Grant Thornton

Financial Statements
Inclusion Care Group Limited

For the period ended 31 March 2013

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COMPANIES HOUSE

Registered number: 07604711

Company Information

Directors	J B Douglas J Irwin P Wilcox B Scandrett T Matthews P M Moss
Registered number	07604711
Registered office	1 - 2 Welland Court Brockeridge Park Twyning Tewkesbury Gloucestershire GL20 6DB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT

Inclusion Care Group Limited

Contents

Directors' report
For the period ended 31 March 2013

The directors present their report and the financial statements for the period ended 31 March 2013

Principal activities

The principal activity of the group is that of providing care services for individuals with learning difficulties and challenging behaviour

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

Business review

The group acquired 95% of the issued share capital of Inclusion Care Limited on 6 July 2011

The group's Investors In People Gold Standard award was successfully renewed in February 2013, maintaining its excellent reputation in the market for providing high quality care services Together with increased investment in training and client support, this helped to increase the number of clients receiving care by 37 5%

Routine inspection visits by the Care Quality Commission during the period all resulted in positive assessments

The directors feel that there is an opportunity for the business to continue this growth trend, and have increased the size of its operations and support teams to enable new clients to be received with maximum care and attention

The group has generated EBITDA of £1,293,635 (10 month period ended 30 April 2012 £1,041,365) in the 11 month period ended 31 March 2013

Key performance indicators	**11 month period ended 31 March 2013**	10 month period ended 30 April 2012
EBITDA	**1,293,635**	1,041,365

EBITDA = Operating profit excluding operating exceptional costs, interest, taxation, depreciation and amortisation

Results

The loss for the period, after taxation and minority interests, amounted to £823,201 (2012 loss £714,950)

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 continued provision of adequate government funding The group's main customers are local authorities who are under pressure to cut spending, which represents a risk to the business in terms of fees for new residents and inflationary increases on fees for existing users of the services In an increasingly competitive market, the strategy is to continue to focus on providing high quality services at fee levels which are competitive and represent good value

Directors' report
For the period ended 31 March 2013

The group operates in a highly regulated environment The quality of care provided by the group and its compliance with regulation are monitored in a structured manner and subject to continuous review by management

The group's current assets at the year end were £1,237,981 (2012 £1,056,402) however the balance sheet at 31 March 2013 indicates that the group's total liabilities exceeded its total assets The group has received assurance from the ultimate controlling party that it will advance further funds to meet any third party obligations should this be necessary

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 have adopted the going concern basis in preparing the financial statements

Financial instruments

The group uses various financial instruments, these include cash, finance leases, loan notes, bank loans 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 group to a number of financial risks, which are described in more detail below In order to manage the group's exposure to those risks, in particular the group's exposure to interest rate risk, the group enters into derivative transactions such as interest rate swaps

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken

The main risks arising from the group's financial instruments are cash flow interest rate risk and liquidity risk The directors review and agree policies for managing each of these risks and they are summarised below

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 funding is available to meet foreseeable needs The group policy throughout the period has been to ensure continuity of funding through loan notes and medium term bank loans and certain assets have been acquired under finance leases The maturity of borrowings is set out in note 13 to 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 Interest on the bank debt is at floating rates of which £3 million is subject to a hedging arrangement that caps the interest rate at 6% Interest on the loan notes is at a fixed rate of 14% per annum of which 10% is payable monthly in arrears and 4% is compounded with the principal for payment on redemption

Directors' report
For the period ended 31 March 2013

Directors

The directors who served during the period were

J B Douglas
J Irwin
P Wilcox
B Scandrett
T Matthews
K L Young (appointed 18 October 2012 & resigned 9 April 2013)
P M Moss (appointed 1 March 2013)

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,
- 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

Inclusion Care Group Limited

Directors' report

For the period ended 31 March 2013

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

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

P. M. Moss

P M Moss
Director

Date 31/7/13

Grant Thornton

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

We have audited the financial statements of Inclusion Care Group Limited for the period ended 31 March 2013, 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 group and 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 group and 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 group 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 (APB'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 of the parent company's affairs as at 31 March 2013 and of the group's loss for the period 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 period for which the financial statements are prepared is consistent with the financial statements

GrantThornton

Independent auditor's report to the members of Inclusion 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

Rebecca Eagle (senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham
Date 12 August 2013 .

