

CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011



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CANNON CARE HOMES LIMITED

COMPANY INFORMATION

DIRECTOR	Mr R Cannon
COMPANY SECRETARY	Mrs J Cannon
COMPANY NUMBER	05317825
REGISTERED OFFICE	50 The Terrace Torquay Devon TQ1 1DD
AUDITORS	Bishop Fleming Chartered Accountants & Statutory Auditors 50 The Terrace Torquay Devon TQ1 1DD
BANKERS	Santander 21 Prescott Street London E1 8AD
SOLICITORS	W B W Solicitors Church House Queen Street Newton Abbot TQ12 2QP

CANNON CARE HOMES LIMITED

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CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

The director presents his report and the financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITY

The principal activity of the company during the year continued to be that of the holding company for Thornfield Care Limited and the landlord of the property from which this company trades. Cannon Care Homes Limited is also the holding company for the following companies -

Cannon Care Homes 4 Limited
Cannon Care Homes 5 Limited
The Check House Limited

BUSINESS REVIEW

During the year the group has continued to operate within the Care Home sector. Results for the year are shown in the consolidated profit and loss account on page 6.

The principal risks and uncertainties facing the company are group trading performance and the ability of the group to meet its obligations as they fall due. See note 1.10 to the accounts for further details.

Key performance indicators are, occupancy rates, EBITDAR, interest cover and Loan to Value.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £455,669 (2010: £64,666).

During the year a dividend of £20,000 (2010: £500,000) was paid to the director.

DIRECTOR

The director who served during the year was

Mr R Cannon

PROVISION OF INFORMATION TO AUDITORS

The director at the time when this Director's report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

AUDITORS

The auditors, Bishop Fleming, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

CANNON CARE HOMES LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

This report was approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to read 'R Cannon', written in a cursive style.

**Mr R Cannon
Director**

Date 1/12/11

50 The Terrace
Torquay
Devon
TQ1 1DD

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is 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 group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

CANNON CARE HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CANNON CARE HOMES LIMITED

We have audited the financial statements of Cannon Care Homes Limited for the year ended 31 March 2011, set out on pages 6 to 21. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 DIRECTOR AND AUDITORS

As explained more fully in the Director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's 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 profit 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CANNON CARE HOMES LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 10 of the financial statements concerning the company's ability to continue as a going concern. The matters set out in this note indicate material uncertainties which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



William Hanbury ACA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming

Chartered Accountants

Statutory Auditors

50 The Terrace

Torquay

Devon

TQ1 1DD

Date 5/12/11

CANNON CARE HOMES LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	4,932,092	4,735,384
Cost of sales		<u>(2,640,291)</u>	<u>(2,603,857)</u>
GROSS PROFIT		2,291,801	2,131,527
Administrative expenses		(979,577)	(1,203,481)
Exceptional administrative expenses		-	(10,848)
Total administrative expenses		(979,577)	(1,214,329)
Other operating income	3	<u>-</u>	<u>2,390</u>
OPERATING PROFIT	4	1,312,224	919,588
Interest receivable and similar income		3	4
Interest payable and similar charges	7	<u>(720,375)</u>	<u>(920,965)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		591,852	(1,373)
Tax on profit/(loss) on ordinary activities	9	<u>(136,183)</u>	<u>66,039</u>
PROFIT FOR THE FINANCIAL YEAR	19	<u>455,669</u>	<u>64,666</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

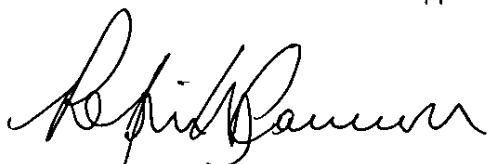
The notes on pages 10 to 21 form part of these financial statements

