

**RIDGMONT CARE HOMES
(SOUTH) LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 MAY 2005



RIDGMONT CARE HOMES (SOUTH) LIMITED

FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

Company registration number: 3003291

Registered office: 145 Cannon Street
London
EC4N 5BQ

Directors: M D Gosling
C M Jap
J Storey

Secretary: S T Kime

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

RIDGMONT CARE HOMES (SOUTH) LIMITED

FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

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RIDGMONT CARE HOMES (SOUTH) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 31 May 2005.

Principal activity

The company was principally engaged in the ownership and management of care homes.

On 26 March 2005, the company was acquired by Cannon Capital AV Limited. On 26 March 2005, the trade and assets of the company were transferred to fellow subsidiary companies of Cannon Capital AV Limited.

Business review

There was a profit for the period after taxation amounting to £12,489,000 (2004: £826,000). The directors do not recommend the payment of a dividend (2004: £171,000).

Directors

The present membership of the Board is set out below.

R C Storey (resigned 1 April 2005)
C D Elliot (resigned 1 April 2005)
A Savage (resigned 1 April 2005)
M D Gosling (appointed 1 April 2005)
C M Jap (appointed 1 January 2005)
J Storey (appointed 1 April 2004)

None of the directors had any interest in any of the classes of shares issued by the company.

The interests of the directors in the share capital of the parent undertaking, Cannon Capital Ventures Limited, are disclosed in that company's financial statements.

Directors' responsibilities for the financial statements

United Kingdom 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 period. 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RIDGMONT CARE HOMES (SOUTH) LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton were appointed auditors on 31 May 2005 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985.

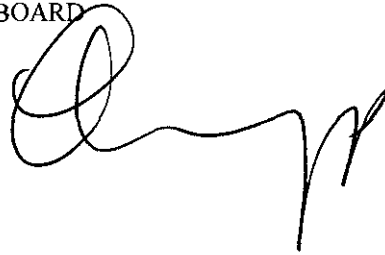
Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

C M Jap
Director

27 September

2005



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RIDGMONT CARE HOMES (SOUTH) LIMITED**

We have audited the financial statements of Ridgmont Care Homes (South) Limited for the period ended 31 May 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RIDGMONT CARE HOMES (SOUTH) LIMITED**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON

27 September 2005

RIDGMONT CARE HOMES (SOUTH) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

BASIS OF CONSOLIDATION

Under section 228 of the Companies Act 1985, group financial statements have not been prepared as the company is a subsidiary undertaking and the company's financial statements are included in the consolidated financial statements of Cannon Capital Ventures Limited.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold buildings	50 years
Fixtures, fittings and equipment	5 - 10 years
Computers	4 years
Motor vehicles	4 years

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

LEASING AND HIRE PURCHASE CONTRACTS

Assets held under hire purchase contracts and financial lease are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of rental obligations are charged to the profit and loss account over the period of the lease.

The payments made under operating leases are charged to the profit and losses account as incurred.

RIDGMONT CARE HOMES (SOUTH) LIMITED**PROFIT AND LOSS ACCOUNT**

For the period ended 31 MAY 2005

	Note	14 month period ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Turnover	1	8,790	8,155
Cost of sales		<u>(5,191)</u>	<u>(5,126)</u>
Gross profit		3,599	3,029
Administrative expenses		<u>(1,461)</u>	<u>(1,168)</u>
Operating profit		2,138	1,861
Profit on sale of fixed assets	1	11,140	-
Interest payable and similar charges	2	(1,150)	(696)
Interest receivable and similar charges		<u>361</u>	<u>38</u>
Profit on ordinary activities before taxation	1	12,489	1,203
Tax on profit on ordinary activities	5	<u>-</u>	<u>(377)</u>
Profit on ordinary activities after taxation		12,489	826
Dividends	6	-	(171)
Profit retained and transferred to from reserves	14	<u>12,489</u>	<u>655</u>

All transactions arise from operations that were discontinued in the period.