Consolidated profit and loss account

For the period ended 31 March 2013

	Note	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Turnover	2		
Continuing operations		**4,474,617**	-
Acquisitions		**-**	3,465,394
		4,474,617	3,465,394
Cost of sales		**(2,090,880)**	(1,618,871)
Gross profit		**2,383,737**	1,846,523
Administrative expenses		**(1,803,339)**	(1,240,689)
Operating profit	3		
Continuing operations		**580,398**	-
Acquisitions		**-**	605,834
		580,398	605,834
Interest receivable and similar income		**30,121**	1,005
Interest payable and similar charges	6	**(1,323,979)**	(1,190,909)
Loss on ordinary activities before taxation		**(713,460)**	(584,070)
Tax on loss on ordinary activities	7	**(62,861)**	(99,408)
Loss on ordinary activities after taxation		**(776,321)**	(683,478)
Minority interests	18	**(46,880)**	(31,472)
Loss for the financial period	16	**(823,201)**	(714,950)

There were no recognised gains and losses for the period ended 31 March 2013 or the period ended 30 April 2012 other than those included in the profit and loss account

The notes on pages 11 to 25 form part of these financial statements

Inclusion Care Group Limited
Registered number 07604711

Consolidated balance sheet

As at 31 March 2013

	Note	£	31 March 2013 £	£	30 April 2012 £
Fixed assets					
Intangible assets	8		**8,169,596**		8,579,941
Tangible assets	9		**145,897**		123,171
			8,315,493		8,703,112
Current assets					
Debtors	11	**1,724,114**		1,635,538	
Cash at bank and in hand		**389,025**		488,672	
		2,113,139		2,124,210	
Creditors amounts falling due within one year	12	**(875,158)**		(1,067,808)	
Net current assets			**1,237,981**		1,056,402
Total assets less current liabilities			**9,553,474**		9,759,514
Creditors amounts falling due after more than one year	13		**(10,977,482)**		(10,416,016)
Provisions for liabilities					
Deferred tax	14		**(19,762)**		(10,947)
Net liabilities			**(1,443,770)**		(667,449)
Capital and reserves					
Called up share capital	15		**95**		95
Profit and loss account	16		**(1,538,151)**		(714,950)
Deficit to equity shareholders' funds	17		**(1,538,056)**		(714,855)
Minority interests	18		**94,286**		47,406
			(1,443,770)		(667,449)

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

P M Moss

P M Moss
Director
Date 31/7/13

The notes on pages 11 to 25 form part of these financial statements

Company balance sheet
As at 31 March 2013

	Note	£	31 March 2013 £	£	30 April 2012 £
Current assets					
Debtors	11	**6,077,413**		6,077,413	
Creditors: amounts falling due within one year	12	**(1,292,426)**		(750,334)	
Net current assets			**4,784,987**		5,327,079
Total assets less current liabilities			**4,784,987**		5,327,079
Creditors: amounts falling due after more than one year	13		**(6,773,288)**		(6,370,191)
Net liabilities			**(1,988,301)**		(1,043,112)
Capital and reserves					
Called up share capital	15		**95**		95
Profit and loss account	16		**(1,988,396)**		(1,043,207)
Deficit to equity shareholders' funds	17		**(1,988,301)**		(1,043,112)

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

P. M. Moss

P M Moss
Director
Date 31/7/13

The notes on pages 11 to 25 form part of these financial statements

Consolidated cash flow statement

For the period ended 31 March 2013

	Note	**11 month period ended 31 March 2013 £**	10 month period ended 30 April 2012 £
Net cash flow from operating activities	22	**939,686**	919,775
Returns on investments and servicing of finance	23	**(797,937)**	(734,524)
Taxation		**(189,765)**	(170,635)
Capital expenditure and financial investment	23	**(43,556)**	2,877,421
Acquisitions and disposals	23	**-**	(9,255,714)
Cash outflow before financing		**(91,572)**	(6,363,677)
Financing	23	**(8,075)**	6,767,766
(Decrease)/increase in cash in the period		**(99,647)**	404,089

