

Options Group Holdings Limited  
Directors' report and financial statements  
for the year ended 31 March 2011

Registered number 06909044

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# **Options Group Holdings Limited**

## **Directors' report and financial statements for the year ended 31 March 2011**

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# **Options Group Holdings Limited**

## **Directors and advisors**

### **Directors**

G Baker  
S Green  
S Bradshaw  
T MacDonald-Milner

### **Company secretary**

S Green

### **Registered office**

Turnpike Gate House  
Alcester Heath  
Alcester  
Warwickshire  
B49 5JG

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Principal bankers**

Barclays Bank PLC  
Barclays Commercial Bank  
Level 6, 1 Churchill Place  
London  
E14 5HP

# **Options Group Holdings Limited**

## **Directors' report for the year ended 31 March 2011**

The Directors present their report and the audited consolidated financial statements of Options Group Holdings Limited ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2011

### **Principal activities**

The principal activities of the Group (which comprises the Company and its subsidiaries) during the financial year were that of specialist services for children, young people and adults with autistic spectrum disorders (ASD) and behavioural, emotional and social difficulties (BESD)

### **Review of the business and future developments**

Options Group is a proactive and forward-thinking organisation. The Group has grown steadily and is now trusted by more than 60 local authorities to provide specialist care, education and therapy to over 200 children, young people and adults at any one time.

In September 2010 the Group agreed further long term loan facilities including the provision of specific additional funding for future developments. The Group's loan is currently due for renewal in September 2013.

### *Future Outlook*

The Group has enjoyed steady growth in both turnover and EBITDA levels over the financial year in a difficult market. Since the completion of the restructuring in the prior year, significant emphasis has been maintained regarding

- Operational efficiency improvements to ensure continued high quality service levels whilst delivering value for money,
- Investment in services and staff development to further build on the high quality outcomes that the Group delivers, and
- Increasing market awareness of the Group's services

# Options Group Holdings Limited

## Directors' report for the year ended 31 March 2011 (continued)

### Key performance indicators (KPIs)

The Board and management monitor the business performance of the Group and measure it against strategic objectives using key performance indicators. The main KPIs include

- occupancy levels,
- number of referrals and pipeline activity, and
- staffing levels

all of which are reviewed on a regular formal basis. Financial KPIs for 2011 were as follows

KPI	31 March 2011 £'000	31 March 2010 £'000	Narrative
Turnover	30,322	20,488	Extracted from the financial statements Turnover for the financial year was in line with the Board's expectations, with steady growth in the number of placements secured
EBITDA	3,958	2,765	Group operating profit, adding back depreciation, amortisation and exceptional costs. EBITDA for the financial year was in line with the Board's expectations
Operating cash flow before interest, capital expenditure and tax	4,760	443	Operating cash flow before interest, capital expenditure and tax was in line with expectations

### Business environment and strategy

The Group operates in a highly regulated environment and the ability to comply with such regulations and deliver a high quality service is key to the operational success of the business. Options Group always focuses on delivering high quality, value for money, outcome focused services, which means that the Group is extremely well aligned with the increasing need to demonstrate quality and cost efficiency in the market place.

The availability of capital development funding also means the Group can respond to the commercial opportunities that are likely to be available in the market place over the next 12 to 18 months. Significant emphasis is being placed on developing strong commercial relationships with local authorities.

# **Options Group Holdings Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. Management reviews risk formally and appropriate processes are put in place to monitor and mitigate them.

Key operational risks affecting the Group are set out below.

#### *Quality of service and compliance*

The Group operates in a highly regulated environment and compliance with such regulations is key to the operational success of the business. The Group is registered with various regulatory bodies and is subject to continuous review by these bodies. Management closely monitor performance in this area and have a structured system in place throughout the organisation to ensure compliance and continual improvement.

#### *Health and Safety*

The Group is subject to various health and safety requirements and has put in place individuals to monitor compliance with health and safety laws and regulations.

### **Financial risk management**

The Group's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring these risks.

