

**CANNON CAPITAL AV
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 2005



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CANNON CAPITAL AV LIMITED

FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

Company registration number: 04916297

Registered office: 145 Cannon Street
London
EC4N 5BQ

Directors: J P Flaherty
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

CANNON CAPITAL AV LIMITED

FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

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REPORT OF THE DIRECTORS

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

Principal activity

The principal activity of the company is that of property rental and investment holding.

Business review

There was a profit for the year after taxation amounting to £1,101,000 (2004: £nil). The directors do not recommend the payment of a dividend.

Directors

The directors at 31 May 2005 were:

J P Flaherty
M D Gosling
C M Jap
J Storey

None of the directors held any interest in the share capital of the company.

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.

CANNON CAPITAL AV LIMITED

REPORT OF THE DIRECTORS

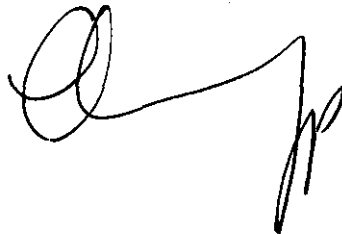
Auditors

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

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a long horizontal stroke and a vertical line ending in a small hook.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CANNON CAPITAL AV LIMITED

We have audited the financial statements of Cannon Capital AV Limited for the year ended 31 May 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 14. 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
CANNON CAPITAL AV 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 year 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

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.

CASH FLOW STATEMENT

Financial Reporting Standard 1 (Revised) "Cash Flow Statements" exempts undertakings from the requirement to produce such a statement where they are wholly owned subsidiaries of undertakings which prepare a consolidated cash flow statement which includes the cash flows of the company. The company's ultimate United Kingdom parent undertaking prepares such a statement and the company has therefore taken advantage of the exemption.

INVESTMENTS

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities.

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 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.

INVESTMENT INCOME

Investment income comprises dividends declared by wholly owned subsidiaries.

CANNON CAPITAL AV LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 MAY 2005

	Note	Year ended 31 May 2005 £'000	Period ended 31 May 2004 £'000
Turnover		-	-
Administrative expenses		(9)	-
Operating loss		(9)	-
Income from investments		2,686	-
Net interest	2	(1,576)	-
Profit on ordinary activities before taxation	1	1,101	-
Tax on profit on ordinary activities	3	-	-
Profit for the year	9	1,101	-
Dividends		-	-
Profit retained		1,101	-

All transactions arise from continuing operations.

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

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

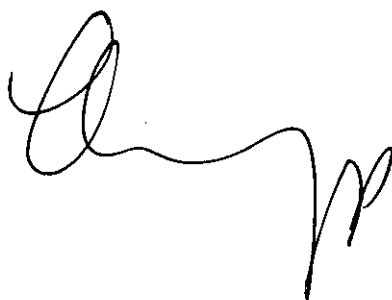
CANNON CAPITAL AV LIMITED

BALANCE SHEET AT 31 MAY 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	4	<u>80,969</u>	-
		80,969	-
Current assets			
Debtors	5	183	-
Cash at bank and in hand		<u>503</u>	-
		686	-
Creditors: amounts falling due within one year	6	<u>(3,164)</u>	-
Net current liabilities		<u>(2,478)</u>	-
Total assets less current liabilities		<u>78,491</u>	-
Creditors: amounts falling due after one year	7	<u>(77,390)</u>	-
		<u>1,101</u>	-
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	<u>1,101</u>	-
Shareholders' deficit	10	<u>1,101</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.

CANNON CAPITAL AV LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditor's remuneration (for audit and non-audit services), is borne by Cannon Capital Ventures Limited and is shown as part of the charge in the accounts of that company.

2 NET INTEREST

	Year ended 31 May 2005 £'000	Period ended 31 May 2004 £'000
Interest income:		
Bank and other	5	-
Loans to subsidiary undertaking	1	-
	<u>6</u>	<u>-</u>
Interest expense:		
Bank loans	(2)	-
Loans from group undertakings	(1,578)	-
Loan notes	(2)	-
	<u>(1,576)</u>	<u>-</u>

3 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 May 2005 £	Period ended 31 May 2004 £
Profit on ordinary activities before taxation	1,101	-
Profit on ordinary activities multiplied by the standard rate of tax in the United Kingdom of 30% (2004: 30%)	330	-
Effect of:		
Group dividend received	(806)	-
Group relief	476	-
Current tax charge	<u>-</u>	<u>-</u>

CANNON CAPITAL AV LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

4 INVESTMENTS IN SUBSIDIARY UNDERTAKING

	£'000
Cost and net book value	
At 1 June 2004	-
Additions	80,969
At 31 May 2005	<u>80,969</u>

At 31 May 2005 the company controlled the following subsidiary undertakings:

	Country of registration and operation	Class of shares held	Proportion held
Balmoral Nursing Homes Limited	England and Wales	Ordinary	100%
Ablequest Investments Limited	England and Wales	Ordinary	100%
Highclear Group Limited	England and Wales	Ordinary	100%
Designream Limited	England and Wales	Ordinary	100%
Balvaird Holdings Limited	England and Wales	Ordinary	100%
Ridgmont Care Homes Group Limited	England and Wales	Ordinary	100%
Park Eden Limited	England and Wales	Ordinary	100%

All the subsidiaries are operators of nursing homes.

5 DEBTORS

	2005 £'000	2004 £'000
Amounts due in less than one year:		
Other debtors	169	-
Amounts falling due in more than one year:		
Amounts due from other group undertakings	14	-
	<u>183</u>	<u>-</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Trade creditors	141	-
Amounts due to group undertakings	3,023	-
	<u>3,164</u>	<u>-</u>

CANNON CAPITAL AV LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

7 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005 £'000	2004 £'000
Loan notes	502	-
Amounts due to group undertakings	76,888	-
	<u>77,390</u>	<u>-</u>

8 SHARE CAPITAL

	2005 £	2004 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

9 RESERVES

	Profit and loss account £'000
At 1 June 2004	-
Profit for the year	1,101
At 31 May 2005	<u>1,101</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Profit for the financial year	1,101	-
Shareholders' funds at 1 June 2004	-	-
Shareholders' funds at 31 May 2005	<u>1,101</u>	<u>-</u>

11 CAPITAL COMMITMENTS

The company had no capital commitments at 31 May 2005 or 31 May 2004.

12 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 May 2005 or 31 May 2004.

CANNON CAPITAL AV LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MAY 2005

13 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.

14 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.