Registered number: 09052167

TRACSCARE HOLDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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TRACSCARE HOLDCO LIMITED

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TRACSCARE HOLDCO LIMITED

COMPANY INFORMATION

Directors	P J Battle L G Ganem F Nada A E Smith R Craner (appointed 20 July 2016) R O Hoenich (appointed 23 December 2016) C D E Cameron (resigned 8 September 2016) E J de Nor (resigned 4 May 2016) S J A Shea (resigned 23 December 2016)
Registered Number	09052167
Registered Office	Staple Court 11 Staple Inn Buildings London WC1V 7QH
Bankers	Barclays Bank plc 70, The Kingsway Swansea SA1 5JB
Solicitors	Goodwin Proctor (UK) LLP Tower 42 25 Old Broad Street London EC2N 1HQ
Independent Auditors	KPMG LLP Statutory Auditor One Snowhill Snow Hill Queensway Birmingham B4 6GH

TRACSCARE HOLDCO LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their Strategic Report for the Tracscare Holdco Limited group (the "Group") for the year ended 31 March 2017.

BUSINESS REVIEW

The company is the ultimate parent company of the Tracscare Group whose principle activity is the provision of support to vulnerable adults with Mental Health needs, Acquired Brain Injuries, Learning Disabilities or Autism.

The year ended 31 March 2017 was the first full financial year of trading since the Group acquired the entire share capital of Milton Park Holdings Limited and its subsidiaries (trading as 'Brookdale').

On 25 October 2016, the company acquired 100% of the share capital of three companies, trading as New Bridges, a specialist Residential service provider for individuals with Acquired Brain Injury, Complex Needs and Learning Disabilities. The financial statements include the trading results of New Bridges from 25 October 2016.

On 3 January 2017, the company acquired 100% of the share capital of four companies representing the Supported Living business of the Embrace Group, which provides Supported Living services for people in Merseyside, Cheshire, Swansea, Cornwall and the Isle of Wight. The financial statements include the trading results of the Supported Living acquisition from 3 January 2017.

In addition to the acquisitions, during the period the Group grew occupancy in its Residential business and hours of care provided through its Supported Living business which resulted in consolidated income of £57,302,000 and Earnings before interest, taxation, depreciation and amortisation ("EBITDA") before exceptionals of £11,518,000.

One new service was opened in Swansea during the period adding capacity of 7 and there are a number of further developments underway to increase shareholder value and provide growth. In addition, a programme of home refurbishments and investment in IT infrastructure has continued which will have long term benefits for the Group.

The Group continues to place importance on communication and developing its staff.

The Group's primary strategy is to focus on its four core areas of specialism; Mental Health, Acquired Brian Injury, Learning Disability and Autism in Therapeutic, Residential and Supported Living services. Progress towards this strategy is regularly reviewed by the directors.

GROUP STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The Group supports people with complex needs and challenging behaviour. The principal risk to the business is reputational damage. The Group has a strong reputation for the high quality of care it provides. This is underpinned by an excellent quality care culture and robust training, development and audit processes. The Group welcomes strong regulators.

The Group operates in a competitive market, with independent operators accounting for the large majority of specialist care provision. Whilst the Group enjoys preferred provider status with a small number of purchasing authorities, all of its business is on a 'spot purchase' basis from a broad geographical spread of purchasers. This provides the Group with some protection against a change in purchasing pattern by any one purchaser.

The Group is required to recruit and retain skilled care workers and registered nurses which, as comprehensively documented in the national media, continues to be a challenge for the sector. Staff turnover is monitored closely in this regard.

The Group is affected by recent and future changes in the National Living Wage and other employment related legislative changes such as the introduction of the Apprenticeship Levy. The business works closely with its purchasers to address these cost pressures through a combination of efficiency savings and funding increases.

FINANCIAL KEY PERFORMANCE INDICATORS

The main financial KPI is EBITDA before exceptionals. The Group's EBITDA before exceptionals for the period was £11,518,000 (2016: £10,682,000).

OTHER KEY PERFORMANCE INDICATORS

The directors believe the key to growing the business is occupancy and supported living hours. Occupancy and hours grew over the period, both on a like-for-like and inorganic basis.

This report was approved by the board on 26 July 2017 and signed on its behalf by:

P J Battle
Director

TRACSCARE HOLDCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and the audited financial statements of Tracscare Holdco Limited (the "Company") and the Tracscare Holdco Limited Group (the "Group") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the ownership of investments in subsidiary companies involved in the provision of care and support to people with complex needs and challenging behavior in therapeutic, residential and supported living services.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £15,522,000 (2016: £10,950,000).

The directors do not recommend the payment of a dividend for the year.

FUTURE DEVELOPMENTS

The Group continues to pursue further investment opportunities and related businesses, and seeks to extend its existing business.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 July 2017, £5,250,000 equity was raised through issue of Ordinary shares and Preference shares in order to fund further growth of the Group.