Reconciliation of net cash flow to movement in net debt

For the period ended 31 March 2013

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
(Decrease)/increase in cash in the period	**(99,647)**	404,089
Cash outflow from decrease in debt and lease financing	**8,075**	(6,767,671)
Change in net debt resulting from cash flows	**(91,572)**	(6,363,582)
Finance leases acquired with subsidiary	**-**	(19,762)
Inception of finance leases	**(11,527)**	-
Net bank debt acquired with subsidiary	**-**	(3,424,021)
Amortisation of debt issue costs	**(231,703)**	(125,955)
Accrued loan note interest	**(329,763)**	-
Movement in net debt in the period	**(664,565)**	(9,933,320)
Opening net debt	**(9,933,320)**	-
Closing net debt	**(10,597,885)**	(9,933,320)

The notes on pages 11 to 25 form part of these financial statements

Notes to the financial statements
For the period ended 31 March 2013

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

1 2 Going concern
The group has received confirmation of continuing financial support from the ultimate controlling party, which confirms that it will provide sufficient funds for the group to meet its financial obligations for a period of at least twelve months from the date of approval of these financial statements

1 3 Basis of consolidation

The financial statements consolidate the accounts of Inclusion Care Group Limited and all of its subsidiary undertakings ('subsidiaries') The results of subsidiaries acquired are included from the effective date of acquisition

The entity has taken exemption from presenting its unconsolidated profit and loss account under section 408 of Companies Act 2006

1 4 Turnover
Turnover represents amounts receivable during the year for the provision of care and accommodation Where the amount received relates to a period which covers the balance sheet date, that amount is apportioned over the period to which it refers

1.5 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 20 years

1 6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery	-	25% on reducing balance
Fixtures & fittings	-	25% on reducing balance

1.7 Investments

Investments in subsidiaries are stated at cost less provision for impairment

Notes to the financial statements

For the period ended 31 March 2013

1. Accounting policies (continued)

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the group 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

1.9 Operating leases

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

1 10 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 11 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 assets to another entity, or to exchange financial assets or financial liabilities under potentially unfavorable 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

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

An equity instrument is any contract that evidences a residual interest in the asset of the group after deducting all of its liabilities Dividends and distributions relating to equity instruments are debited directly to reserves

Notes to the financial statements

For the period ended 31 March 2013

2. Turnover

All turnover arose within the United Kingdom

The whole of the turnover and loss before taxation is attributable to the group's principal activity

3. Operating profit

The operating profit is stated after charging

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Amortisation - intangible fixed assets	**410,345**	392,030
Depreciation of tangible fixed assets		
- owned by the group	**30,065**	35,379
- held under finance leases	**2,292**	8,122
Auditor's remuneration	**19,800**	17,500
Operating lease rentals		
- land and buildings	**401,124**	258,280
Loss on sale of fixed assets	**-**	19,876
Operating exceptional costs	**151,190**	-

The operating exceptional costs comprise costs that are not expected to recur and relate to the write off of old trade debtor and other debtor balances, professional fees and the settlement of an employee tribunal

Notes to the financial statements

For the period ended 31 March 2013

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Wages and salaries	**2,305,995**	1,721,463
Social security costs	**181,685**	125,992
	2,487,680	1,847,455

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

	11 month period ended 31 March 2013 No.	10 month period ended 30 April 2012 No
Care staff	**141**	106
Administration	**23**	18
	164	124

5. Directors' remuneration

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Emoluments	**132,000**	120,000

The highest paid director received remuneration of £82,500 (2012 £75,000)

Notes to the financial statements

For the period ended 31 March 2013

6. Interest payable and similar charges

	11 month period ended 31 March 2013	10 month period ended 30 April 2012
	£	£
On bank loans	222,749	88,414
On loan notes	868,841	976,540
On finance leases and hire purchase contracts	686	-
Amortisation of debt issue costs	231,703	125,955
	1,323,979	1,190,909

Notes to the financial statements
For the period ended 31 March 2013

7. Taxation

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on loss for the period	75,903	101,397
Adjustments in respect of prior periods	(21,857)	-
Total current tax	54,046	101,397
Deferred tax		
Origination and reversal of timing differences	9,271	(1,989)
Effect of increased tax rate on opening liability	(456)	-
Total deferred tax (see note 14)	8,815	(1,989)
Tax on loss on ordinary activities	62,861	99,408