#### *Price risk*

The Group focuses on demonstrating value for money to the local authorities and outcomes achieved with the young people to mitigate price risk.

#### *Credit risk*

The debt facilities arranged by the Group contain a suite of financial covenants covering minimum levels of financial performance. The Group has in place appropriate short and medium term reporting and forecasting systems that assist the Board in making a balanced assessment of the ability of the Group to meet its financial and reporting obligations to both lenders and investors as they fall due.

#### *Liquidity risk*

The Group is supported by a committed working capital facility. Debt facilities are structured to ensure that the Group has sufficient cash flow headroom to meet its obligations and deliver its strategic growth objectives.

# Options Group Holdings Limited

## Directors' report for the year ended 31 March 2011 (continued)

### Financial risk management (continued)

#### *Interest rate risk*

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash, which are subject to variations in interest rates. The Group has a policy of maintaining debt at a fixed rate above LIBOR to provide a degree of certainty over future cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

#### **Creditor payment policy**

The Group has relatively few external creditors, however, for all external suppliers suitable terms and conditions are agreed for business transactions with the supplier and once such terms are agreed it is the Group's policy to pay in accordance with contractual and other legal obligations. This payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The average creditor days for the Group during the financial year were 32 (2010 27) days.

#### **Financial instruments**

The Group's financial instruments comprise borrowings, cash and liquid resources, and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

It is, and has been throughout the financial year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

#### **Directors**

The Directors of the company who were in office during the financial year were as follows:

A Lord	(resigned 30 November 2010)
G Baker	(appointed 19 April 2010)
C Firman	(resigned 31 July 2010)
S Green	
S Bradshaw	
T MacDonald-Milner	(appointed 6 December 2010)

#### **Employees**

The Directors recognise that the success of the business is wholly dependent upon the dedication of the employees and the quality of the service provided. The Group promotes continuous learning and career development for all employees and the well being of the Group's staff and their entitlement to a safe and rewarding working environment are key considerations of the Board. It is the Group's policy to consult and discuss with employees matters that are likely to affect the employee's interests through regular bulletins and briefings. These seek to achieve a common awareness of the Group's performance and economic factors affecting the Group.

# **Options Group Holdings Limited**

## **Directors' report for the year ended 31 March 2011 (continued)**

### **Employees (continued)**

The Group operates within an equal opportunity recruitment selection process which states that we do not discriminate on the grounds of race, gender, sexual orientation or disability. The Group works towards this policy when recruiting for all positions and thorough consideration is given as to the suitability of the individual for the role. Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate.

### **Results and dividends**

The results for the financial year are shown in the consolidated profit and loss account on page 10. No dividend was paid or is proposed (2010: £nil).

The Directors have formed a judgement at the time of approving the financial statements that both the Company and the Group have adequate resources available to continue operating and to discharge all financial obligations as they fall due for the foreseeable future from the date of approval of the financial statements. For this reason, the going concern basis has been adopted in preparing the financial statements.

### **Political and charitable donations**

The Group made no political or charitable donations during the financial year (2010: £nil).

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Options Group Holdings Limited

## Directors' report for the year ended 31 March 2011 (continued)

### Directors' indemnity

As permitted under the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was taken out during the prior year and is currently in force. The Company also maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.



On behalf of the Board  
S Bradshaw  
Director  
2 August 2011

## **Independent auditors' report to the members of Options Group Holdings Limited**

We have audited the Group and parent company financial statements of Options Group Holdings Limited for the year ended 31 March 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities statement set out on page 6, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

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

## **Independent auditors' report to the members of Options Group Holdings Limited (continued)**

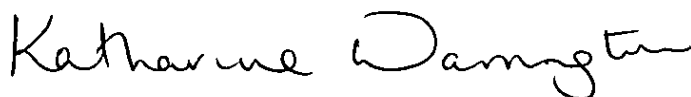
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Katharine Warrington (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