GOING CONCERN

The directors have considered the use of the going concern basis in the preparation of the financial statements. The Group has recorded a loss for the year and both the Group and the Company have net liabilities at 31 March 2017. The Group is financed by a combination of bank and other loans.

At 31 March 2017, the directors reviewed the performance of the Group against its facilities and have confirmed that the Group has met its loan covenants. Furthermore, the directors have reviewed the forecast cash flows and are satisfied that the Group will meet its loan covenant requirements for the foreseeable future and generate sufficient cash to pay its liabilities as they fall due, including financing cash flows. The directors' assessment of both forecast requirements and expected performance against loan covenants covers a period of at least 12 months from the date of this report.

TRACSCARE HOLDCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P J Battle
L G Ganem
F Nada
A E Smith
R Craner (appointed 20 July 2016)
R O Hoenich (appointed 23 December 2016)
C D E Cameron (resigned 8 September 2016)
E J de Nor (resigned 4 May 2016)
S J A Shea (resigned 23 December 2016)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Group purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors throughout the financial year.

FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to a number of financial risks including interest rate risk, credit risk and liquidity risk. It is not anticipated that these risks will materially increase in the next 12 months.

Interest rate risk

The Group is financed by a mixture of short-term and long-term bank loans and therefore is exposed to adverse movements in interest rates. A large proportion of the loans are held at fixed interest rates in order to reduce this exposure.

Credit risk

The Group's principal financial assets are cash at bank and in hand, trade and other debtors. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debtors. The group's exposure is limited as the majority of customers are Local Authorities or the NHS. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance from its banks and further investment from its shareholders.

TRACSCARE HOLDCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

EMPLOYEE INVOLVEMENT

It is Group policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial economic factors affecting the Group's performance, are consulted wherever necessary and are encouraged generally to be involved in the Group's overall performance.

DISABLED EMPLOYEES

It is established Group policy to offer the same opportunities to disabled people as to all others in matters of recruitment and career advancement, provided they have the abilities to perform the tasks required, with or without training, and to provide retraining where necessary in cases where disability occurs during employment with the Group.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 July 2017, £5,250,000 equity was raised through issue of Ordinary shares and Preference shares in order to fund further growth of the Group. At the same time, the available Capex/Acquisition Facility was increased by £16,500,000.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

TRACSCARE HOLDCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITORS

During the year, Pricewaterhouse Coopers LLP resigned as auditor and on 14 July 2017 KPMG LLP were appointed as auditor to fill the casual vacancy arising.

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

This report was approved by the board on 26 July 2017 and signed on its behalf by:

P J Battle
Director

KPMG

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Tracscare Holdco Limited

We have audited the financial statements of Tracscare Holdco Limited for the year ended 31 March 2017 set out on pages 11 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 set out on page 7, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

26 July 2017

TRACSCARE HOLDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Turnover	5	57,302	44,542
Cost of sales		(37,456)	(28,485)
Gross profit		19,846	16,057
Administrative expenses		(21,185)	(13,414)
Operating (loss)/profit	6	(1,339)	2,643
Analysed between:			
Earnings before interest, tax, depreciation, amortisation and exceptional expenses/income		11,518	10,682
Depreciation	15	(1,999)	(1,118)
Amortisation	14	(9,855)	(8,551)
Exceptional administrative (expenses)/income	12	(1,003)	1,630
Interest receivable and similar income		3	23
Interest payable and similar charges	10	(15,177)	(14,977)
Loss on ordinary activities before taxation		(16,513)	(12,311)
Tax on loss on ordinary activities	11	991	1,361
Loss for the financial year		(15,522)	(10,950)
Total comprehensive expense for the financial year		(15,522)	(10,950)
Loss for the financial year attributable to:			
Owners of the parent Company		(15,522)	(10,950)
		(15,522)	(10,950)
Total comprehensive expense for the financial year attributable to:			
Owners of the company		(15,522)	(10,950)
		(15,522)	(10,950)

TRACSCARE HOLDCO LIMITED
REGISTERED NUMBER: 09052167

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	14		66,720		65,309
Tangible assets	15		56,819		49,019
			123,539		114,328
Current assets					
Debtors	17	11,538		3,457	
Cash	18	2,587		3,495	
		14,125		6,952	
Creditors: amounts falling due within one year	19	(13,115)		(5,852)	
Net current assets			1,010		1,100
Total assets less current liabilities			124,549		115,428
Creditors: amount falling due after one year	20		(155,509)		(131,153)
Provisions for liabilities					
Deferred taxation	23	(3,471)		(3,404)	
Other provisions	24	(186)		-	
			(3,657)		(3,404)
Net liabilities			(34,617)		(19,129)
Capital and reserves					
Called up share capital	25		33		33
Share premium accounts	26		806		772
Profit and loss account	26		(35,456)		(19,934)
Total shareholders defecit			(34,617)		(19,129)

The financial statements on pages 11 to 49 were approved and authorised for issue by the board and were signed on its behalf on 26/07/2017 by:

R Craner
Director

The notes on pages 17 to 49 form part of these financial statements.

