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Total Care Alliance Limited

Report and Financial Statements

Year Ended

30 September 2006



BDO Stoy Hayward
Chartered Accountants

Total Care Alliance Limited

Annual report and financial statements for the year ended 30 September 2006

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Directors

R Khan
R Cressey
R Pearson
C Echtle
P Woods

Secretary and registered office

R Cressey
1 Stuart Road
Bredbury
Stockport, SK6 2SR

Company number

05274924

Auditors

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

Total Care Alliance Limited

Report of the directors for the year ended 30 September 2006

The directors present their report together with the audited consolidated financial statements for the year ended 30 September 2006

Principal activities, trading review and future developments

The principal activity of the company during the year was that of a holding company

The company acquired a subsidiary, Advanced Childcare Limited, on the 9 December 2004. Total Care Alliance Limited, incorporating Advanced Childcare Limited and Independent Childcare Group of Schools Limited, provides specialist care and education for young people aged 10-18 years of age. A fostering service is being developed for children and young people from birth onwards. The business is entirely UK based and there have been no changes in the company's activities in the year under review.

Review of the business

The profit and loss account is set out on page 6 and shows turnover for the year of £8,343,437 (2005 £4,762,502) and loss for the year of £696,843 (2005 £282,592).

Turnover has increased by 75% and based on the first half results and the high number of new openings (10) last year directors believe the rate of increase will be closer to 25% in 2007. The directors are particularly pleased with the fact that over 50% of the company's income stream is now derived from block contracts awarded by local authorities.

The operating profit was lower than last year due to increased costs. Headcount increased by 46% to 208 for the year reflecting the opening of new homes. Agency staff costs and care costs were also increasing due to the number of new homes opened.

The directors do not recommend the payment of a dividend.

During the year, the company opened 9 new care homes and one new school constituting 30 additional beds. New contracts were won with Oldham Metropolitan Borough and Wolverhampton City Council.

Three directors have resigned during the financial year. Riz Khan is the new Chief Executive and Pamela Woods has been appointed the new Chief Operating officer.

Principal risks and uncertainties

The market for the private supply of residential care for young people with behavioural, emotional and social difficulties (BESD) consists of both long term contracts for complete homes and short notice contracts for specific individuals. The latter is known as the "Spot" market.

In the "Spot" market because there are no long term contracts with local authority customers there is less certainty of income. In the last twelve months the overall market for residential care for young people with BESD has seen an increase in supply of beds/homes that has made the competition for referrals of young people by local authorities greater. The company has less than half of its beds as "spot bed" provision, the remainder being block contract beds.

The business has senior debt of £5.3 million which is subject to movements in interest rates.

Total Care Alliance Limited

Report of the directors for the year ended 30 September 2006 (*Continued*)

Directors

P A Hall (resigned 15 May 2007)
R Khan
M Muir (resigned 15 May 2007)
N Christodoulou (resigned 14 December 2006)
R Cressey
R Pearson
C Echtle (appointed 29 September 2006)
P Woods (appointed 4 May 2007)

The directors of the company and their interests in the share capital of the company during the year were

	Ordinary shares of 1p each		Ordinary A shares of 1p each		Ordinary B shares of 1p each	
	30 September 2006 £	30 September 2005 £	30 September 2006 £	30 September 2005 £	30 September 2006 £	30 September 2005 £
P A Hall	9 677	9,677	-	-	-	-
R Khan	62 904	62 904	-	-	-	-
M Muir	9 677	9,677	-	-	-	-
N Christodoulou	-	-	-	-	62 903	62 903
R Cressey	14 516	14 516	-	-	-	-
R Pearson	-	-	-	-	-	-

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Total Care Alliance Limited

Report of the directors for the year ended 30 September 2006 (*Continued*)

Auditors

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of the information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

By order of the Board



Secretary

Date 3 August 2007

Total Care Alliance Limited

Report of the independent auditors for the year ended 30 September 2006.