3 August 2011

# Options Group Holdings Limited

## Consolidated profit and loss account for the year ended 31 March 2011

		Year ended 31 March 2011	46 week period ended 31 March 2010
	Note	£'000	£'000
<b>Turnover</b>	2	<b>30,322</b>	20,488
Cost of sales		(22,222)	(14,856)
Gross profit		8,100	5,632
Administrative expenses		(11,024)	(10,686)
<b>Earnings before Interest, Taxation, Depreciation, Amortisation and Other exceptional costs</b>		<b>3,958</b>	2,765
Depreciation	9	(1,346)	(1,587)
Amortisation	8	(5,465)	(4,099)
Other exceptional costs	3	(71)	(2,133)
<b>Operating loss</b>	3	<b>(2,924)</b>	(5,054)
Interest payable and similar charges	6	(1,740)	(2,381)
<b>Loss on ordinary activities before taxation</b>		<b>(4,664)</b>	(7,435)
Tax credit on loss on ordinary activities	7	68	1,471
<b>Loss for the financial year</b>	16	<b>(4,596)</b>	(5,964)

The results derive wholly from continuing operations of the Group

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

The Group has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

# Options Group Holdings Limited

## Consolidated balance sheet as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
<b>Fixed assets</b>			
Intangible fixed assets	8	6,832	12,297
Tangible fixed assets	9	36,895	37,047
		<b>43,727</b>	<b>49,344</b>
<b>Current assets</b>			
Debtors	11	6,079	6,496
Cash at bank and in hand		41	29
		<b>6,120</b>	<b>6,525</b>
Creditors' amounts falling due within one year	12	(11,644)	(61,333)
(Net current liabilities)		<b>(5,524)</b>	<b>(54,808)</b>
<b>Total assets less current liabilities</b>		<b>38,203</b>	<b>(5,464)</b>
Creditors' amounts falling due after more than one year	13	(48,263)	-
<b>Net liabilities</b>		<b>(10,060)</b>	<b>(5,464)</b>
<b>Capital and reserves</b>			
Called up share capital	15	500	500
Profit and loss account	16	(10,560)	(5,964)
<b>Total shareholders' deficit</b>	23	<b>(10,060)</b>	<b>(5,464)</b>

The financial statements on pages 10 to 31 were approved by the Board of Directors on 3 August 2011 and were signed on its behalf by

  
S Green  
Director

Registered number 06909044

# Options Group Holdings Limited

## Company balance sheet as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
<b>Fixed assets</b>			
Fixed asset investments	10	615	615
<b>Current assets</b>			
Debtors	11	9,414	10,257
		9,414	10,257
Creditors amounts falling due within one year	12	(5,395)	(12,022)
<b>Net current assets/(liabilities)</b>		<b>4,019</b>	<b>(1,765)</b>
<b>Total assets less current liabilities</b>		<b>4,634</b>	<b>(1,150)</b>
Creditors amounts falling due after more than one year	13	(6,647)	-
<b>Net liabilities</b>		<b>(2,013)</b>	<b>(1,150)</b>
<b>Capital and reserves</b>			
Called up share capital	15	500	500
Profit and loss account	16	(2,513)	(1,650)
<b>Total shareholders' deficit</b>		<b>(2,013)</b>	<b>(1,150)</b>

The financial statements on pages 10 to 31 were approved by the Board of Directors on 3 August 2011 and were signed on its behalf by

  
S Green  
Director

Registered number 6909044

# Options Group Holdings Limited

## Consolidated cash flow statement for the year ended 31 March 2011

		Year ended 31 March 2011	46 week period ended 31 March 2010
	Note	£'000	£'000
<b>Cash inflow from operating activities</b>	19	<b>4,760</b>	<b>443</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,623)	(1,280)
Issue costs of bank loan/finance costs paid		(350)	(1,085)
Net cash outflow from returns on investments and servicing of finance		(1,973)	(2,365)
<b>Taxation</b>		-	80
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,202)	(747)
Sale of tangible fixed assets		8	70
Net cash outflow from capital expenditure and financial investment		(1,194)	(677)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings		-	(7,415)
Net overdrafts acquired		-	(1,068)
Net cash outflow from acquisitions and disposals		-	(8,483)
Net cash inflow/(outflow) before financing		<b>1,593</b>	<b>(11,002)</b>
<b>Financing</b>			
Funds from new long term loans		<b>48,613</b>	<b>6,997</b>
Repayment of amounts borrowed		(49,142)	(1,613)
Net cash (outflow)/inflow from financing		(529)	5,384
<b>Increase/(Decrease) in cash in the year</b>		<b>1,064</b>	<b>(5,618)</b>