TRACSCARE HOLDCO LIMITED
REGISTERED NUMBER: 09052167

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	16		22,085		19,785
Current assets					
Debtors	17	7,254		4,955	
		7,254		4,955	
Creditors: amounts falling due within one year	19	(7,230)		(4,930)	
Net current assets			24		25
Total assets less current liabilities			22,109		19,810
Creditors: amount falling due after one year	20		(27,820)		(22,677)
Net liabilities			(5,711)		(2,867)
Capital and reserves					
Called up share capital	25		33		33
Share premium accounts	26		806		772
Profit and loss account	26		(6,550)		(3,672)
Total shareholders deficit			(5,711)		(2,867)

The financial statements on pages 11 to 49 were approved and authorised for issue by the board and were signed on its behalf on 26/07/2017 by:

R Craner
Director

The notes on pages 17 to 49 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' surplus/ (deficit) £000
At 1 April 2016	33	772	(19,934)	(19,129)
Contributions by and distributions to owners				
Issue of ordinary shares	-	34	-	34
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(15,522)	(15,522)
At 31 March 2017	33	806	(35,456)	(34,617)

FOR THE YEAR ENDED 31 MARCH 2016

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' surplus/ (deficit) £000
At 1 April 2015	31	619	(8,984)	(8,334)
Contributions by and distributions to owners				
Issue of ordinary shares	2	153	-	155
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(10,950)	(10,950)
At 31 March 2016	33	772	(19,934)	(19,129)

TRACSCARE HOLDCO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' surplus/ (deficit) £000
At 1 April 2016	33	772	(3,672)	(2,867)
Contributions by and distributions to owners				
Issue of ordinary shares	-	34	-	34
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(2,878)	(2,878)
At 31 March 2017	33	806	(6,550)	(5,711)

FOR THE YEAR ENDED 31 MARCH 2016

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' surplus/ (deficit) £000
At 1 April 2015	31	619	(1,379)	(729)
Contributions by and distributions to owners				
Issue of ordinary shares	2	153	-	155
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(2,293)	(2,293)
At 31 March 2016	33	772	(3,672)	(2,867)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		£000	£000
Cash flows from operating activities			
Loss for the financial year		**(15,522)**	(10,950)
Adjustments for:			
Amortisation of intangible assets	14	**9,855**	8,551
Depreciation of tangible assets	15	**1,999**	1,118
Loss/(profit) on disposal of tangible assets	6	**9**	(3,049)
Interest payable	10	**15,177**	14,977
Interest receivable		**(3)**	(23)
Taxation credit		**(991)**	(1,361)
(Increase)/Reduction in debtors		**(6,828)**	1,563
Increase/(Reduction) in creditors		**5,315**	(1,157)
Reduction in provisions		**-**	(366)
Corporation tax received		**245**	293
Net cash generated from operating activities		**9,256**	9,596
Cash flows from investing activities			
Purchase of tangible fixed assets		**(5,417)**	(3,136)
Sale of tangible fixed assets		**250**	7,104
Acquisition of subsidiaries, net of cash acquired		**(13,998)**	(44,227)
Interest received		**3**	23
Net cash used in investing activities		**(19,162)**	(40,236)
Cash flows from financing activities			
Issue of ordinary shares	25	**34**	155
New bank loans		**13,132**	71,326
Repayment of bank loans		**-**	(47,131)
New loan notes		**-**	8,585
Shares treated as debt – issued	25	**2,266**	4,776
Interest paid		**(6,434)**	(5,056)
Net cash from financing activities		**8,998**	32,655
Net (decrease)/increase in cash and cash equivalents		**(908)**	2,015
Cash and cash equivalents at beginning of year		**3,495**	1,480
Cash and cash equivalents at end of year		**2,587**	3,495
Cash and cash equivalents at end of the year comprise:			
Cash at bank and in hand		**2,587**	3,495

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

Tracscare Holdco Limited (the "Company") and its subsidiaries (together the "Group") provide care and support to people with complex needs and challenging behaviour in residential and supported living services.

The Company is a private company incorporated in England, domiciled and registered in the United Kingdom. The registered number is 09052167 and the address of its registered office is: Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

2. STATEMENT OF COMPLIANCE

These consolidated and separate financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

3. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently throughout the year:

3.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention (excluding business combinations and derivative financial instruments which are measured at fair value) and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 4).

The parent company is included in the consolidated financial statements and is a qualifying entity under FRS102 paragraphs 1.8 to 1.12. The following exemptions available under FRS102 in respect of certain disclosures for the parent company financial statements have been applied:

3. ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of financial statements (continued)

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key management personnel compensation has not been included a second time;
- Certain disclosures required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The financial statements have been prepared on the going concern basis, under the historical cost convention

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3.2 Related party transactions

The company has taken advantage of the exemption, under FRS 102 paragraph 33.2, from disclosing transactions with members of the same group that are wholly owned.

3.3 Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements. The Group has recorded a loss for the year and both the Group and the Company have net liabilities at 31 March 2017. The Group is financed by a combination of bank and other loans.