To the shareholders of Total Care Alliance Limited

We have audited the group and parent company financial statements (the "financial statements") of Total Care Alliance Limited for the year ended 30 September 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Total Care Alliance Limited

Report of the independent auditors for the year ended 30 September 2006 (*Continued*)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2006 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2006,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Manchester*

Date 6 August 2007

Total Care Alliance Limited

Consolidated profit and loss account for the year ended 30 September 2006

	Note	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Turnover	2	8,343,437	4,762,502
Cost of sales		(5,468,182)	(2,554,060)
Gross profit		2,875,255	2,208,442
Administrative expenses		(2,864,383)	(1,807,660)
Operating profit	5	10,872	400,782
Interest receivable and similar income	6	15,607	32,824
Interest payable and similar charges	7	(850,007)	(560,854)
Loss on ordinary activities before taxation		(823,528)	(127,248)
Taxation credit / (charge) on loss from ordinary activities	8	126,685	(155,344)
Loss on ordinary activities after taxation and retained loss for the year		(696,843)	(282,592)

All amounts relate to continuing activities

All recognised gains and losses in the current year are included in the profit and loss account

The notes on pages 10 to 21 form part of these financial statements

Total Care Alliance Limited

Consolidated balance sheet at 30 September 2006

	Note	£	2006 £	£	2005 £
Fixed assets					
Intangible assets	10		3,210,156		4,322,264
Tangible assets	11		6,340,323		4,948,586
			<u>9,550,479</u>		<u>9,270,850</u>
Current assets					
Debtors	13	1,103,367		681,145	
Cash at bank and in hand		573,609		870,805	
		<u>1,676,976</u>		<u>1,551,950</u>	
Creditors: amounts falling due within one year	14	(1,969,651)		(1,643,410)	
Net current liabilities			<u>(292,675)</u>		<u>(91,460)</u>
Total assets less current liabilities			9,257,804		9,179,390
Creditors: amounts falling due after more than one year	15	(9,703,188)		(8,922,289)	
Provisions for liabilities and charges	16	(12,116)		(17,758)	
		<u>(9,715,304)</u>		<u>(8,940,047)</u>	
Net (liabilities) / assets			<u>(457,500)</u>		<u>239,343</u>
Capital and reserves					
Called up share capital	19		4,694		4,694
Share premium account	20		517,241		517,241
Profit and loss account	20		(979,435)		(282,592)
Shareholders' (deficit) / funds			<u>(457,500)</u>		<u>239,343</u>

The financial statements were approved by the board on 3 August 2007

Signed on behalf of the board of directors

Director



The notes on pages 10 to 21 form part of these financial statements

Total Care Alliance Limited

Balance sheet at 30 September 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	11		4,080,206		2,218,123
Investments	12		4,394,039		5,280,932
			<u>8,474,245</u>		<u>7,499,055</u>
Current assets					
Debtors	13	208,423		1,734,696	
Cash at bank and in hand		224,602		228,389	
		<u>433,025</u>		<u>1,963,085</u>	
Creditors: amounts falling due within one year	14	<u>(466,636)</u>		<u>(729,286)</u>	
Net current (liabilities)/assets			<u>(33,611)</u>		<u>1,233,799</u>
Total assets less current liabilities			<u>8,440,634</u>		<u>8,732,854</u>
Creditors: amounts falling due after more than one year	15		<u>(9,697,184)</u>		<u>(8,840,840)</u>
Net liabilities			<u>(1,256,550)</u>		<u>(107,986)</u>
Capital and reserves					
Called up share capital	19		4,694		4,694
Share premium account	20		517,241		517,241
Profit and loss account	20		(1,778,485)		(629,921)
			<u>(1,256,550)</u>		<u>(107,986)</u>
Shareholders' deficit			<u>(1,256,550)</u>		<u>(107,986)</u>