# **Options Group Holdings Limited**

## **Notes to the financial statements for the year ended 31 March 2011**

### **1 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The following accounting policies are applied consistently within the Group. A summary of the more important accounting policies is set out below.

#### **Basis of preparation and consolidation**

The financial statements have been prepared on the going concern basis, under the historical cost convention, modified to include the revaluation of certain assets.

The Group financial statements include the results of the Company and all of its subsidiary undertakings, made up to 31 March 2011. The acquisition method of accounting for acquired companies has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included from the effective date control passes to the Company. Intra-Group sales, profits and balances are eliminated fully on consolidation. The Company is exempt under the terms of Financial Reporting Standard 8 "Related party disclosures" from disclosing related party transactions with entities that are wholly owned within the Options Group Holdings Limited Group.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

#### **Going Concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support provided to the Group by the lender. During the year the Group agreed further long term loan facilities including the provision of specific additional funding for future developments.



# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 1 Accounting policies (continued)

#### Intangible fixed assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration for subsidiaries and business purchases over the fair values of the net assets acquired. Goodwill arising on acquisitions is capitalised and stated at historical cost less any provisions for amortisation and impairment.

The Group evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Purchased goodwill (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life, considered by the directors to be three years. Amortisation of goodwill is provided from the date of acquisition.

#### Fixed asset investments

Investments are carried at cost less provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

#### Tangible fixed assets and depreciation

All fixed assets are initially recorded at historical cost, being the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Properties are subsequently revalued by external independent valuers on a regular basis using open market value, less subsequent depreciation, so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve.

Depreciation is provided to write off the cost less estimated residual value of each tangible fixed asset evenly over its expected useful life as follows:

Freehold property	-	50 years straight line
Office equipment	-	4 years straight line
Furniture and fixtures	-	4 years straight line
Motor Vehicles	-	4 years straight line

Assets under construction are not depreciated until they are ready for use, when they are transferred to the relevant tangible fixed asset class and depreciated over their useful economic lives.

# **Options Group Holdings Limited**

## **Notes to the financial statements for the year ended 31 March 2011 (continued)**

### **1 Accounting policies (continued)**

#### **Pensions**

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The annual contributions payable are charged to the profit and loss account.

Certain subsidiaries contribute to the Teachers Pension Scheme (TPS) for teaching staff who are members of the scheme. The TPS is a separate government funded scheme. Accordingly, the Company has accounted for its contributions to the scheme as a defined contribution scheme. The annual contributions payable are charged to the profit and loss account.

#### **Taxation**

##### *Current tax*

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous financial years.

##### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis. The Directors believe it is appropriate to continue to recognise the deferred tax assets in anticipation of continued profitable trading.

#### **Financial instruments**

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### **Borrowings**

All borrowings are initially stated at fair value of the consideration received after the deduction of wholly attributable finance costs. In accordance with Financial Reporting Standard 4 "Capital instruments", these costs are charged to the profit and loss account over the estimated life of the relevant borrowings.

#### **Operating Leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 2 Turnover

Turnover shown in the profit and loss account represents amounts invoiced for services provided in the financial year. All turnover is derived from its principal activity of a range of services for young people with complex autistic spectrum disorders and behavioural, emotional and social difficulties. All operations are within the United Kingdom. Revenue is recognised on provision of the service. Where amounts are invoiced in advance or arrears, income recognition is adjusted to include only the amounts relating to services provided in the current year, with accrued or deferred revenue being recognised on the balance sheet within debtors and creditors as appropriate.