CANNON CARE HOMES LIMITED
REGISTERED NUMBER: 05317825

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Intangible assets	10		1,223,844		1,252,344
Tangible assets	11		11,928,657		11,936,754
			<u>13,152,501</u>		<u>13,189,098</u>
CURRENT ASSETS					
Stocks	13	2,774		2,775	
Debtors	14	613,354		231,323	
Cash at bank and in hand		22,252		34,252	
		<u>638,380</u>		<u>268,350</u>	
CREDITORS: amounts falling due within one year	15	(1,769,410)		(1,689,520)	
NET CURRENT LIABILITIES			<u>(1,131,030)</u>		<u>(1,421,170)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,021,471</u>		<u>11,767,928</u>
CREDITORS. amounts falling due after more than one year	16		(12,228,594)		(12,412,671)
PROVISIONS FOR LIABILITIES					
Deferred tax	17		(80,881)		(78,930)
NET LIABILITIES			<u>(288,004)</u>		<u>(723,673)</u>
CAPITAL AND RESERVES					
Called up share capital	18		1		1
Profit and loss account	19		(288,005)		(723,674)
SHAREHOLDERS' DEFICIT	20		<u>(288,004)</u>		<u>(723,673)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



Mr R Cannon
Director

Date 1.12.11

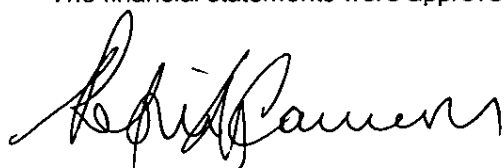
The notes on pages 10 to 21 form part of these financial statements

CANNON CARE HOMES LIMITED
REGISTERED NUMBER. 05317825

COMPANY BALANCE SHEET
AS AT 31 MARCH 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	11		1,325,753		1,323,395
Investments	12		3,711,453		3,711,453
			<u>5,037,206</u>		<u>5,034,848</u>
CURRENT ASSETS					
Debtors	14	3,571,497		2,362,295	
Cash in hand		50		-	
		<u>3,571,547</u>		<u>2,362,295</u>	
CREDITORS: amounts falling due within one year	15	<u>(2,630,797)</u>		<u>(2,096,082)</u>	
NET CURRENT ASSETS			<u>940,750</u>		<u>266,213</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,977,956</u>		<u>5,301,061</u>
CREDITORS: amounts falling due after more than one year	16		<u>(5,933,594)</u>		<u>(5,933,594)</u>
NET ASSETS/(LIABILITIES)			<u><u>44,362</u></u>		<u><u>(632,533)</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		1		1
Profit and loss account	19		<u>44,361</u>		<u>(632,534)</u>
SHAREHOLDERS' FUNDS/(DEFICIT)	20		<u><u>44,362</u></u>		<u><u>(632,533)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



Mr R Cannon
Director

Date 1.12.11

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

CANNON CARE HOMES LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	22	895,516	1,275,605
Returns on investments and servicing of finance	23	(720,372)	(920,961)
Taxation		(38,595)	(25,701)
Capital expenditure and financial investment	23	(28,979)	(84,583)
Equity dividends paid		(20,000)	(500,000)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		87,570	(255,640)
Financing	23	(98,178)	246,169
DECREASE IN CASH IN THE YEAR		(10,608)	(9,471)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
Decrease in cash in the year	(10,608)	(9,471)
Cash outflow from decrease in debt and lease financing	98,178	(246,169)
MOVEMENT IN NET DEBT IN THE YEAR	87,570	(255,640)
Net debt at 1 April 2010	(12,935,556)	(12,679,916)
NET DEBT AT 31 MARCH 2011	(12,847,986)	(12,935,556)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

1.2 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Cannon Care Homes Limited and all of its subsidiary undertakings ('subsidiaries')

1.3 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

1.4 INTANGIBLE FIXED ASSETS AND AMORTISATION

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life of 20 years

1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Plant & machinery	-	15% and 25% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures & fittings	-	25% reducing balance
Office equipment	-	25% reducing balance

Depreciation is not provided on freehold buildings as the director is of the opinion that the residual values of such properties are not less than cost or valuation, and therefore any depreciation would be immaterial

1.6 INVESTMENTS

Investments in subsidiaries are valued at cost less provision for impairment

1.7 LEASING AND HIRE PURCHASE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1.8 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

1.9 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

1.10 GOING CONCERN

As at 31 March 2011 the group had net current liabilities of £1,131,030 (2010 £1,421,170), and total liabilities exceeded total assets by £288,004 (2010 £723,673). The group as a whole achieved a net profit after tax of £455,669 (2010 £64,666) for the period to 31 March 2011

The group's structured debt, with the bank and two investors, is due for refinancing by 22 December 2012. Currently the finance payments are on an interest only basis. The projections prepared by the group indicate the group can meet its obligations as they fall due. Based on recent valuations the value of the homes are substantially in excess of the structured debt.