The financial statements were approved by the board on 3 August 2007

Signed on behalf of the board of directors

Director



The notes on pages 10 to 21 form part of these financial statements

Total Care Alliance Limited

Consolidated cash flow statement for the year ended 30 September 2006

		Year ended		11 months ended	
	Note	30 September 2006		30 September 2005	
		£	£	£	£
Net cash inflow from operating activities	21		1,027,789		1,133,942
Returns on investments and servicing of finance					
Interest received		15,607		32,824	
Interest paid		(357,205)		(156,648)	
Interest element of finance lease rental payments		(3,647)		(1,768)	
Net cash outflow from returns on investments and servicing of finance			(345,245)		(125,592)
Taxation					
UK corporation tax			(42,784)		(187,610)
Capital expenditure and financial Investment					
Purchase of tangible fixed assets		(2,249,469)		(2,495,267)	
Receipts on sale of tangible fixed assets		502,453		4,766	
			(1,747,016)		(2,490,501)
Acquisition					
Payment of deferred consideration		(317,241)		-	
Cash consideration		-		(3,285,416)	
Cash acquired		-		(66,055)	
Costs		-		(503,491)	
			(317,241)		(3,854,962)
Cash outflow before use of liquid resources and financing			(1,424,497)		(5,524,723)
Financing					
Bank loan received		1,546,325		7,944,257	
Capital element of finance lease rental payments		(94,024)		23,864	
Loans repaid		(325,000)		(2,021,947)	
Share capital		-		449,354	
			1,127,301		6,395,528
(Decrease) / Increase in cash	22		(297,196)		870,805

The notes on pages 10 to 21 form part of these financial statements

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Basis of preparation

The consolidated balance sheet as at 30 September 2006 has net liabilities of £457,500. The group meets its day to day working capital requirements utilising when necessary funds made available by the group's bankers. The group has further bank facilities which have been used to finance certain property acquisitions. The directors have prepared detailed Trading and Cash Flow forecasts for the period to 30 September 2008. The directors anticipate that the future trading results and cash flows of the trading companies will improve once all the recently won contract homes are opened and occupancy is optimised. The group banking facilities are currently being re-negotiated, with completion expected within the next month, and will provide sufficient working capital based upon the group's business plan. For these reasons, the directors have prepared the financial statements on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 September each year on an acquisition basis.

Turnover

Turnover comprises the invoiced value of residential, educational and fostering services supplied by the group, net of value added tax and trade discounts.

Cost of sales

Cost of sales comprises teachers' and carers' salaries and agency staffing costs, together with the associated costs of teaching materials, social activities and school meals.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets

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:

Freehold buildings	- 2% straight line
Leasehold improvements	- 33 ⅓% straight line
Fixtures, fittings and equipment	- 33 ⅓% straight line
Motor vehicles	- 50% straight line

Freehold land is not depreciated.

Valuation of investments

Investments held as fixed assets are stated at cost.

Total Care Alliance Limited

**Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)**

1 Accounting policies (Continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are discounted

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the year to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present obligations under the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3 Directors

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Directors' remuneration consists of		
Emoluments	364,701	281,051
Payments to defined contribution pension scheme	11,280	1,067

Emoluments of the highest paid director were £81,360 (2005 £72,500) Company pension contributions of £11,280 (2005 £1,067) were made to a defined contribution pension scheme on his behalf

4 Staff costs

Staff costs, including directors' emoluments, were as follows

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Wages and salaries	4,675,565	2,388,602
Social security costs	448,909	211,022
Other pension costs	18,978	6,572
	<u>5,143,452</u>	<u>2,606,196</u>

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

	Number	Number
Administration	30	13
Teaching	17	11
Careworkers	161	118
	<u>208</u>	<u>142</u>

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

5 Operating profit

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
This has been arrived at after charging/(crediting)		
Amortisation of intangible assets	225,215	182,023
Depreciation of tangible fixed assets		
- owned by the group	480,321	222,320
- held under finance lease or hire purchase contracts	67,034	17,800
Auditor's remuneration	24,136	16,000
Operating lease rentals	43,000	43,000
- land and buildings	4,852	4,979
- other	18,978	6,572
Pension cost	(69,845)	(4,766)
Profit on sale of fixed assets		