### 3 Operating loss

	Year ended 31 March 2011 £'000	46 week period ended 31 March 2010 £'000
<b>Operating loss is stated after charging</b>		
<i>Auditors' remuneration</i>		
- Fees payable to the Company's auditors for the audit of the Company's financial statements	9	9
<i>Fees payable to the Company's auditors for other services</i>		
- The audit of the Company's subsidiaries, pursuant to legislation	52	52
- Services relating to taxation	10	10
- All other services	54	19
<i>Depreciation of tangible fixed assets</i>		
- Owned assets	1,346	1,587
Loss on disposal of fixed assets	2	33
Operating lease rentals	116	105
Amortisation of intangible assets	5,465	4,099
Other exceptional costs	71	2,133

Other exceptional costs are costs relating to the restructure of the Group being mainly severance costs, legal and professional fees.

During the prior year the Group underwent a significant restructure and re-organisation, as part of this restructure a number of related parties went into administration and certain balances owing to the Company from these parties were unrecoverable and written off in 2010 amounting to £46,000. A further £71,000 of write offs have been incurred during 2011, which have been included in other exceptional costs.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 4 Employee information

The average monthly number of persons (including Directors) employed by the Group during the financial year was as follows (there are no employees of the Company (2010 nil))

	Year ended 31 March 2011	46 week period ended 31 March 2010
	Number	Number
Care and education	730	665
Administration	142	128
	872	793

The aggregate payroll costs of these persons were as follows

	£'000	£'000
Wages and salaries	18,354	12,762
Social security costs	1,663	1,188
Other pension costs (note 18)	271	197
	20,288	14,147

### 5 Remuneration of Directors

	Year ended 31 March 2011	46 week period ended 31 March 2010
	£'000	£'000
Directors' emoluments, including pension contributions	1,041	826

Included with Directors' emoluments is £21,623 (2010 £14,850) paid in respect of Company pension contributions to money purchase schemes for four (2010 three) of the Directors

The highest paid Director received emoluments of £270,158 (2010 £280,837) during the financial year. No amounts were accruing in respect of pension contributions for this Director at the financial year end (2010 £nil)

Included within administration costs were costs of £278,168 (2010 £300,000) representing severance payments to the previous Directors of the Company and its subsidiaries

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 6 Interest payable and similar charges

	Year ended 31 March 2011	46 week period ended 31 March 2010
	£'000	£'000
Bank loans and overdrafts	1,623	1,297
Financing costs	117	1,084
	1,740	2,381

### 7 Tax credit on loss on ordinary activities

	Year ended 31 March 2011	46 week period ended 31 March 2010
	£'000	£'000
<b>Current tax</b>		
UK Corporation tax on losses for the financial year	-	(72)
Total current tax for the year	-	(72)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(72)	(1,419)
Changes in tax rates or laws	4	-
Tax credit on loss on ordinary activities	(68)	(1,491)

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 7 Tax credit on loss on ordinary activities (continued)

Factors affecting the tax credit for the financial year

	Year ended 31 March 2011 £'000	46 week period ended 31 March 2010 £'000
Loss on ordinary activities before tax	(4,664)	(7,435)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%)	(1,306)	(2,081)
Effects of		
Expenses not deductible for tax purposes	1,656	1,909
Other timing differences	(81)	(135)
Utilisation of losses brought forward	(270)	-
Losses carried forward	1	139
Total current tax credit	-	(72)

Deferred tax assets are recognised losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £1,931,565 (2010 £2,079,024) primarily in respect of losses amounting to £7,160,647 (2010 £7,425,086) that can be carried forward against future taxable income.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 8 Intangible fixed assets

Group	Goodwill
	£'000
<b>Cost</b>	
At 1 April 2010 and at 31 March 2011	16,396
<b>Accumulated amortisation</b>	
At 1 April 2010	4,099
Charge for the financial year	5,465
<b>At 31 March 2011</b>	<b>9,564</b>
<b>Net book value</b>	
<b>At 31 March 2011</b>	<b>6,832</b>
At 31 March 2010	12,297

The Directors consider each acquisition separately in determining the amortisation period of any goodwill that arises. Goodwill is written off over 3 years, being its expected useful economic life. Further details of the subsidiaries acquired in the prior year can be found in note 10.