The director considers that with the continued support of the group, the bank and the two investors, the company will be a going concern for the next twelve months from the date of the audit report, and therefore the accounts have been prepared on a going concern basis.

2. TURNOVER

The whole of the turnover is attributable to the operation of residential care homes.

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	2011 £	2010 £
Net rents receivable	-	2,390

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

4. OPERATING PROFIT

The operating profit is stated after charging

	2011 £	2010 £
Amortisation - intangible fixed assets	28,500	28,500
Depreciation of tangible fixed assets		
- owned by the group	37,076	43,702
Auditors' remuneration	15,000	15,000
Exceptional administrative expenses	-	10,848

Auditors fees for the company were £15,000 (2010 £15,000)

5. STAFF COSTS

Staff costs, including director's remuneration, were as follows

	2011 £	2010 £
Wages and salaries	2,598,769	2,570,226

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

	2011 No.	2010 No
Director	1	1
Employees	193	189
	194	190

6 DIRECTOR'S REMUNERATION

	2011 £	2010 £
Emoluments	5,500	5,500

7. INTEREST PAYABLE

	2011 £	2010 £
On bank loans and overdrafts	573,455	614,814
On other loans	139,375	288,984
Other interest payable	7,545	17,167
	720,375	920,965

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
8. EXCEPTIONAL ITEMS

	2011 £	2010 £
Irrecoverable intercompany debts	-	10,848

9. TAXATION

	2011 £	2010 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profit/loss for the year	134,232	2,163
Adjustments in respect of prior periods	-	(6,971)
	134,232	(4,808)
Group taxation relief	-	6,971
TOTAL CURRENT TAX	134,232	2,163
DEFERRED TAX (see note 17)		
Origination and reversal of timing differences	1,951	(68,202)
TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES	136,183	(66,039)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2010 lower than) the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	2011 £	2010 £
Profit/loss on ordinary activities before tax	591,852	(1,373)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	165,719	(384)
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	-	22,475
Capital allowances for year in excess of depreciation	(31,487)	(12,957)
Tax adjustment in relation to prior year	-	(6,971)
CURRENT TAX CHARGE FOR THE YEAR (see note above)	134,232	2,163

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

10 INTANGIBLE FIXED ASSETS

GROUP	Goodwill
COST	£
At 1 April 2010 and 31 March 2011	<u>1,737,929</u>
AMORTISATION	
At 1 April 2010	485,585
Charge for the year	<u>28,500</u>
At 31 March 2011	<u>514,085</u>
NET BOOK VALUE	
At 31 March 2011	<u>1,223,844</u>
At 31 March 2010	<u>1,252,344</u>

11. TANGIBLE FIXED ASSETS

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Total £
GROUP						
COST						
At 1 April 2010	11,797,314	47,615	23,625	337,702	15,542	12,221,798
Additions	11,247	725	-	13,967	3,040	28,979
At 31 March 2011	<u>11,808,561</u>	<u>48,340</u>	<u>23,625</u>	<u>351,669</u>	<u>18,582</u>	<u>12,250,777</u>
DEPRECIATION						
At 1 April 2010	-	23,975	13,936	241,458	5,675	285,044
Charge for the year	-	3,876	2,423	27,550	3,227	37,076
At 31 March 2011	-	<u>27,851</u>	<u>16,359</u>	<u>269,008</u>	<u>8,902</u>	<u>322,120</u>
NET BOOK VALUE						
At 31 March 2011	<u>11,808,561</u>	<u>20,489</u>	<u>7,266</u>	<u>82,661</u>	<u>9,680</u>	<u>11,928,657</u>
At 31 March 2010	<u>11,797,314</u>	<u>23,640</u>	<u>9,689</u>	<u>96,244</u>	<u>9,867</u>	<u>11,936,754</u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