6 Interest receivable and similar income

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Other interest receivable	15,607	32,824

7 Interest payable and similar charges

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Bank loans and overdrafts	356,740	199,020
Other loans	489,620	360,066
Finance charges under finance leases and hire purchase contracts	3,647	1,768
	850,007	560,854

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

8 Taxation on loss from ordinary activities

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
<i>Current tax</i>		
UK corporation tax (credit) / charge on loss of the year	(121,043)	137,586
<i>Deferred tax</i>		
Origination and reversal of timing differences	(5,642)	17,758
	<u>(126,685)</u>	<u>155,344</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	Year ended 30 September 2006 £	11 months ended 30 September 2005 £
Loss on ordinary activities before tax	<u>(696,843)</u>	<u>(127,248)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(209,052)	(38,174)
Effects of		
Expenses not deductible for tax purposes	134,014	120,084
Capital allowances for year in excess of depreciation	(1,349)	(16,483)
Non qualifying profit on disposal	(20,475)	-
Adjustment to tax charge in respect of previous periods	(121,043)	-
Marginal rates of tax	-	(10,094)
Other timing differences	<u>96,862</u>	<u>82,253</u>
Current tax charge for year	<u>(121,043)</u>	<u>137,586</u>

9 Profit attributable to the company

The loss for the financial year dealt with in the financial statements of the parent company was £1,148,564. As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

10 Intangible fixed assets

Group

	Goodwill
	£
<i>Cost</i>	
At 1 October 2005	4,504,287
Reduction in consideration payable	(886,893)
	<hr/>
At 30 September 2006	3,617,394
	<hr/>
<i>Amortisation</i>	
At 1 October 2005	182,023
Charge for the year	225,215
	<hr/>
At 30 September 2006	407,238
	<hr/>
<i>Net book value</i>	
At 30 September 2006	3,210,156
	<hr/>
At 30 September 2005	4,322,264
	<hr/>

The reduction in consideration payable is due to changes in the estimated deferred consideration arising from the purchase of Advanced Childcare Limited

11 Tangible assets

Group

	Land and buildings	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£
<i>Cost</i>				
At 1 October 2005	4,942,237	56,668	171,451	5,170,356
Additions	2,062,651	122,232	173,435	2,358,318
Disposals	(469,664)	(18,173)	(13,778)	(501,615)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	6,535,224	160,727	331,108	7,027,059
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 October 2005	180,841	5,784	35,145	221,770
Charge for the year	392,324	67,034	87,997	547,355
Disposals	(55,145)	(18,173)	(9,071)	(82,389)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	518,020	54,645	114,071	686,736
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 September 2006	6,017,204	106,082	217,037	6,340,323
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	4,761,396	50,884	136,306	4,948,586
	<hr/>	<hr/>	<hr/>	<hr/>

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006 (Continued)

11 Tangible assets (Continued)

The net book value of motor vehicles includes an amount of £106,083 in respect of assets held under finance leases or hire purchase contracts. The company had no assets held under such leases at the year end.

<i>Company</i>	Land and buildings £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 1 October 2005	2,213,657	30,665	2,244,322
Additions	2,005,085	128,097	2,133,182
At 30 September 2006	4,218,742	158,762	4,377,504
<i>Depreciation</i>			
At 1 October 2005	24,205	1,994	26,199
Charge for the year	236,150	34,949	271,099
At 30 September 2006	260,355	36,943	297,298
<i>Net book value</i>			
At 30 September 2006	3,958,387	121,819	4,080,206
At 30 September 2005	2,189,452	28,671	2,218,123

12 Fixed asset investments

<i>Company</i>	Shares in subsidiary undertakings 2006 £
<i>Cost</i>	5,280,932
Reduction in consideration payable	(886,893)
At 30 September 2006	4,394,039

The company's investment represents a 100% holding of the ordinary shares of Advanced Childcare Limited, a company incorporated in England. The company provides specialist care and education for young people.