#### Company

The Company did not have any intangible assets at any time during the financial year (2010: £nil).

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 9 Tangible fixed assets

Group	Freehold property	Office equipment	Assets in the course of con- struction	Furniture & Fixtures	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April 2010	36,619	806	32	963	207	38,627
Additions	454	344	36	241	127	1,202
Disposals	-	-	-	-	(27)	(27)
Transfer	28	-	(30)	2	-	-
<b>At 31 March 2011</b>	<b>37,101</b>	<b>1,150</b>	<b>38</b>	<b>1,206</b>	<b>307</b>	<b>39,802</b>
<b>Accumulated depreciation</b>						
At 1 April 2010	688	377	-	487	28	1,580
Charge for the year	759	261	-	254	72	1,346
Disposals	-	-	-	-	(19)	(19)
<b>At 31 March 2011</b>	<b>1,447</b>	<b>638</b>	<b>-</b>	<b>741</b>	<b>81</b>	<b>2,907</b>
<b>Net book value</b>						
<b>At 31 March 2011</b>	<b>35,654</b>	<b>512</b>	<b>38</b>	<b>465</b>	<b>226</b>	<b>36,895</b>
At 31 March 2010	35,931	429	32	476	179	37,047

The net book value of land and buildings includes £670,000 (2010 £670,000) in respect of freehold land which is not depreciated

#### Company

The Company did not hold any tangible fixed assets at any time during the financial year (2010 £nil)



# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 10 Fixed asset investments

Company	Interests in subsidiary undertakings
	£000
<b>Cost</b>	
At 1 April 2010 and at 31 March 2011	615
<b>Impairment</b>	
At 1 April 2010 and at 31 March 2011	-
<b>Net book value</b>	
<b>At 31 March 2011</b>	<b>615</b>
At 31 March 2010	615

The Directors believe that the carrying value of the investments is supported by their underlying net assets

## Options Group Holdings Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

#### 10 Fixed asset investments (continued)

Subsidiary undertaking	% holding	Nature of business
New Options Limited	100	Children's home and school for young people with complex autistic spectrum disorders
New Options (2) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
New Options (3) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
Wider Options Limited	100	Residential care and education for children and young adults with severe learning disabilities
Options The Thicket Limited	100	Provision of services for individuals with autistic spectrum disorders
Wider Options (3) Limited	100	Residential care and education for children and young adults with severe learning disabilities
Young Options College Limited	100	Residential care and education for children and young adults with severe learning disabilities and behavioural, emotional and social difficulties (BESD)
Options Central Services Limited	100	Central office services to fellow subsidiaries
Young Options (3 1) Limited*	100	Dormant
Young Options (4 1) Limited*	100	Dormant
Family Options Limited*	100	Dormant
Young Options Limited*	100	Dormant
Newco Options (2) Limited*	100	Dormant

All of the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. All shares held in subsidiaries are ordinary shares. An asterisk indicates that the Company has an indirect holding of that investment.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 11 Debtors

	Group	Company	Group	Company
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£'000	£'000	£'000	£'000
Trade debtors	4,389	-	4,349	-
Amounts owed by Group undertakings	-	9,391	-	10,245
Other debtors	14	-	603	-
Prepayments and accrued income	189	23	125	12
Deferred tax asset (note 14)	1,487	-	1,419	-
	6,079	9,414	6,496	10,257

Amounts owed from related undertakings were unsecured, interest free and repayable on demand

### 12 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 13)	4,362	4,457	54,789	11,346
Trade creditors	684	33	737	60
Other creditors	257	200	81	146
Other taxation and social security	575	21	590	87
Accruals and deferred income	5,766	684	5,136	383
	11,644	5,395	61,333	12,022