At 31 March 2017, the directors reviewed the performance of the Group against its facilities and have confirmed that the Group has met its loan covenants. Furthermore, the directors have reviewed the forecast cash flows and are satisfied that the Group will meet its loan covenant requirements for the foreseeable future and generate sufficient cash to pay its liabilities as they fall due, including financing cash flows. The directors' assessment of both forecast requirements and expected performance against loan covenants covers a period of at least 12 months from the date of this report.

4. ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation

The consolidated financial statements present the results of Company and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

3.5 Revenue

Revenue comprises the fair value of fee income receivable for the year in respect of care that has been provided in the relevant period. Revenue invoiced in advance is held in deferred income until the service has been provided whilst revenue billed in arrears is included in accrued income.

3.6 Intangible assets

Goodwill
Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life of 10 years.

Other intangible assets
Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The useful economic life of customer relationships have been estimated to be between 3 and 7 years and brands have estimated to be between 1 and 3 years.

3. ACCOUNTING POLICIES (continued)

3.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

3.8 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line on cost of buildings
Leasehold property	- over the term of the lease
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Office equipment	- 25% straight line

3. ACCOUNTING POLICIES (continued)

3.8 Tangible assets (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit/loss in the Consolidated Profit and Loss Account.

3.9 Operating leases

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

3.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

3.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

3. ACCOUNTING POLICIES (continued)

3.13 Financial instruments

The Group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

3. ACCOUNTING POLICIES (continued)

3.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.15 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.16 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the company to deliver cash or other financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the company; and
- Where the instruments will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

3. **ACCOUNTING POLICIES (continued)**

3.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

3.18 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

3.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

4. ACCOUNTING POLICIES (continued)

3.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. ACCOUNTING POLICIES (continued)

3.22 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

3. ACCOUNTING POLICIES (continued)

3.23 Impairment excluding deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets are reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, which are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis with revisions to accounting estimates being recognised in the period in which the estimate is revised, where that revision affects only the current or future accounting periods.

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the financial statements:

Initial recognition and useful economic life of intangible assets
The directors have assessed each acquisition to identify the intangible assets that were acquired in each transaction that qualify for separate recognition. Accordingly, two main classes of intangibles have been recognised being customer relationships and brand names.

The valuation method used to value customer relationships is the Multi-Period Excess Earnings method. Customer relationships are amortised over their useful economic life, which has been assessed as between 3 and 7 years.

The valuation method used to value brand names is the Relief-From-Royalty method. Brand names are amortised over their useful economic life, which has been assessed as between 1 and 3 years.

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Carrying value of goodwill
Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated. The value in use calculation made as part of this requires the entity to estimate the future cash flows expected to arise from the cash generating units and the application of a discount rate to calculate the present value.

Carrying value of property plant and equipment
Determining whether property plant and equipment is impaired requires an estimation of the value in use and, if required, estimation of the fair value less costs of disposal. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the property plant and equipment and the application of a discount rate to calculate the present value.

5. TURNOVER

The analysis of turnover is as follows:

	2017 £000	2016 £000
Residential services	40,191	34,424
Therapeutic services	12,436	8,631
Supported living	4,675	1,487
	57,302	44,542

All turnover arose within the United Kingdom.

6. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after (crediting)/charging:

	2017 £000	2016 £000
Amortisation of intangible assets, including goodwill	9,855	8,551
Depreciation of fixed assets	1,999	1,118
Impairment of trade debtors	-	20
Operating lease rentals	748	472
Loss/(Profit) on sale of fixed assets (included within exceptional items)	9	(3,049)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. AUDITORS REMUNERATION

	2017 £000	2016 £000
Fees payable to the Groups' auditors for the audit of the Group's annual financial statements	**9**	9
Fees payable to the Groups' auditors in respect of:		
The auditing of financial statements of subsidiaries of the Group	**90**	61
Other services relating to taxation	**50**	100
All other services	**-**	13
	149	183

8. EMPLOYEES

Staff costs including directors' remuneration were as follows:

	2017 £000	2016 £000
Wages and salaries	**32,469**	23,741
Social security costs	**2,532**	1,845
Other pension costs	**247**	153
	35,248	25,739

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

	2017	2016
Administration and management	**148**	135
Care providers	**1,656**	1,332
	1,804	1,467

9. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Aggregate directors' emoluments	**531**	414
Compensation for loss of office	**30**	-
Company contributions to defined contribution pension schemes	**40**	24
	601	438

During the year retirement benefits were accruing to 3 directors (2016: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £167,000 (2016: £163,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £22,000 (2016: £17,000).