The reduction in consideration payable is due to changes in the estimated deferred consideration arising from the purchase of Advanced Childcare Limited.

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

13 Debtors

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
<i>Due within one year</i>				
Trade debtors	790,951	-	410,965	-
Amounts due from group undertakings	-	-	-	1,498,789
Other debtors	13,130	-	578	-
Prepayments and accrued income	129,336	38,473	71,017	37,322
	<u>933,417</u>	<u>38,473</u>	<u>482,560</u>	<u>1,536,111</u>
<i>Due after more than one year</i>				
Prepayments and accrued income	169,950	169,950	198,585	198,585
	<u>1,103,367</u>	<u>208,423</u>	<u>681,145</u>	<u>1,734,696</u>

14 Creditors: amounts falling due within one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts (note 17)	325,000	325,000	325,000	325,000
Trade creditors	239,750	-	170,648	-
Corporation tax	-	-	160,086	-
Other tax and social security	146,038	-	86,121	-
Net obligations under finance leases and hire purchase contracts (note 18)	61,891	-	30,237	-
Deferred Consideration	-	-	350,000	350,000
Other creditors	72,000	-	117	-
Accruals and deferred income	1,124,972	19,482	521,201	54,286
Amounts due to group undertakings	-	122,154	-	-
	<u>1,969,651</u>	<u>466,636</u>	<u>1,643,410</u>	<u>729,286</u>

Group

Included in accruals is £2,837 relating to outstanding contributions payable to the pension scheme

15 Creditors: amounts falling due after more than one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank loans and overdrafts (note 17)	4,932,249	4,932,249	3,710,924	3,710,924
Deferred Consideration (note 10)	215,309	215,309	1,069,444	1,069,444
Net obligations under finance leases and hire purchase contracts (note 18)	6,004	-	9,449	-
Other loans (note 17)	4,549,626	4,549,626	4,060,472	4,060,472
Other creditors	-	-	72,000	-
	<u>9,703,188</u>	<u>9,697,184</u>	<u>8,922,289</u>	<u>8,840,840</u>

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

16 Provisions for liabilities and charges

			Group £	Company £
<i>Deferred taxation</i>				
At 1 October 2005			17,758	-
Credited to profit and loss account			(5,642)	-
At 30 September 2006			<u>12,116</u>	<u>-</u>
	Group 2006	Group 2005	Company 2006 £	Company 2005 £
Accelerated capital allowances	<u>12,116</u>	<u>17,758</u>	<u>-</u>	<u>-</u>

17 Loans

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
<i>Bank loans payable by instalments as follows</i>				
Within one year	325,000	325,000	325,000	325,000
Between one and two years	1,036,821	1,036,821	325,000	325,000
Between two and five years	2,249,535	2,249,535	1,712,896	1,712,896
After more than five years	1,645,893	1,645,893	1,673,028	1,673,028
	<u>5,257,249</u>	<u>5,257,249</u>	<u>4,035,924</u>	<u>4,035,924</u>
<i>Other loans not payable by instalments</i>				
Between two and five years	4,549,626	4,549,626	4,060,472	4,060,472
	<u>9,806,875</u>	<u>9,806,875</u>	<u>8,096,396</u>	<u>8,096,396</u>

The long term bank loans attract interest at between 1.75% to 2.25% above the bank's base rate. The loan facilities are repayable in full by 30 November 2014. The bank loans are secured over the group's properties.

The other loan is a deep discounted bond issued by Bowmark Capital. It is repayable by 9 December 2009.