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 13 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	48,263	6,647	-	-

#### Maturity of debt

	Overdrafts	Bank Loans	Total	Overdrafts	Bank Loans	Total
	31 March 2011	31 March 2011	31 March 2011	31 March 2010	31 March 2010	31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
Within one year	4,362	-	4,362	5,647	49,142	54,789
Within two to five years	-	48,263	48,263	-	-	-
	4,362	48,263	52,625	5,647	49,142	54,789
<b>Company</b>						
Within one year	4,457	-	4,457	4,349	6,997	11,346
Within two to five years	-	6,647	6,647	-	-	-
	4,457	6,647	11,104	4,349	6,997	11,346

The bank loans are secured by way of fixed and floating charges over the assets of the subsidiaries of the Group

Interest on the bank loans and overdrafts are charged at LIBOR plus 2.5%. Additional mandatory costs of 0.0063% (2010: 0.0063%) are charged on the bank loans

Group and Company secured bank loans are stated net of unamortised issue costs. The Group incurred total issue costs of £700,000 in respect of the three-year facility entered into in September 2010. These costs (together with the interest expense) are allocated to the profit and loss account over the three year term of the facility (see note 6)

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 14 Deferred tax

	Group	Company	Group	Company
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£'000	£'000	£'000	£'000
<b>Deferred tax asset</b>	<b>1,487</b>	<b>-</b>	<b>1,419</b>	<b>-</b>

The deferred tax asset at 31 March 2010 and 31 March 2011 is held within debtors (see note 11)

Group	£'000
The movements in the deferred tax asset was as follows	
At 1 April 2011	1,419
Credit to the profit and loss account for the year (note 6)	68
<b>At 31 March 2011</b>	<b>1,487</b>

The elements of deferred tax are as follows

	31 March 2011	31 March 2010
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	(220)	(131)
Other timing differences	1,707	1,550
<b>Undiscounted provision – deferred tax asset</b>	<b>1,487</b>	<b>1,419</b>

An unrecognised deferred tax asset of £1,931,565 exists as at the year end (2010 £2,079,024). The amount principally consists of brought forward losses and no value is placed on these given the uncertainty over future profits against which the amount could be recovered. During the year the main UK corporation tax rate changed from 28% to 27% which was substantially enacted on 20 July 2010 and effective from 1 April 2011. A further reduction to 26% was substantively enacted on 29 March 2011. This change in tax rate had the effect of reducing the brought forward unrecognised deferred tax balance by £74,251. The remainder of the movement during the year is attributable to reduction of the asset of £73,208.

On 23 March 2011, it was announced that the corporation tax rate was to be reduced from 28% to 26% as of 1 April 2011, with further reductions to be enacted separately each year to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Called up share capital

Allotted and fully paid	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	Number	£'000	Number	£'000
A Ordinary shares of £0.01 each	700	-	700	-
B Ordinary shares of £0.01 each	190	-	190	-
C Ordinary shares of £0.01 each	50,000,500	500	50,000,500	500
Ordinary shares of £0.01 each	50,001,390	500	50,001,390	500

The Ordinary C class shares carry no rights to participate in any dividend and no voting rights. The Ordinary A class shares have their voting rights pared back to 49.9% unless certain conditions are satisfied, with the remainder of the voting rights held by the B shares."

On a return of capital, sale or winding up the Company's remaining assets after settlement of all remaining liabilities will be distributed to the shareholders in the following proportions, A Ordinary shareholders 70%, B Ordinary shareholders 25%, and C Ordinary shareholders 5%.

### 16 Profit and loss account

	Group	Company
	£'000	£'000
At 1 April 2010	(5,964)	(1,650)
Loss for the financial year	(4,596)	(863)
At 31 March 2011	(10,560)	(2,513)

### 17 Contingent liabilities

Substantially all the assets of the Group are pledged as security under a fixed and floating charge in favour of the lenders under the Group's senior credit facility (see note 13).