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Interest on bank loans	**6,009**	4,688
Interest on loan notes	**5,167**	4,353
Amortisation of debt issue costs	**796**	3,158
Preference share dividends	**2,877**	2,293
Movement on interest rate swap	**-**	(45)
Other interest and similar charges payable	**328**	530
	15,177	14,977

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. TAX ON LOSS ON ORDINARY ACTIVITIES

	2017 £000	2016 £000
Corporation tax		
Tax charge	-	-
Adjustments in respect of previous periods	(3)	(220)
Total corporation tax	(3)	(220)
Deferred tax		
Origination and reversal of timing differences	(913)	(628)
Changes to tax rates	(69)	(379)
Adjustments in respect of previous periods	(6)	(134)
Total deferred tax	(988)	(1,141)
Tax on loss on ordinary activities	(991)	(1,361)

Factors affecting tax credit for the year
The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Loss on ordinary activities before tax	(16,513)	(12,311)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	(3,303)	(2,462)
Effects of:		
Expenses not deductible for tax purposes	2,011	1,893
Utilisation of tax losses	-	(266)
Adjustment to tax charge in respect of prior periods	(9)	(354)
Non-taxable income	-	(1,148)
Capital gains	-	144
Deferred taxation not recognised	379	1,211
Change in tax rates	(69)	(379)
Total tax credit for the year	(991)	(1,361)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The UK deferred tax liability at 31 March 2017 has been calculated based on those rates.

12. EXCEPTIONAL ITEMS

	2017	2016
	£000	£000
Costs relating to restructuring	**994**	1,419
Loss/(profit) on sale of properties	**9**	(3,049)
	1,003	(1,630)

Restructuring costs relate to the integration of acquired businesses and the relocation of the head office.

Profit on sale of properties in the prior year relates to the disposal of the properties of the Cascade section of the group. The results for Cascade were not disclosed as discontinued operations in 2016 as they were not material to the Group results.

13. PARENT COMPANY PROFIT FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £2,878,000 (2016: loss of £2,293,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

14. INTANGIBLE ASSETS

Group

	Customer relationships £000	Brand name £000	Goodwill £000	Total £000
Cost				
At 1 April 2016	23,009	810	55,073	78,892
On acquisition of subsidiaries	3,870	23	7,373	11,266
At 31 March 2017	26,879	833	62,446	90,158
Accumulated amortisation				
At 1 April 2016	5,309	433	7,841	13,583
Charge for the year	3,808	320	5,727	9,855
At 31 March 2017	9,117	753	13,568	23,438
Net book value				
At 31 March 2017	17,762	80	48,878	66,720
At 31 March 2016	17,700	377	47,232	65,309

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15. TANGIBLE ASSETS

Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment and fixtures and fittings £000	Total £000
Cost						
At 1 April 2016	46,245	1,094	838	587	1,804	50,568
Additions	3,491	79	974	199	683	5,426
On acquisition of subsidiaries	4,127	-	256	22	227	4,632
Disposals	(236)	-	-	(51)	-	(287)
At 31 March 2017	53,627	1,173	2,068	757	2,714	60,339
Accumulated depreciation						
At 1 April 2016	835	80	169	110	355	1,549
Charge for the year	651	78	390	291	589	1,999
Eliminated on disposal	(2)	-	-	(26)	-	(28)
At 31 March 2017	1,484	158	559	375	944	3,520
Net book value						
At 31 March 2017	52,143	1,015	1,509	382	1,770	56,819
At 31 March 2016	45,410	1,014	669	477	1,449	49,019

16. INVESTMENTS

Subsidiary undertakings

The following were subsidiary undertakings of the company whose registered office address is Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH:

Name	Country of incorporation	Class of shares	Holding	Principal Activity
Tracscare Interco Limited	United Kingdom	Ordinary	100%	Holding company
Tracscare Midco Limited	United Kingdom	Ordinary	100%	Holding company
Tracscare Bidco Limited	United Kingdom	Ordinary	100%	Holding company
Tracscare Group Limited	United Kingdom	Ordinary	100%	Holding company
Tracs Limited	United Kingdom	Ordinary	100%	Care provider
Tracscare 2005 Limited	United Kingdom	Ordinary	100%	Dormant
Tracscare 2006 Group Limited	United Kingdom	Ordinary	100%	Dormant
Tracscare 2006 Holdings Limited	United Kingdom	Ordinary	100%	Dormant
Tracscare 2006 Limited	United Kingdom	Ordinary	100%	Dormant
Tracscare 2007 Holdings Limited	United Kingdom	Ordinary	100%	Dormant
Tracscare 2007 Limited	United Kingdom	Ordinary	100%	Dormant
Cascade Care Group Limited	United Kingdom	Ordinary	100%	Dormant
Cascade Care Holdings Limited	United Kingdom	Ordinary	100%	Dormant
Cascade Care Limited	United Kingdom	Ordinary	100%	Dormant
CVS Homes Limited	United Kingdom	Ordinary	100%	Dormant
Milton Park Holdings Limited	Channel islands	Ordinary	100%	Holding company
Brookdale Employee Limited	United Kingdom	Ordinary	100%	Care provider
Moville Holdings Limited	Channel islands	Ordinary	100%	Holding company
Signia Estates Limited	United Kingdom	Ordinary	100%	Dormant
Kemble Holdings Limited	Channel islands	Ordinary	100%	Holding company
Brookdale Healthcare Limited	United Kingdom	Ordinary	100%	Care provider
Milton Care Partnership	United Kingdom	Ordinary	100%	Care provider
Kemble Care Partnership	United Kingdom	Ordinary	100%	Care provider
Brookdale Care Partnership	United Kingdom	Ordinary	100%	Care provider
New Bridges Care Limited	United Kingdom	Ordinary	100%	Care provider
New Bridges Residential Care Limited	United Kingdom	Ordinary	100%	Care provider
New Bridges Specialist Care Limited	United Kingdom	Ordinary	100%	Care provider
Tracscare Wellcare Lifestyles Ltd	United Kingdom	Ordinary	100%	Care provider
Tracscare (Eilat) Limited	United Kingdom	Ordinary	100%	Care provider
Tracscare Lifestyles (South West) Limited	United Kingdom	Ordinary	100%	Care provider
Tracscare Cymru Lifestyles South Ltd	United Kingdom	Ordinary	100%	Care provider