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006
(Continued)

18 Finance leases

Net obligations under finance leases and hire purchase agreements fall due as follows

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Within one year	61,891	-	30,237	-
Between one and five years	6,004	-	9,449	-
	<u>67,895</u>	<u>-</u>	<u>39,686</u>	<u>-</u>

Finance leases and hire purchase creditors are secured on the assets concerned

19 Share capital

	Authorised		Allotted, called up and fully paid	
	2006 Number	2006 £	2006 Number	2006 £
Ordinary shares of 1p each	500,000	5,000	106,451	1,065
Ordinary A shares of 1p each	500,000	5,000	300,000	3,000
Ordinary B shares of 1p each	500,000	5,000	62,903	629
	<u>1,500,000</u>	<u>15,000</u>	<u>469,354</u>	<u>4,694</u>

	Authorised		Allotted, called up and fully paid	
	2005 Number	2005 £	2005 Number	2005 £
Ordinary shares of 1p each	500,000	5,000	106,451	1,065
Ordinary A shares of 1p each	500,000	5,000	300,000	3,000
Ordinary B shares of 1p each	500,000	5,000	62,903	629
	<u>1,500,000</u>	<u>15,000</u>	<u>469,354</u>	<u>4,694</u>

Ordinary shares, ordinary A shares, and ordinary B shares carry the same rights except for the appointment of non executive directors (ordinary A shares only), consent for transfer of shares (ordinary A shares only), and allocation of assets on liquidation or sale (when in certain circumstances ordinary B shares have different rights)

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006(Continued)

20 Reserves

	Group		Company	
	Share premium account	Profit and loss account	Share premium account	Profit and loss account
	£	£	£	£
B/fwd	517,241	(282,592)	517,241	(629,921)
Loss for the year	-	(696,843)	-	(1,148,564)
At 30 September 2006	<u>517,241</u>	<u>(979,435)</u>	<u>517,241</u>	<u>(1,778,485)</u>

21 Reconciliation of operating profit to net cash inflow from operating activities

	11 months ended 30 September	
	2006	2005
	£	£
Operating profit	10,872	400,782
Amortisation of intangible assets	225,215	182,023
Depreciation of tangible fixed assets	547,353	240,120
Profit on sale of fixed assets	(69,845)	(4,766)
Increase in debtors	(422,222)	381,300
Increase in creditors	736,416	(65,517)
Net cash inflow from operating activities	<u>1,027,789</u>	<u>1,133,942</u>

22 Analysis of changes in net debt

	At 1 October 2005	Cash flows	Other non-cash items.	At 30 September 2006
	£	£	£	£
Cash at bank and in hand	870,805	(297,196)	-	573,609
Debt due within one year	(325,000)	325,000	(325,000)	(325,000)
Debt due after one year	(7,771,396)	(1,546,325)	(164,154)	(9,481,875)
Finance leases	(39,686)	94,024	(122,232)	(67,894)
Total	<u>(7,265,277)</u>	<u>(1,424,497)</u>	<u>(611,386)</u>	<u>(9,301,160)</u>

Total Care Alliance Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2006 (*Continued*)

23 Commitments under operating leases

As at 30 September 2006, annual commitments under non-cancellable operating leases were as set out below

	Group		Company	
	Land and buildings	Other	Land and buildings	Other
	2006	2006	2006	2006
	£	£	£	£
Operating leases which expire				
Within one year	-	4,852	-	-
After more than five years	43,000	-	-	-
	<u>43,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

24 Capital commitments

	2006	2005
	£	£
Contracted but not provided for	97,525	471,000
	<u>97,525</u>	<u>471,000</u>

25 Related party transactions

During the year, the company entered into the following arrangements in which the directors had an interest

- (a) Rental payments to R Khan (including as joint landlord) £28,615 (£44,270– 2005)
- (b) Consultancy payments to M Muir £nil (£6,000 – 2005)

No amounts in respect of any of the above were outstanding at 30 September 2006

26 Pension costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund

Contributions made by the company to the scheme during the year amounted to £18,978

27 Controlling parties

From 9 December 2004, Total Care Alliance Limited has been ultimately controlled by funds managed by Bowmark Capital Limited

As at 30 September 2006, R Pearson had a beneficial interest in the 300,000 ordinary A shares of the company owned by funds managed by Bowmark Capital Limited