### 18 Pensions

#### Group and Company

The Group operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the Group to the schemes and amounted to £271,494 (2010: £197,064). Contributions amounting to £20,633 (2010: £36,059) were accruing at the year end.

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 19 Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 March 2011	46 week period ended 31 March 2010
	£'000	£'000
Operating loss	(2,924)	(5,054)
Depreciation	1,346	1,587
Amortisation	5,465	4,099
Disposals of tangible fixed assets	2	-
Decrease/(increase) in debtors	486	(3,677)
Increase in creditors	385	3,488
<b>Net cash inflow from operating activities</b>	<b>4,760</b>	<b>443</b>

### 20 Analysis of net debt

	At 1 April 2010	Other Non Cash Changes	Cash Flow	At 31 March 2011
	£'000	£'000	£'000	£'000
Cash	29	-	12	41
Overdrafts	(5,647)	-	1,052	(4,595)
	(5,618)	-	1,064	(4,554)
Debt due within one year	(49,142)	233	49,142	233
Debt due after one year	-	350	(48,613)	(48,263)
<b>Total</b>	<b>(54,760)</b>	<b>583</b>	<b>1,064</b>	<b>(52,584)</b>

Details regarding the re-financing that occurred during the financial year are disclosed in note 13

# Options Group Holdings Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 21 Commitments

At 31 March 2011 the Group has lease agreements in respect of properties and plant and equipment, for which the payments extend over a number of years

	2011	2010
	£'000	£'000
<b>Land and buildings, leases expiring</b>		
- within one year	17	17
- after one year and before five years	41	66
- after five years	41	5
	99	88
<b>Other, leases expiring</b>		
- after one year and before five years	18	18
	117	106

### 22 Reconciliation of net cash flow to movement in net debt

	31 March 2011	31 March 2010
	£'000	£'000
Decrease/(Increase) in cash in the financial year	12	(4,550)
Overdrafts	1,052	(1,068)
<b>Change in net cash</b>	<b>1,064</b>	<b>(5,618)</b>
Net debt acquired on acquisition	-	(43,758)
Funds from new borrowings	(48,613)	(6,997)
Repayment of amounts borrowed	49,142	1,613
Other non cash changes	583	-
<b>Movement in net debt in the financial year</b>	<b>2,176</b>	<b>(54,760)</b>
<b>Net debt at 31 March</b>	<b>(52,584)</b>	<b>(54,760)</b>



## Options Group Holdings Limited

### Notes to the financial statements for the year ended 31 March 2011 (continued)

Repayment of senior debt relates to amounts recovered on an ongoing basis as part of the group restructure and reorganisation, which have been used to repay part of the senior debt facilities acquired

#### 23 Reconciliation of movements in total shareholders' deficit

	31 March 2011	31 March 2010
	£'000	£'000
Loss for the financial year	(4,596)	(5,964)
Ordinary shares issued	-	500
<b>Net reduction from total shareholders' deficit</b>	<b>(4,596)</b>	<b>(5,464)</b>
Opening total shareholders' deficit	(5,464)	-
<b>Closing total shareholders' deficit</b>	<b>(10,060)</b>	<b>(5,464)</b>

#### 24 Related party transactions

The Directors had the following shareholdings at the financial year end

	No of shares	Type of shares	% Shareholding
T MacDonald-Milner	60	Ordinary B Class	6.7
S Green	40	Ordinary B Class	4.5
C Firman	10	Ordinary B Class	1.1
S Bradshaw	50	Ordinary B Class	5.6

During the financial year £185,261 (2010: £55,208) was paid to Aspergers.co.uk Limited, a company owned by S Bradshaw (a Director of Options Group Holdings), in respect of chairman advisory services

Barclays Bank plc also provides the bank overdraft and loan facilities to the Group. Outstanding amounts at the financial year are detailed in note 13.

#### 25 Ultimate parent company and controlling party

The ultimate parent undertaking and controlling party of the Group is Options Group Holdings Limited. Options Group Holdings is also the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2011.

Barclays Converted Investments (NO2) Limited owns shares that give it 49.9% of the voting rights of the Company.