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. INVESTMENTS (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2016	**19,785**
Additions	**2,300**
At 31 March 2017	**22,085**
Net book value	
At 31 March 2017	**22,085**
At 31 March 2016	19,785

The directors consider the value of the investments to be supported by their underlying net assets.

17. DEBTORS

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade debtors	**7,869**	1,338	**-**	-
Amounts owed by group undertakings	**-**	-	**7,254**	4,955
Corporaton tax repayable	**-**	292	**-**	-
Other debtors	**2,352**	1,272	**-**	-
Prepayments and accrued income	**1,317**	555	**-**	-
	11,538	3,457	**7,254**	4,955

Amounts owed by group undertakings are unsecured, interest free and carry no fixed terms of repayment.

Trade debtors are stated after provisions for impairment of £712,000 (2016: £81,000).

18. CASH AT BANK AND IN HAND

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	**2,587**	3,495	-	-

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans and overdrafts	-	-	-	-
Trade creditors	**1,884**	627	-	-
Amounts owed to group undertakings	-	-	**7,230**	4,930
Other taxation and social security	**712**	741	-	-
Other creditors	**1,063**	520	-	-
Accruals and deferred income	**8,479**	3,009	-	-
Corporation tax payable	**977**	955	-	-
	13,115	5,852	**7,230**	4,930

Details of the bank loans are provided in note 21.

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

20. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans	**79,804**	65,832	**-**	-
Other loans	**47,885**	42,644	**-**	-
Other creditors	**6,549**	3,672	**6,549**	3,672
Share capital treated as debt	**21**	18	**21**	18
Share premium treated debt	**21,250**	18,987	**21,250**	18,987
	155,509	131,153	**27,820**	22,677

Disclosure of the terms and conditions attached to the non-equity shares is made in note 25.

21. LOANS

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Amounts falling due after five years				
Bank loans	**79,804**	65,832	**-**	-
Other loans	**47,885**	42,644	**-**	-
	127,689	108,476	**-**	-

21. LOANS (continued)

Bank loans

The Group bank debt is comprised of a Unitranche Loan, a Capex/Acquisition Facility and a Revolving Credit Facility.

The Unitranche loan is for £70,000,000, carries an interest rate of 7.25% plus LIBOR and is fully repayable in April 2022.

The Capex/Acquisition Facility is for £15,000,000, of which £13,577,000 was drawn down during the year to fund developments and acquisitions. The Facility carries interest of 7.25% plus LIBOR.

The Revolving Credit Facility is for £3,000,000 and was not utilized during the year. The Facility carries interest of 3.15% plus LIBOR.

All the facilities are secured against the properties held by the group, with a floating charge over the other assets of the group.

A total of £5,001,000 (2016: £4,674,000) bank debt arrangement fees have been offset against the liabilities above.

Other loans

The Group has in place A loan notes and B loan notes. £26,975,748 of unsecured A loan notes were issued at a par value of £1 per note on 6 June 2014 and a further £8,020,391 were issued at a value of £9,069,717 on 7 July 2015. Interest of 12% per annum is accrued on the notes and is compounded annually, of which £13,173,624 has been accrued and included in the above liability as at 31 March 2017. The loan notes are redeemable at par values plus accrued interest on the 8th anniversary of their issue.

£40,420 of unsecured B loan notes were issued at a par value of £1 per note on 28 November 2014. Interest of 12% per annum is accrued on the notes and is compounded annually, of which £14,038 has been accrued and included in the above liability at 31 March 2017. The loan notes are redeemable at par value plus accrued interest on the 8th anniversary of their issue.

A total of £483,381 (2016: £483,381) loan note arrangement fees relating to the A and B loan notes have been offset against the liabilities above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

22. FINANCIAL INSTRUMENTS

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial assets				
Financial assets measured at amortised cost	**2,587**	3,495	-	-
Financial assets measured at cost less impairment	**11,538**	2,769	**7,254**	4,955
	10,834	6,265	**7,254**	4,955
Financial liabilities				
Financial liabilities measured at amortised cost	**(164,148)**	(136,677)	**(35,050)**	(27,607)
	(164,148)	(136,677)	**(35,050)**	(27,607)

Financial assets measured at amortised cost comprise of cash balances.