COMPANY	Freehold property £	Office equipment £	Total £
COST			
At 1 April 2010	1,314,176	13,197	1,327,373
Additions	2,383	3,040	5,423
At 31 March 2011	1,316,559	16,237	1,332,796
DEPRECIATION			
At 1 April 2010	-	3,978	3,978
Charge for the year	-	3,065	3,065
At 31 March 2011	-	7,043	7,043
NET BOOK VALUE			
At 31 March 2011	1,316,559	9,194	1,325,753
At 31 March 2010	1,314,176	9,219	1,323,395

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

12. FIXED ASSET INVESTMENTS

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Thornfield Care Limited	Ordinary £1 shares	100 %
The Check House Limited	Ordinary £1 shares	100 %
Cannon Care Homes 4 Limited	Ordinary £1 shares	100 %
Silverleigh Limited	Ordinary £1 shares	100 %

The aggregate of the share capital and reserves as at 31 March 2011 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Thornfield Care Limited	(120,612)	56,019
The Check House Limited	523,382	318,560
Cannon Care Homes 4 Limited	160,768	955,155
Silverleigh Limited	92,545	597,983

The company also owns 100% of the issued share capital Cannon Care Homes 5 Limited which is a dormant company

13. STOCKS

	GROUP		COMPANY	
	2011 £	2010 £	2011 £	2010 £
Raw materials	2,774	2,775	-	-

14. DEBTORS

	GROUP		COMPANY	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	63,649	60,065	2	-
Amounts owed by group undertakings	-	-	3,035,874	2,208,228
Other debtors	424,697	124,254	424,697	123,254
Prepayments and accrued income	125,008	47,004	110,924	30,813
	613,354	231,323	3,571,497	2,362,295

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 201115. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	473,480	474,872	473,480	474,872
Net obligations under finance leases and hire purchase contracts	168,164	82,266	-	-
Trade creditors	69,574	90,660	2,537	1,046
Amounts owed to group undertakings	-	-	1,667,173	1,165,369
Corporation tax	209,593	113,956	75,361	30,813
Social security and other taxes	142,148	274,661	9,300	37,320
Other creditors	297,107	297,107	297,107	297,107
Accruals and deferred income	409,344	355,998	105,839	89,555
	1,769,410	1,689,520	2,630,797	2,096,082

The bank overdraft due within one year of £473,480 (2010 - £473,899) is secured against the assets of the company

16. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Debenture loans	1,557,666	1,557,666	-	-
Bank loans	10,387,183	10,387,183	5,933,594	5,933,594
Other loans	250,000	250,000	-	-
Net obligations under finance leases and hire purchase contracts	33,745	217,822	-	-
	12,228,594	12,412,671	5,933,594	5,933,594

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Between one and five years	33,745	217,822	-	-

The bank loans due after one year of £10,387,183 (2010 - £10,387,183) are secured against assets of the company

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

17. DEFERRED TAXATION

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
At beginning of year	78,930	147,132	-	50,208
Charge for/(released during) the year	1,951	(68,202)	-	(50,208)
At end of year	80,881	78,930	-	-

The provision for deferred taxation is made up as follows

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Accelerated capital allowances	80,881	78,930	-	-

18. SHARE CAPITAL

	2011	2010
	£	£
ALLOTTED, CALLED UP AND PARTLY PAID		
1 Ordinary shares share of £1	1	1

19. RESERVES

GROUP	Profit and loss account £
At 1 April 2010	(723,674)
Profit for the year	455,669
Dividends Equity capital	(20,000)
At 31 March 2011	(288,005)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2011 £	2010 £
GROUP		
Opening shareholders' deficit	(723,673)	(288,339)
Profit for the year	455,669	64,666
Dividends (Note 21)	(20,000)	(500,000)
Closing shareholders' deficit	<u>(288,004)</u>	<u>(723,673)</u>

	2011 £	2010 £
COMPANY		
Opening shareholders' deficit	(632,533)	(852,450)
Profit for the year	696,895	719,917
Dividends (Note 21)	(20,000)	(500,000)
Closing shareholders' funds/(deficit)	<u>44,362</u>	<u>(632,533)</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account

The profit for the year dealt with in the accounts of the company was £696,895 (2010 £719,917)