Factors affecting tax charge for the period

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

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Loss on ordinary activities before tax	(713,460)	(584,070)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	(171,230)	(151,858)
Effects of:		
Expenses not deductible for tax purposes	256,807	253,255
Capital allowances for period in excess of depreciation	(9,674)	-
Adjustments to tax charge in respect of prior periods	(21,857)	-
Current tax charge for the period (see note above)	54,046	101,397

Notes to the financial statements

For the period ended 31 March 2013

8. Intangible fixed assets

	Goodwill
Group	**£**
Cost	
At 1 May 2012 and 31 March 2013	**8,971,971**
Amortisation	
At 1 May 2012	**392,030**
Charge for the period	**410,345**
At 31 March 2013	**802,375**
Net book value	
At 31 March 2013	**8,169,596**
At 30 April 2012	8,579,941

9. Tangible fixed assets

	Plant and machinery, fixtures and fittings
Group	**£**
Cost	
At 1 May 2012	**129,844**
Additions	**55,083**
At 31 March 2013	**184,927**
Depreciation	
At 1 May 2012	**6,673**
Charge for the period	**32,357**
At 31 March 2013	**39,030**
Net book value	
At 31 March 2013	**145,897**
At 30 April 2012	123 171

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	31 March 2013	30 April 2012
Group	**£**	£
Plant and machinery	**16,973**	30,142

Notes to the financial statements

For the period ended 31 March 2013

10. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Inclusion Care Holdings Limited	Ordinary	100%
Inclusion Care Limited	Ordinary *	95%

* = held indirectly

Inclusion Care Holdings Limited is an intermediate holding company and Inclusion Care Limited provides care services

The company's cost of investment in the share capital of Inclusion Care Holdings Limited at 1 May 2012 and 31 March 2013 is £0 01

11. Debtors

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
Trade debtors	**521,025**	652,433	**-**	-
Amounts owed by group undertakings	**-**	-	**5,480,241**	5,480,241
Other debtors	**1,089,298**	853,029	**597,172**	597,172
Prepayments and accrued income	**113,791**	130,076	**-**	-
	1,724,114	1,635,538	**6,077,413**	6,077,413

12. Creditors: Amounts falling due within one year

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
Net obligations under finance leases and hire purchase contracts	**9,428**	5,976	**-**	-
Trade creditors	**100,644**	109,003	**-**	-
Amounts owed to group undertakings	**-**	-	**1,020,513**	420,906
Corporation tax	**74,046**	209,765	**-**	-
Social security and other taxes	**53,447**	41,007	**-**	-
Other creditors	**227,839**	212,764	**-**	-
Accruals and deferred income	**409,754**	489,293	**271,913**	329,428
	875,158	1,067,808	**1,292,426**	750,334

Notes to the financial statements

For the period ended 31 March 2013

12. Creditors: Amounts falling due within one year (continued)

The finance leases are secured on the assets concerned

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

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
Bank loans	**4,204,194**	4,045,825	**-**	-
Loan notes	**6,773,288**	6,370,191	**6,773,288**	6,370,191
	10,977,482	10,416,016	**6,773,288**	6,370,191

Included within the above are amounts falling due as follows

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
Between two and five years				
Bank loans	**4,204,194**	4,045,825	**-**	-
Loan notes	**6,773,288**	6,370,191	**6,773,288**	6,370,191

Notes to the financial statements
For the period ended 31 March 2013

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

The bank loan comprises a loan of of £4 5 million from National Westminster Bank plc which is payable in full in December 2014 Interest is payable at 3 75% above LIBOR The loan is secured by a debenture over all assets of the group and is guaranteed by Sovereign Capital Partners LLP (see note 21) The bank loan is disclosed net of debt issue costs of £295,806 (2012 £454 175) of which £158,369 (2012 £59,288) has been amortised to the profit and loss account in the period ended 31 March 2013

The group has entered into a hedging agreement, such that the interest rate on £3 million of the bank borrowings is capped at 6%

Loan notes of £10,058,101 were issued in July 2011 to Sovereign Capital Partners LLP to fund the acquisition of Inclusion Care Limited The loan notes are repayable in July 2016, although £3,554,577 was repaid early in December 2011 The loan notes are subject to interest at 14% per annum of which 10% is payable monthly in arrears and 4% is compounded with the principal for payment on redemption Accrued interest at 31 March 2013 payable on redemption was £329,763 (2012 £nil) The loan notes are secured by fixed and floating charges over the assets of the group, subject to a composite guarantee and debenture dated 6 July 2011 The loan notes are disclosed net of debt issue costs of £259,999 (2012 £333,333) of which £73,334 (2012 £66,667) has been amortised to the profit and loss account in the period ended 31 March 2013