There were no recognised gains or losses other than the profit for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

RIDGMONT CARE HOMES (SOUTH) LIMITED

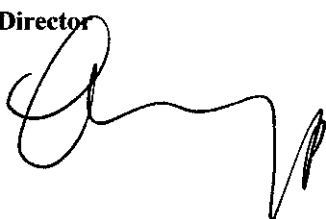
BALANCE SHEET AT 31 MAY 2005

	Note	At 31 May 2005 £'000	At 31 March 2004 £'000
Fixed assets			
Tangible assets	7	-	19,333
Investments	8	<u>1</u>	<u>1</u>
		1	19,334
Current assets			
Debtors	9	24,973	812
Cash at bank and in hand		<u>-</u>	<u>2,279</u>
		24,973	3,091
Creditors: amounts falling due within one year	10	<u>(28)</u>	<u>(3,642)</u>
Net current assets		24,945	(551)
Total assets less current liabilities		<u>24,946</u>	<u>18,783</u>
Creditors: amounts falling due after more than one year	11	-	(6,326)
Provisions for liabilities and charges	12	<u>(121)</u>	<u>(121)</u>
		<u>24,825</u>	<u>12,336</u>
Capital and reserves			
Called up share capital	13	974	974
Share premium account	14	1,895	1,895
Revaluation reserve	14	-	9,467
Profit and loss account	14	<u>21,956</u>	<u>-</u>
Shareholders' funds	15	<u>24,825</u>	<u>12,336</u>

The financial statements were approved by the Board of Directors on

27 September 2005.

C M Jap - Director



The accompanying accounting policies and notes form an integral part of these financial statements.

RIDGMONT CARE HOMES (SOUTH) LIMITED

OTHER PRIMARY STATEMENTS

For the period ended 31 MAY 2005

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Profit for the financial period	12,489	826
Unrealised surplus on revaluation and buildings	-	7,027
Total gains and losses recognised since last financial statements	12,489	7,853

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Profit for the period after taxation	12,489	1,203
Realisation of previously unrecognised revaluation gains	9,467	-
Historical cost profit before taxation	21,956	1,203
Historical cost profit transferred to reserves	21,956	655

The accompanying accounting policies and notes form an integral part of these financial statements.

RIDGMONT CARE HOMES (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents amounts receivable for services rendered in the operation of care homes within the United Kingdom.

The profit on ordinary activities before taxation is stated after:

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Auditors' remuneration:		
Audit services	-	11
Non-audit services	-	10
Depreciation:		
Tangible fixed assets owned	<u>205</u>	<u>249</u>

Auditors remuneration (including non-audit services) is borne by the ultimate parent undertaking, Cannon Capital Ventures Limited.

The profit on sale of fixed assets arose on the transfer of fixed assets to fellow subsidiary company's of Cannon Capital Ventures Limited in March 2005.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Interest payable to group undertakings	1,150	695
Finance charges payable under hire purchase contracts	-	1
	<u>1,150</u>	<u>696</u>

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Bank interest receivable	25	38
Interest receivable from group undertakings	336	-
	<u>361</u>	<u>38</u>

RIDGMONT CARE HOMES (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

4 DIRECTORS AND EMPLOYEES

Staff costs during the period were £4,566,000 (2004: £4,523,000).

The average number of employees of the company at the period end was nil (2004: 355).

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and represents:

	2005 £'000	2004 £'000
Corporation tax at 30% (2004: 30%)	-	339
Adjustments in respect of prior year	-	(20)
Deferred tax	-	58
	<u>-</u>	<u>377</u>
Profit on ordinary activities before tax	<u>12,489</u>	<u>1,203</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	<u>3,747</u>	<u>361</u>
Effect of:		
Profit on disposal of assets in excess of chargeable gain	(3,381)	-
Group relief	(377)	-
Capital allowances for the period in excess of depreciation	11	(22)
Current tax charge for period	<u>-</u>	<u>339</u>

RIDGMONT CARE HOMES (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

6 DIVIDENDS

	14 months ended 31 May 2005 £'000	Year ended 27 March 2004 £'000
Equity dividends on ordinary shares	-	171