21. DIVIDENDS

	2011 £	2010 £
Dividends paid on equity capital	<u>20,000</u>	<u>500,000</u>

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating profit	1,312,224	919,588
Amortisation of intangible fixed assets	28,500	95,896
Depreciation of tangible fixed assets	37,076	43,702
(Increase)/decrease in debtors	(382,031)	504,086
Decrease in creditors	(100,253)	(260,611)
Decrease in amounts owed to group undertakings	-	(27,056)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>895,516</u>	<u>1,275,605</u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	3	4
Interest paid	(720,375)	(920,965)
	<u> </u>	<u> </u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u><u>(720,372)</u></u>	<u><u>(920,961)</u></u>
	2011 £	2010 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(28,979)	(84,583)
	<u> </u>	<u> </u>
	2011 £	2010 £
FINANCING		
Repayment of loans	-	(24,134)
Purchase of debenture loans	-	290,078
Repayment of finance leases	(98,178)	(19,775)
	<u> </u>	<u> </u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	<u><u>(98,178)</u></u>	<u><u>246,169</u></u>

24 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2010 £	Cash flow £	Other non-cash changes £	31 March 2011 £
Cash at bank and in hand	34,252	(12,000)	-	22,252
Bank overdraft	(474,872)	1,392	-	(473,480)
	<u>(440,620)</u>	<u>(10,608)</u>	<u>-</u>	<u>(451,228)</u>
DEBT:				
Debts due within one year	(82,266)	98,178	(184,076)	(168,164)
Debts falling due after more than one year	(12,412,670)	-	184,076	(12,228,594)
	<u>(12,935,556)</u>	<u>87,570</u>	<u>-</u>	<u>(12,847,986)</u>
NET DEBT	<u><u>(12,935,556)</u></u>	<u><u>87,570</u></u>	<u><u>-</u></u>	<u><u>(12,847,986)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

25 RELATED PARTY TRANSACTIONS

During the year the company paid £20,000 (2010 - £500,000) in dividends to the director of the company

During the year Cannon Care Homes Limited received £250,000 (2010 - £252,390) in respect of rent from their subsidiary company, Thornfield Care Limited. The company was under the control of Mr R Cannon throughout the current and previous year.

At the year end, Mr R Cannon owed £424,696 (2010 - £123,253) to the company via his director's loan account. The maximum outstanding during the year was £424,696 (2010 - £388,091). No interest is charged on this account and the balance will be repaid within 9 months of the year end.

As they are consolidated financial statements intercompany balances and transactions have not been disclosed.

During the year a cross guarantee was in place across the whole Cannon Care Group for the total bank loans and overdrafts.

26. PRINCIPAL SUBSIDIARIES

Company name	Percentage Shareholding
Cannon Care Homes 4 Limited	100
The Check House Limited	100
Silverleigh Limited	100
Thornfield Care Limited	100

CANNON CARE HOMES LIMITED

**COMPANY DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	Page	2011 £	2010 £
Other operating income	23	250,000	250,000
		<u>250,000</u>	<u>250,000</u>
LESS. OVERHEADS			
Administration expenses	23	(388,023)	(867,119)
		<u>(138,023)</u>	<u>(617,119)</u>
OPERATING LOSS			
Interest payable	23	(298,040)	(300,981)
Investment income	23	1,000,000	1,400,000
		<u>563,937</u>	<u>481,900</u>
PROFIT FOR THE YEAR			

CANNON CARE HOMES LIMITED

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
OTHER OPERATING INCOME		
Net rents receivable	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
	2011 £	2010 £
ADMINISTRATION EXPENSES		
Directors salaries	5,500	5,500
Staff salaries	143,319	181,289
Sundry establishment expenses	11,067	10,020
Legal and professional	100,690	97,729
Equipment hire	8,525	60,398
Auditors' remuneration - non-audit	71,851	136,368
Auditors' remuneration	15,000	15,000
Depreciation - office equipment	3,065	3,077
Bank charges	29,006	27,714
Bad debts	-	330,024
	<u>388,023</u>	<u>867,119</u>
	2011 £	2010 £
INTEREST PAYABLE		
Bank loan interest payable	296,275	300,981
Other interest - on overdue tax	1,765	-
	<u>298,040</u>	<u>300,981</u>
	2011 £	2010 £
INVESTMENT INCOME		
Dividends received	1,000,000	1,400,000
	<u>1,000,000</u>	<u>1,400,000</u>