Financial assets measured at cost less impairment comprise of trade debtors, other debtors, accrued income and amounts due from group companies (Company only).

Financial Liabilities measured at amortised cost comprise of bank loans, other loans, trade creditors, other creditors, accruals, share capital treated as debt, share premium treated as debt and amounts owed to group companies (Company only).

23. DEFERRED TAXATION

	Group £000
At 1 April 2016	**3,404**
Charged/(credited) to profit or loss	**(988)**
Arising on business combinations	**1,055**
At 31 March 2017	**3,471**

23. DEFERRED TAXATION (continued)

The provision for deferred tax is made up as follows:

	Group 2017 £000	Group 2016 £000
Accelerated capital allowances	399	236
Tax losses carried forward	-	(76)
Business combinations	3,072	3,249
Other timing differences	-	(5)
	3,471	3,404

In addition to the deferred tax balance above, the Group has additional unrecognised gross tax losses of £4,342,000 (2016: £4,141,000).

24. PROVISIONS

Group

	Dilapidation provision £000
At 1 April 2016	-
On acquisitions	186
Charge in year	-
At 31 March 2017	186

The dilapidation provision is to make good any alternations and condition of leasehold properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

25. CALLED UP SHARE CAPITAL

	2017	2016
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
703,799 (2016: 674,167) A ordinary shares of £0.01 each	7	7
5,246 (2016: 779) B ordinary shares of £0.01 each	-	-
130,000 (2016: 130,000) C ordinary shares of £0.20 each	26	26
	33	33

	Group 2017	Group 2016
Shared classified as debt	£000	£000
20,718,023 (2016: 18,452,122) Preference shares of £0.001 each	21	18

On 18 November 2016, a further 2,265,901 12% cumulative redeemable preference shares of £0.001 each were issued for consideration of £2,265,901.

On 18 November 2016, a further 29,632 A Ordinary shares at a par value of £0.01 were issued for consideration of £29,632.

On 18 November 2016, a further 4,467 B Ordinary shares at a par value of £0.01 were issued for consideration of £4,467.

Share rights

Voting
The A ordinary shareholders as a class shall have the number of votes that would entitle the A ordinary shareholders to exercise all the voting rights of the company less the proportion off the aggregate voting rights exercisable by each of the C ordinary shareholders. Notwithstanding this, the A ordinary shareholders' voting rights shall not amount to less than 75% of the aggregate voting rights.

Each C ordinary shareholder shall have 5% of the aggregate voting rights of the company.

The B ordinary shareholders and preference shareholders are not entitled to vote.

25. CALLED UP SHARE CAPITAL (continued)

Dividend

The Company will, without any resolution of the directors or of the shareholders being required, and before the application of any profits to reserves or for any other purpose, accrue to the preference shareholders the preference share dividend. The preference share dividend will be rolled-up in arrears on each 12 month anniversary of the adoption date.

The Company may determine to distribute all or part of the balance of the profits in respect of any financial year after the accrual of the preference share dividend amongst the equity shareholders equally as if the equity shares constituted one class of shares according to the number of equity shares held by them respectively.

26. RESERVES

Share premium account

The share premium account represents amounts received on the issue of share capital in excess of the nominal value of share capital, less any costs incurred as a result of the issue.

Profit and loss account

The profit and loss account represents the cumulative profits and losses of the Group less any distributions made to the owners of the Group.

27. BUSINESS COMBINATIONS

a) 2017 acquisitions

Acquisition of New Bridges

On 25 October 2016, the Group acquired New Bridges Residential Care Limited, New Bridges Care Limited and New Bridges Specialist Care Limited which trade as "New Bridges." The provisional fair values of assets and liabilities acquired were as follows:

	Book value £000	Acquisition adjustment £000	Recognised value on acquisition £000
Tangible	6,734	(2,799)	3,935
Cash at bank and in hand	233	-	233
Other assets/(liabilities)	(435)	(181)	(616)
Deferred tax on differences between fair value and tax value	-	(179)	(179)
Fair value of net assets	6,532	(3,159)	3,373
Goodwill	-	2,762	2,762
Customer relationships	-	980	980
Brand name	-	23	23
Total purchase consideration	6,532	606	7,138
Purchase consideration settled in cash	7,289	-	7,289
Cash and cash equivalents acquired	(233)	-	(233)
Transaction costs	82	-	82
Cash outflow on acquisition	7,138	-	7,138

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments include a write down of property (£2,799,000), provision against doubtful debtors, litigations and claims and other unrecorded liabilities (£181,000).

Under FRS102 separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to customer relationships of £975,000 and brand name assets of £23,000.