Unsecured loan notes of £100,000 each have been issued to J Irwin and P Wilcox The loan notes are repayable in full on the sale of the business and are subject to interest at 10% per annum

14. Deferred taxation

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
At beginning of period	**10,947**	-	-	-
Profit and loss account	**8,815**	(1,989)	-	-
On acquisition of subsidiary	-	12,936	-	-
At end of period	**19,762**	10,947	-	-

The provision for deferred taxation is made up as follows

	Group		Company	
	31 March 2013	30 April 2012	**31 March 2013**	30 April 2012
	£	£	**£**	£
Accelerated capital allowances	**19,762**	10,947	-	-

Notes to the financial statements
For the period ended 31 March 2013

15. Share capital

	31 March 2013 £	30 April 2012 £
Allotted, called up and fully paid		
2,000 Ordinary shares of £0 01 each	**20**	20
7,500 Ordinary A shares of £0 01 each	**75**	75
	95	95

The ordinary and ordinary A shares rank pari passu with the exception of voting rights during a default period The holders of the ordinary shares are not entitled to attend or vote at any general meeting of the company or be required to sign any written resolution during a default period A default period is defined in detail in the articles of association and includes an event of default on the loan stock or other borrowings

Subsequent to the year end on 22 May 2013 the company has redesignated 343 ordinary shares of £0 01 each as deferred shares of £0 01 each On 3 June 2013 the company redesignated 257 ordinary shares of £0 01 each as ordinary A shares of £0 01 each

Deferred shares may be redeemed at the option of the company at any time, are not entitled to dividends and have no voting rights

On a return of capital of the company on a liquidation, a sale or otherwise (other than on a redemption of shares) the surplus assets and retained profits of the company shall be applied in the following order
- first in paying the amounts paid up to the holders of the ordinary A shares and ordinary shares
- second in paying a total amount of £1 00 for the entire class of deferred shares
- lastly, the balance between the ordinary A shares and ordinary shares save that in the case of a sale the distribution is subject to the terms of an investor return threshold, as defined in the articles of association

16. Reserves

Group	**Profit and loss account £**
At 1 May 2012	**(714,950)**
Loss for the period	**(823,201)**
At 31 March 2013	**(1,538,151)**

Company	**Profit and loss account £**
At 1 May 2012	**(1,043,207)**
Loss for the period	**(945,189)**
At 31 March 2013	**(1,988,396)**

Notes to the financial statements

For the period ended 31 March 2013

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

Group	31 March 2013 £	30 April 2012 £
Opening deficit to equity shareholders' funds	**(714,855)**	-
Loss for the period	**(823,201)**	(714,950)
Shares issued during the period	**-**	95
Closing deficit to equity shareholders' funds	**(1,538,056)**	(714,855)

Company	31 March 2013 £	30 April 2012 £
Opening deficit to equity shareholders' funds	**(1,043,112)**	-
Loss for the period	**(945,189)**	(1,043,207)
Shares issued during the period	**-**	95
Closing deficit to equity shareholders' funds	**(1,988,301)**	(1,043,112)

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 period dealt with in the accounts of the company was £945,189 (2012 Loss £1,043,207)

18. Minority interests

Equity	£
At 1 May 2012	**47,406**
Proportion of profit after taxation for the period	**46,880**
At 31 March 2013	**94,286**

19. Operating lease commitments

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

	Land and buildings	
Group	31 March 2013 £	30 April 2012 £
Expiry date		
Within 1 year	**24,975**	5,850
Between 2 and 5 years	**237,570**	253,770

Notes to the financial statements

For the period ended 31 March 2013

20. Related party transactions

At 31 March 2013 trade creditors includes £nil (30 April 2012 £83,401) owed to Assisted Living Solutions Limited, a company of which B Scandrett, J B Douglas and P M Moss are directors and which is controlled by Sovereign Capital Partners LLP At 31 March 2013 the group was owed £231,022 (2012 £21,854) by Assisted Living Solutions Limited which is disclosed in other debtors During the period the group charged interest of £30,121 (2012 £nil) at a rate of 14% per annum on the amount owed to the group by Assisted Living Solutions Limited and charged a management fee of £80,000 (2012 £nil)