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Office equipment fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 28 March 2004	18,894	1,876	12	20,782
Additions	220	188	-	408
Disposals	(19,114)	(2,064)	(12)	(21,190)
At 31 May 2005	-	-	-	-
Depreciation				
At 28 March 2004	-	1,447	2	1,449
Charge for the period	46	156	3	205
Disposals	(46)	(1,603)	(5)	(1,654)
At 31 May 2005	-	-	-	-
Net book amount at 31 May 2005	-	-	-	-
Net book amount at 27 March 2004	18,894	429	10	19,333

8 INVESTMENTS

	Shares in group undertakings £'000
Cost	
At 28 March 2004 and 31 May 2005	1,347
Amounts written off	
At 28 March 2004 and 31 May 2005	1,346
Net book amount at 31 May 2005 and 27 March 2004	1

RIDGMONT CARE HOMES (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

INVESTMENTS (CONTINUED)

At 31 May 2005 the company held more than 20% of a class of the equity of the following undertakings:

	Country of incorporation/ registration	Class of share capital held	Proportion held	Nature of business
Subsidiaries				
Highcare Services Limited	England and Wales	Ordinary	100%	Dormant
Highcare Limited	England and Wales	Ordinary	100%	Dormant

9 DEBTORS

	At 31 May 2005 £'000	At 27 March 2004 £'000
Trade debtors	-	542
Amounts owed by group undertakings	24,973	-
Prepayments and accrued income	-	270
	<u>24,973</u>	<u>812</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 May 2005 £'000	At 27 March 2004 £'000
Obligations under hire purchase contracts	-	4
Trade creditors	-	90
Amounts owed to group undertakings	-	1,913
Amounts owed to group undertakings	28	558
Corporation tax	-	332
Other taxation and social security	-	178
Accruals and deferred income	-	332
Dividends proposed	-	171
	<u>28</u>	<u>3,642</u>

RIDGMONT CARE HOMES (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 MAY 2005

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 31 May 2005 £'000	At 27 March 2004 £'000
Obligations under hire purchase contracts	-	5
Amount owed to parent undertaking	-	6,321
	<u>-</u>	<u>6,326</u>
Due within one to two years:		
Obligations under hire purchase contracts	-	5
Amounts owed to parent undertaking	-	601
	<u>-</u>	<u>606</u>
Due within two to five years:		
Amounts due to parent undertaking	-	5,720
	<u>-</u>	<u>5,720</u>

12 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below. There were no unprovided amounts of deferred taxation at 31 May 2005 or 27 March 2004.

	Amount provided 2005 £'000	2004 £'000
Accelerated capital allowances	-	129
Other timing differences	-	(8)
	<u>-</u>	<u>121</u>

The movement in the deferred tax liability during the period is as follows:

	£'000
At 28 March 2004	121
Disposals	(121)
At 31 May 2005	<u>-</u>

13 SHARE CAPITAL

	At 31 May 2005 £'000	At 27 March 2004 £'000
Authorised		
24,500,000 ordinary shares of 10p each	<u>2,450</u>	<u>2,450</u>
Allotted, called up and fully paid		
9,744,710 ordinary shares of 10p each	<u>974</u>	<u>974</u>

RIDGMONT CARE HOMES (SOUTH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 MAY 2005

14 SHARE PREMIUM ACCOUNT AND RESERVES

	Revaluation reserve £'000	Share premium account £'000	Profit and loss account £'000
At 28 March 2004	9,467	1,895	-
Profit for the period	-	-	12,489
Transfer between reserves	(9,467)	-	9,467
At 31 May 2005	-	<u>1,895</u>	<u>21,956</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	At 31 May 2005 £'000	At 27 March 2004 £'000
Profit for the financial period	12,489	826
Dividends	-	(171)
	<u>12,489</u>	<u>655</u>
Other recognised gains and losses	-	7,027
Shareholders' funds at 28 March 2004	<u>12,336</u>	<u>4,654</u>
Shareholders' funds at 31 May 2005	<u>24,825</u>	<u>12,336</u>

16 CAPITAL COMMITMENTS

Amounts contracted for but not provided in these financial statements amounted to £ nil (2004: £169,000).

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 May 2005 (2004: £nil).

18 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.

19 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of the company is Cannon Capital Ventures Limited. The financial statements of Cannon Capital Ventures Limited will be available from the registered office.