auditors' remuneration	28,518	12,987
Impairment of goodwill (note 8)	-	2,058,290
Operating lease charge - land & buildings	53,141	43,526
Impairment of tangible fixed assets	807,000	-
Loss on disposal of tangible fixed assets	117,289	-

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012	2011
	£	£
Wages and salaries	2,200,069	2,173,259
Social security costs	195,011	194,947
	2,395,080	2,368,206

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

	2012	2011
	No.	No
Care workers	108	114
Administration	9	7
	117	121

Notes to the financial statements
For the year ended 31 March 2012

5. Directors' remuneration

	2012	2011
	£	£
Emoluments	**160,819**	113,500

6. Interest payable

	2012	2011
	£	£
On bank loans and overdrafts	**376,497**	369,388
On loan notes	**928,711**	831,971
	1,305,208	1,201,359

Notes to the financial statements

For the year ended 31 March 2012

7. Taxation

	2012	2011
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	-
Deferred tax		
Origination and reversal of timing differences	-	11,786
Tax on loss on ordinary activities	-	11,786

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 higher than) the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are explained below

	2012	2011
	£	£
Loss on ordinary activities before tax	**(2,385,562)**	(3,257,473)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	**(620,246)**	(912,092)
Effects of:		
Expenses not deductible for tax purposes	**270,758**	-
Depreciation for year in excess of capital allowances	**9,550**	14,341
Unrelieved tax losses carried forward	**339,938**	897,751
Current tax charge for the financial year (see note above)	-	-

Factors that may affect future tax charges

The standard rate of corporation tax in the United Kingdom was changed from 28% to 26% with effect from 1 April 2011

The group has estimated losses of £8,193,055 (2011 £6,844,150) 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 £1,966,333 (2011 £1,916,362) at the standard rate of UK corporation tax of 24% (2011 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 2012

8. Intangible fixed assets

	Goodwill
	£
Group	
Cost	
At 1 April 2011 and 31 March 2012	3,983,577
Amortisation	
At 1 April 2011 and 31 March 2012	3,983,577
Net Book Value	
At 31 March 2011 and 31 March 2012	-

As a result of the challenging market in which the business operates, the directors considered that it was appropriate to recognise a provision for impairment at 31 March 2011 The directors have reviewed the position again at 31 March 2012 and consider it appropriate to continue this level of provision

9. Tangible fixed assets

Group	Freehold property £	Fixtures & fittings £	Total £
Cost			
At 1 April 2011	7,374,813	86,134	7,460,947
Additions	22,832	26,031	48,863
Disposals	(720,995)	-	(720,995)
At 31 March 2012	6,676,650	112,165	6,788,815
Depreciation			
At 1 April 2011	327,290	76,559	403,849
Charge for the financial year	51,130	35,273	86,403
On disposals	(39,530)	-	(39,530)
Impairment charge	807,000	-	807,000
At 31 March 2012	1,145,890	111,832	1,257,722
Net book value			
At 31 March 2012	5,530,760	333	5,531,093
At 31 March 2011	7,047,523	9,575	7,057,098

Included in freehold property is freehold land at cost of £1,903,768 (2011 £2,085,148) which is not depreciated

Included above is an additional charge of £807,000 recognised in the year following a review of the carrying value of the group's homes

Notes to the financial statements

For the year ended 31 March 2012

10. Fixed asset investments

	Investments in subsidiary companies
Company	**£**
Cost and net book value	
At 1 April 2011 and 31 March 2012	**1**

Details of the principal subsidiaries can be found under note number 23

11. Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade debtors	**115,182**	149,077	**-**	-
Amounts owed by group undertakings	**-**	-	**-**	135,899
Other debtors	**-**	1,000	**-**	-
Prepayments and accrued income	**9,967**	37,622	**-**	-
	125,149	187,699	**-**	135,899

12. Creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Bank loans and overdrafts	**210,598**	7,438,109	**-**	-
Other loans	**-**	1,732,784	**-**	-
Trade creditors	**193,238**	95,319	**-**	-
Amounts owed to related companies	**16,638**	-	**-**	-
Social security and other taxes	**69,253**	54,777	**-**	-
Accruals and deferred income	**269,202**	1,609,464	**-**	-
	758,929	10,930,453	**-**	-

Notes to the financial statements
For the year ended 31 March 2012

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

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Bank loans	**6,726,889**	-	-	-
Other loans	**7,746,565**	3,502,690	-	-
	14,473,454	3,502,690	-	-

Included within the above are amounts falling due as follows

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Between one and two years				
Bank loans	**6,726,889**	-	-	-
Other loans	**7,746,565**	1,732,081	-	-
Between two and five years				
Other loans	-	1,770,609	-	-

Notes to the financial statements
For the year ended 31 March 2012

13. 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 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 or reorganisation, except a solvent reorganisation on terms previously approved by the holders of the loan stock, of the group or any analagous event occurs anywhere, then the other laon stock shall be subordinated in right of payment to the bank loans

Bank loans:
Bank loan of £3,623,648 (2011 £3,623,648) (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 charges at 4% above LIBOR