27. BUSINESS COMBINATIONS (continued)

The results of New Bridges since its acquisition are as follows:

	Current period since acquisition £000
Turnover	1,272
Profit for the period	438

Acquisition of Embrace Supported Living services

On 3 January 2017, the Group acquired Tracscare Wellcare Lifestyles Ltd (formerly Embrace Wellcare Lifestyles Ltd), Tracscare (Eilat) Limited (formerly Embrace (Eilat) Limited), Tracscare Lifestyles (South West) Limited (formerly Embrace Lifestyles (South West) Limited and Tracscare Cymru Lifestyles South Ltd (formerly Grwp Gofal Cymru South Ltd). The provisional fair values of assets and liabilities acquired were as follows:

	Book value £000	Acquisition adjustment £000	Recognised value at acquisition £000
Tangible	1,800	(1,103)	697
Intangible	197	(197)	-
Cash at bank and in hand	-	-	-
Other assets/(liabilities)	(657)	(161)	(818)
Deferred tax on differences between fair value and tax value	-	(520)	(520)
Fair value of net assets	1,340	(1,981)	(641)
Goodwill	-	4,611	4,611
Customer relationships	-	2,890	2,890
Brand name	-	-	-
Total purchase consideration	1,340	5,520	6,860
Purchase consideration settled in cash	6,790	-	6,790
Cash and cash equivalents acquired	-	-	-
Transaction costs	70	-	70
Cash outflow on acquisition	6,860	-	6,860

27. BUSINESS COMBINATIONS (continued)

The Directors identified a number of adjustments that were required to the book values, following a review of all balance sheet categories. These adjustments include a write down of property (£1,103,000), write down of intangible assets (£197,000) and provision against doubtful debtors, litigations and claims and other unrecorded liabilities (£161,000).

Under FRS102 separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to customer relationships of £2,890,000.

The results of the Embrace Supported Living services since its acquisition are as follows:

	Current period since acquisition £000
Turnover	3,174
Profit for the period	337

b) 2016 acquisition

Acquisition of Milton Park Holdings Limited
On 7 July 2015, the Group acquired Milton Park Holdings Limited which trades as 'Brookdale.' The fair value of assets and liabilities acquired were as follows:

27. BUSINESS COMBINATIONS (continued)

	Book value £000	Acquisition adjustment £000	Recognised value at acquisition £000
Tangible	17,795	2,265	20,060
Cash at bank and in hand	53	-	53
Other assets/(liabilities)	(357)	-	(357)
Deferred tax on differences between fair value and tax value	-	(1,179)	(1,179)
Fair value of net assets	17,491	1,086	
Goodwill	-	19,982	19,982
Customer relationships	-	5,656	5,656
Brand name	-	239	239
Total purchase consideration	17,491	26,963	44,454
Purchase consideration settled in cash	44,386	-	44,386
Cash and cash equivalents acquired	(53)	-	(53)
Transaction costs	121	-	121
Cash outflow on acquisition	44,454	-	44,454

The Directors identified an adjustment required to the book values, following a review of all balance sheet categories, which was an uplift of property (£2,265,000).

Under FRS102 separately identifiable intangible assets arising from the acquisition have been capitalised. These relate to customer relationships of £5,656,000 and brand name assets of £239,000.

The results of the Milton Park Holdings Limited for the 2016 year end were as follows:

	2016 year end since acquisition £000
Turnover	14,609
Profit for the period	651

28. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £247,000 (2016: £153,000).

29. COMMITMENTS UNDER OPERATING LEASES

At 31 March the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
Not later than 1 year	428	359
Later than 1 year and not later than 5 years	1,690	1,439
Later than 5 years	2,913	3,105
	5,031	4,903

30. RELATED PARTY TRANSACTIONS

The Group paid £126,207 (2016: £126,918) monitoring fees to G Square Healthcare Private Equity LLP in the financial year, an indirect shareholder of the Company.

The A loan notes disclosed in note 21 are held by shareholders of the Company. The Group accrued interest payable on the A loan notes of £5,161,000 (2016: £4,620,000) in the financial year.

The B loan notes disclosed in Note 21 are held by Directors and shareholders of the Company. The Group accrued interest payable on the B loan notes of £5,835 (2016: £5,678) in the financial year.

The preference shares issued during the year, disclosed in note 25, included 1,569 shares issued to Directors of the company for consideration of £1,569.

Interest payable in respect of bank loans and other interest payable, as disclosed in note 10, included £4,419,000 (2016: £3,128,000) payable to Bluebay who are also a shareholder of the company.

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30. RELATED PARTY TRANSACTIONS (continued)

On 8 September 2016, a Director of the company sold 16,168 B loan notes for consideration of £16,168 to a shareholder of the Company.

As disclosed in note 27, during the year the Group acquired the Embrace Supported Living services. A non-executive director of the Company was also a common director and shareholder of the vendor group party to the transaction.

Other than the items disclosed above, no amounts were due to or from related parties at the end of the period.

31. CONTROLLING PARTY

The directors consider there to be no ultimate controlling party as at 31 March 2017.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 July 2017, £5,250,000 equity was raised through issue of Ordinary shares and Preference shares in order to fund further growth of the Group. At the same time, the available Capex/Acquisition Facility (Note 21) was increased by £16,500,000.