The group rents certain properties from Irwin & Wilcox Support Services Limited, a company of which J Irwin and P Wilcox are directors and shareholders, under operating leases with a 25 year term Rent of £311,222 (2012 £190,932) was charged to the group under the operating leases during the period At 31 March 2013, an amount of £17,984 (2012 due from £36,449) was due to Irwin & Wilcox Support Services Limited

The group owes £6,503,524 (2012 £6,503,524) in loan notes to Sovereign Capital Partners LLP Interest totalling £868,841 (2012 £960,156) has been charged on the loan notes of which £269,913 (2012 £332,645) is included in creditors due in less than one year and £329,763 (2012 £nil) is included in creditors due in more than one year at 31 March 2013 Fees charged by Sovereign Capital Partners LLP during the period totalled £nil (2012 £600,000), for services in relation to the acquisition of Inclusion Care Limited

The group owes £100,000 (2012 £100,000) in loan notes to each of J Irwin and P Wilcox Interest totalling £34,739 (2012 £16,384) has been accrued and is included in creditors at the year end

Included within other debtors as at 31 March 2013 and 30 April 2012 is £513,172 due from Select Living Properties Limited, a company controlled by Sovereign Capital Partners LLP

Included within other debtors as at 31 March 2013 and 30 April 2012 is £84,000 due from Assisted Living South West Limited, a company controlled by Sovereign Capital Partners LLP

At 31 March 2013 an amount of £1,020,513 (2012 £420,907) is owed to Inclusion Care Limited Transactions during the year relate the payment of loan note interest by Inclusion Care Limited on behalf of the company

The company has taken advantage of the exemption under FRS8 not to disclose transactions with other wholly owned group companies

21. Controlling party

The ultimate controlling party is Sovereign Capital Partners LLP

Notes to the financial statements

For the period ended 31 March 2013

22. Net cash flow from operating activities

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Operating profit	**580,398**	605,834
Amortisation of intangible fixed assets	**410,345**	392,030
Depreciation of tangible fixed assets	**32,357**	43,501
Loss on disposal of tangible fixed assets	**-**	19,876
Increase in debtors	**(88,576)**	(114,606)
Increase/(decrease) in creditors	**5,162**	(26,860)
Net cash inflow from operating activities	**939,686**	919,775

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

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Returns on investments and servicing of finance		
Interest received	**30,121**	1,005
Interest paid	**(827,372)**	(735,529)
Hire purchase interest	**(686)**	-
Net cash outflow from returns on investments and servicing of finance	**(797,937)**	(734,524)

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(43,556)**	(22,579)
Sale of tangible fixed assets	**-**	2,900,000
Net cash (outflow)/inflow from capital expenditure	**(43,556)**	2,877,421

Notes to the financial statements

For the period ended 31 March 2013

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

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Acquisitions and disposals		
Purchase of fixed asset investments	-	(9,207,249)
Cash acquired with subsidiary	-	84,583
Acquisition costs	-	(133,048)
Net cash from acquisitions and disposals	-	(9,255,714)

	11 month period ended 31 March 2013 £	10 month period ended 30 April 2012 £
Financing		
Issue of ordinary shares	-	95
New secured loans (net of debt issue costs)	-	3,986,537
Repayment of loans	-	(3,508,604)
Issue of loan notes (net of debt issue costs)	-	9,858,101
Repayment of loan notes	-	(3,554,577)
Repayment of finance leases	**(8,075)**	(13,786)
Net cash (outflow)/inflow from financing	**(8,075)**	6,767,766

24. Analysis of changes in net debt

	1 May 2012 £	Cash flow £	Other non-cash changes £	31 March 2013 £
Cash at bank and in hand	**488,672**	**(99,647)**	-	**389,025**
Debt				
Debts due within one year	**(5,976)**	**8,075**	**(11,527)**	**(9,428)**
Debts falling due after more than one year	**(10,416,016)**	-	**(561,466)**	**(10,977,482)**
Net debt	**(9,933,320)**	**(91,572)**	**(572,993)**	**(10,597,885)**