Bank loan of £3,144,465 (2011 £3,691,087) (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 charges at 4% above LIBOR

The bank loans were disclosed as due within one year at 31 March 2011 as the group had breached the covenants at that date Whilst management did not expect the debt to be recalled for payment as a consequence of the breach, the breach generated a default in terms of the bank debt making it technically repayable on demand As referred to in the directors' report and note 1, the group has negotiated an eighteen month capital repayment holiday with the result that capital repayments on the bank loans will not recommence until September 2014 at the earliest The bank loans have therefore been disclosed as due in more than one year at 31 March 2012

Other loans:
Two thirds of the capital was repayable before 31 March 2012 and the remaining one third of the capital in 2013 A capital and interest holiday was agreed in February 2012 for a period of twelve months Interest of 10% per annum is 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 base rate and 10% is levied on overdue interest Subsequent to year end, an additional capital and interest holiday was agreed for a minimum period of twelve months from February 2013

Notes to the financial statements

For the year ended 31 March 2012

14. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
9,000 (2011 9,000) Ordinary shares of £0 01 each	**90**	90
90,000 (2011 90,000) Preferred ordinary shares of £0 01 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 the ordinary shares shall receive, in priority to any other distribution, the sum of £0 01 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 preferred ordinary and 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

15. Reserves

	Share premium account	Profit and loss account
Group	**£**	**£**
At 1 April 2011	**134,910**	**(7,323,925)**
Loss for the financial year	**-**	**(2,385,562)**
At 31 March 2012	**134,910**	**(9,709,487)**

Notes to the financial statements
For the year ended 31 March 2012

15. Reserves (continued)

Company	Share premium account £	Profit and loss account £
At 1 April 2011	**134,910**	**-**
Loss for the year	**-**	**(135,899)**
At 31 March 2012	**134,910**	**(135,899)**

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

Group	2012 £	2011 £
Opening deficit to equity shareholders' funds	**(7,188,025)**	(3,700,558)
Prior year adjustment (see note below)		(218,208)
Opening deficit to equity shareholders' funds (as restated)		(3,918,766)
Loss for the financial year	**(2,385,562)**	(3,269,259)
Closing deficit to equity shareholders' funds	**(9,573,587)**	(7,188,025)

An adjustment was made at 31 March 2011 for default interest on the other loan stock which had been understated at 31 March 2010 by £149,119 and by £69,089 in the year ended 31 March 2009 The impact of this prior year adjustment was to reduce net assets at 31 March 2011 by £218,208

Company	2012 £	2011 £
Opening shareholders' funds	**135,900**	135,900
(Loss)/profit for the year	**(135,899)**	-
Closing shareholders' funds	**1**	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 loss for the year dealt with in the accounts of the company was £135,899 (2011 £Nil) in relation to a provision against an intercompany debtor balance

Notes to the financial statements

For the year ended 31 March 2012

17. Net Cashflow from operating activities

	2012	2011
	£	£
Operating loss	**(1,080,354)**	(2,056,114)
Impairment of goodwill	-	2,058,290
Amortisation of goodwill	-	398,364
Depreciation of tangible fixed assets	**86,403**	72,750
Impairment of tangible fixed assets	**807,000**	-
Loss on disposal of tangible fixed assets	**117,289**	-
Decrease in debtors	**62,550**	143,594
Increase in creditors	**190,478**	8,828
Net cash inflow from operating activities	**183,366**	625,712

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

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest paid	**(187,041)**	(459,560)

	2012	2011
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(48,863)**	(60,669)
Sale of tangible fixed assets	**564,177**	-
Net cash inflow/(outflow) from capital expenditure	**515,314**	(60,669)

	2012	2011
	£	£
Financing		
Repayment of bank loans	**(546,622)**	(97,667)

Notes to the financial statements

For the year ended 31 March 2012

19. Analysis of changes in net debt

	As restated 1 April 2011	Cash flow	Other non-cash changes	31 March 2012
	£	£	£	£
Cash at bank and in hand	321	2,233	-	2,554
Bank overdraft	(173,382)	(37,216)	-	(210,598)
	(173,061)	(34,983)	-	(208,044)
Debt:				
Debts due within one year	(8,997,511)	546,622	8,450,889	-
Debts falling due after more than one year	(3,502,690)	-	(10,970,764)	(14,473,454)
Net debt	(12,673,262)	511,639	(2,519,875)	(14,681,498)

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

20. Operating lease commitments

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

	Land and buildings		Other	
	2012	2011	2012	2011
Group	£	£	£	£
Expiry date:				
Within 1 year	6,400	-	-	-
Between 2 and 5 years	-	52,560	-	-

21. Related party transactions

The company has applied the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with group undertakings where the subsidiary is wholly owned by the group

Creditors include the following amounts due to companies with common directors and shareholders £6,333 (2011 £Nil) due to Tracscare Group Limited, £2,494 (2011 £Nil) due to Tracs Limited and £7,811 (2011 £Nil) due to Tracscare 2006 Limited

Management charges of £6,333 (2011 £Nil) were paid to Tracscare Group Limited

Notes to the financial statements

For the year ended 31 March 2012

22. Controlling party

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

23. 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